

Final Schools Funding Formula for 2016-17

12th January 2016

1. Purpose of report

- 1.1 Schools Forum endorsed the funding formula for primary and secondary schools for 2016-17 in October 2015. The DfE have now given details of the amount of Dedicated Schools Grant (DSG) that Walsall schools will receive in 2015-16. As with every year there is a difference between the funding (income) and the cost (expenditure) of applying the formula on the most recent data. This report therefore sets out a number of options and seeks Schools Forums input to ensure a balanced schools budget.
- 1.2 The Education Funding Agency (EFA) requires the final submission of the 2016-17 funding pro-forma by 20 January 2016. The aim of this report is to obtain agreement from Schools Forum, for legal and governance reasons this will then require endorsement by the Director of Children's Services at Walsall Council before then being submitted to the EFA. This process is tight because the EFA only supplied the final DSG figures on 17 December 2015.

2. Recommendations

- 2.1 To note the overall level of DSG funding.
- 2.2 To identify a preferred option for the remaining Schools Block funding and whether this should be utilised in full for 2016-17.
- 2.4 To endorse and recommend the formula, including the preferred changes indicated by Schools Forum above, to the Director of Children's Services, Cabinet and the EFA.

3. Background

- 3.1 After analysing the level of Dedicated Schools Grant (DSG) for 2016-17 and comparing it to the current formula and values, this report confirms the formula is affordable for 2016-17. The report also sets out changes that should also be considered to agree the final funding factor values.
- 3.2 The Dedicated Schools Grant is now divided into 3 notional blocks. These blocks are Schools, Early Years and High Needs. There is no ring fencing on these blocks. Walsall Schools Forum looks as much as possible to allocate funding between these blocks in line with the EFA notional blocks.

- 3.5 DSG can be broken down as below for the current and next financial year as per Table 1 below:

Table 1 – DSG Funding 2015-16 and 2016-17		
	2015-16 DSG	2016-17 @ Dec.'15
	£'m	£'m
Schools Block	190.949	194.951
High Needs Block	27.162	27.675
Early Years Block incl. EY pupil premium	14.673	14.673
Funding for Induction of NQTs	0.060	0.061
Total DSG	232.845	237.360

- 3.6 Table 2 below shows the value of monies allocated to primary and secondary schools in 2015-16 and 2016-17 and how expenditure is funded.

Table 2 – Primary and Secondary School Funding 2015-16 and 2016-17, based on Appendix A values		
	2015-16	2016-17
	£'m	£'m
Value of Funding to be allocated to schools	190.977	193.423
Centrally funded items (e.g. Schools Admissions and CRC)	0.612	0.668
Total	191.589	194.091
Funded By:		
Schools Block DSG	(191.001)	(195.011)
Support from high needs block	(0.588)	0

4. 2016-17 Schools Funding Formula Pro-forma

- 4.1 In 2015-16 two values of funding were calculated for each local authority by the DfE – a minimum funding value (MLF) using eight key national funding characteristics and a schools block unit of funding generated using the previous financial year's funding unit. The higher of the two funding values was then to fund the Schools Block of the 2015-16 DSG.
- 4.2 For 2016-17 local authorities will be funded using the same SBUF as in 2015-16 with an upwards adjustment resulting from the incorporation of funding for former non recoupment academies (NRAs) into schools block allocations. In 2015-16 Walsall's final SBUF was £4,635.01, with an additional block grant to reflect the costs of NRAs. The inclusion of the 2015-16 NRAs block grant into the main funding system results in an upwardly adjusted SBUF for 2016-17 of £4,662.01.
- 4.3 As stated in paragraph 1.1 Schools Forum has previously approved the funding factors for the 2016-17 funding formula for primary and secondary schools. It was hoped at that time that, with the exception of business rates which uses the actual multiplier for the financial year, units of resource for each factor would remain unchanged from 2015-16. Appendix A summarises the funding factors and units of resource for 2016-17 if this were the case.
- 4.4 Validated pupil data from the October 2015 census confirms that pupil numbers show an increase over 2015-16 of 2.8% in primary and 0.6% in secondary. The increase in pupil numbers generates an additional £4m of Schools Block funding. However it should be noted that the number of pupils falling into IDACI bands 5 and 6 (the most disadvantaged) has fallen significantly, -8% in primary and -7% in secondary schools. This is due to the IDACI indicator being updated by the DfE from 2010 data to 2015.
- 4.5 The impact of the data change has a negative impact on a large number of schools and has the impact of increasing the cost of the minimum funding guarantee (MFG) to £1.37m (from £930k in 2015-16 – an increase of £440k).
- 4.6 Although the overall Schools Block funding has increased by £4m, as set out at 4.4 above, the additional funding is needed to fund the growth in pupils. As such the cost of the MFG in Appendix A model cannot, as required by funding regulations, be covered solely by capping gaining schools, even though the cap is set as 0.00% and fully negates all the gains of schools whose funding is increasing over 2015-16. The funding gap between the funds generated by capping gaining schools at 0% and the cost of the MFG is £506k.

- 4.7 Taking account of the above, if all funding factors for 2016-17 were kept in line with 2015-16 values, there is still unallocated Schools Block funding of £920k. However as a minimum some of this funding needs to be allocated, by way of amending the proposed 2016-17 funding factor values set out in Appendix A, to at least meet the remaining cost of the MFG in full.
- 4.8 Therefore two alternative options are available to Schools Forum in relation to balancing the cost of the MFG and the remaining Schools Block Funding. These options are set out below, and taking account of feedback from Schools Forum when setting the 2015-16 schools funding formula where a similar adjustment to funding factor values to balance the cost of the MFG was required, both options set out potential adjustments to the value of the AWPU funding factor:
- i. Option 1 - As there is much uncertainty in schools finance at this time, until the direction of a national fair funding formula is clear, then there are possible financial risks to schools in Walsall. As such holding some of the remaining funding as a surplus would provide the ability to smooth any changes in funding available to schools as a national fair funding formula is implemented. Therefore the proposed change to the AWPU funding factor value would be limited to the value of increase required to meet the remaining cost of the MFG. The impact of this increase in the AWPU funding factor value is set out in Appendix B. This would result in a cost of £729k and leave a surplus balance on the Schools Block of £698k to smooth the future impact of the implementation of a national fair funding formula.
 - ii. Option 2 – Schools Forum may wish to seek to increase the AWPU funding factor values as much as possible to ensure that all Schools Block funding that is available is allocated to schools as soon as possible to help offset pressures that they are currently seeing around increases in superannuation and national insurance rates, alongside the implementation of a national living wage from April 2016. Therefore the proposed change to the AWPU funding factor value would be maximised, and the impact of this increase is set out in Appendix C. This would result in no surplus balance being available in the Schools Block to help smooth any future impact of the implementation of a national fair funding formula.

5. Financial implications / Value for Money

- 5.1 After analysing the level of Dedicated Schools Grant (DSG) for 2016-17 and comparing it to the current formula and values (and those set out in Appendix B), this report confirms the formula is affordable for 2016-17.

6. Legal Implications

- 6.1 The report ensures that the school funding formula complies with school funding regulations, and provides sufficient time to allow the authority to finalise the submission of the 2016-17 funding pro-forma by 20 January 2016, in line with EFA requirements.

7. School Improvement

- 7.1 As part of making any decisions regarding possible changes to the funding formula factor values, Schools Forum should consider the potential impact on the desired outcomes of the Walsall school improvement programme.

8. Members eligible to vote

- 8.1 All elected members with voting rights are eligible to vote on this matter.

Appendix A

Detail of funding formula allocation factors for 2016-17 (based on current 2015-16 unit values as agreed by Schools Forum in October 2015)

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2015 census		Primary	2,884.60
				Secondary	4,344.79
Deprivation - Primary	mandatory	via Free School Meal %		1,241.85	
		2015 updated IDACI score mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	222.82
			0.25 < 0.3	Band 2	272.34
			0.3 < 0.4	Band 3	346.61
			0.4 < 0.5	Band 4	445.64
			0.5 < 0.6	Band 5	544.67
			0.6 < 1	Band 6	792.25
Deprivation - Secondary	mandatory	via Free School Meal %		1,490.22	
		2015 updated IDACI values mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded	0.2 < 0.25	Band 1	267.39
			0.25 < 0.3	Band 2	326.81
			0.3 < 0.4	Band 3	415.94
			0.4 < 0.5	Band 4	534.78
			0.5 < 0.6	Band 5	653.62
			0.6 < 1	Band 6	950.72
Lump Sum		Maximum allowable		175,000	
Low Attainment	optional	<p>EYFSP and Key Stage 2 results are used as indicators for low cost, high incidence SEN.</p> <p>In primary: Yrs 1,2 & 3 - the % pupils not achieving good level of development</p> <p>Yrs 4,5 & 6 - the % pupils scoring below 78 points on EYFSP</p> <p>In secondary: Total of pupils achieving level 3 or below in either English or Maths</p>		214.9979	

Looked After Children	optional	Number of Looked After Children as at March 2015 mapped to Jan. 2015 census.	1,406.00
English as Second Language	optional	EAL funding is attracted by pupils if they are grouped as "2_OTH" on the autumn 2015 census and shown to have been in the school system for less than three years. Pupils grouped as UNK_3 are excluded.	438.85
Business Rates	optional	Rateable value of premises as at Jan.'16, with discretionary relief applied where appropriate.	0.493
Split Site – fixed sum	optional	A separate site is recognised either where a single school occupies more than one building separated by a public highway or following an amalgamation of two schools where the new school continues to use the two former sites and have two entrances e.g. one for infant pupils and one for junior pupils, thus necessitating two reception & admin areas.	16,615
Premise Rental	exceptional circumstances	An exceptional factor approved by DfE to fund one primary school for the premise rental charged by the diocese of the school	38,000

Appendix B

Detail of funding formula allocation factors for 2016-17 (based on current 2015-16 unit values as agreed by Schools Forum in October 2015 but with amended AWP unit values to meet the full cost of the MFG – as per option 1 set out in the report)

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2015 census		Primary	2,899.16
				Secondary	4,366.72
Deprivation - Primary	mandatory	via Free School Meal %		1,241.85	
		2015 updated IDACI score mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	222.82
			0.25 < 0.3	Band 2	272.34
			0.3 < 0.4	Band 3	346.61
			0.4 < 0.5	Band 4	445.64
			0.5 < 0.6	Band 5	544.67
			0.6 < 1	Band 6	792.25
Deprivation - Secondary	mandatory	via Free School Meal %		1,490.22	
		2015 updated IDACI score mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	267.39
			0.25 < 0.3	Band 2	326.81
			0.3 < 0.4	Band 3	415.94
			0.4 < 0.5	Band 4	534.78
			0.5 < 0.6	Band 5	653.62
			0.6 < 1	Band 6	950.72
Lump Sum		Maximum allowable		175,000	
Low Attainment	optional	<p>EYFSP and Key Stage 2 results are used as indicators for low cost, high incidence SEN.</p> <p>In primary: Yrs 1,2 & 3 - the % pupils not achieving good level of development</p> <p>Yrs 4,5 & 6 - the % pupils scoring below 78 points on EYFSP</p>		214.9979	

		<i>In secondary:</i> Total of pupils achieving level 3 or below in either English or Maths	
Looked After Children	optional	Number of Looked After Children as at March 2015 mapped to Jan. '15 census.	1,406.00
English as Second Language	optional	EAL funding is attracted by pupils if they are grouped as "2_OTH" on the autumn 2015 census and shown to have been in the school system for less than three years. Pupils grouped as UNK_3 are excluded.	438.85
Business Rates	optional	Rateable value of premises as at Jan.'16, with discretionary relief applied where appropriate.	0.493
Split Site – fixed sum	optional	A separate site is recognised either where a single school occupies more than one building separated by a public highway or following an amalgamation of two schools where the new school continues to use the two former sites and have two entrances e.g. one for infant pupils and one for junior pupils, thus necessitating two reception & admin areas.	16,615
Premise Rental	exceptional circumstances	An exceptional factor approved by DfE to fund one primary school for the premise rental charged by the diocese of the school	38,000

Appendix C

Detail of funding formula allocation factors for 2016-17 (based on current 2015-16 unit values as agreed by Schools Forum in October 2015 but with amended AWP unit values to utilise all school block funding available – as per option 2 set out in the report)

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2015 census		Primary	2,913.09
				Secondary	4,387.70
Deprivation - Primary	mandatory	via Free School Meal %		1,241.85	
		2015 updated IDACI score mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	222.82
			0.25 < 0.3	Band 2	272.34
			0.3 < 0.4	Band 3	346.61
			0.4 < 0.5	Band 4	445.64
			0.5 < 0.6	Band 5	544.67
			0.6 < 1	Band 6	792.25
Deprivation - Secondary	mandatory	via Free School Meal %		1,490.22	
		2015 updated IDACI score mapped to autumn 2015 census postcodes, where known, and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	267.39
			0.25 < 0.3	Band 2	326.81
			0.3 < 0.4	Band 3	415.94
			0.4 < 0.5	Band 4	534.78
			0.5 < 0.6	Band 5	653.62
			0.6 < 1	Band 6	950.72
Lump Sum		Maximum allowable		175,000	
Low Attainment	optional	<p>EYFSP and Key Stage 2 results are used as indicators for low cost, high incidence SEN.</p> <p>In primary: Yrs 1,2 & 3 - the % pupils not achieving good level of development</p> <p>Yrs 4,5 & 6 - the % pupils scoring below 78 points on EYFSP</p>		214.9979	

		<i>In secondary:</i> Total of pupils achieving level 3 or below in either English or Maths	
Looked After Children	optional	Number of Looked After Children as at March 2015 mapped to Jan. '15 census.	1,406.00
English as Second Language	optional	EAL funding is attracted by pupils if they are grouped as "2_OTH" on the autumn 2015 census and shown to have been in the school system for less than three years. Pupils grouped as UNK_3 are excluded.	438.85
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