



# Walsall Council

## Walsall Children's Services

**Report to:** Schools Forum

**Date:** 23<sup>rd</sup> September 2014

**Subject:** Dedicated Schools Grant Minimum Funding Changes - Fairer Schools Funding - arrangements for 2015 to 2016 (10a)

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**Purpose of the report:** To inform Forum members of the changes to the funding of the Schools Block of the 2015-16 DSG published by the DfE, including conversion on non-recoupment academies to recoupment academies. In addition provide a summary of short and long term changes to the High Needs and Early Years Blocks of the DSG.

**Recommendations:** Note the contents of the report

## **1. Introduction**

- 1.1 In March 2014, the DfE consulted on a proposal to provide additional funding to the least fairly funded authorities in 2015-16. The proposal was first to ensure that all local authorities will have their Dedicated Schools Grant (DSG) funded at least at the same cash level per pupil as received in 2014-15; then to allocate an additional £350m in 2015-16 to fund schools in the least fairly funded authorities.
- 1.2 Having taken account of the views expressed during the consultation period the DfE have confirmed how DSG will be allocated for 2015-16, including how the additional funding is to be allocated. The arrangements have been published in a document "Fairer Schools Funding – arrangements for 2015-16". The DfE state in the document that the approach will mean funding will be allocated to local areas on the basis of the characteristics of their pupils rather than historic spending levels for the first time in many years.
- 1.3 In addition, through the additional funding being made available, the document confirms every local area's allocation of funding will reflect a minimum basic per pupil amount and minimum amounts reflecting other pupil and school characteristics. In practice this will mean that in every local area the most deprived pupils in primary schools will attract at least £4,454, in key stage 3 at least £5,820 and key stage 4 at least £6,372, all supplemented further by direct funding through the pupil premium.
- 1.4 The Fairer Schools Funding guidance also outlines the intended future reforms to the system for funding high needs and early years pupils; moving to a single system for the funding of academies and minor technical changes to how schools will contribute towards carbon reduction commitment obligations.

## **2. The DSG Schools Block – approach for 2015-16**

- 2.1 The Fairer Schools Funding arrangements are concerned only with how funding for the schools block of the DSG will be allocated, by setting minimum funding levels that every local area will attract for its pupils and schools in 2015-16.
- 2.2 Following the March 2014 consultation the DfE have concluded that the proposal to set a minimum funding level for five pupil characteristics – these being the characteristics identified by the DfE as those that matter most to the attainment of pupils – is the fairest way of distributing available funding in 2015-16.
- 2.3 Therefore where a local authority already attracts at least these minimum funding levels (MFL), no change to the amount of funding per pupil received in 2014-15 will be made in 2015-16. Where a local authority attracts less than these minimum funding levels (MFL) for the pupils and schools in its area, the DfE will increase its budget, from the additional £350m available, so that minimum funding levels are met.
- 2.4 The five pupil characteristics to be used to set the MFL are:
  - a basic per pupil amount ('age weighted pupil unit');
  - pupils who are from deprived backgrounds;

- pupils who have been looked after;
- pupils with low attainment before starting at their primary or secondary school;
- pupils who speak English as an additional language.

In addition to these pupil characteristics, a minimum funding level has been set for two school characteristics currently used by local authorities to allocate money to schools:

- a minimum funding level lump sum for each school on top of it's per pupil funding
- a minimum funding level for small schools that are essential to serving rural areas ('sparsity sum').

- 2.5 The March consultation document indicated that Walsall may attract additional funding to bring our school block allocation up to the minimum funding levels. However the final size of each MFL set for 2015-16 is now based on 2014-15 national data rather than the 2013-14 data used in the consultation document and it has now been confirmed that Walsall will be funded at our 2014-15 per pupil amount with no additional funding.
- 2.6 By fixing the school block unit of funding (SBUF) for 2015-16 now, for every local authority, each authority can begin to develop their local formulae for 2015-16 with certainty about how much they will receive for each pupil in their area.
- 2.7 In December 2014 our confirmed 2015-16 SBUF will be multiplied by data taken from the Walsall October 2014 census to calculate the authority's final funding allocations.
- 2.8 The minimum funding levels set for 2015-16 for the calculation of the schools block unit of funding for each authority are:
- a per pupil amount – primary = £2,880; key stage 3 = £3,950; key stage 4 = £4,502
  - deprivation – between £882 and £1,870
  - looked after children - £1,004
  - low prior attainment – primary = £669; secondary = £940
  - EAL – primary = £466; secondary =£1,130
  - a lump sum for every school – primary = £115,797; secondary = £125,155
  - additional sparsity sum for small schools vital to serving rural communities – primary up to£44,635; secondary – up to £66,656
  - an area cost adjustment to increase MFL in areas with higher labour market costs

The list above includes seven factors used in local formulae nationally. Six of these factors are present in our local funding formula.

- 2.9 It should be noted that local authorities are not obliged to use all of the above factors in their local formulae, except for the mandatory factors of AWPU and deprivation, nor will a local authority be obliged to set a factor at or above the MFL. Individual schools should therefore not expect that their funding will necessarily be at or above the minimum funding levels.

### **3. Analysis of Walsall's DSG income for 2014-15 compared to a DSG modelled using minimum funding levels**

- 3.1 The DSG, has since April 2013, been divided into three notional blocks – the schools block, the early years block and the high needs block. As stated in paragraph 2.5 it has been confirmed that Walsall will be funded in 2015-16 at our 2014-15 school block funding unit. To put this into context it is useful to consider the authority's actual DSG

for 2014-15, on which our 2015-16 funding will be based, against an illustrative DSG for 2014-15 if it had been funded at minimum funding levels.

Table 1 below illustrates Walsall's indicative 2014-15 DSG as notified to Forum in January 2014 (a), our adjusted DSG at May 2014 (b) and an illustrative DSG allocation funded using our minimum funding level SBUF(c).

**Table 1: DSG income for 2014-15 plus illustration of variance had the schools block been funding using minimum funding levels**

	a	b	c
	Indicative 2014-15 DSG Jan '14	2014-15 - final DSG confirmed May '14	Illustration of 2014-15 funding if minimum funding levels (MFL) had been used
	£'m	£'m	£'m
Schools Block	183.342	183.398	182.563
High Needs Block	27.942	27.084	27.084
Early Years Block	10.712	10.919	10.919
2 Year Old Funding	5.87	5.87	5.87
Funding for Induction of newly qualified teachers	0.06	0.06	0.06
Carbon Reduction CRC	-0.317	-0.317	-0.296
<b>Total DSG</b>	<b>227.61</b>	<b>227.014</b>	<b>226.200</b>

*Note:*

Column (a) = DSG at January 2014 prior to confirmation of High needs block – 39492 pupils

Column (b) = Final DSG with adjustment to schools & early yrs blocks plus final recoupment from HNs block for increases in HN post 16 places in non-maintained and FE institutions to be funded directly by the Education Funding Agency (EFA) – 39504 pupils

Column (c) = An illustration of the variation in 2014-15 funding had the schools block been funded by the minimum funding levels (MFL)

3.2 The table above shows that had the authority's current DSG been funded using minimum funding levels our available schools block funding would have been £814,000 less.

#### **4. Indicative Schools Block DSG 2015-2016**

4.1 The schools block unit of funding (SBUF) of the DSG for 2015-16 for all local authorities have been calculated and were published in July 2014. As stated in paragraph 2.6, with the final value of Walsall's SBUF for 2015-16 already confirmed it is possible to make an estimate of schools block income, although until October 2014 census numbers are known the estimate uses 2014-15 funded pupil numbers.

- 4.2 Table 2 below summarizes how the Walsall SBUF for 2015-2016 has been determined. At (A) our SBUF value is calculated using the DfE's published minimum funding levels and at (B) our SBUF is calculated using 2014-15 actual schools block funding unit.

Each local authority's 2015-16 schools block unit of funding (SBUF) will be set as the higher value of (A) or (B)		
<b>(A)</b>	Estimated Pupil numbers used for indicative schools block 2015-16	39504
	School Block Unit of Funding (SBUF) generated using MFL values (as detailed in paragraph 2.8)	£4,621.38 p/p
	<b>Total of Schools Block Funding generated using MFL</b>	<b>£182.563m</b>
<b>(B)</b>	Actual schools block funding unit for 2014-15 DSG	£4,642.52 p/p
	<b>Total of Schools Block Funding generated using SBUF from</b>	<b>£183.398m</b>

- 4.3 The calculations above show that the value against (B) as the greater of the two values, and therefore Walsall's SBUF for 2015-16 will be £4,642.52 per pupil. Appendix 1 illustrates how, using the minimum funding levels, the SBUF at (A) above is calculated.
- 4.4 As can be seen in the table above, using the SBUF of £4,642.52 the indicative Schools Block is calculated as £183.398m. Table 3 below demonstrates how the 2014-15 allocations to schools and centrally funded items were funded. Indicative allocations shown below to schools for 2015-16 are the same in total as for 2014-15 as the calculation uses the 2014-15 funded pupil numbers with the current local formula funding values.

	<b>2014-15 FY</b>	<b>Indicative 2015-16 calculated using 2014-15 funded pupil numbers</b>
	£'m	£'m
Value of Funding to schools excluding allocation of on off surplus	184.834	184.834
Centrally funded items	0.46	0.46
<b>Total Allocated</b>	<b>185.294</b>	<b>185.294</b>
<i>Funded By:</i>		
Schools Block DSG	(183.398)	(183.398)
CRC	0.317	0.296
Funding for NQT	(0.06)	(0.06)
One off allocation of surplus in 2014-15 agreed by Schools Forum	(0.549)	
Funding from under allocation of other funding blocks	(1.604)	
<b>Total Funding</b>	<b>(185.294)</b>	<b>(183.162)</b>
<b>Potential shortfall in schools block</b>		<b>2.132</b>

- 4.5 Table 3 indicates that, as in 2014-15, our Schools Block funding will not support school funding allocations based on 2014-15 formula values. Without the addition/availability of other funding e.g. surplus DSG from 2014-15, funding rates in the formula would have to be reduced. This would normally be AWPU.
- 4.6 A funding report to Forum in January 2014 stated that it was felt likely that in the financial years beyond 2014-15 a small amount of surplus would always remain and be available to offset or reduce any shortfall. However it is difficult to indicate at this time the level of surplus that may be available from 2014-15 financial year or whether funding from other blocks of the 2015-16 DSG will be available to further reduce the shortfall.

## 5. Long-term reform of DSG blocks for High needs and Early Years

- 5.1 The March 2014 consultation was concerned only with the Schools Block of the DSG, however the DfE have noted views expressed during the consultation that the funding system can only be considered fair when reform is carried out across the entire DSG.
- 5.2 The DfE agree with the views expressed but they have confirmed they cannot implement major changes to the distribution of funding for High needs and Early Years Blocks by 2015-16, primarily because they do not know enough about the genuine cost of high needs and early years provision and how it varies between areas.
- 5.3 **In regard to High needs** the DfE aim to move to a more formulaic way of distributing high needs block funding based on adequate knowledge and understanding. A substantial research project is to be undertaken, beginning this autumn, to help fill their knowledge gaps, inform wider debate and contribute to the decisions on how move forward and develop a potential formulae for distributing high needs funding. It is hoped the conclusions from this research will be available by spring 2015.
- 5.4 DfE are not planning significant changes to high needs funding arrangements for 2015-16, however a number of minor changes have been announced including funding for high needs places.
- 5.5 Rather than local authorities submitting a template to the Education Funding Agency (EFA) in December indicating the where their high needs places will be taken up in the following academic year, local authorities place numbers for the academic year 2015-16 will be the published numbers for 2014-15, for Walsall this means that our allocated high needs places available for mainstream pre-16 and post 16 provision, special schools, additionally resourced provision, specialist providers and non maintained special school will remain at 914 places.
- 5.6 The DfE have announced a process where local authorities will be able to make a case for additional place funding where they can identify significant changes in SEN places. However communications received make clear that the DfE expect very few request to be made.
- 5.7 Scope for changes to local authorities high needs place allocation for alternative provision will be much more limited. The DfE's view is that the fairest approach is for

changes to the scale and nature of alternative provision to be met by local authorities, schools and academies from within their existing funding envelope.

- 5.8 This will mean that local authorities and their schools will bear the cost of any increase in alternative provision places for pupils who would otherwise be in mainstream schools but for the placement decisions they have made.
- 5.9 One further change is proposed in regard to alternative provision and this relates to the balance between the value of place and top-up funding. Currently, unlike other place values, places at alternative provision are funded at £8,000 per place. To give more stability the proposal is to increase the guaranteed budget element by increasing place funding to £10,000 from September 2015. The adjustment will be cost-neutral for local authorities and schools as there will be a corresponding reduction in the top-up funding for alternative provision.
- 5.10 **Early Years funding reform** – In 2012 the DfE announced that a fair distribution of early years funding would be best achieved by putting in place a national early years funding formula.
- 5.11 As is the case with high needs funding the DfE feel that they will be unable to introduce a formulaic approach until they have a better understanding of how this could be implemented, the transitional protections that would be required and how to minimise disruption for early years settings. They also need to know more about the different approaches taken by local authorities in the spending of the discretionary element, for example early years services.
- 5.12 Therefore no significant changes will be made in 2015-16 and the Early Years Block per pupil unit of funding for 2015-16 is to be confirmed shortly.
- 5.13 At the last Forum meeting an early years report confirmed that funding for two year olds in 2015-16 will be based on participation rather than DfE estimates and as a result Walsall will see a significant reduction in the funding available for the free entitlement for two year olds within the DSG. The report also confirmed the introduction of a new early years pupils premium which will provide additional funding for disadvantaged three and four year olds.

## **6. Academies – move to a single system for funding in April 2015**

- 6.1 Currently funding for most academies is included in the DSG and the EFA recoups the academies share of a local authority's DSG once the funding formula is run and pays the recouped funding directly to academies. These academies are known as recoupment academies.
- 6.2 Funding for about 10% of academies – known as “non-recoupment academies” – is not included in a local authority's DSG allocations and as such no funding for these types of academies is recouped by EFA.
- 6.3 From April 2015 non-recoupment academies will be converted to recoupment academies. For Walsall this will mean that funding for Walsall Academy and Black Country UTC will, from this date, be added to our DSG. Based on 2014-15 allocation data the DfE estimate £5 million will be added to our DSG.

- 6.4 Our Authority Pro-forma Tool submission, which provides the EFA with details of the Walsall funding formula including data on which allocations have been made and units of resource for each funding factor, will for 2015-16 allocate funding to Walsall Academy.
- 6.5 The total of allocations calculated for all Walsall academies will then be recouped by the EFA from our DSG and paid directly to our academy schools.

## **7. Carbon Reduction commitment**

- 7.1 In 2014-05 the DfE reduced each local authority's DSG in order to pay for schools' contribution to the CRC scheme. The reduction was based on 2013-14 spending declared on Section 251 returns.
- 7.2 It is the DfE intention to revise this method for 2015-16 and the deduction for the CRC scheme will be on a simple per pupil basis @ £7.51 per pupil recorded on October 2014 census.
- 7.4 As can be seen in paragraph 4.4, the estimated deduction, using 2014-15 numbers as a basis, is expected to be in the region of £296,000.

## **8. Recommendation**

- 8.1 To note the contents of the report