



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 14 January 2014

Subject: Final Schools Funding Formula for 2014/15

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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 2014/15 and comparing it to the current formula and values, this report confirms the formula is affordable for 2014/15. Consideration is given to how this is achieved and risks and opportunities.
- 1.2 The report recommends allocating **£3.210m** of surplus as one off funding to schools in 2014/15. This surplus is primarily built up from efficient use of DSG by the local authority in recent years and in particular in relation to the exit of the education contract. This equates to **£79.28** per pupil.
- 1.3 The report highlights key issues such as ensuring that schools appreciate this is one off funding and should not be used for ongoing expenses. Also that there are potential pressures for schools and this should be considered in use of this money. The EFA is highlighting efficiency in schools and there is the opportunity to use this one off funding to kick start relevant projects.
- 1.4 This report tries to allocate the maximum of surplus to schools so money can be used as soon as possible. Any future surpluses will not be allocated to schools until the 2015/16 financial year. This regulation is imposed on Walsall by the Education Funding Agency (EFA). Walsall will therefore look at ways that surpluses can be used to benefit schools outside of this process.

2. Purpose of the Report

- 2.1 Schools Forum has agreed the funding formula for primary and secondary schools for 2014/15 in October 2013. The DfE have now given details of the amount of Dedicated Schools Grant (DSG) that Walsall schools will receive in 2014/15. 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 21 January 2014. 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 supply the final DSG figures only on 18 December. This formula impacts all primary and secondary schools including academies except for Walsall Academy and Black Country UTC.

2.3 Schools Forum has discussed the level of surplus from 2012/13 on several occasions. This report seeks to gain Schools Forum approval for use of this surplus in line with EFA regulations.

2.4 Schools in Walsall currently face many challenges. Some of these are nationally driven and some of these are local issues, e.g. Re-modelling of services post the education contract.

2.5 School improvement in Walsall is currently very much in the spotlight. A working group has been established of headteachers and principals to lead on the development of school improvement across the borough. This will produce a new schools improvement strategy.

2.6 It is essential as part of this process that schools and Walsall Council does as much as possible to align funding to support schools improvement wherever possible. The use of this and future surpluses could significantly benefit school improvement.

2.7 While this report does not deal with the overall ambition for Walsall schools improvement, it is clear that priorities emerging from the ongoing review need to be addressed in future funding formulae. Important issues such as looking after our most vulnerable children will become even more pressing.

3. Analysis of the Outputs of the 2014/15 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 December outlining the process of how the Schools Funding Formula operates. The value of money passed to Walsall from central government for the Schools Block element is calculated by the Guaranteed Unit of Funding (GUF) multiplied by the number of pupils.

In 2013/14 the calculation was:

GUF is £4,642.52 and there were 39,102 pupils. Therefore:

$$4,642.42 * 39,102 = £181.532m$$

In 2014/15 Walsall Council was informed the calculation was:

$$\text{GUF is } 4,642.52 * 39,492 = 183.342m$$

This is an increase of funding of **£1.810m**

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

Table 1

	2013/14	2014/15
	£'m	£'m
Schools Block	181.532	183.342
High Needs Block	27.292	27.942
Early Years Block	10.712	10.712
2 Year Old Funding*	3.665	5.870
Funding for Induction of newly Qualified Teachers	0.060	0.060
Historical Grant	0.004	
Carbon reduction Commitments (CRC)		(0.317)
Total DSG	223.264	227.610

The 2 year old funding is extra DSG to fund places for disadvantaged 2 year olds. This is not ring fenced to 2 year olds but clearly it is the current plan to spend in line with government recommendation as much as possible until this is embedded into business as usual. Schools are now excluded from CRC.

3.3 The application of the formula for 2014/15 also has a variety of other subtle differences:

3.3.1 The nationally driven change in terms of prior achievement criteria has resulted in many more pupils 'qualifying' for this funding. As Walsall have kept the rates the same this costs slightly more

3.3.2 Walsall has decreased the lump sum element of the funding formula in line with EFA regulations. This has seen 'winners' and 'losers'. The lump sum has decreased by £25k across both sectors and this has been redistributed through age weighted pupil unit (AWPU). In primary schools, any schools with less than 282 pupils have seen a decrease in funding through this process. Equally schools with more than 282 have seen gains.

3.3.3 Behaviour Support has been allocated this year (2014/15) on AWPU not on FSM eligibility as discussed and agreed. This also creates some turbulence in the budget for 2014/15. As primary schools have de-delegated this back this has minimal impact in real terms for maintained primary schools.

3.3.4 As agreed by Schools Forum last year, the MFG is funded by the 'cap'. The level of MFG funding for 2014/15 is c£1.1m. Hopefully this will reduce further for 2015/16.

3.4 **Table 2** shows the value of monies going into primary and secondary schools in 2013/14 and 2014/15 and how that is funded

Table 2

	2013/14	2014/15
Value of Funding to be allocated to schools before allocation of on off surplus	£183.679m	£184.822m
Centrally funded items (e.g. Schools Admissions and CRC)	£0.625m	£0.390m*
Total	£184.304m	£185.212m
Funded By:		
Schools Block DSG	(£181.532m)	(£183.342m)
Other adjustments	(£0.064m)	£0.257m**
One off allocation of surplus agreed by Schools Forum	(£1.140m)	(£0.549m)
Funding from under allocation of other blocks	(£1.578m)	(£1.578m)

*This is forecast at this time but is expected to be very accurate

**This is reversed because it is a reduction for CRC

3.5 The key points to draw from this table are:

3.5.1 There is a reliance on a surplus to balance the formula. Without this injection rates in the formula would have to fall. This would normally be AWPU. It is felt likely that in financial years beyond 2014/15 there is always very likely to be a small amount of surplus that could be used to balance the budget. Equally as all the new changes in funding regime embed there maybe opportunities to do without this use of surplus by re-aligning budgets. This is seen as low risk.

3.5.2 There is a movement of funding from the 'notional' High Needs block to support the 'schools block'. It is important to note that this money is already in the 13/14 budget so there is no impact on High Needs in 14/15 which is not already in 13/14. Current forecasts for 2013/14 High Needs spend show every budget line with an underspend of varying levels. It is forecast that High Needs would underspend by c£1m in 13/14. The 13/14 budgets were set on actual data not on the notional funding amount. Even if High Needs expenditure increased by £1m (which is over 5%) in 14/15 there would still be sufficient budget.

3.5.3 As High Needs budgets are based on actual data there would be no other activity to code the extra funding to, as it is a demand led budget.

3.5.4 **Table 2** also shows that only £390k of the c£227m DSG is now kept for centrally retained items. More than 50% of the £390k will be used to fund the schools admissions process (which is competitive when benchmarked).

4. Allocation of Surplus 2012/13

4.1 At the end of the 2012/13 financial year there was a surplus of Dedicated Schools Grant (DSG) of £3.793m. This surplus is created by efficient use of centrally held DSG in previous years. Schools Forum voted in February 2013 to use a proportion of this surplus to support the 2013/14 formula to maintain formula values that had been consulted on. The key issue was that free school meal (FSM) funding would cost more than anticipated due to the increase in FSM for 2013/14.

4.2 Following these allocations there was an unallocated surplus of £2.958m. There has been extensive discussion throughout 2013 on how a surplus could be used and what the Education Funding Agency (EFA) would allow.

4.3 This report proposes allocating this surplus to schools as part of the 2014/15 formula. As agreed with Schools Forum in October 2013 this will be on a flat per pupil rate across all pupils in Walsall (including early years and special schools). EFA have given dispensation for this value to be excluded from the minimum funding guarantee (MFG). MFG normally ensures that schools per pupil funding cannot decrease by more than set percentage every year (currently 1.5%). By excluding this value from MFG this makes this money a true 'one off' or 'windfall' to schools.

4.4 Alternate options have been discussed over a number of months but there is no clear alternative at this time. EFA have made it clear that the schools funding formula is the only way that these funds can be allocated to schools. The only opportunity to do this is through the annual formula setting exercise. Any monies not allocated now will not be able to be included within schools budgets until 2015/16 budgets.

4.5 The formula shows the value of this is £73.06 per pupil or £1.755m for primary pupils and £1.128m for secondary pupils in 2014/15

5. 2013/14 Surplus or deficit

5.1 The 2013/14 financial year does not end until 31 March 2014. In order to ensure that a further unallocated surplus does not occur, robust monitoring and forecasting has taken place. If a surplus will occur it is proposed to allocate this in the 2014/15 financial year so schools can have the benefit of this immediately. **Table 3** gives a high level summary of the areas of significant underspend:

Table 3

Budget Line	Budget Position	Notional use
Contingency	Underspent	To be allocated as a one off amongst schools for 2014/15 budgets
Special Schools and PRU's in financial difficulty	Underspent	To support the schools budget for 2014/15 formula
Top Up Funding	Underspent (but unsure of degree)	Any underspend will be a surplus
2 year old funding (trajectory)	Underspent	This underspend is to be rolled forward with the aim of notionally ring fencing to further activity in 14/15. This will be achieved by including in the budget for 14/15
2 year old place funding	Underspent (unsure of degree)	Any underspend will be a surplus

5.2 Firstly it is clear there will be a significant underspend on the 2 year old trajectory funding. This remains a new area and Walsall is currently investing c£500k in capital to provide extra places. Of the c£1m allocated in 2013/14 from central government through DSG, c£200k has been spent. Of the remaining £800k there are clear opportunities to invest in further places per the legislative requirements in 2014/15. It is proposed to roll this funding forward into 2014/15 and 'ring fence' it to 2 year old activities. Further information will be brought to Schools Forum during 14/15 about this area. Ultimately if this money cannot be spent it will be allocated amongst schools.

5.3 Underspends are anticipated on top up funding. With top up funding being new in 13/14 these budget have so far been harder to forecast. Each budget has been developed on a pupil by pupil or place by place basis. An underspend has developed as these costs have not materialised. Some areas are on budget but some areas appear to be coming in under budget.

5.4 Currently there are less 2 year olds in places than funding has been provided. It is anticipated that an underspend will occur in this area.

- 5.5 It is anticipated there will be no expenditure on the contingency line and there will be limited expenditure on the PRU and Special Schools 'financial difficulty' line. This will create an underspend of c£0.820m.
- 5.6 The majority of budget headings would appear to be on or under budget within a small tolerance and there are a few areas that are forecast to be overspent.
- 5.7 This report proposes allocating the surplus of £0.820m as part of the 14/15 budget. £250k would be allocated as a one off as with the previous year surplus. The £570k underspend on PRU line would be used to support the 2014/15 formula as highlighted in **Table 2**. This would be a step to ensure that a further surplus did not develop. It is highly likely that there will still be a surplus at the end of 2013/14 because of minor underspends and in particular underspends on top up funding.

6. Risks

- 6.1 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.
- 6.2 After much discussion with EFA, the only way a surplus can be allocated to schools is through the annual schools funding formula proforma. Walsall schools cannot wait until the end of the financial year and see the exact surplus (or deficit) before choosing what to allocate. Any allocation needs to take place before 21 January 2014 for the 2014/15 financial year. This introduces uncertainty.
- 6.3 It has been interesting to note reading the recent inspection report of schools in Wakefield, that Wakefield Schools Forum got Secretary of State Approval to retain funds centrally to fund school improvement activities. By allocating these resources Walsall will lose this opportunity.
- 6.4 The risk of allocating surplus from 2013/14 is that if late costs come through towards the end of the financial year, then Walsall could be forced into a deficit in future financial years. This deficit would be the first call on the 2015/16 schools budget. It is felt unlikely with the current level of allocation suggested that there would be a deficit.
- 6.5 A number of local authorities are predicting pressures on the High Needs block going forwards. Holding a surplus would be attractive in case such a situation develops in Walsall.

6.6 It is **vital** that when schools receive this allocation they understand it is a one off. This is in effect a 'balance' and it should be used to fund one off expenditure or to provide contingency rather than increasing ongoing costs. Some schools still have equal pay liabilities or need for minor capital expenditure and schools need to consider how they will utilise this one off windfall.

7. Efficiency

7.1 As reported in December 2013, the DfE and EFA are developing a strong focus on efficiency in schools.

7.2 This one off funding could be used to kick start a number of good value projects including school to school improvement or invest to save opportunities.

8. 2014/15 Schools Funding Formula Proforma

8.1 **Appendixes 1 and 2** summarise Walsall Schools formulae for 2013/14 (current year) and 2014/15 (next financial year). What this shows is that the rates are very similar year on year.

9. Contingency

9.1 At the previous meeting of Schools Forum, it was decided that there would be a small project to establish an appropriate level of contingency. This has been an area of quite brief discussion as Walsall does not have any spend this year. The contingency was 250,691 in 13/14. The plan would be to have £125,350 (50%) for 14/15. This allows an amount of money in case of emergency but shows that there is no record of using this to date.

10. 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 schools for 2014/15 by 28 February 2014. The EFA will confirm budgets to academies by 31 March 2014.

What is 2 year old trajectory funding?

This funding is in 2013/14 and 2014/15 to help create places for 2 year olds, make sure the places are of good and outstanding quality and inform and advise parents about early education.

How does this link in with the reception, year 1 and year 2 free school meal initiative?

This is separate to this initiative. We are awaiting further details.

How does this link to Pupil Premium?

It doesn't. Pupil premium is completely separate. Pupil premium was £900 per eligible child in 2013/14 with primary aged pupils actually receiving £953 per eligible child. In 2014/15 the rates will be £1,300 for primary aged pupils, £935 for secondary aged pupils and £1,900 for looked after children, adopted children and children with guardians.

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

The EFA release the DSG allocation on 18 December 2013 and require a response by 21 January 2014. These dates are usually announced in the summer after Schools Forum has produced a forward plan. The meeting on 14 January 2014 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.

What is contingency for?

Contingency is for support to schools in financial difficulty, support for new/closing/amalgamating schools and closing schools deficits. There may be other examples.

Is this good news or bad news?

In very simple terms this is good news. Previous year's efficiency has created a surplus which is now being given to schools to invest as one off. The overall budget is being maintained and slightly increased. The value of the MFG protection is c£1m and will hopefully mean the cap can be removed soon.

11. Recommendations

- 11.1 That Schools Forum endorse allocating the whole 2012/13 prior year surplus through the formula at £73.06 per pupil (including allocations to special and early years)
- 11.2 Schools Forum endorses allocating £0.252m of anticipated 2013/14 financial year surplus at £6.22 per pupil (including allocations to special and early years)
- 11.3 Schools Forum endorses and recommends the 2013/14 Schools Funding Formula Proforma to Director of Childrens Services, Cabinet and the EFA
- 11.4 Schools Forum endorses that any underspend on '2 year old trajectory funding' is 'ring fenced' to 2 year old activities for 2014/15 and that further reports will be received through 2014/15.
- 11.5 That secondary and primary maintained representatives endorse the level of contingency under de-delegation rules.
- 11.6 Schools Forum members to note their responsibility to ensure those they represent are informed that this funding is one off funding
- 11.7 Schools Forum to note 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.

Walsall Funding Formula 2013 – 2014
Detail of allocation factors and unit values

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU)	mandatory	October 2012 census		Primary	2,780.442
				Secondary	4,329.045
Deprivation - Primary	mandatory	via Free School Meal %		1,288.609	
		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 %		1,546.33	
		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		200,000	
Low Attainment	optional	The Early Years Foundation Stage Profile and Key Stage 2 results are used as indicators for low cost, high incidence SEN. In primary – the number of pupils achieving fewer than 78 points mapped to Oct.'12 census. In secondary – the number of pupils achieving level 3 or below in English <i>and</i> Maths		214.9979	
Looked After Children	optional	Number of pupils looked after continuously for 6 months at March 2012 mapped to Jan '12 census.		1,390	
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.'13, with discretionary relief applied where appropriate.	0.471
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

Walsall Funding Formula 2014 – 2015
Detail of allocation factors and unit values

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) – excluding distribution of one off surplus	mandatory	October 2013 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>Yr 1 – % pupils not achieving good level of development</p> <p>Yrs 2-5 % pupils scoring below 78 points.**</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 2013 mapped to Jan '13 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.'13, with discretionary relief applied where appropriate.	0.471
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

** revised regulations required change to criteria used for the factor indicated compared to 2013-14

- LAC – was pupil looked after for more than 6 mths, now all pupils being looked after as at March'13
- Maximum lump sum allowable reduced from £200,000 to £175,000
- Low attainment – Secondary was no. of pupils achieving below level 3 in English and Maths, now no. of pupils achieving below level 3 in English or Maths

For primary schools – was total pupils scoring below 78 points, now years 2 – 5 scoring below 78 points plus year 1 total not achieving good level of development