



# Walsall Council

## Walsall Children's Services

**Report to:** Schools Forum

**Date:** 9 July 2013

**Subject:** Schools funding formula

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**Purpose of the report:** This report proposes sending out a consultation document to all schools on changes to the Schools Funding Formula and how to divide the £2.5m surplus

### Recommendations:

- 1) That Schools Forum approve sending out a consultation document based on the principles in this document (in particular section 5)
- 2) That Schools Forum delegate authority to the Chair of Schools Forum to make amendments to the consultation before despatched if required. E.g. If a national funding formula consultation is published etc.
- 3) That Schools Forum note that a de-delegation vote will need to be made amongst maintained secondary and primary schools for the 2014/15 funding allocation. Arrangements for these votes will be made with secondary schools individually and through the Chair and representatives of Primary Forum and will come to Schools Forum in October.
- 4) That Schools Forum note that the only change schools in Walsall have to make is that the lump sum has reduced from £200,000 to £175,000.
- 5) That Schools Forum note a national funding formula is pending in 2015/16 and a consultation on this will be published.

## **1. Executive Summary**

- 1.1. The most important task that Schools Forum is being asked today is to approve the consultation being despatched to schools. This does not set in stone actual formulas but is inviting comment. A decision will be made once the consultation has been responded to at Schools Forum in September.
- 1.2. The Department for Education (DfE) through the Education Funding Agency (EFA) have published changes to the rules that govern Schools Funding Formulas for 2014/15. There was an extensive change in 13/14 which Schools Forum did a lot of work on.
- 1.3. The key change from a Walsall point of view is that the maximum lump sum allowed is £175k and that secondary and primary schools can have different lump sums. Currently Walsall has a £200k lump sum. All other 'minimum' requirements from the EFA new guidelines have already been met within the Walsall formula.
- 1.4. Walsall Schools Forum Funding Group met on 1 July 2013 and addressed the needs of a revised funding formula. It was decided to re-adopt the principles applied last year by Schools Forum as they had been heavily endorsed last year. One of the key principles is that when devising a new formula money does not flow from primary to secondary or vice versa and the funding ratio stays at 1 to 1.22.
- 1.5. The consultation document suggests that the primary lump sum decreases from £200k (including £25k notional SEN) to £175k (including £25k notional SEN). The £25k would be moved into AWPU and would then be divided by school.
- 1.6. For secondary there are two options. One with £175k and one with £150k. Both options see £25k of notional SEN remaining and the other funds moved to AWPU.
- 1.7. The consultation is very much that alternative viewpoints can be expressed and officers are here to support that. All that Schools Forum are asked to do today is approve a consultation going to all schools based on this document. A decision will then be made in the autumn once all schools have commented based on the regulations.
- 1.8. In the June meeting £2.5m of surplus was determined. The EFA position has moved and now this can only go through the formula in the next budget round. Further work is being done on this but the consultation looks at dividing this at a flat rate for every pupil in the borough. Once again though at this stage this is only a consultation. This suggests a methodology to be applied for whatever amount would be distributed.
- 1.9. There will need to be a 'de-delegation' vote in October. This will decide if schools in their phases would like to de-delegate services back to Walsall Council or just receive the money for them. This process is planned to take place outside of Schools Forum with only the voting taking place in Schools Forum.
- 1.10. Since the June meeting there has been further discussion regarding Learning Consortiums. These discussions are ongoing. Similarly there are further discussions with the EFA in how this can be accommodated from a funding point of view.

## **2. Background**

- 2.1. On the 4 June 2013 the DfE published a document confirming the funding arrangements for next year. This document outlined the following key changes to schools funding formula rules:
  - 2.1.1. There would be a minimum of £2,000 Age Weighted Pupil Unit (AWPU) per primary aged pupils. (Walsall already exceeds this minimum)
  - 2.1.2. KS3 and KS4 AWPU has a minimum of £3,000 per pupil (Walsall already exceeds that).
  - 2.1.3. At least 80% of funding needs to be passed on through pupil led funding. (Walsall passes on over 88% of pupil led funding).

- 2.1.4. A new sparsity factor has been introduced to help schools in predominately rural areas. (This will not apply in Walsall as we are too densely populated).
- 2.1.5. The lump sum can now be different by phase and a maximum of £175k. (See later).
- 2.1.6. On 'High Needs' the £6,000 threshold before top up funding is applied is now mandatory. (Walsall adopted this last year).
- 2.1.7. Minimum Funding Guarantee – no change
- 2.1.8. There is a further option to top slice where a school is good or outstanding, facing falling rolls but pupil place planning dictates that those places will be needed in the medium to longer term. This appears unlikely to apply in Walsall but further work is taking place.
- 2.2. On 26 June 2013 George Osborne announced (per BBC website) "Mr Osborne promised that a consultation would begin for a national funding formula to address the way that money is not "equally distributed" between schools, the chancellor told the House of Commons." It was believed that the consultation would begin imminently but at the time of writing (1 July 2013) no details have yet been seen.
- 2.3. At the meeting of 11 June 2013 a DSG surplus as at 31 March 2013 was discussed. The surplus is c£2.5m and there was discussion based on rules provided by the EFA on how to divide these funds. Since that the EFA have changed this position. Fortunately an extensive audit trail exists but these funds now have to go through the formula.
- 2.4. Despite these 2 issues, Schools Forum can obviously look to consult on further funding issues if it wishes. However the change to lump sum must be done to meet EFA rules and a decision on dividing the 'surplus' has been as important.

### **3. Walsall Response**

- 3.1. The Walsall Schools Forum Funding Group met on 1 July. This group comprises:
  - Max Vlahakis
  - Michelle Sheehy
  - Gary Thornton
  - Mike Ison
  - Gary Crowther (unable to attend)
- 3.2. After discussion the group chose to adopt the principles which were well received and adopted last year which were:
  - To ensure the maximum amount of equitability throughout the funding formula.
  - To make the new formula as transparent as possible.
  - To reduce unnecessary turbulence.
  - Maintain the proportion of funding between primary and secondary phases.
- 3.3. With these principles in place a further review of factors was done. In short key points were:
  - 3.3.1. The overall majority of schools in Walsall accepted the formula in 2013/14 so therefore doing a wholesale review now seemed to not have a clear aim i.e. there was no objective to a review. Unless schools became aware of issues through consultation then there would be little change.
  - 3.3.2. With a national funding formula and consultation due then further information might become apparent during this process and therefore that could be employed in the Walsall Formula as appropriate.
  - 3.3.3. Sparsity would not be applicable in Walsall. To be deemed sparse a school has to have fewer than 150 pupils for a primary and 600 for a secondary. Assuming that is

achieved then there has to be a mileage calculation. There is one primary school in Walsall who this could apply to and 4 secondary schools. The primary school (Brownhills West) is not sparse from the clear geographic location. Three of the four secondary schools (QM High, QM Grammar and Blue Coat Academy) are all town centre locations and therefore would clearly not be sparse. Brownhills secondary school is also not sparse.

3.3.4. Current feeling is that a national funding formula will be similar to the one we have now but based on a general 'average' or 'path of least resistance'. It was therefore worthwhile to consider areas where the Walsall formula was very different from the national averages. The areas that were most noticeable were:

3.3.4.1. English as an Additional Language (EAL). Walsall has a rate of £439 per pupil but national averages are £591 per pupil primary and £1,100 secondary. The group considered alterations here but decided to wait for further detail on a national funding formula.

3.3.4.2. Prior achievement has been used for a proxy measure for SEN. Walsall schools were doubtful of this last year. Walsall used it but at a lower level. Six authorities did not use the measure in 2013/14. Walsall was 5th lowest for primaries and 3<sup>rd</sup> for secondaries. The 'risk' is that a national funding formula will see more money distributed through this factor. From discussion there were still concerns about the variability of the data under this measure.

3.3.5. Schools were anxious that any falling rolls criteria was very transparent.

3.4. After the review of factors, the key suggestions were around lump sums. The 'working group' decided that Walsall would be happy to have different level of lump sum for secondary and primary. Primary colleagues were keen that the lump sum should remain at the highest possible level as that was felt would create most equitability especially around smaller schools.

3.5. Secondary looked at £175k which is also the maximum or £150k but not below that.

3.6. Both phases looked at any funds going from lump sum would remain in their phase and would go into the respective AWPU.

#### 4. £2.5m Surplus

4.1. Previously EFA advised there could be an in year allocation. A paper went to Schools Forum on 11 June 2013 to progress this. Since then the EFA have issued different advice. All this has a detailed audit trail.

4.2. This advice states that it is not possible to do an in year allocation. Any funds would have to be run through the formula. There is an equitability to this as the formula has already been agreed by schools and has to obey rules under statute.

4.3. Walsall could not therefore allocate funds through a lump sum per school. Prior to the consultation, primary schools have indicated that they would wish the highest possible lump sum in the formula. It is therefore not possible to allocate any further funds even if it is surplus. It is highly unlikely that it would be allowed but the only alternative would be to request an exceptional factor. This exceptional factor has been requested and a response received from the EFA. The response said we could ask the minister but it would seem very unlikely that this will be approved.

4.4. As a per school amount would not be possible, then the group clearly looked on the idea of a per pupil amount as the obvious solution. As these funds need to be spread over nursery, special, primary and secondary there is the potential for a lot of complexity here.

4.5. The basic proposal would be that each pre 16 pupil in Walsall would attract a share of the surplus. This will be a calculation of:

Total financial surplus/total number of pupils = rate per pupil

4.6. For the primary and secondary elements this would be relatively straight forwards as this could be allocated through the 14/15 formula. These funds would have **MFG disapplied**.

This means that this benefit would not be swallowed up by schools on MFG and equally MFG would not apply to these funds in future years. This keeps this as a 'windfall'.

- 4.7. For special schools it is impossible to fund beyond £10k per place. Therefore any additional funding will be added to the 'top up funding' pots.
- 4.8. For nursery schools it will be possible to increase the lump sum which exists in the EYSSF
- 4.9. Clearly one potential idea still being discussed is that of a Learning Consortium. the EFA have stated that if there is unilateral support for funding a Learning Consortium then a one off top slice might be possible. This would be subject to secretary of state approval. A surplus could still be used for that.

## **5. Anticipated Consultation Questions**

- 5.1. Can primary schools endorse a lump sum of £175k, with the balance moving into primary AWPU? If not what alternatives do they suggest. It is planned to attach figures for the £175k as one example and to potentially attach another example if that would help for context. This would list all schools and the impact.
- 5.2. Would secondary schools endorse £175k or £150k lump sum with the balance to AWPU? If not, what alternatives do they suggest. Further examples can be attached.
- 5.3. If further information on a potential national funding formula becomes available, would you like to see Walsall schools start to move towards it in 2014/15? Or would you prefer to wait and follow DfE guidelines when published?
- 5.4. Walsall Schools Forum is looking at the most equitable way to divide any surplus on Dedicated Schools Grant (DSG). Based on the study of the current allowable rules, a flat amount for every pre-16 pupil in the borough would appear to be the most equitable solution. Do you agree with this and what alternatives might you like to see?
- 5.5. Do you have any other comments on funding consultation?

## **6. Timetable**

- 6.1. **Table 1** below sets out the anticipated process to get a revised funding formula to EFA by the 31 October deadline. As further information becomes available then it may be necessary to alter this but this is to outline to Schools Forum what information they will receive and what decisions are being made.

**Table 1**

Date	Action	Who
9 July	Schools Forum to approve consultation approach	Schools Forum
By 15 July 2013	Schools Finance Officers to despatch consultation	Schools Finance
12pm Monday 16 September	Consultation responses stopped	Schools Finance
Tuesday 24 September	Consultation response reported to Schools Forum and Schools Forum to make final decision	Schools Forum
Tuesday 15 October	If Schools Forum needed an extra day to decide then this would be the date.  This date will see the de-delegation vote	Schools Forum  Representatives of Maintained Primary and Secondary schools
Wednesday 16 October	Final formula despatched to Cabinet for legal approval	Schools Finance
Wednesday 23 October	Cabinet to approve	Cabinet
Prior to 31 October	Funding Formula proforma to be despatched to EFA	Schools Finance

## 7. Learning Consortium

- 7.1. There are models under discussion for what a Learning Consortium may look like and progress has been made since the last meeting. There is the potential for funding issues if a Learning Consortium or similar body were to go ahead.
- 7.2. As the surplus which has been discussed as a potential source of funding for a consortium either through division to schools and returning to a consortium or a 'top slice' will not have a decision taken about until September then further funding models can be refined during the summer and early autumn so schools can do this as they wish.

## 8. References

- 8.1. The DfE has published guidance on the new schools funding formula for 2014/15  
<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00221523/review-of-2013%D014-school-funding-arrangements>  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207611/2014-15\\_Operational\\_guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207611/2014-15_Operational_guidance.pdf)  
<http://media.education.gov.uk/assets/files/pdf/a/january%20proforma%20analysis%20vfinal.pdf>  
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