



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 8 April 2014

Subject: National Fair Funding Formula Consultation

Contact: Dan Mortiboys (mortiboysd@walsall.gov.uk)

Purpose of the report: To brief Schools Forum on the National Fair Funding Formula Consultation and approve the proposed consultation response by the 30 April deadline.

Recommendations: See final section of report

1. Executive Summary

1.1 The National Fair Funding Formula (NFFF) for schools block funding will not now happen until 1 April 2016 at the earliest. DfE have started to try and equalise the funding through establishing a minimum funding level. This sees Walsall receive a small increase. However, using the DfE approach and current pupil population this consultation appears to reduce the risk of a future NFFF to Walsall.

1.2 Minimum Funding Guarantee remains at 1.5% for 2015/16. No further changes are required for 2015/16 formula.

1.3 This report suggests that Walsall Schools Forum therefore uses time to analyse other areas of the budget before the proforma is sent to DfE in October 2014.

2. Background

2.1 On 26 June 2013 as part of the Spending Round 2013 (which would apply to financial year 2015/16), the Chancellor announced there would be a consultation on a National Fair Funding Formula with an implementation date of 1 April 2015.

2.2 Josh Goodman of the EFA presented in November 2013, "Government will consult on how to introduce a **national fair funding formula** (NFFF) for schools in 2015-16." The timetable attached looked at consulting in 'early' and 'spring' 2014 and announcing a policy in the summer.

2.3 Government published a 'Consultation on Fairer Schools Funding' on 13 March 2014. The headlines would be:

2.3.1 *"Although these proposals do not represent implementation of a national funding formula, this is the biggest step towards fairer funding for schools in a decade. The proposals we are announcing today put us in a much better position to implement a national funding formula when the time is right. This will be when the government has set spending plans over a longer period of time, allowing us to give schools and local authorities more certainty about how the formula will affect them over a number of years."*

2.3.2 *"No local authority or school will receive less funding as a result of this proposal."*

2.3.3 *"We are not proposing any changes for 2015-16 to the way in which local authorities can allocate funding to schools – except, possibly, minor changes to the sparsity factor."*

2.3.4 The DfE is allocating an extra £350m to schools in 2015/16.

2.3.5 The DfE is proposing that the additional funding is allocated by setting a minimum funding level that a local authority should attract for its pupils and schools in 2015/16. If a local authority already receives at least these minimum funding levels there will be no change but if the amount of funding per pupil it receives is less than the minimum funding, then their funding will be increased to meet these minimum levels.

2.3.6 There are 62 local authority areas who gain from this process. By definition there are 89 local authority areas that stay the same. Based on the information in the consultation, on this basis Walsall's school block proportion of DSG would **increase by £500k** from £183.3m to £183.8m. This is an increase of 0.3% from £4,643 to £4,655 per pupil.

2.3.7 The top gainers in the country were Bromley at 11.3% and Cambridgeshire at 7%. No other West Midlands metropolitan councils make a gain. Other 'local' gainers are Shropshire 6.2%, Warwickshire 4.6%, Worcestershire 1.7% and Telford and Wrekin 1.2%. (**Appendix 2**)

2.3.8 The DfE also proposes to raise the minimum funding levels for local authorities in areas with higher salaries in line with hybrid area cost adjustment. This takes account of both teacher salary and general labour market data.

2.3.9 The minimum funding guarantee (MFG) will remain at 1.5% in 2015/16.

2.4 There remains uncertainty about what will happen after 1 April 2016.

3. Minimum Funding Level calculation at Local Authority Level

3.1 Government have picked a number of factors to calculate what a minimum funding level should be calculated on. **Table 1** shows the calculation for Walsall.

3.2 It must be noted that EFA selecting these factors has **no** bearing on factors that Walsall Schools Forum has to use or can use when developing Walsall's formula. Also, this 'Minimum Funding Level' is completely different to the Minimum Funding Guarantee'.

Table 1**

Factor	Value	Number	£ Value	Walsall Formula Rate
Age Weighted Pupil Unit (AWPU) - Primary	£2,845	24,022		£2,959
Age Weighted Pupil Unit (AWPU) – Key Stage 3	£3,951	9,218		£4,419
Age Weighted Pupil Unit (AWPU) – Key stage 4	£4,529	6,222		£4,419
Pupils who have been eligible for free school meals in the past 6 years FSM Ever 6) – Primary	£893	8,752		NA (£1242)*
Pupils who have been eligible for free school meals in the past 6 years FSM Ever 6) – Secondary	£1,080	5,799		NA (£1490)*
Income Deprivation Affecting Children Index – Primary Band 1	£237	1,532		£223
Income Deprivation Affecting Children Index – Primary Band 2	£290	1,687		£272
Income Deprivation Affecting Children Index – Primary Band 3	£387	4,961		£347
Income Deprivation Affecting Children Index – Primary Band 4	£453	4,828		£446
Income Deprivation Affecting Children Index – Primary Band 5	£511	2,375		£545
Income Deprivation Affecting Children Index – Primary Band	£741	1,061		£792

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Income Affecting Index – Deprivation Children Secondary Band 1	£321	1,145		£267
Income Affecting Index – Deprivation Children Secondary Band 2	£423	1,112		£327
Income Affecting Index – Deprivation Children Secondary Band 3	£530	2,678		£416
Income Affecting Index – Deprivation Children Secondary Band 4	£596	2,783		£535
Income Affecting Index – Deprivation Children Secondary Band 5	£659	1,388		£654
Income Affecting Index – Deprivation Children Secondary Band 6	£894	574		£951
Looked After Children	£1,009	273		£1,406
Pupils with low prior attainment - Primary	£878	8,329		£215
Pupils with low prior attainment - Secondary	£1,961	3,792		£215
English as an Additional Language - Primary	£505	6,805		£439
English as an Additional Language - Secondary	£1,216	426		£439
Lump Sum – Primary	£117,082	85		£175,000
Lump Sum – Secondary	£128,129	17		£175,000
Sparsity Sum	£53,998	0		0

****Walsall does not use Ever 6 FSM in its formula. However, Walsall does use FSM. The FSM ever rate is included for an approximate comparison***

*****All the details in the report, are based on the consultation document. However, this calculation does not reconcile to figures published by the EFA. The EFA have been contacted about this and are going to be issuing further guidance soon. At the time of publishing the report this guidance is not available but if finalised a revised and detailed version will be published for 8 April 2014.***

3.3 The consultation states “We have carefully considered how we can allocate the £350m as fairly as possible – in a way that reflects the needs of pupils and schools. We are determined to avoid allocating it in a way that could perpetuate the flaws and inconsistencies of the current system, which we have been progressively reforming.”

3.4 It goes on to say, “We propose setting our minimum funding levels based on the average amounts that local authorities allocate to these characteristics in their local formulae at present. We propose to apply the minimum funding level for the basic per-pupil amount (‘age-weighted pupil unit’) at the average that local authorities currently allocate through this factor. In doing this, we will use roughly 75% of the £350m of additional funding. We then propose to apply the minimum funding levels for the other characteristics using the rest of the additional funding (roughly 25%). This will mean that we can set each of the other minimum funding levels close to the level of its current local authority average”

3.5 The values that government have picked are based mainly on averages from 2013/14 data. The lump sum is the average from the 2014/15 data. The final DSG for 2015/16 will be based on a different data set (probably 2014/15 averages) and therefore this could produce different results.

3.6 A number of the factors used in the minimum funding calculation are ‘optional’ at a local authority level. As an example several local authorities do not use the LAC factor. They have therefore been excluded from the average calculation.

3.7 It is clear that a number of authorities may well dispute the values involved in the calculation from a technical point of view. Examples have been calculated by excluding local authorities who have a value of zero, the overall average is distorted.

4. The Current and Potential Future Approach to Schools Funding

This part of the report was presented to Schools Forum in November 2013 but has been reproduced to remind the reader of the wider national fair funding formula issues

The following applies to all schools in Walsall except Walsall Academy, the current UTC and any free schools in the borough. So in other words all other nursery, primary, special and secondary schools be they academy or not – approx 117 schools.

School budgets are currently calculated as:

Step One

The EFA calculate a Dedicated Schools Grant for Walsall including academies. This is based on:

Guaranteed Unit of Funding per pupil (GUF) * number of pupils recorded on October census

This amount varies for Schools Block, High Needs Block and Early Years Block. The total amount of money created is **c£223m**.

The Schools Block is £181.532m. This is based on 39,102 pupils at £4,642.52.

The GUF for Schools Block is different for every local authority area. Walsall currently has a GUF of £4,642.52. Birmingham has £5,218.28 and Shropshire £4,112.55. It is hard to explain the basis of this but it has built up over a period of time based on spending share methodology and then had previously ring fenced grants rolled into it. (E.g. Standards Fund).

Step Two

The monies are then distributed through a series of formulas and regulations. These are:

- The Early Years Funding formula (EYFF) (nursery education)
- The SEN Funding Formula to Special schools
- There are funds that are retained centrally in different ways but are covered by Schools and Early Years Finance Regulations
- The largest amount of money is that which goes through the schools funding formula, in 2013/14 this was **c£180m**

Once the schools funding formula has been applied to the £180m, school budgets will have been created for 102 schools in Walsall.

To be clear, at this stage a national funding formula would only be for the schools funding formula and not early years or special educational need. This is the c£180m in the Schools Block. It is believed that there will be a National Early Years Funding Formula but no date is known for that yet and therefore it would be April 2016 at the earliest.

National Funding Formula

A national funding formula is seeking to alter the current approach. The 'why' this change is being sought would obviously be something which may produce different opinions. The following summarises opinion from some of the DfE slides from the York conference and a general overview. Reasons for a national funding formula would be:

- A) The levels of GUF are different for every local authority. Government fund £4,642 for a pupil in Walsall. If that pupil moved to Birmingham then government would provide £5,218 and then if they moved to Shropshire £4,112. The same pupils with same issues are attracting different levels of funding dependant on their geographical location.
- B) The example from the conference was that a school in Shropshire with 33% of pupils on free school meals received less funding than a school in Birmingham where only 3% of pupils were on free school meals while in other ways they were comparable (size, attainment etc.)

The concept is often quoted that all children with similar characteristics and all schools which are similar should be funded the same wherever they are in the country.

What remains unknown is how a national funding formula would be implemented. The long standing position is there are 3 approaches.

Approach 1 “Local Authority Level Formula”

To produce a formula to calculate the GUF for each authority. This would provide a transparent basis for why areas get funding. This would still allow local decision making on how to allocate the funds to schools but all children would receive funds on a consistent basis. It would be expected that factors such as deprivation, English as an additional language, the number of looked after children would drive the value of the funding received.

This would leave the role of Schools Forum very much the same as it is now.

It is difficult to predict how this would impact Walsall. Walsall's GUF is £4,642 which is 53rd highest of 151 LA's. The current mean average of GUF is £4,446. On that simple basis Walsall would lose £7.7m of funding or 4%. However that assumes that funding is done on an average basis with no weighting. If deprivation is used then Walsall has higher than average deprivation and therefore would attract more funding than average. However it is worth noting that the 15 highest GUF's are all in London so it would imply that London weighting may play a part or has done previously.

How the impact of any funding loss would be managed would be determined by the formula set. Walsall currently uses the highest possible lump sum. It maybe that the EFA might also tighten a number of rules at the same time as equalising GUF. Therefore depending on local decisions the formula could impact all schools or only particular schools.

Approach 2 “School Level Formula”

That the Minister and civil servants could do the work currently done by Schools Forum and set a formula for all schools in England. Currently schools work together in Walsall to determine levels of funding for schools. An example has been that schools vote on the level of lump sum per school. This year Walsall has chosen to have a £175k lump sum for both secondary and primary. Under this approach it would be EFA that would set these factors for all schools in England. This would also apply to AWPU, deprivation etc.

This approach would vastly reduce the role of Schools forum in setting the schools funding formula.

It is difficult to say how this would impact schools in Walsall. Clearly if the direction of funding policy continued then a formula developed would favour larger schools. However, if the total impact of the formula was to average out GUF then it could have a wider impact in Walsall. Therefore all schools could be impacted or Walsall could have both ‘winners’ and ‘losers’.

Approach 3 “Mix”

In short this would involve elements of both Approach 1 and Approach 2. Some factors could be decided centrally with a ‘pot’ of money given to Schools Forum to allow for local circumstances.

This would reduce Schools Forum powers but allow some contribution to allocating funds.

It is impossible to say how this would impact schools as that would be driven by the level of powers split between central and local decision making.

5. Potential and Possible Future Scenarios

5.1 Clearly, government’s intention was to implement a national fair funding formula by 1 April 2015 and this will not now happen. Local authority areas are still funded at different levels. Children in Birmingham are funded at a different level to children in Walsall, even where they have the same characteristics.

5.2 What is clear now, is that the 62 authorities that have seen an increase through the new minimum funding levels are now funded at the same level for

the same characteristics. **Appendix 2** gives that breakdown. So a child in Walsall is funded in at the same level as a child elsewhere, **except** where rates of teacher pay are different.

5.3 On a school by school level, there will still be differences. That will be because decisions by schools in Walsall will be different to schools elsewhere. So, Walsall may choose to award above the average lump sum but Warwickshire may award less.

5.4 It is unclear at this time what DfE will do next. Comments in this section of the report are speculation based on possible scenarios. It is anticipated at this time that the next Comprehensive Spending Review will take place after the 2015 general election. That will then apply to financial years from 2016/17 onwards.

5.5 One potential way forwards would be for DfE to repeat what they have done for 2015/16. The total schools block for 2014/15 was £30.654 billion. The extra £350m referred to in the consultation was in effect a 1.1% increase. However, has been covered in this report that £350m has been spread differently on criteria. Walsall is getting only 0.3%. If DfE receive further growth in 2016/17 and beyond they could use it by allocating it on a similar basis and look at the revised average etc. This has the advantage of no local authority area suffering a reduction in actual cash terms. However, doing it this way will take longer. Clearly having too much change too quickly also poses risk. From a DfE point of view this still leaves decision making in the hands of Schools Forums rather than in the hands of the DfE. It is unclear at this time if that is desirable to the DfE.

5.6 A further potential option would be using a similar approach but by taking money off the local authority areas that receive well above average and re-distributing that amongst the lower funded authorities. This is similar to creating both a minimum and a maximum. This could impact some areas through a loss in cash terms not just real terms. It would still need time to implement and it would not bring the DfE any closer to a national fair funding formula on a school by school basis. This process would speed up the process of funding being on a similar basis across all local authorities

5.7 Clearly the DfE could still pursue a 'school level' national fair funding formula. This could either be from 1 April 2016 or after equalising funding between local authority levels.

6. What does this mean to Walsall?

- 6.1 The total Schools Block will increase by 1.1% in 2015/6 but Walsall's share would only increase by 0.3%. The DfE has made it clear that inflation increases will be allocated based on need.
- 6.2 One of the risks that Walsall schools have faced would have been a reduction in funding through the implementation of a NFFF. Based on the consultation, Walsall would now seem to be at a minimum funding level rather than above minimum. On this basis Walsall should receive no reduction and indeed would see funding increases if this methodology was repeated.
- 6.3 The risk remains for Walsall of what a school based funding formula would look like. However, the risk has not increased. As Walsall would be an authority at minimum funding level, then it would be a risk to schools in changing the distribution amongst factors that would pose a risk rather than a decrease in total funding in Walsall. Walsall's formula has the maximum lump sum so tends to favour smaller schools (in Walsall terms). The rates in **Table 1** show how Walsall's rates compare to the national ones.
- 6.4 Walsall Schools Forum has put considerable effort into designing the schools block funding formula since March 2012. If Schools Forum wishes to review further then it is proposed to continue with current working group arrangements. Based on consultation responses it is not apparent where further changes would need to be made.
- 6.5 With a reduction in schools funding formula activity over the next 12 months, there is the opportunity to do further work in other areas. There is the potential for further reports on value for money and impact of funds invested. In addition to this further work could be done on the wider schools budget. Walsall had seen in recent years pressure on schools block budget and early years but capacity in high needs. Many local authorities have seen growth in demand for high needs and this needs to be assessed and measured for the 2015/16 budget.
- 6.6 On a national basis, prior achievement is seen as a proxy measure for SEN and average funding rates are higher. With discussion about the potential for a re-alignment of SEN places in special schools in Walsall it may be that further funds from high needs need to go into the schools block formula to support capacity in mainstream schools. This work would tie in with Schools Forum principles to minimise surpluses.

7. Value for Money

7.1 One of the key challenges for schools going forwards will be to focus on value for money (VFM) and impact of expenditure. To aid this, it is proposed that every single report that comes to Schools Forum will now have a section on VFM.

8. Recommendations

8.1 To note that a consultation on fair funding has been published by DfE and that the consultation confirms there will not be a national funding formula until 1 April 2016 at the earliest.

8.2 To approve **Appendix 1** as Walsall Schools Forum response to the fair funding consultation.

8.3 That Walsall Schools Forum considers the budget setting process for 2015/16 and looks to ensure that current expenditure budgets are reviewed, that value for money is embedded into all processes.

8.4 That all future Schools Forum reports have specific comments on value for money and impact as part of the front page.

Annex B: Indicative changes to local authority funding in 2015-16

1. Figure B1 below lists the 62 authorities that would receive additional funding under our indicative minimum funding levels, assuming 2014-15 pupil numbers^{1,2}. The minimum funding levels may change when we have final confirmation of LA's 2014-15 local funding formulae.

Figure B1: Indicative changes to local authority funding in 2015-16

Local Authority	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Bromley	£4,082	£169.6m	£4,543	£188.7m	11.3%	£19.1m
Cambridgeshire	£3,950	£294.3m	£4,225	£314.8m	7.0%	£20.5m
Brent	£5,066	£190.7m	£5,416	£203.9m	6.9%	£13.2m
Sutton	£4,360	£124.7m	£4,637	£132.6m	6.4%	£7.9m
Northumberland	£4,244	£166.2m	£4,513	£176.8m	6.4%	£10.6m
South Gloucestershire	£3,969	£137.5m	£4,217	£146.1m	6.3%	£8.6m
Shropshire	£4,113	£143.6m	£4,368	£152.5m	6.2%	£8.9m
Merton	£4,534	£98.6m	£4,812	£104.7m	6.1%	£6.0m
Croydon	£4,559	£208.6m	£4,830	£220.9m	5.9%	£12.4m
Bournemouth	£4,154	£79.2m	£4,393	£83.8m	5.8%	£4.6m
Buckinghamshire	£4,040	£275.4m	£4,263	£290.5m	5.5%	£15.2m
Cheshire West and Chester	£4,129	£173.6m	£4,352	£183.0m	5.4%	£9.4m
Leicestershire	£3,995	£339.7m	£4,197	£356.9m	5.1%	£17.2m
Warwickshire	£4,079	£281.3m	£4,267	£294.3m	4.6%	£13.0m
Devon	£4,156	£358.1m	£4,345	£374.3m	4.5%	£16.2m
Surrey	£4,096	£548.8m	£4,282	£573.5m	4.5%	£24.8m
Bury	£4,230	£111.1m	£4,418	£116.1m	4.5%	£5.0m
Norfolk	£4,334	£432.9m	£4,494	£448.9m	3.7%	£16.0m
North Lincolnshire	£4,316	£95.0m	£4,469	£98.4m	3.5%	£3.4m
Westminster	£5,663	£88.2m	£5,862	£91.3m	3.5%	£3.1m

¹ The figures in the table above have been calculated on the basis of 2014-15 pupil numbers (using the October 2013 school census). For 2015-16 we intend to use data from the October 2014 school census.

² The methodology for calculating the indicative funding, as a total and per pupil, is set out in the worked example on page 6.

	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
Local Authority	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Derbyshire	£4,245	£405.0m	£4,392	£418.9m	3.4%	£14.0m
Poole	£4,007	£68.3m	£4,142	£70.6m	3.4%	£2.3m
Redbridge	£4,668	£199.7m	£4,823	£206.3m	3.3%	£6.6m
Rutland	£4,087	£20.9m	£4,214	£21.5m	3.1%	£0.6m
Gloucestershire	£4,203	£316.0m	£4,331	£325.6m	3.0%	£9.6m
Herefordshire	£4,306	£90.9m	£4,430	£93.5m	2.9%	£2.6m
Stoke-on-Trent	£4,507	£145.1m	£4,634	£149.2m	2.8%	£4.1m
Windsor and Maidenhead	£4,325	£77.5m	£4,440	£79.5m	2.7%	£2.1m
Central Bedfordshire	£4,144	£145.7m	£4,253	£149.5m	2.6%	£3.8m
Cheshire East	£4,077	£186.7m	£4,180	£191.4m	2.5%	£4.7m
Cumbria	£4,449	£269.2m	£4,560	£275.9m	2.5%	£6.7m
Suffolk	£4,241	£370.1m	£4,347	£379.3m	2.5%	£9.2m
Swindon	£4,102	£117.7m	£4,203	£120.5m	2.5%	£2.9m
Salford	£4,551	£131.2m	£4,658	£134.3m	2.3%	£3.1m
Bracknell Forest	£4,187	£62.6m	£4,284	£64.1m	2.3%	£1.4m
North Yorkshire	£4,338	£316.5m	£4,435	£323.7m	2.2%	£7.1m
Wiltshire	£4,213	£249.1m	£4,305	£254.5m	2.2%	£5.4m
Reading	£4,454	£71.1m	£4,547	£72.6m	2.1%	£1.5m
Northamptonshire	£4,189	£395.2m	£4,265	£402.4m	1.8%	£7.2m
Worcestershire	£4,231	£291.5m	£4,302	£296.4m	1.7%	£4.9m
Blackpool	£4,459	£80.2m	£4,530	£81.4m	1.6%	£1.3m
Durham	£4,573	£281.1m	£4,643	£285.4m	1.5%	£4.3m
Cornwall	£4,397	£285.0m	£4,451	£288.5m	1.2%	£3.5m
Telford and Wrekin	£4,367	£97.0m	£4,419	£98.1m	1.2%	£1.1m
Medway	£4,352	£161.1m	£4,402	£163.0m	1.2%	£1.9m
Hertfordshire	£4,320	£670.3m	£4,365	£677.3m	1.0%	£6.9m
Somerset	£4,278	£273.2m	£4,320	£275.9m	1.0%	£2.7m
Lincolnshire	£4,329	£392.0m	£4,370	£395.7m	0.9%	£3.7m
Dorset	£4,167	£202.3m	£4,204	£204.1m	0.9%	£1.8m
Peterborough	£4,490	£124.7m	£4,513	£125.3m	0.5%	£0.6m
Barnsley	£4,459	£126.7m	£4,478	£127.3m	0.4%	£0.5m
Bedford	£4,466	£101.0m	£4,484	£101.4m	0.4%	£0.4m

	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
Local Authority	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Plymouth	£4,364	£140.1m	£4,380	£140.6m	0.4%	£0.5m
Isle of Wight	£4,489	£69.6m	£4,504	£69.9m	0.3%	£0.2m
East Riding of Yorkshire	£4,258	£177.9m	£4,271	£178.5m	0.3%	£0.5m
West Berkshire	£4,359	£95.2m	£4,372	£95.5m	0.3%	£0.3m
Walsall	£4,643	£183.3m	£4,655	£183.8m	0.3%	£0.5m
Milton Keynes	£4,440	£167.3m	£4,448	£167.6m	0.2%	£0.3m
Oxfordshire	£4,274	£333.1m	£4,281	£333.6m	0.1%	£0.5m
Barnet	£4,988	£214.3m	£4,994	£214.5m	0.1%	£0.2m
Hillingdon	£4,820	£187.0m	£4,824	£187.2m	0.1%	£0.2m
Derby	£4,544	£154.4m	£4,546	£154.4m	0.0%	£0.1m