



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 13 January 2015

Subject: Final Schools Funding Formula for 2015/16

Contact: Lloyd Haynes (haynesl@walsall.gov.uk)

Purpose of the report: For Schools Forum to see the final schools funding formula (based on previous votes of Schools Forum and consultation with all schools) and to endorse this. For Schools Forum to understand the key issue of level of surplus and to endorse the level of allocation.

Recommendations: See final section of report

1. Executive Summary

1.1 After analysing the level of Dedicated Schools Grant (DSG) for 2015/16 and comparing it to the current formula and values, this report confirms the formula is affordable for 2015/16. Consideration is given to how this is achieved and the associated risks and opportunities.

2. Purpose of the Report

2.1 Schools Forum endorsed the funding formula for primary and secondary schools for 2015/16 in October 2014. The DfE have now given details of the amount of Dedicated Schools Grant (DSG) that Walsall schools will receive in 2015/16. As with every year there is a difference between the funding (income) and the cost (expenditure) of applying the formula on the most recent data. This report explains the options and proposes a solution to Schools Forum on how to ensure a balanced schools budget.

2.2 The Education Funding Agency (EFA) requires the final submission of the proforma by 20 January 2015. The aim of this report is to obtain agreement from Schools Forum, for legal and governance reasons this will then require endorsement by the Director of Children's Services at Walsall Council and then submitted to the EFA. This process is tight because the EFA only supplied the final DSG figures on 17 December.

3. Analysis of the Outputs of the 2015/16 Schools Funding Formula

3.1 The Dedicated Schools Grant is now divided into 3 notional blocks. These blocks are Schools, Early Years and High Needs. There is no ring fencing on these blocks. Walsall Schools Forum looks as much as possible to allocate funding between these blocks in line with the EFA notional blocks.

3.2 Walsall Schools Forum received a report in September 2014 outlining the process of how the Schools Funding Formula operates, the report also outlined the process for determining the value of the Schools Block as published in the DfE's document "Fairer Schools Funding – arrangements for 2015-16".

3.3 The DfE have determined national minimum funding values (MFL) across eight key characteristics. Under the new arrangements each local authority has a Schools Block Unit of Funding (SBUF) generated using the MFL values and an SBUF using the previous financial year's funding unit. The higher of the two values will be used to fund the Schools Block of the DSG.

3.4 Walsall's 2014/15 SBUF was £4,642.52. The authority's SBUF generated by MFL is £4,621.38 therefore as the 2014/15 SBUF is the higher value, the Schools Block for 2015/16 has been calculated using this figure multiplied by number of Full Time Equivalent pupils on the October 2014 census.

DSG can be broken down as below for the current and next financial year:

Table 1

	2014/15 DSG	2015/16 @ Dec.'14
	£'m	£'m
Schools Block	183.342	185.206
Cash Transfer for non recoupment academies	0	5.736
CRC - Carbon reduction commitments	(0.317)	(0.300)
High Needs Block	27.085	27.239
Early Years Block incl. EY pupil premium	10.919	11.301
2 Year Old Funding	5.870	tbc in July 2015
Funding for Induction of NQTs	0.060	0.060
Total DSG	227.015	229.242

3.5 Table 2a below shows the value of monies allocated to primary and secondary schools in 2014/15 and 2015/16 and how expenditure is funded. Table 2b shows the value of monies allocated to nursery schools, classes and early years settings for 3 & 4 yr old entitlement and how expenditure is funded.

Table 2a

	2014/15	2015/16
	£'m	£'m
Value of Funding to be allocated to schools (Before one off surplus allocation in 2014/15)	184.822	190.977
Centrally funded items (e.g. Schools Admissions and CRC)	0.390	0.612**
Total	185.212	191.589
<i>Funded By:</i>		
Schools Block DSG	(183.342)	(191.001)
Other adjustments	0.257	0
One off allocation of surplus agreed by Schools Forum	(0.549)	0
Support from high needs block	(1.578)	(0.588)

** Increase in growth funding to support increase in admissions numbers in Sept 15 plus additional budget for School Admission agreed by School Forum in Dec 15 (subject to agreement by the Secretary of State)

Table 2b

	2014/15	2015/16
	£'m	£'m
Value of Funding to be allocated to EY setting for 3 & 4 yr old Entitlement (Before one off surplus allocation in 2014/15)	15.779	11.080*
Centrally funded items (e.g. Schools Admissions and CRC)	3.299	0.635
Total	19.079	11.715
<i>Funded By:</i>		
Schools Block DSG	(10.919)	(11.301)
2 year old funding	(5.870)	0.000
One off allocation of surplus agreed by Schools Forum	(2.100)	0.000
Support from under allocation of high needs block	(0.190)	(0.414)

*Indicative as January 2015 census not yet available

4 2014/15 Surplus or deficit

4.1 The 2014/15 financial year does not end until 31 March 2015. In order to ensure that a further unallocated surplus does not occur, robust monitoring and forecasting has taken place. If a surplus does occur it is proposed that this is revised during 2015/16 so schools can have the benefit of this immediately. An update on the current forecast position was provided to schools forum in December 2014.

5 Risks

5.1 There is much uncertainty in schools finance at this time. Until the direction of a national fair funding formula is clear, then there are risks to schools in Walsall. Holding a surplus can be attractive in these uncertain times.

5.2 A number of local authorities are predicting pressures on the High Needs block going forwards. Holding a surplus may be attractive in case such a situation develops in Walsall.

6 2015/16 Schools Funding Formula Proforma

6.1 As stated in paragraph 2.1 Schools Forum has previously approved the funding factors for the 2015/16 funding formula for primary and secondary schools. It was hoped at that time that, with the exception of business rates which uses the actual multiplier for the financial year, units of resource for

each factor would remain unchanged from 2014/15. Appendix A summarises the funding factors and units of resource for 2015/16 if this were the case.

- 6.2 However validated pupil data from the October 2014 census confirms that although pupil numbers in both sectors show an increase over 2014/15, 2.4% in primary and 1% in secondary, the number of pupils eligible for free school meals has fallen by 8% in primary and 7% in secondary schools. This has had an unforeseen impact on the cost of the MFG (minimum funding guarantee).
- 6.3 A formula run using the final October 2014 census, with the units of resource detailed on Appendix A, sees a further 11 schools falling into MFG. The total cost of the MFG being £1.090m. As in previous years, funding regulations require that the full cost of the MFG must be funded and this is done by capping the gains of other schools whose funding is increasing over the previous year. However in order to meet the £1.090m MFG, the cap would need to be set as a negative i.e. -0.191%, and this cannot be done.
- 6.4 An additional allocation of £200,000 added to the 2015/16 funding formula is sufficient to slightly reduce the value of the MFG and enable the cost to be funded by a positive cap on gains, albeit greatly increased compared to 2014/15.
- 6.5 Two alternative options have been run to allocate this additional funding:
- i. Option 1 adds the additional funding to basic entitlement (AWPU) on a flat rate of £4.86 per pupil to all schools, thereby distributing the funding equitably to all.
 - ii. Option 2 seeks to distribute the same overall level of deprivation funding in 2015/16 as in 2014/15 (deprivation funding factors distributed £24.698m in 2014/15) by increasing the free school meals unit of resource to £19.60 for primary FSM pupils and, as secondary FSM numbers are weighted by 1.2, the secondary FSM unit is £23.52 per FSM pupil.
- 6.6 Appendix B illustrates the 2014/15 funding values, together with the 2015/16 value for each of the options. Option one on the appendix highlights the increase in FSM unit of resource. The cap on gains in this option will need to be set at 0.006% in order to fund an MFG of £1.014m.
- 6.7 Option two highlights the increase in basic entitlement with the cap on gains in this option being reduced to 0.013% to fund an MFG of £1.025m.
- 6.8 The views of Forum are sought in regard to their preferred option for the distribution of the additional funding.

7 Contingency

7.1 Schools Forum determined in October 2014 not to de-delegate a central contingency and therefore funding will remain within individual school budgets. Schools should note the associated risk with this decision and the need to put aside local contingencies as appropriate.

8 Frequently asked Questions

This seems a complex report, what are the key things that Schools Forum needs to know?

The key thing to understand is that EFA award income to Walsall based on total number of pupils in Walsall. Walsall Schools Forum allocate monies to schools based on a more complex set of demographics and data. This report outlines how this budget can be balanced.

When will schools get their budgets?

The LA has to confirm details to maintained Primary and Secondary schools for 2015/16 by end of February 2015. The EFA will confirm budgets to academies by 31 March 2015.

Why do we have to do this in such a hurry?

The EFA released the DSG allocation on 17 December 2014 and require a response by 20 January 2015. These dates are usually announced in the summer after Schools Forum has produced a forward plan. The meeting on 13 January 2015 is the latest Schools Forum can make this decision. There is a significant amount of work to do to ensure that the formula is correctly applied in this period of time. The budget although not published is applied on a school by school basis to ensure that it is sense tested and that data looks appropriate.

What happens if Schools Forum over allocates DSG?

Assuming the over allocation is not 'significant' then all that will happen is that a deficit is created and that will be the first call on the following year DSG. In practice this means that schools then get less the following year. The risk attached to this is that Schools will be over committed through no fault of their own. Also this slows down MFG working through the system.

A large over allocation would be a problem. Schools budgets can only decrease by 1.5% per pupil per year under MFG currently. An over allocation of 2% of the schools budget would cause issues as budgets can therefore only decrease by 1.5%. 1.5% of the current schools budget is c£2.8m. Clearly the calculation is more complex than this as it does not allow for current MFG.

9 Recommendations

9.1 Schools Forum identifies their preferred option for the distribution of the additional funding, and based on that preference endorses and recommends the relevant 2015/16 Schools Funding Formula Proforma to Director of Childrens Services, Cabinet and the EFA.

9.2 Schools Forum notes and endorse that Walsall Council will continue to look for ways to ensure surpluses are prevented and that where surpluses arise, Walsall Council will look at ways within regulations to deploy surpluses as fast as possible.

Appendix A

Detail of allocation factors for 2015-2016 with unit values should they remain unchanged from 2014-2015 (with the exception of business rates which based on actual)

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2014 census		Primary	2,879.743
				Secondary	4,339.937
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 1	222.82
			0.25 < 0.3	Band 2	272.34
			0.3 < 0.4	Band 3	346.61
			0.4 < 0.5	Band 4	445.64
			0.5 < 0.6	Band 5	544.67
			0.6 < 1	Band 6	792.25
Deprivation - Secondary	mandatory	via Free School Meal %		1,490.22	
		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	267.39
			0.25 < 0.3	Band 2	326.81
			0.3 < 0.4	Band 3	415.94
			0.4 < 0.5	Band 4	534.78
			0.5 < 0.6	Band 5	653.62
			0.6 < 1	Band 6	950.72
Lump Sum		Maximum allowable		175,000	
Low Attainment	optional	<p>EYFSP and Key Stage 2 results are used as indicators for low cost, high incidence SEN.</p> <p><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>		214.9979	

Looked After Children	optional	Number of Looked After pupil as at March 2014 mapped to Jan '14 census.	1,406.00
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.	438.85
Business Rates	optional	Rateable value of premises as at Jan.'15, 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

January 2015

Walsall Funding Formula 2015 -2016
Detail of allocation factors and unit value options

			A	B	C
	2014-2015		2015-2016 with multipliers unchanged from 2014-15. Issue being reduction in FSM nos. results in an increase in MFG to the point that a negative cap is required to meet cost of MFG.	2015-16 Option One – additional funding added to allocate same overall level of deprivation funding as in 2014-15 – the funding used to increase the FSM unit only	2015-16 Option Two – additional funding added to Basic Entitlement element of formula, thereby increasing the AWPU values
Factor	£ Unit / multiplier		£ Unit / multiplier	£ Unit / multiplier	£ Unit / multiplier
Basic Entitlement (AWPU) excluding distribution of one off surpluses	Primary	2,879.74	2,879.74	2,879.74	2,884.60
	Secondary	4,339.93	4,339.93	4,339.93	4,344.79
Deprivation – Primary via FSM	1,241.85		1,241.85	1,261.41	1,241.85
Primary via IDACI	Band 1	222.82	222.82	222.82	222.82
	Band 2	272.34	272.34	272.34	272.34
	Band 3	346.61	346.61	346.61	346.61
	Band 4	445.64	445.64	445.64	445.64
	Band 5	544.67	544.67	544.67	544.67
	Band 6	792.25	792.25	792.25	792.25
Secondary via FSM	1,490.22		1,490.22	1,513.69	1,490.22
Secondary via IDACI	Band 1	267.39	267.39	267.39	267.39
	Band 2	326.81	326.81	326.81	326.81
	Band 3	415.94	415.94	415.94	415.94
	Band 4	534.78	534.78	534.78	534.78
	Band 5	653.62	653.62	653.62	653.62
	Band 6	950.72	950.72	950.72	950.72

Please note the factors above reflect only the required mandatory funding factors. Appendix A provides the detail of all the funding factors to be used.

