

Cabinet – 13 December 2017

Proposed Schools Funding Formula 2018/19

Portfolio: Councillor Nawaz, Children's Services and Education

Related portfolios: Councillor S Coughlan, Leader of the Council

Service: Children's Services: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 The schools funding formula is the local process that is utilised (informed by national guidance which details the funding factors that can be incorporated) to allocate the Dedicated Schools Grant (DSG) funding that the Council receives to the mainstream schools in the Borough of Walsall. The Department for Education (DfE) requires each Local Authority, in consultation with their Schools Forum, to produce a schools funding formula for the following financial year, by the third week in January each year. Due to the timing of Cabinet meetings this therefore normally requires the agreement in advance of the DfE informing each Local Authority of their Dedicated Schools Grant (DSG) for that year (as this is normally provided until the last week in December each year).
- 1.2 Central Government, in line with the commitment set out in its manifesto document, has now begun the process of implementing a schools National Funding Formula (NFF), which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the current methodology (which is in the main based on historic spending on education in each area rather than need).
- 1.3 This will commence from April 2018, however for 2018/19 and 2019/20 although allocations for each school will be calculated nationally by the Educations & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations will not be paid directly to schools and instead will be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.
- 1.4 As such a working group of Schools Forum members was set up to review the options available for revising and setting the local funding formula for 2018/19 with the aim of identifying the most appropriate option for distributing the total funds available to the authority to fund mainstream education.

- 1.5 The outcome of this working group was reported to Walsall Schools Forum at their meeting on 5 December 2017, at which Schools Forum supported the proposed amendments to the funding formula factors to be utilised for the 2018/19 local schools funding formula and recommended the formula to Cabinet.
- 1.6 As the Schools local funding formula will result in the Local Authority allocating funds to individual schools, and those schools utilising this for expenditure which will be significant, the approval of the formula is a key decision.

2. Recommendations

- 2.1 That Cabinet approves the Schools Funding Formula (**Appendix 1**) that was recommended by Walsall's Schools Forum at their meeting on 5 December 2017.
- 2.2 That Cabinet notes that the Department for Education may request revisions to the school funding formula and that values attributed in the formula may need to change once the Department for Education review the October 2017 census data.
- 2.3 Cabinet approves to delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Children's Services and Education to alter or amend the formula in line with Department for Education requirements and to comply with all and any relevant Department for Education regulations for the 2018/19 Schools Funding Formula.

3. Report detail

- 3.1 The DfE undertook consultations in March 2016 and December 2016 regarding changes to the way that funding for Schools will be allocated nationally going forward, proposing a revision to the factors that can be utilised when then allocating this funding locally, and seeking to move to funding per school being calculated and at a national level and allocated on that basis from April 2020 (but with the ability to still seek to operate a local funding formula for 2018/19 and 2019/20 in preparation for this).
- 3.2 The detail on the government's response to the consultation and the final proposals for the national funding formula can be found at the following link:

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>
- 3.3 The initial consultation and indicative allocations under the NFF showed that the majority of Walsall schools were at risk of losing funding from the implementation. However following feedback throughout the consultation process the final NFF proposals provided indicative allocations that sought to ensure that no school would lose funding as a result of the introduction of the NFF (assuming no underlying changes in pupil numbers and characteristics from 2017/18 to 2018/19 – and based on this assumption for Walsall the change would see overall Schools Block Funding increase from £198.165m to £201.868m).

- 3.4 The NFF is due to commence from April 2018, however for 2018/19 and 2019/20 although allocations for each school will be calculated nationally by the Education & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations will not be paid directly to schools and instead will be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.
- 3.5 Due to the implementation of the NFF there are a number of significant changes to the funding system for 2018/19 that are set out in the operational guidance, that was released in September 2017, that impact on the way that funding for mainstream schools will be allocated to Walsall. These are as follows:
- (i) Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula. Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.
 - (ii) The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20. A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020.
 - (iii) There remains the ability to incorporate a Minimum Funding Guarantee (MFG) within the formula. The MFG ensures that the funding individual schools receive does not decrease by more than an allowable value (which in past years has been set at minus 1.5% per pupil per year). This ensures that any schools that have lost funding through amendments to the formula have sufficient time to manage this change. This is funded through a cap on schools who have gained funding which therefore means that these schools potentially have to wait a number of years to see the full benefit of any increase in funding. However from 2018/19 local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use this flexibility to offer higher levels of protection locally, but as above as the overall level of funding is limited any increased protection will need to be met by capping the level of gains at schools who are due to receive increases in funding.
 - (iv) The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an exceptions process, which will require Secretary of State approval, for

considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer. Whilst the other blocks are not subject to limits on transfers, local authorities will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.

- (v) local authorities can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
- (vi) Pupil Premium Plus rates will be increasing for 2018 to 2019 rather than including a looked-after children factor in the national funding formula. Local authorities will want to consider whether they reflect this in their local formulae;
- (vii) There will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school’s budget share (or the equivalent academy funding) will be determined on the basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision. An adjustment has been made between the high needs block and schools block for each local authority to reflect this change. The 2017 to 2018 baselines and 2018 to 2019 minimum funding amounts table published alongside the guidance explains the adjustment for each local authority. The balance of funding for this kind of special provision will come from the place funding decided in accordance with the local authority’s commissioning decisions, and the top-up funding for individual pupils. The place funding will be £6,000 per place where the place is occupied by pupils in years reception to 11 on the roll of the school at the time of the October school census return. Places not filled by such pupils will still be funded at £10,000. Further information for local authorities on this change will be included in the high needs operational guide;

3.6 In addition to the above it should also be noted that, although it is not explicitly set out in the operational guidance that has been issued, although most of the funding factor values that were utilised for 2017/18 within the Walsall local schools funding formula were very similar to those proposed under the NFF there were some areas that would see larger variances. These were as follows:

- (i) Deprivation – whilst the annual value per eligible pupil within the Walsall local funding formula for 2017/18 is very close to the values proposed under the NFF across all categories for primary schools, for secondary schools the lower categories see a large variance, with Band F being £222.82 within the local formula and £290 within the NFF, Band E being £272.34 and £390 respectively and Band D £346.61 and £515.
- (ii) Low Prior Attainment – The annual value per eligible pupil that was proposed under the NFF was £1,050 for primary and £1,550 for secondary, compared to the £215 included within the 2017/18 local funding formula.

- (iii) English as an Additional Language – The annual value per eligible pupil that was proposed under the NFF was £515 for primary and £1,385 for secondary, compared to the £438.85 included within the 2017/18 local funding formula.
- (iv) Lump Sum – The annual value per school proposed under the NFF was £110,000, compared to the £175,000 included within the 2017/18 local funding formula.

As such when allocations for individual schools are calculated under the NFF for 2018/19 and aggregated to calculate a funding allocation for the local authority as a whole, it will utilise funding rates based of the NFF values for these areas.

NFF Indicative Allocations

- 3.7 As set out at 3.3 above as part of the final feedback on the consultation process the DfE published indicative allocations per school setting out the funding that each would receive under an NFF calculation assuming no underlying changes in pupil numbers and characteristics from 2017/18 to 2018/19. However the DfE have not released the detailed backing information relating to these calculations.
- 3.8 Furthermore it should be noted that the actual level of Schools Block DSG that will be payable to Walsall Council for 2018/19, which is normally provided during the last week in December each year, will be based on the pupil numbers set out within the Schools Census carried out during October 2017.
- 3.9 There are however a number of schools within Walsall where, due to increased need for places, the Council have completed expansions within the last 7 years which are not yet full in each year group, or where expansions are underway and due to be in place for September 2018. This group of schools are therefore expected to see an increase in pupil numbers, above those contained within the October 2017 census, for the period September 2018 and March 2019.
- 3.10 As these pupils were not in place when the October 2017 census was completed no funding will be provided to Walsall Council for them for 2018/19, but the local funding formula should recognise these additional children and seek to allocate funding for them. This must therefore be funded within the overall School Block DSG that will be available.
- 3.11 The impact of the above means that the Council would not be able to seek to implement the NFF indicative allocations as the basis of its local formula for 2018/19, and as such there is a need to review alternate options.

Review of Options for a 2018/19 Local Funding Formula

- 3.12 As such a working group of Schools Forum members was set up to review the options available for revising and setting the local funding formula for 2018/19 with the aim of identifying the most appropriate option for distributing the total funds available to the authority to fund mainstream education.
- 3.13 This group comprised a mixture of primary, secondary and governor representatives from both maintained and academy schools, with the group

meeting over a two month period, on 13 October 2017, 6 November 2017 and 27 November 2017, to review and work through options.

3.14 The aims of the group were:

- i. To ensure as small a number of schools as possible would see reductions in funding, on a per pupil basis, for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18.
- ii. To seek to offer some consistency of funding to schools across 2018/19 and 2019/20 to allow schools time to plan / prepare for the implementation of a 'hard' NFF from 2020/21.

3.15 When the DfE released indicative NFF allocations per school they also released details of actual 2017/18 funding provided to each school, to provide a comparison for schools. When reviewing this information the authority identified that for a number of academy schools (where budget allocations are calculated by the local authority but their funding is paid directly by the DfE) there were variations between the 2017/18 allocation calculated by the authority and the 2017/18 funding detailed by the DfE.

3.16 This was queried with the DfE who confirmed that there are instances where individual agreements are in place with academies where for a variety of reasons the actual amount that is paid to the school may be different to the allocation calculated by the authority. As such the guidance from the DfE was that comparisons in potential funding levels for any modelling work should be in reference to the local funding formula allocations calculated by the authority for 2017/18 (and that the DfE would then separately carry out a review of these individual agreements in advance of 2018/19).

3.17 With the above principles in mind the working group reviewed a number of options for implementing changes to the local funding formula for 2018/19. These models can be summarised as follows:

Model 1 – Keeping the Local Funding Formula factor values unchanged from 2017/18 to 2018/19, and retaining an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

This would see 76% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £77k and an average change for these schools of £8k.

However 24% of schools would see a reduction in funding (assuming no change in pupil numbers or characteristics) compared to the local funding formula allocations calculated by the authority for 2017/18, with a maximum loss of £77k and an average loss of £14k.

The average gain across all schools under this model was 0.14%.

Model 2 – Utilising the NFF factor values in full within the local funding formula for 2018/19 and allocating any residual funding to the lump sum, and retaining an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

This had the impact of amending the lump sum (the funding that all schools receive regardless of size) from £110k set out within the NFF to £150k.

This would see 75% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £264k and an average change for these schools of £50k.

However 25% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum loss of £42k and an average loss of £13k.

The average gain across all schools under this model was 1.61%.

Model 3 – Utilising the Local Funding Formula factor values used for 2017/18 however amending the factor values applicable to Looked After Children, Low Attainment and English as an Additional Language. This model also retained an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

Within the NFF the factor value associated with Looked After Children (LAC) is set at £0 as this funding has been removed from DSG and will be paid to those schools who supported looked after children as part of the Pupil Premium Funding (with a new Pupil Premium Plus rate introduced from 2018/19 to take account of this). As such this option also reduces the value associated with LAC in the 2018/19 local funding formula to £0 to avoid this area of need being funded twice.

Additionally within the NFF the factor values associated with Low Attainment and also English as an Additional Language (EAL) are considerably higher than those currently utilised within the local funding formula. This model therefore increased the values associated with Low Attainment from £215 per pupil to £474 per pupil, and for EAL from £438.85 to £515.

This would see 92% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £201k and an average change for these schools of £39k.

Only 8% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum loss of £82k and an average loss of £20k.

However this option would see a more even distribution of gains with the average gain across all schools under this model was 2.31%.

Model 4 – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. This model also retained an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

Within the NFF the factor value associated with Looked After Children (LAC) is set at £0 as this funding has been removed from DSG and will be paid to those schools who supported looked after children as part of the Pupil Premium Funding (with a new Pupil Premium Plus rate introduced from 2018/19 to take account of this). As such this option also reduces the value associated with LAC in the 2018/19 local funding formula to £0 to avoid this area of need being funded twice.

Within this model the deprivation factors within the local formula were also harmonised with those set out within the NFF.

Additionally within the NFF the factor values associated with Low Attainment and also English as an Additional Language (EAL) are considerably higher than those currently utilised within the local funding formula. This model therefore increased the values associated with Low Attainment from £215 per pupil to £560 per pupil for primary and £600 for secondary, and for EAL from £438.85 to £515.

This would see 90% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £225k and an average change for these schools of £40k.

Only 10% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), but with a much smaller maximum loss compared to model 3 of £28k and an average loss of £12k.

This option also sees a more even distribution of gains with the average gain across all schools under this model was 2.07%.

Revised Models

- 3.18 Based on the principles set out the working group agreed that Model 1 and 2 would potentially see too high a proportion of schools seeing a reduction, and as such these models were not progressed further.
- 3.19 With regard to Models 3 and 4 the feedback from the group was that as the total percentage of schools seeing a loss was broadly consistent across both models, that additional work should be undertaken to seek to refine these models further.

3.20 This refinement was also informed by the confirmation from the DfE on 23 November 2017 that the funding regulations will be amended to enable local formulae for 2018/19 to include a positive minimum funding guarantee (MFG) of up to +0.5% per pupil (meaning that a guaranteed minimum increase in funding for all schools, subject to the totality of funds available within the Schools Block, could be incorporated into modelling options).

3.21 Models 3A and 4A were therefore developed and can be summarised as follows:

Model 3A – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded. This model incorporated an equivalent positive MFG of 0.11% (which was the maximum affordable within the totality of funding available).

This would see all mainstream primary and secondary schools within Walsall see a gain of at least 0.11% to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £187k.

No school would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), and the distribution of gains would see an average gain of 2.25%.

This model would also start aligning the local factor values towards those set out in the NFF, in preparation for the implementation of a 'hard' NFF in 2020/21.

Model 4A – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded. This model incorporated an equivalent positive MFG of 0.10% (which was the maximum affordable within the totality of funding available).

This would see all mainstream primary and secondary schools within Walsall see a gain of at least 0.10% to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £179k.

Again, no school would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), and the distribution of gains would see an average gain of 2.08%.

This model also incorporates a greater alignment of the local funding formula factor values towards those set out in the NFF than that seen within model 3A above.

Recommended Model and Rationale

- 3.22 Both models 3A and 4A would see no schools lose funding, and the minimum increase across both models is broadly equal. However the feedback from the working group was that Model 4A:
- Showed a flatter allocation of gains (with an average gain of 2.08% rather than 2.25% seen in Model 3A)
 - Showed a greater movement toward starting to align local funding factor values to those set out within the NFF
 - Saw more investment targeted toward low prior attainment (with local rates under model 4A being equivalent to 53% of the NFF values for primary and 39% for secondary – compared to 45% and 31% respectively for model 3A)
 - Additionally the ratio of funding between primary and secondary schools was reviewed which highlighted that model 4A was more consistent with the current allocation split – the current funding formula allocates funding at a ratio of 1:1.245 between primary and secondary school, reflecting the greater cost of supporting students at the higher levels of educational attainment, Model 4A would see a ratio of 1:1.238 compared to 1:1.229 under Model 3A.

As such the working group identified option 4A as the preferred formula for allocating funding to schools for 2018/19.

- 3.23 As such Appendix 1 provides a breakdown of the proposed Walsall Council local schools funding formula for 2018/19 setting out the potential values for each factor if these were in line with those included in Model 4A.
- 3.24 It must be noted that this formula only applies to mainstream schools and academies (as those providers who support children with additional needs e.g. special schools / pupil referral units, and also early year's provision are subject their own funding arrangements).
- 3.25 It should also be noted that this proposed formula will only apply to the 2018/19 financial year and further work will be undertaken with the working group, and reports provided to Schools Forum and Cabinet, to agree the local formula to be utilised for 2019/20.

4. Schools Funding Formula

- 4.1 Set out below is a brief summary of the factors included within the proposed funding formula for 2018/19:

Age Weighted Pupil Unit (AWPU)

- 4.2 AWPU is the biggest part of the funding formula, it is the funding which has not been allocated to the other specific factors and is allocated on a per pupil basis. The AWPU rates are different for Primary and Secondary children. Under the operational guidance the ESFA insist on minimum AWPU rates per pupil of at least £2,000 for reception, key stage 1 and key stage 2 (Primary age) children, and £3,000 for key stage 3 and 4 (Secondary age) children.

Deprivation

- 4.3 Walsall allocates funds to schools to meet the additional needs that children from deprived backgrounds may face for both the Income Deprivation Affecting Children Index (IDACI) measure of deprivation and the number of children who receive free school meals (FSM). Previous work has highlighted that this composite measure should ensure that all schools experiencing deprivation will receive some funding to help them. DfE also allocate Pupil Premium funding outside of Walsall's formula to support deprivation, and this is allocated utilising the 'Ever 6' Free School Meals measure (which represents the number of pupils per school who have been eligible for free school meals at any point in the last 6 years).

Lump Sum

- 4.4 A lump sum is an amount of funding that each school receives without reference to pupil numbers, deprivation, buildings etc. This is designed to cover the costs all schools need to meet regardless of their size. The maximum lump sum allowable under the regulations is currently £175,000 per school, and this is the value included within the Walsall formula.

Low Attainment

- 4.5 The only factor allowable to take account of Special Educational Needs (SEN) in the funding formula for mainstream schools is low attainment, which looks at the number of Primary pupils identified as not achieving the expected level of development. The Walsall funding formula then allocates an amount of funding to provide schools with the resources required to support these children.

Looked After Children (LAC)

- 4.6 LAC pupils nationally have some of the lowest levels of educational attainment. To support schools that have LAC children, where they have supported them continuously for 6 months, the guidance allows authorities to provide an additional sum of money to reflect the additional costs that schools may therefore see. However as set out within the report the funding previously associated with this factor has now been removed from DSG and will be paid to schools via the Pupil Premium grant. As such the local funding formula for 2018/19 sets a value of £0 against this factor to take account of this change in funding stream nationally.

English as an Additional Language

- 4.7 For pupils where English is an additional language funding is allocated through the formula to allow schools to provide additional support for a period of up to 3 years after they enter the statutory school system. For simplicity the funding unit is the same for both Primary and Secondary schools.

Business Rates

- 4.8 Business rates for each school are funded through the formula based on an estimate of cost.

Split Sites

- 4.9 The purpose of this factor is to support schools which have unavoidable extra costs because the school buildings are on separate sites.

Premise Rental – Exceptional Factor

- 4.10 One school in the Borough has to pay extra costs relating to rent. The rationale for allowing this funding factor is that it is similar to business rates. There has been individual agreement with the DfE to allow this factor.

- 4.11 The following factors are allowable but have either not been used in the Walsall funding formula or do not apply:

- Private Finance Initiative (PFI) contracts – Not applicable as there are no schools in Walsall where there are additional unfunded costs due to PFI contracts
- London fringe – Not applicable as this is only applicable to local authorities who have some but not all of their schools within the London fringe area
- Post-16 – Not applicable as this can only be used where the authority had such a factor in 2015/16 (which Walsall did not)
- Pupil Mobility – Not used, however this measure allow authorities to allocate additional funding to schools based on numbers of pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils).
- Sparsity – Not applicable as this factor is used to support schools in rural areas where there are on average smaller year groups.

5. Council priorities

- 5.1 The funding formula is seen as equitable and is transparent to those who have been consulted with when setting the formula. The funding formula will not alter the total amount of funding given to Walsall schools and as such the role that schools play in meeting Council objectives will not be adversely impacted by the proposed funding formula.

6. Risk management

- 6.1 The DfE, in their consultation with Local Authorities and schools in March 2012, recognised that smaller schools may become less financially viable under the

new funding formula that was adopted nationally from 2013/14. Walsall Council's proposed funding formula for 2018/19 continues to provide the maximum allowable lump sum. This will allow smaller schools time to manage these impacts and those associated with the move to the NFF (where the lump sum value is £110,000 per school).

7. Financial implications

- 7.1 As required under the DfE guidelines, the proposed local funding formula allocates all of the funding that Walsall Council receives within the Schools Block of its DSG to schools in Walsall.
- 7.2 Under the proposed formula no school will see a reduction in funding per pupil between the 2017/18 and 2018/19 financial year. If schools see fluctuations in pupil numbers between years this will impact on budgets as it always has (and there will also be schools who gain from this process where pupil numbers have increased).
- 7.3 Once the authority receives final details of its DSG allocation for 2018/19 a further review of proposed funding factor values may be required, under the delegations set out within the recommendations for the report, to ensure that the final factor values that are utilised are affordable within the overall level of funding that will be available to the authority.

8. Legal implications

- 8.1 The DfE has prescribed the way in which schools should be financed for the 2018/19 financial year. These guidelines are set out in the Schools revenue funding 2018 to 2019 operational guide, and can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648147/Updated_schools_operational_guidance.odt

- 8.2 The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to schools. The Council is bound to adhere to the rules issued by DfE, and the proposed Walsall Funding Formula sets out how funding will be allocated to schools in Walsall within the prescribed arrangements.

9. Property implications

- 9.1 Unless any schools in Walsall were to close, there will be no property implications associated with this report.

10. Health and wellbeing implications

- 10.1 The content of this report has taken into account the Marmot objectives and it is confirmed that the proposals have been tested against the relevant considerations in this respect. As such there has been no indication that the proposed school funding formula would have any adverse impact on the health and wellbeing of staff and pupils based at Walsall schools.

11. Staffing implications

- 11.1 Where individual schools suffer budget reductions there is a risk that staff posts may be reduced. However no schools budget will be reduced by more than 1.5% per pupil per year, and finance officers will continue to work with and support any schools that do experience financial difficulties so that they can plan the most appropriate way in which to manage these changes.

12. Equality implications

- 12.1 When undertaking the consultation on the implementation of the National Funding Formula, DfE prepared a equality impact assessment. A copy of this is attached to this report.
- 12.2 With regard to equality implications the principles that were followed when reviewing different models for allocating funding for 2018/19 are set out within the report, which were based on seeking to limit any financial impact to as small a number of schools as possible and to see consistency and equity in the allocation of gains.
- 12.3 The current, and proposed 2018/19, schools funding formula takes account of all funding factors that are allowed to be used, and relevant to Walsall. Funding is allocated to support children where English is an additional language, children with low attainment and to support schools in meeting the additional needs that children from deprived backgrounds may face. The funding associated with Looked After Children will now be allocated via the Pupil Premium grant, and the factor value associated with this within the local funding formula has therefore been reduced to £0. There are no further eligible funding factors that can be taken into account in Walsall's funding formula to provide additional support in terms of equality and deprivation.

13. Consultation

- 13.1 Walsall Schools Forum have received a number of reports on the schools funding formula with a working group of members having met several times throughout the year to review the impact of alternate options which looked at changes to factor values set out within the formula.

Background papers

Schools Forum Report 5 December 2017 – Proposed Local Funding Formula 2018/19

Schools Forum report 19 September 2017 – update on Mainstream Schools Funding Formula 2018/19

DfE consultations in March and December 2016 regarding changes to the way that funding for Schools will be allocated nationally going forward

Cabinet Report 26 October 2016 Schools Funding Formula 2017/18

Schools Forum report 11 October 2016 Schools Funding Formula 2017/18

Cabinet Report 28 October 2015 Schools Funding Formula 2016/17

Schools Forum report 13 October 2015 Schools Funding Formula 2016/17

Cabinet Report 29 October 2014 Schools Funding Formula 2015/16

Schools Forum report 23 September 2014 Dedicated Schools Grant – Fairer Schools Funding and Dedicated Schools Grant – Walsall’s funding formula

Schools Forum report 8 April 2014 – National Fair Funding Formula

Schools Forum report 11 June 2013 – Schools Funding Formula (includes comparison details with other local funding formulas)

Schools Forum report 9 July 2013 – Schools Funding Formula

ESFA – “School funding reform: Next steps to a fairer system” published on 26 March 2012

ESFA – “Review of 2013-14 School Funding arrangements” February 2013
David Laws written ministerial statement on school funding reforms – 4 June 2013

ESFA – Schools revenue funding 2018 to 2019 operational guide

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Sally Rowe
Executive Director
29 November 2017



Councillor Nawaz
Portfolio Holder
29 November 2017

Detail of proposed funding formula allocation factors for 2018/19 with unit values

| Factor | | Indicator / Criteria / Data | | £ Unit / multiplier | |
|--|-----------|---|------------|---|----------|
| Basic Entitlement (AWPU) excluding distribution of one off surpluses | mandatory | October 2017 census | | Primary | 2,873.34 |
| | | | | Secondary | 4,329.16 |
| Deprivation - Primary | mandatory | via Free School Meal % | | 1,241.85 | |
| | | The IDACI score has been matched, by DfE, to pupil records where the pupil's postcode is known and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded. | 0.2 < 0.25 | Band F | 200 |
| | | | 0.25 < 0.3 | Band E | 240 |
| | | | 0.3 < 0.4 | Band D | 360 |
| | | | 0.4 < 0.5 | Band C | 390 |
| | | | 0.5 < 0.6 | Band B | 420 |
| | | | 0.6 < 1 | Band A | 575 |
| Deprivation - Secondary | mandatory | via Free School Meal % | | 1,490.22 | |
| | | The IDACI score has been matched, by DfE, to pupil records where the pupil's postcode is 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 | 290 |
| | | | 0.25 < 0.3 | Band 2 | 390 |
| | | | 0.3 < 0.4 | Band 3 | 515 |
| | | | 0.4 < 0.5 | Band 4 | 560 |
| | | | 0.5 < 0.6 | Band 5 | 600 |
| | | | 0.6 < 1 | Band 6 | 810 |
| 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><i>In primary</i> – Total of EYFSP score mapped to census for pupils in years 1,2,3,4 & 5.</p> <p>Yrs 1-2 the % pupils not achieving good level of development</p> <p>Yrs 3-5 the % pupils scoring below 78 points on EYFSP</p> <p><i>In secondary</i> – Total of pupils achieving level 3 or below in either English or Maths</p> | | <p>Primary - 560</p> <p>Secondary - 600</p> | |
| Looked After Children | optional | Number of Looked After pupil as at March 2017 mapped to Jan '17 census. | | 0 | |
| English as Second Language | optional | Pupils whose language is not English and who appear on the school census for the first, second or third year. | | 515 | |

| | | | |
|-------------------------------|---------------------------|--|--------|
| Business Rates | optional | Rateable value of premises as at Jan.'17, 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 |



Department
for Education

The national funding formula for schools and high needs: equalities impact assessment

September 2017

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The public sector equality duty

1. The Equality Act 2010 identifies the following as protected characteristics for the public sector equality duty:
 - Age
 - Disability
 - Gender reassignment
 - Marriage and civil partnership
 - Pregnancy and maternity
 - Race (including ethnicity)
 - Religion or belief
 - Sex
 - Sexual orientation

2. Under Section 149 of the Equality Act 2010, the Secretary of State is under a duty to have due regard to the need to:
 - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - tackle prejudice, and
 - promote understanding.

Schools and high needs funding reform

3. The government is committed to an education system that works for everyone. No matter where they live, whatever their background, ability or need, children should have access to an excellent education that unlocks talent and creates opportunity. We want all children to reach their full potential and to succeed in adult life.
4. The national schools budget has been protected in real terms since 2010. In addition to the budget set at Spending Review 2015, the government will invest a further £1.3 billion over 2018-19 and 2019-20, raising the total core schools budget from almost £41.0 billion in 2017-18 to £42.4 billion in 2018-19 and £43.5 billion in 2019-20. We need to ensure that the system for distributing this funding is fair. Under the current system, similar schools and local areas receive unjustifiably different levels of funding, and unfairness in funding levels is seen right across the country. This unfairness confirms our view that funding reform is needed to support the life chances of our most vulnerable children and young people; a fairer funding system will help provide all schools and all areas with the resources needed to provide an excellent education for all pupils.
5. The national funding formula is a significant reform. We have listened carefully to the consultation responses and noted the concerns raised. The additional £1.3 billion invested in schools and high needs will allow us to introduce the funding formula while increasing every school's national funding formula allocation by at least a 1% per pupil by 2019-20, compared to their 2017-18 baselines. Local authorities will receive a similar protection in respect of their high needs funding. We will also allocate a minimum of £4,800 per pupil for every secondary school, and at least £3,500 per pupil for every primary school in 2019-20.
6. Funding will be distributed to local authorities based on the notional school allocations according to the national funding formula for schools in 2018-19 and 2019-20, while local authorities will continue to allocate funding to schools based on the local formulae. It remains the government's long-term intention that individual school budgets should be set on the basis of a single national formula (a 'hard' funding formula), but we accept the importance of stability as the national funding formula is introduced; this was raised as a concern throughout the consultation. Spending plans beyond 2019-20 will be set out in a future Spending Review.

The consultation process

7. The first stage consultations on the national funding formulae for schools and high needs both opened on 7 March 2016¹ and set out the principles, building blocks and factors for the funding formulae. Both consultations concluded on 17 April 2016. Our proposals received strong support, confirming the case for proceeding with reform of a system that is not fit for purpose.
8. The government's response to both the schools and high needs first stage consultations was published on 14 December 2016, together with the second stage consultation proposals for the formulae². The second stage consultation built on the first and set out proposals for relative weightings of the various formula factors for the schools, high needs and central school services national funding formulae to be used from 2018-19 onwards. The consultations also set out our proposed approach to transition and provided illustrative allocations for all schools and local authorities in England.
9. We have published earlier assessments of the impact on characteristics protected under the Equality Act 2010 on 7 March 2016 with the stage 1 consultations and then on 14 December 2016 with stage 2 consultations. The current version reflects the final decisions on the national funding formulae, and the latest data and allocations.

¹ Department for Education, [Schools national funding formula](#), 7 March 2016
Department for Education, [High needs funding reform](#), 7 March 2016

² Department for Education, [Schools national funding formula stage 1 response](#), 14 December 2016
Department for Education, [Schools national funding formula - stage 2](#), 14 December 2016
Department for Education, [High needs national funding formula - stage 2](#), 14 December 2016

Funding formulae

10. Final decisions on the funding formulae are set out in the accompanying [policy document](#) and [technical notes](#) which have been published alongside this impact assessment. The table below summarises our final decisions on the national funding formulae to be implemented from 2018-19.

Figure 1: key decisions on the schools and high needs funding formulae

| Schools national funding formula | High needs national funding formula |
|---|--|
| <ul style="list-style-type: none"> • In 2018-19 and 2019-20 funding will be allocated to local authorities based on the notional school allocations according to the national funding formula, while local authorities will continue to allocate funding based on their local formulae • The formula will consist of 4 building blocks: basic per-pupil funding; additional needs funding; school-led funding; and geographic funding • All schools will attract at least 0.5% more per pupil funding in 2018-19 and at least 1% more by 2019-20, compared to 2017-18 baselines • Gains in per pupil funding will be capped in both 2018-19 and 2019-20 at 3% on the previous year • Additionally, all primary schools will attract minimum per pupil funding of £3,300 in 2018-19 and £3,500 in 2019-20, and secondary schools of £4,600 in 2018-19 and £4,800 in 2019-20; this minimum will not be subject to the 3% cap on gains • The funding floor for new and growing schools will be calculated on an if-full basis • With agreement of their schools forums, in 2018-19 local authorities may transfer up to 0.5% of funds from the ring-fenced schools block for other purposes, e.g. to the high needs block | <ul style="list-style-type: none"> • A national funding formula for allocating high needs funding to local authorities will be introduced from 2018-19 • The formula will provide basic per pupil funding of £4,000 for pupils in special schools, and allocate the rest of the funding using historic spend and proxy factors • The following proxy factors will be used: population, deprivation, low attainment, health and disability • 50% of what local authorities are spending on high needs from their 2017-18 dedicated schools grant allocation will be allocated through the historic spend factor • Basic entitlement and proxy factors will be adjusted for the variations in area costs • All local authorities will receive at least 0.5% more funding per head in 2018-19 and at least 1% more per head of population by 2019-20, compared to their 2017-18 baselines • Local authorities will be able to gain up to 3% a year, in proportion to any increase in their 2-18 population, in 2018-19 and 2019-20 |

In addition, the new central school services block (CSSB) will be created to fund the ongoing duties local authorities hold for both maintained schools and academies. Funding will be allocated by the formula proposed in December 2016.

11. The additional £1.3 billion we are investing in schools and high needs means that all local authorities will receive some increase in 2018-19, over the amount they plan to spend on schools in 2017-18. Every school will attract a higher level of per-pupil funding than it would have done had the December 2016 proposals been adopted. No school will lose funding through our national funding formula in 2018-19 and 2019-20.
12. As a result of the additional investment in the high needs national funding formula, all local authorities will see an increase in funding per head.

Consideration of the protected characteristics identified in the Equality Act 2010

13. As part of our first and second stage consultations, we published and sought views on our initial assessment of the potential impact with regard to protected characteristics. We received a number of responses to the equalities analysis from a variety of schools, local authorities and stakeholders. The vast majority of comments were not specifically in response to the impact on the identified protected characteristics, but were instead general comments on the national funding formulae. We have taken these responses into account under the relevant questions as set out in the government responses.
14. This document sets out our response to the relevant points raised during both stages of consultation and our further assessment of the impact of the policy decisions, made as a result of the second stage consultation, on persons with characteristics protected under the Equality Act 2010.
15. For the most part, this document provides the analysis of allocations under the full funding formulae. As detailed in figure 1, transitional arrangements will be in place in 2018-19 and gains will continue to be capped for some schools after 2019-20.
16. The analysis is also based on the assumption that local authorities will fund their schools in accordance with the national funding formula. In practice, in 2018-19 and 2019-20, local authorities will retain the discretion to distribute funds in accordance with locally-set formulae (and in doing so, they should also comply with equality considerations). So the actual impact of the reforms may not be exactly in line with our modelling assumptions. We are confident, however, that our modelling provides a sound basis for considering the potential impact on protected characteristics.
17. Introduction of the national funding formulae will create a fairer and consistent distribution of funding that is more closely aligned to need and is essential to supporting opportunity for all children, irrespective of their background, ability, need, or where in the country they live. Our funding system will target funds to those pupil groups where the evidence is clear that they need additional support. It does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement. We believe that all pupils will benefit from the clearer and fairer distribution of funding that these reforms will produce.

Age

18. The public sector equality duty, so far as it concerns age, does not apply to the exercise of a function relating to the provision of education to pupils in schools³, including those pupils over the age of 18.
19. A key consideration in designing the national funding formula for schools is the ratio of funding between the primary and secondary phases. We recognise that there is a differential in funding related to age – that is a deliberate feature of the current funding system, where we require local authorities to provide basic per-pupil funding of at least £2,000 at primary and £3,000 at secondary. As pupils progress through key stages, the breadth and complexity of the curriculum increases, requiring more subject experts, specialist teaching facilities and examination fees expenditure. For this reason, we continue to believe that funding allocations should differentiate between phases to reflect the higher costs in the secondary phase.
20. The basic per-pupil funding rates in the schools funding formula will increase in steps from primary to key stage 3 and key stage 4, in line with current practice by local authorities. The national funding formula will maintain the current average pattern of funding distribution between schools, where almost three quarters of local authorities increase their basic per-pupil funding rates from primary to key stage 3 and then again to key stage 4. The formula does not shift the current overall primary to secondary ratio.
21. It is for schools to decide how to use their funding across the age groups within the school.
22. Some respondents to the consultations were concerned that reductions in funding suggested by our earlier proposals could potentially incentivise premature retirement of older teachers in favour of younger, potentially less costly teachers. The additional investment we are making in schools means that all local authorities will see their funding increased. In addition, we will be helping schools to make efficiency savings which will allow them to direct a greater proportion of their budgets to investment in staff.
23. High needs funding supports provision for pupils and students with special educational needs (SEN) or disabilities aged between 0 and 25. We are not proposing to weight any element of the high needs national funding formula towards any particular age group because the cost of providing additional

³ Legislation, [Schedule 18, Equality Act 2010](#), 2010
Department for Education, [Equality Act 2010: advice for schools](#), 2014

support for pupils and students with SEN is not significantly affected by their age.

24. Some respondents raised concerns that using the population count for 2-18 year olds would ignore the 19-25 year olds with SEN or disabilities for which local authorities are also responsible. We have looked carefully at whether to include a factor relating to the population for 19-25 year olds in the high needs formula. However, we are aware that the total number of young people in this age group, in each local authority, is not necessarily proportionate to the number with high needs: for example, areas with significant university student populations are likely to have large concentrations of 19-25 year olds without high needs. As such, we remain convinced that the 2-18 population count is our best available population measure, and is more likely to represent a good proxy for the number of 19-25 year olds with high needs in an area than a count of the overall 19-25 population. It is for local authorities to decide how to spend their high needs budget to ensure that there is suitable provision for all pupils, taking account of their responsibilities to the entire 0-25 year old cohort.

Sex

25. Following current funding arrangements, the funding formulae for schools and high needs will not differentiate funding levels on the basis of sex. Whilst we recognise there is an attainment gap between boys and girls⁴, we are not aware of evidence that suggests funding levels disproportionately benefits a particular sex; targeting funding on the basis of pupils' sex would have very little impact as the vast majority of schools have a broadly equivalent number of boys and girls.
26. Some respondents raised concerns about this proposal. Although we recognise that boys, and in particular white boys, have lower average attainment than girls, this is addressed directly in the formulae through the low prior attainment factor (in the schools formula) and the low attainment factor (in the high needs formula). We do not believe that there is a case to direct additional funding on the basis of sex for this reason.
27. We have also considered consultation responses which argued that the female workforce will be impacted disproportionately by any primary school staffing changes that schools decide to put in place as a result of funding pressures. However, as noted above, overall funding will now be maintained in real terms per pupil. All schools' cash allocations under the national funding formula will be higher than their baselines.

⁴ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016

Gender reassignment, marriage and civil partnership, pregnancy and maternity, and sexual orientation

28. We believe there are no direct links between the funding reform and the protected characteristics of gender reassignment, marriage and civil partnership, pregnancy and maternity, or sexual orientation. We received no responses relating to these characteristics and have not been made aware of any evidence indicating that our funding reform proposals would differentially affect people who possess them.

Religion

29. Our funding reforms will be applied to all schools consistently, including faith schools. Schools' funding allocations will be set in line with funding of other similar schools around the country. Schools designated with a religious character would see their funding change, not due to the status of their school, but because they are subject to the funding reform in the same way as all other local state-funded schools.

30. The impact of the national funding formula is broadly similar for faith and non-faith schools. 56.3% of faith schools and 60.1% of non-faith schools are not on the funding floor and will attract gains of 1% or more.

31. There is a difference between Christian and non-Christian faith schools – 56.8% of the former, but only 15.9% of the latter are not on the funding floor and will attract gains of 1% or more. This reflects the higher occurrence of non-Christian faith schools in urban areas which have been more likely to see deprivation levels fall since the last time funding was allocated according to a formula.⁵ Where deprivation has declined over the last decade, schools are more likely to see lower gains. Nonetheless, non-Christian faith schools will still be funded at higher rates, receiving average per-pupil funding of £4,855, in comparison to the national average of £4,662. This reflects their tendency to be located in areas of higher overall levels of deprivation.

⁵ There is a significant overlap between non-Christian faith and minority ethnicity, and both have a positive correlation with deprivation. Thus, the following section on the characteristic of race also reflects the impact on non-Christian faith schools.

Race (including ethnicity)

32. We have considered the impact of our funding reform proposals on the protected characteristic of race. For schools we will use 3 'additional needs' factors – deprivation, low prior attainment and English as an additional language. For high needs, we will target funding according to low attainment, children's health and disability, and deprivation.
33. Some respondents in the first stage of the consultation raised concerns about our proposal to exclude a mobility factor from the schools funding formula. Some felt that this could disproportionately impact Gypsy/Roma pupils and pupils of Irish traveller heritage. We acknowledge the concerns raised and have decided to include a mobility factor. We will allocate funding for mobility on an historic basis in 2018-19 and will consider alternative methods of allocation to be used in later years.
34. Some respondents also expressed concern that the introduction of the national funding formula for schools could divert money away from ethnic minority groups. We have deliberately chosen not to include the broad characteristic of ethnicity as a funding factor in the formula, relying instead on the additional needs factors.
35. The majority of ethnic groups achieve above the national average⁶. Those ethnic groups that achieve below the national average will be targeted for additional funding through the low prior attainment factor, which we have increased significantly in weighting compared to the current spend by local authorities.
36. We also know that there is a significant overlap between areas of high deprivation and the proportion of pupils from an ethnic minority background. It follows, therefore, that the impact on schools with a high proportion of ethnic minority pupils will be similar to that of schools in deprived areas. We have chosen to increase deprivation funding to reflect the funding currently channelled to deprived areas through the per-pupil basic and lump sum factors by some local authorities.
37. Increased spending on the English as an additional language factor in the schools formula will also channel funding for some ethnic minority groups.
38. As set out above, schools with a high proportion of ethnic minority pupils will continue to attract more funding through the additional needs factors than schools with a low proportion of ethnic minority pupils. Schools with the highest

⁶ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016
Department for Education, ['Revised GCSE and equivalent results in England: 2015 to 2016'](#), 2017

proportion of low-achieving ethnic groups will attract average per-pupil funding of £5,030 compared to the national average of £4,662.

39. However, schools with a high proportion of ethnic minority pupils are likely to see relatively lower gains. This is because they tend to be concentrated in areas which have benefitted historically from higher rates of funding due to high historic deprivation levels. Many of these areas have seen a significant reduction in their level of deprivation since 2005-06, when a formula was last used to allocate funding to local authorities. The schools formula will be a fairer and more transparent way of distributing funding related to deprivation, and will include a definition of deprivation that reaches a broader range of pupils.
40. Overall, the impact of the national funding formula on the protected characteristic of race is explained not by pupils' ethnicity, but by the wider characteristics of the areas in which they are more likely to live. Our assessment is that the introduction of the formulae will deliver a fairer funding system for all pupils, with pupils from all backgrounds funded on a consistent and transparent basis.

Disability

41. With the additional £1.3 billion investment on top of existing spending plans, the core schools and high needs budget will increase by a total of £2.6 billion between 2017-18 and 2019-20, maintaining core schools and high needs funding in real terms per pupil up to 2019-20. As pupil numbers increase, so will the amount of money in our schools. This settlement provides protection for funding for children and young people with SEN and disabilities. Amounts allocated year-on-year will recognise demographic changes and support the continuing implementation of important SEN reforms introduced by the Children and Families Act 2014.
42. In our analysis, we have assumed that the number of SEN pupils in a school closely correlates with the number that have a disability, as most of the 12 types of SEN either relate explicitly to disability, or will encompass learning disabilities.

Schools funding

43. The department does not currently collect statistics on school pupils with a disability. We have decided not to include a specific SEN or disability factor in the national funding formula for schools because of the lack of reliable information or robust data, and because using such a measure would create a perverse incentive to over-identify SEN and disability. We have instead chosen to use low prior attainment in particular as a proxy indicator of need, in part because of its strong correlation to SEN. The low prior attainment factor directs additional funding for every pupil who did not reach the expected standard at the

previous stage. It takes into account every pupil in the school, and eligible pupils continue to attract this additional funding for as long as they are at the school. As well as helping schools to support all pupils who need to catch up with their peers, a particularly important function of this factor is to direct funding to schools likely to be supporting pupils with SEN in mainstream provision.

44. Schools are required to identify and address the special educational needs of the pupils they support. Mainstream schools are expected to meet the first £6,000 of additional costs for each child. We are not proposing to change these arrangements. The deprivation and low prior attainment factors in the schools national funding formula will direct extra resources towards mainstream schools that are likely to face additional costs in making provision for pupils with SEN and disabilities. We know that schools can be disadvantaged if they admit a disproportionate number of pupils with high needs, or a significant number of pupils with needs for which the formula does not have a suitable proxy. Where this is the case, it is entirely appropriate for local authorities to use funding from their high needs budgets to support mainstream schools that adopt a particularly inclusive approach, and many authorities already do this. Authorities with a high proportion of mainstream places for those pupils with high needs will not need to resource as many high needs places elsewhere, and the consequent savings should be directed into the inclusive schools.
45. We have looked at the impact the national funding formula could have on schools with high numbers of SEN pupils. Under a national funding formula, schools with higher proportions of pupils with a statement of SEN, an educational health and care plan (EHCP), or in receipt of SEN support would attract higher average per-pupil funding rates. For instance, schools with the highest proportion of pupils with a SEN statement or EHCP will attract average per-pupil funding of £4,947, and with the highest proportion of pupils with SEN support £4,986, compared to the national average of £4,662.
46. Some respondents were concerned that small remote schools would find it difficult to meet the first £6,000 of additional costs for SEN pupils. Due to their size, this amount for each pupil is a greater proportion of their budget and their opportunities to achieve greater economies of scale through collaboration with other schools are limited because they are remote. Lump sum and sparsity factors in the schools funding formula will benefit these schools, increasing their per-pupil funding. Those small rural schools that do not receive significant funding through the additional factors are likely to benefit from the minimum per-pupil funding. Local authorities will also be able to use their high needs budget to support such schools.

High needs funding

47. As part of the national schools budget protection, we provided an uplift of £130 million to the high needs block in 2017-18. The additional funding announced will allow us to ensure that all local authorities see at least a 1% increase per head of their 2-18 year old population by 2019-20.
48. The new funding formula for high needs will allocate more funding on a formulaic basis using proxy indicators to identify need:
- a. **health and disability:** using two funding factors that directly relate to disability: disability living allowance and children in bad health. The disability factor specifically targets funding towards children who receive disability living allowance; both factors are specific indicators of the health and disability aspects of SEN and disability.
 - b. **low attainment:** reflecting the strong correlation between attainment and SEN. 14% of pupils with SEN achieved the expected level in reading, writing and mathematics at key stage 2 in 2016 compared to 62% of those with no SEN⁷.
 - c. **socio-economic disadvantage:** two indicators of deprivation: pupil-level and area-level deprivation data to reflect the significant overlap between pupils eligible for free school meals and SEN.
 - d. **population:** using population data to allocate high needs funding will reflect that in every given population there will be a proportion of those with high needs.
49. The weightings of the formula factors, as set out in the [policy document](#) published alongside this document, will ensure that schools and local authorities with the highest level of need attract the most funding. This will, in turn, have a positive impact on the protected characteristic of disability. The formula also ensures that every local authority will gain some funding, which will ensure that children and young people in existing high needs placements will not need to have their provision changed simply because we are introducing a national funding formula.
50. We acknowledge that proxy indicators of need will not reflect every type of SEN or disability, but we believe that using proxy indicators is most appropriate to avoid any perverse incentives for a local authority to over-identify SEN to secure additional funding. We are also allocating 50% of funding according to existing spending patterns, which will help to reflect the position of any areas with higher levels of SEN or disability that are not picked up by our proxy indicators.

⁷ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016

Importantly, we are proposing to retain the system of top-up funding at local level, so that resources can be linked directly to the support that institutions give to individual pupils and students.

51. Concerns were expressed in both the schools and high needs consultations about the proposal to ring-fence the schools block impacting those pupils with a disability. We accept that some local authorities may face particular challenges, and in July we confirmed that we would not ring-fence the schools block in 2017-18. We will ring-fence the school block from 2018-19, but will allow local authorities, with the agreement of their schools forums, to transfer up to 0.5% of their school block allocation into the high needs block, to address the concerns raised. We have also set out a range of other support for local authorities, including a strategic planning fund to help them review, plan ahead and implement changes locally to make sure that suitable provision for children and young people with SEN and disabilities is available⁸.

Mental health

52. A number of respondents expressed concern about whether enough consideration was given specifically to mental health issues. Mental health is a protected characteristic under the Equality Act 2010 as long as it fits the definition of a disability under [section 6 of the act](#). The section states that a person has a disability if their mental impairment “has a substantial and long-term adverse effect on [the person’s] ability to carry out normal day-to-day activities”, where ‘long-term’ means lasting at least 12 months⁹. Thus, the act identifies disabilities by their effects rather than medical diagnosis and is more inclusive than previous legislation.
53. As stated above, we are not including a specific disability factor (including mental health) because there is a lack of robust data to support it, and because to do so would create perverse incentives to identify children in order to access funding. The Queen’s Speech 2017 confirmed the government’s intention to transform the provision of mental health support. A cross-departmental green paper on mental health support provision is forthcoming later this year. We will take the outcomes of that consultation into consideration in the funding formula, where appropriate, in due course .
54. The schools and high needs formulae to be introduced from 2018-19 use low prior attainment and deprivation proxy factors to allocate funding. These factors have a high correlation with both SEN and mental health. Funding allocated through these factors in the schools formula would help schools meet the funding need that falls below the high needs threshold of £6,000. The

⁸ Department for Education, ‘[High needs national funding formula and other reforms](#)’, 2016

⁹ See detailed guidance on the definition of disability under the act [here](#).

introduction of minimum per-pupil funding levels will help to ensure that schools which receive little or no funding from the additional needs factors can also address mental health issues.



Department
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