

Cabinet – 24 October 2012

Schools Forum Proposed Revised Schools Funding Formula

Portfolio: Councillor Rachel Andrew, Children's Services

Service: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 The Department for Education ("DfE") are requiring all local authorities in conjunction with their Schools Forum to produce a revised schools funding formula by 31 October 2012. This is the most significant change in school funding for many years. The new funding formula is very prescriptive and local authorities have little flexibility in how they implement DfE policy.
- 1.2 Schools funding is not decreasing. The schools funding formula is the process that divides the Dedicated Schools Grant ("DSG") amongst schools in the borough of Walsall. DfE want to see more funding distributed on a per pupil basis.
- 1.3 The DfE require return of their proforma ("**Appendix 1**") by 31 October 2012. This relates only to primary and secondary schools. Special schools and early years providers receive their funding through different formulae and if appropriate these will be the subject of further reports to cabinet.
- 1.4 This report will be a key decision for Cabinet as it relates to in excess of £176m of funding and will impact all schools in the borough. Legally the council have a duty to consult with Schools Forum but approving a new schools funding formula is a council decision. Walsall Schools Forum has taken a leading role in this process.
- 1.5 Nationally this funding formula not only impacts maintained schools but also Academies. The only exceptions to the application of this funding formula in Walsall are the Black Country University Technical College and the original Walsall Academy. The total funding for Walsall schools will not be altered by this formula but the division of funding between schools will be. It is impossible to maintain the current levels of funding with the new DfE rules. The new formula is designed to be transparent and equitable and therefore all schools can understand the level of their budget.

- 1.6 Walsall's revised formula sees many changes to meet DfE regulations. The main change sees funding distributed on a per pupil basis rise from 62% of the total funding under the old formula to 72% under the new formula. Previously funding would be distributed for size of site, size of building, if there was a swimming pool, a flat fee for professional services and a range of other elements. As an example a school with a big site but few pupils will have seen reduced funding under the new formula as it is pupils not footprint that attracts the funding. Equally a school with a smaller footprint but higher pupil numbers will have seen increased funding.

2. Recommendations

- 2.1 That Cabinet receives the recommendation of Schools Forum as set out in paragraph 3.14 and accordingly approves the revised schools funding formula in the DfE required format ("**Appendix 1**")
- 2.2 That Cabinet notes that the DfE may request revisions to this formula and agrees to delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Children's Services to alter or amend the formula in line with DfE requirements and to comply with all and any relevant DfE regulations.

3. Report detail

Background

- 3.1 The Department for Education (DfE) produced "School funding reform: Next steps to a fairer system" on 26 March 2012. This document was described as a consultation. Although there were some consultative elements, in essence it informs interested parties on decisions that have been made which will start to impact from 2013/14. On 28 June 2012 DfE published "School funding reform – Arrangements for 2013/14" and "Operational guidance for local authorities – 2013-14 revenue funding arrangements". These reports have taken into consideration of the consultation launched in March 2012 and are now the final instructions that DfE require local authorities to follow for the financial year 2013/14. There are a number of documents available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-final-arrangements-for-2013-14>.

These documents amount to several hundred pages of comment and instruction.

- 3.2 There are a number of key changes in the various documents produced. These can be summarised as:
- 3.2.1 The funding formula that each local authority produces to distribute Dedicated Schools Grant (DSG) amongst schools can now only be based on up to 12 factors. In practice most schools will only see 8 factors as some of the 12 are 'specialist' in nature e.g. London fringe

pay awards. Currently there are 37 allowable factors so this is a considerable reduction in flexibility and options.

- 3.2.2 A national funding formula will not be introduced until the next Comprehensive Spending Review period at least. The earliest that would be is 2015/16.
 - 3.2.3 The government has stated that schools will have a Minimum Funding Guarantee of 98.5% of their per pupil funding for 2013/14 and 2014/15. In practice this means that even if the formula changes impact a school they are guaranteed to lose only 1.5% per pupil. (Clearly a school will lose more than that in total if pupil numbers decrease as well).
 - 3.2.4 Special schools will be funded in a completely different way. The Government is introducing a place plus approach, which gives schools £10k per agreed place and where children have needs beyond that amount there will be top up funding. DfE are keen to see engagement between the commissioner and provider of the service.
 - 3.2.5 The DSG will be split into 3 notional blocks. These are Schools Block, High Needs Block and Early Years Block. As these blocks are a notional division only, actual spend can be different.
 - 3.2.6 Funding for Special Education will now support students up to the age of 25.
- 3.3 The DfE is anxious that not all areas have the appropriate representation on Schools Forum. Therefore, DfE have stated the all local authorities must look again at representation and ensure that all groups are properly represented. The big area of concern appears to be whether academies are appropriately represented. Although Walsall has updated membership in summer 2011, with further academy conversions this has been re-assessed to ensure compliance with regulations. Also, the voting rights of who can or who cannot vote has changed. This is mainly in relation to the diocese and union representation.
- 3.4 Walsall Council currently retain a proportion of the DSG to fund activities for schools. This allows economies of scale and improved purchasing power. Under the new funding regulations this funding can no longer be retained by local authorities and will be given directly to schools. However, if schools wish to, they can vote to 'de-delegate' (give back) funding to the local authority to still run these services. Currently there are examples of DSG funding being retained by the local authority to fund activities such as Free School Meal Eligibility, Insurance and other services. The decision for maintained Primary Schools will be made by the maintained Primary School representatives on School Forum. The decision for maintained secondary schools needs to be made by maintained secondary school representatives. In the case of Academies this merely replaces their DSG LACSEG (Local Authority Central Spend Equivalent Grant) and is no change.

- 3.5 School budgets will now be based on the October school census. Therefore any campaigns to ensure children who are eligible for Free School Meals (FSM) are registered will need to have been carried out by September annually.
- 3.6 The DfE require a response by the end of October. This is a very tight timeline. Under law this is a local authority decision rather than a Schools Forum decision and enough time needs to be allowed to go through the legal decision making process.
- 3.7 This report is focused on the Schools Block funding formula. Cabinet will receive further information as appropriate.
- 3.8 The comment below is taken directly from the DfE guidance:

Creating the new, simpler pre 16 schools funding formula

*“Authorities need to decide what factors they wish to include in the new simplified primary and secondary formula from 2013-14 (the arrangements for high needs, including special schools, both pre-16 and 16-24, will be very different and are covered elsewhere.) Arrangements for early years are mentioned elsewhere. A useful first step may be to **identify all factors in their current formula which are not compliant** with those allowed under the new system. They will need to **determine how to allocate all funding through factors which are allowable** and plan the balance between those factors. They should keep a clear record of how any changes have been made, showing any movement within the total Individual Schools Budget (ISB) between factors and phases.”*

Walsall Approach to a New Funding Formula

- 3.9 Both Walsall Association of Secondary Head Teachers (WASHT) and Primary, Special and Nursery Forum were asked to nominate members for a working party. This formula only impacts primary and secondary schools but it was felt that representatives from special schools and early years would add to the knowledge of the group. **Table 1** shows how the group was made up:

Table 1

Headteacher	School
Sean Flynn	St Thomas More
Gary Crowther	Shire Oak Academy
Max Vlahkis	Alumwell Junior
Bob Yeomans substituted on 12 June 2012	St John’s CE Primary
Michelle Sheehy	Millfield Primary
Heather Lomas	The Jane Lane School
Jenni Ward	Sandbank Nursery

The group met on the following days for half day sessions on:

- Wednesday 30 May
- Tuesday 12 June
- Monday 25 June
- Monday 2 July

There were additional meetings with members of the group and extensive e-mail correspondence.

- 3.10 The work of the group was extensive. It broadly followed the comment in 3.08 from the DfE. The first meeting mapped the old formula to new formula where ever possible and then looked to analyse the remaining amounts. Once this was complete, the working group then looked at principles that would underpin the new formula. Wherever possible the aim was to build a transparent formula that everyone could understand and to ensure that equity underpins the formula. In addition it was seen as important to avoid unnecessary turbulence.
- 3.11 DfE raised in the consultation that there might be a rule in future that there should be a ratio of funding between the primary and secondary sector. The DfE quoted in their consultation that the national average for the funding ration was 1:1.27. In Walsall this ratio is 1:1.25. It was agreed by the working group that as DfE had not prescribed a ratio then the current levels should be maintained. DfE may make this a rule which has to be followed in 2014/15 but further guidance would be welcome before any changes are made.

Schools Funding Formula

3.12 The final funding formula can be summarised as:

Age Weighted Pupil Unit (AWPU)

AWPU is the biggest part of the funding formula, it is the funding which has not been allocated to the other factors.

Lump Sum

The Schools Funding Formula group were very aware that the lump sum is the best way of protecting smaller schools. A significant amount of funding now goes through per pupil factors. Modelling has been produced with lump sums of £80k, £100k, £150k, £175k and £200k.

The government's consultation recognises that moving a higher percentage of funding into AWPU will be a challenge for smaller schools. For 2013/14 the group feels that a higher lump sum would give appropriate protection to small schools who could suffer budget pressures once the Minimum Funding Guarantee (MFG) ceases. However, the DfE have stated that they may review the level of the cap at £200k over coming financial years and this may decrease.

It is worth noting that in the initial consultation government were consulting on values between £100k and £150k. The increase has shown that DfE have received a response implying that £100-£150k would be too low.

The Schools Funding Formula group have recommended £175k as the lump sum for 2013/14, this is because:

- The factor can be reviewed in future years and may reduce
- £175k provides an appropriate level of protection for smaller schools
- If the factor was to be reduced by government to £150k then there would be a smaller gap to bridge in future

Deprivation

Using 2012/13 information for funds both in the formula and pupil premium (which is outside of the formula is planned to remain so) the total funding for deprivation in Walsall schools will be:

c£6m distributed through Ever 6 (Pupil Premium)

c£9m distributed on FSM (Funding Formula)

c£11m distributed on IDACI (Funding Formula)

The Schools Funding Formula group has considered a number of options to appropriately reflect pupil deprivation in the new funding formula. These have been modelled using the 3 tools the government allow which are Free School meals¹ (FSM), Ever 6 Free School Meals² (Ever 6) and Income Deprivation Affecting Children Index³ (IDACI). While FSM and Ever 6 are absolute measures (you either are or are not), IDACI operates a banding system where children have a different chance of deprivation in the different bands. The higher the chance of deprivation, the more the funding that is put through the formula. The key principle that was established is that no measure of deprivation is perfect. Using a combination of these measures should ensure funding will be targeted to disadvantaged pupils. As Pupil Premium is allocated on Ever 6 then a decision was made to focus on FSM and IDACI in the Walsall formula.

Both indicators are used in various points across the current formula and have different weightings. On the basis that there is an overall funding differential between primary and secondary of 1:1.25 as a guiding principle a ratio of 1:1.2 has been used between primary and secondary in both FSM and IDACI measures.

Funds for Personalised Learning and Free School Meals (FSM) have been passported into deprivation and ring fenced to distribute on FSM. All remaining funding has been distributed through IDACI.

The government have allowed 6 bands of potential deprivation funding. The new Walsall formula allows an amount of money for each band and it increases proportionally in line with the likelihood of deprivation.

Further work has been done and the group have considered many different banding splits. **Table 2** is from School funding reform – Arrangements for 2013/14:

Table 2

Band	IDACI score lower limit	IDACI score upper limit	Value if Band 1 is paid @ £100*	Value if Band 1 is paid @ £400
1	0.2	0.25	£100	£400
2	0.25	0.3	£122.22	£488.89
3	0.3	0.4	£155.56	£622.22
4	0.4	0.5	£200	£800
5	0.5	0.6	£244.44	£977.78
6	0.6	1.0	£355.56	£1,422.22

¹ Free school Meals (FSM) relates to the number of pupils eligible for free school meals

² Free School Meals Ever 6 relates to the number of pupils eligible for free school meals at any point in the last 6 years

³ IDACI relates to the level of deprivation of the area of where the pupils live and therefore their chance of deprivation with funding increasing for areas with higher chance of deprivation.

*£100 is a nominal amount and is used for illustrative purposes only. It is used to show the scaling up of funding between the various bands. £400 is just another example to show proportionality and is also a nominal amount.

Using 2013/14 information for funds both in the formula and pupil premium (which is outside of the formula is planned to remain so).

c£6m distributed through Ever 6 (Pupil Premium)
c £9m distributed on FSM (Funding Formula)
c£11m distributed on IDACI (Funding Formula)

Due to all the potential changes in future years it is impossible to work to a set proportion between the factors. DfE will alter pupil premium, there will be changes in IDACI bandings, changes in eligibility for FSM and also Universal Credit which will start in 2013 may alter the way FSM is measured.

Low cost High Incidence Special Educational Need (SEN)

The only factor that is allowed under SEN and is a proxy measure is prior attainment. Therefore, the funding previously allocated through SEN has been allocated:

Lump Sum £25k per school
Of the remaining funding:
Free School Meals 55%
AWPU 15%
Prior Attainment 30%

It is hoped DfE will provide more flexibility in future years.

Looked After Children (LAC)

The government consultation has stated that LAC pupils have some of the lowest attainment. Rather than identifying a cash value, the method proposed will see pupils identified as looked after for 6 months being allocated a sum equal to 50% of the unweighted AWPU. With both the extra funding from this increase and the increased funding from pupil premium, it is felt that this would give schools a meaningful amount of money to support improved attainment for these pupils

English as an Additional Language

The group have allocated funding that was previously used in the Ethnic Minority factor of the funding formula. For simplicity the funding unit is the same for both secondary and primary pupils and is the same for each of the 3 years. This results in an approximate unit of funding per pupil per year of £438.

Split sites

Walsall council pays split site allocation for 3 schools only. The total funding allocated through the funding is £50k out of over £200 million. It is proposed to continue with the current approach.

Business Rates

Business rates will be funded through the formula.

Rental Exceptional Factor

One school in the borough has to pay extra funding as rent. The rationale for allowing this is that it is similar to business rates. This has been individually agreed with DfE.

The following factors have either not been used or don't apply:

- Private finance initiative (PFI) contracts
- For the 5 local authorities who have some but not all of their schools within the London fringe area, flexibility to reflect the higher teacher cost in these schools.
- A per pupil factor which continues funding for post-16 pupils up to the level that the authority provided in 2012/13, either through directly allocating per pupil funding, or indirectly through premises and other factors
- Pupil mobility (optional factor)

3.13 Following development of the funding formula a consultation was launched with schools on 20 July 2012 ("**Appendix 2**"). In addition to the written consultation, officers attended an extraordinary meeting of Primary Forum on 14 September 2012. By the closure date of the consultation (Monday 17 September 2012) there were no responses to the consultation. Since that closing date 2 responses were received from individual schools and a combined response was received on behalf of the head teachers who attended Primary Forum on 14 September (c25 head teachers).

3.14 Schools Forum resolved on 25 September 2012:

1. That Schools Forum accepts the feedback from Primary, Special and Secondary heads groups and note that this was unanimous in supporting the principles that had been proposed through the consultation;
2. That Schools Forum endorse the principles of giving each school indicative impacts of the new funding formula;
3. That Schools Forum was pleased that consultation was over and commends the formula to Cabinet.

The resolutions were passed with all but one member of the forum endorsing them.

3.15 Schools Forum were asked on 9 October to re-endorse the final formula and recommend to cabinet.

4. Council priorities

4.1 The new funding formula is seen as equitable and is transparent by those consulted. It will not alter the total amount of funding given to Walsall schools. The role that schools play in meeting council objectives will not be impacted by these changes.

5. Risk management

5.1 The DfE in their consultation of March 2012 recognise that smaller schools may become less financially viable under the new funding formula. Walsall Council new funding formula has provided the maximum lump sum for 2013/14. This will

allow smaller schools time to manage these impacts. If the DfE continue with their plan of a national funding formula for 2015/16 then the larger lump sum will protect schools until this is finalised.

6. Financial implications

- 6.1 Total Dedicated Schools Grant (DSG) funding for Walsall schools will remain at the same overall level. Impacts of this change will be felt differently by schools across the borough.
- 6.2 No school will lose more than 1.5% of funding per pupil per year for the next 2 years under the minimum funding guarantee (MFG). Clearly if schools have fluctuations in pupil numbers between years then this will impact budgets. The funding formula cannot reduce a schools budget by more than 3% over 2 years. There will also be schools who will gain from this process.
- 6.3 The DfE in the March consultation emphasised that smaller schools may have financial challenges from this new formula. The nature of the new funding formula favours larger schools.
- 6.4 The initial focus by schools and their governing bodies will be on the impact of increases and decreases from their current budget allocation. However it is important to emphasise that there may well be inequalities built into the current formula which have built up over a number of years. Comparing schools on a per pupil funding basis is a very valid way of comparing budgets rather than looking at historical funding levels. The minimum funding guarantee of no school losing 1.5% is also based on a per pupil measure.
- 6.5 Under the old formula, c62% of funding went through the per pupil base funding (Age Weighted Pupil Unit)) under the new formula this has increased to c72%. This is due the changes in the rules from DfE and favours bigger schools.

7. Legal implications

- 7.1 The Council is bound to comply with any legislation relating to the financing of schools.
- 7.2 The DfE has prescribed the way in which schools will be financed with effect from the financial year 2013/2014 as detailed in paragraph 3 of this Report. The Council is bound to adhere to these new arrangements. The purpose of these new arrangements will help secure greater consistency in how funding is distributed to schools.

8. Property implications

- 8.1 Unless schools were to close there will be no property impacts. Funding has previously been allocated for property maintenance on square metres of site and

building. This is no longer allowed but schools are adequately funded for property maintenance.

9. Staffing implications

- 9.1 Where schools suffer budget reductions there is a risk that staff posts could be reduced. Budgets will not be reduced by more than 1.5% in 2013/14 and finance officers will work with schools that face financial difficulty.

10. Equality implications

- 10.1 The schools funding formula takes advantage of all but one factor that it is allowed to do. Funding is allocated for English as an additional language, to support Looked After Children and to support deprivation. Pupil mobility has not been funded.

11. Consultation

- 11.1 Schools Forum has received a number of reports on schools funding formula.
- 11.2 A formal consultation was released to schools on 20 July 2012; an extra ordinary meeting of Primary Forum was held on 14 September 2012; a working group was formed and members of the working group have briefed colleagues on a regular basis.

Background papers

Schools Forum report 12 June 2012 – School Funding Formula Changes and Consultation

Schools Forum report 10 July 2012 – Schools Funding Formula

Schools Forum report 25 September 2012 – Response to consultation of Schools Funding Formula

Schools Funding Formula consultation published 20 July 2012 (“**Appendix 2**”)

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

DfE - “School funding reform – Arrangements for 2013/14” published on 28 June 2012

DfE - “Operational guidance for local authorities – 2013-14 revenue funding arrangements” published on 28 June 2012

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Rose Collinson
Interim Director
Children's services
15 October 2012



Councillor Rachel Andrew
Portfolio holder – Children's Services
15 October 2012

Pupil Led Factors

1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Reception Uplift		na		na		na	na
Primary (including reception)		£2,683		23116		£62,028,481	£129,539,431	72%
Key Stage 3		£4,224		9572		£40,430,537		
Key Stage 4		£4,224		6411		£27,080,413		
2) Deprivation	Description	Primary amount per pupil (£)	Secondary amount per pupil (£)	Number of eligible primary pupils	Number of eligible secondary	Sub Total (£)	Total (£)	Proportion of funding
	Indicator: FSM	£1,219	£1,463	5543	3631	£12,071,427	£23,424,018	13%
	IDACI Score 0.2 - 0.25	£223	£267	1442	1213	£645,792		
	IDACI Score 0.25-0.3	£272	£327	1599	1151	£811,442		
	IDACI Score 0.3- 0.4	£347	£416	4696	2765	£2,777,999		
	IDACI Score 0.4-0.5	£446	£535	4523	2851	£3,540,268		
	IDACI Score 0.5-0.6	£545	£654	2335	1444	£2,215,604		
IDACI Score 0.6-1	£792	£951	1034	570	£1,361,485			
3) Looked After Children (LAC)	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Indicator: LAC_6_Mar11	£1,410		189		£266,334	£266,334	0.15%
4) Low cost, high incidence SEN	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Primary pupils- Indicator: LowAtt_%_PRI_78	£211		7091		£1,494,091	£1,872,890	1.05%
Secondary pupils not achieving (KS2 level 4 English and Maths)	£211		1798		£378,799			
5) English as an Additional Language (EAL)	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Primary pupils- Indicator: EAL_1_PRI	£439		2728		£1,197,342	£1,367,457	0.8%
	Secondary pupils- Indicator: EAL_1_SEC	£439		388		£170,115		
6) Mobility	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Primary pupils starting school outside of normal entry dates	na		na		£0	na	na
Secondary pupils starting school outside of normal entry dates	na		na		£0			

Other Factors

7) Lump Sum	Description	Amount (£)	Unit	Number of Schools		Sub Total (£)	Total (£)	Proportion of funding
	Lump Sum		£200,000	per school	102		£20,400,000	£20,400,000
8) London Fringe	London fringe pay bands (only applicable to Buckinghamshire, Essex, Hertfordshire, Kent and		per school in fringe district	na			na	na
9) Split Sites	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Split Sites	16,615		3		£49,846	£49,846	0.03%
10) Rates	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Rates					£1,712,187	£1,712,187	0.96%
11) PFI funding	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of
	PFI	na				na	na	na
12) Sixth Form	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Existing Sixth Form Commitments						tbc	na
13) Exceptional circumstances (can only be used with prior agreement of EFA)	Description	Amount (£) per pupil		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding
	Premises Rental			1		£35,100	£35,100	0.02%
	Excep Circs 2					£0		
Excep Circs 3					£0			
14) Minimum Funding Guarantee	Description	MFG Floor		Ceiling	Scale Factor	Sub Total (£)	Total (£)	Proportion of
	MFG is set at -1.5%, gains may be capped above a specified ceiling and / or scaled	-1.50%	1,655,988	1.50%	0.00%	1,513,174	142,814	0%

TOTAL FUNDING FOR SCHOOLS BLOCK FORMULA (£) :

£178,810,077

RETAINED FOR GROWTH

£0

PRIMARY/SECONDARY RATIO :

1.00 : 1.22

Schools Funding Consultation

Executive Summary

The DfE for financial year 2013/14 has changed the ways that funds can be allocated to schools. Each local authority will have to alter the funding formula that they use to meet the new rules. This will result in every school in the country having a different budget for 2013/14. DfE have implemented a minimum funding guarantee (MFG). This MFG ensures that the biggest loss a school could receive would be 1.5% per pupil in 2013/14 and 2014/15.

Significant work has taken place to develop the principles that underpin a new formula for Walsall schools which meets the new DfE rules. The DfE require a response by the **end of October 2012**

This document seeks the opinions of all Walsall Schools on the principles behind the funding formula.

The deadline for consultation responses to Walsall Council is 12pm Monday 17 September.

Wherever possible further information will be shared with schools between now and then to aid consultation response.

Background

Department for Education (DfE) produced "School funding reform: Next steps to a fairer system" on 26 March 2012. While this document has consultative elements, in essence it informs interested parties in decisions that government has made which will start to impact from 2013/14.

On 28 June 2012 DfE published "School funding reform – Arrangements for 2013/14" and "Operational guidance for local authorities – 2013-14 revenue funding arrangements". These reports have taken consideration of the consultation launched in March 2012 and are now the final instructions that DfE demand that local authorities must do for financial year 2013/14.

There are a number of documents available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-final-arrangements-for-2013-14>.

These documents amount to several hundred pages of comment and instruction.

Walsall Schools

Schools Forums were asked for a number of representatives to sit on a working group to analyse and work on a new formula. The following representatives were selected:

Headteacher	School
Sean Flynn	St Thomas More
Gary Crowther	Shire Oak Academy
Max Vlahkis	Alumwell Junior
Bob Yeomans substituted on 12 June 2012	St John's CE Primary
Michelle Sheehy	Millfield Primary
Heather Lomas	The Jane Lane School
Jenni Ward	Sandbank Nursery

The group met on the following days:

Wednesday 30 May

Tuesday 12 June

Monday 25 June

Monday 2 July

The work the group has been through has been very detailed, with extensive debate around a range of points.

The major piece of work has been to develop principles on how a new funding formula should be based. This is to embed these values into the funding formula produced.

Consultation

This document picks out key points from the DfE documents, details the Walsall response and asks for a schools response.

Key Points from the Consultation

- The funding formula that each local authority produces to distribute Dedicated Schools Grant (DSG) amongst schools can now only be based on up to 12 factors (although most schools will see no more than 7) rather than the current 37 allowable factors. This will impact schools budgets substantially.
- A national funding formula will not be introduced until the next Comprehensive Spending Review period at least. The earliest that would be is 2015/16.
- The government has stated that schools will have a Minimum Funding Guarantee of 98.5% of their per pupil funding for 2013/14 and 2014/15. In practice this means that even if the formula changes impact a school they are guaranteed to lose only 1.5% per pupil. (Clearly a school will lose more than that in total if pupil numbers decrease as well).
- Special schools will be funded in a completely different way. Government are introducing a place plus approach, which gives schools £10k per agreed place and where children have needs beyond that amount there will be top up funding. DfE are keen to see engagement between the commissioner and provider of the service.

- The DSG will be split into 3 notional blocks. These are Schools Block, High Needs Block and Early Years Block. As these blocks are a notional division only, actual spend can be different.
- Funding for Special Education will now support students up to the age of 25.
- The DfE is anxious that not all areas have the appropriate representation on Schools Forum. Therefore, DfE have stated the all local authorities must look again at representation and ensure that all groups are properly represented. The big area of concern appears to be are academies appropriately represented. Although Walsall has updated membership in summer 2011, with further academy conversions this needs to be re-assessed. Also, the voting rights of who can or cannot vote has changed. This is mainly in relation to the diocese and union representation.
- Currently there are examples of DSG funding being retained by the local authority to fund activities such as Free School Meal Eligibility, Insurance and other services. This funding will now be delegated. In the case of Academies this merely replaces their DSG LACSEG (Local Authority Central Spend Equivalent Grant). Maintained schools will have the option to either retain this funding or 'de-delegate' it back to the local authority. The decision for maintained Primary Schools will be made by the maintained Primary School representatives on School Forum. The decision for maintained secondary schools needs to be made by maintained secondary school representatives.
- School budgets will now be based on the October school census. Therefore any campaigns to ensure children who are eligible for Free School Meals (FSM) are registered will need to be in September.
- The DfE require a response by the end of October. This is a very tight timeline. Under law this is a local authority decision rather than a Schools Forum decision and enough time needs to be allowed to go through the legal decision making process.

Schools Funding Formula

The majority of the comments below are taken directly from the DfE guidance. Comments in grey are Walsall's response.

Creating the new, simpler pre 16 schools funding formula

Authorities need to decide what factors they wish to include in the new simplified primary and secondary formula from 2013-14 (the arrangements for high needs, including special schools, both pre-16 and 16-24, will be very different and are covered elsewhere.) Arrangements for early years are mentioned elsewhere. A useful first step may be to **identify all factors in their current formula which are not compliant** with those allowed under the new system. They will need to **determine how to allocate all funding through factors which are allowable** and plan the balance between those factors. They should keep a clear record of how any changes have been made, showing any movement within the total Individual Schools Budget (ISB) between factors and phases.

Walsall has followed the approach outlined above

There must be open and transparent consultation on the proposals with all maintained schools and Academies. The consultation should show the effect for each school and recoupment Academy of moving from the existing formula to the new formula, including the effect of protection. This may not be possible for non-recoupment Academies and free schools, but these should nevertheless be consulted on the proposed formula itself.

This document is a key part of the consultation

There are 12 allowable factors:

- a. a basic per-pupil entitlement – there will be a single unit for primary aged pupils and a single unit for each of Key Stage 3 and Key Stage 4;
- b. deprivation, measured by Free School Meals (FSM) and/or Income Deprivation Affecting Children Index (IDACI). There can be separate unit values for primary and secondary;
- c. looked after children;
- d. prior attainment as a proxy measure for SEN (notional SEN budgets can still also include funding allocated through other factors such as pupil numbers and deprivation;)
- e. English as an additional language, for a maximum of 3 years after the pupil enters the statutory age school system. There can be separate unit values for primary and secondary;
- f. pupil mobility;
- g. a standard lump sum for each school, with an upper limit of £200,000;
- h. split sites – the allocations must be based on objective criteria, both for the definition of a split site and for how much is allocated. Where existing factors have been used for some years and the rationale is unclear, these should be reviewed;
- i. rates, which must be at actual cost;
- j. private finance initiative (PFI) contracts;
- k. for the 5 local authorities who have some but not all of their schools within the London fringe area, an uplift to enable higher teacher pay scales in those schools to be reflected; and
- l. a per-pupil factor which continues funding for post-16 pupils up to the level that the authority provided in 2012-13, either through directly allocating per pupil funding, or indirectly through premises and other factors.

The following paragraphs provide more detail about the factors.

Deprivation – We have identified Free School Meal eligibility and IDACI (with the option for banding) as the two deprivation indicators. This data will be taken from the October School Census at pupil level and aggregated to school level. We have provided the data separately for primary and secondary pupils.

Looked After Children – This will use data collected from the March SSDA903 and mapped to schools using the January School Census and will enable local authorities and the Education Funding Agency (EFA) to identify the number of looked after children in each school/academy.

Low cost, high incidence SEN – The DfE have agreed that local authorities can use Early Years Foundation Stage Profile (EYFSP) and Key Stage 2 results as a proxy for low cost SEN. The measure will apply to all pupils in the school with a valid result:

- a. for primary schools, local authorities will be able to choose between two EYFSP scores. Funding can be targeted to either all pupils who achieved fewer than 78 points; or all pupils who achieved fewer than 73 points on the EYFSP; and
- b. for secondary schools, funding can be targeted at all pupils who achieved a Level 3 or below in both English and mathematics at KS2.

The DfE have stated that SEN is an optional measure

English as an Additional Language – This will be calculated using the National Pupil Database (NPD). We have provided data for pupils who have been in the system for up to 1 year, 2 years or 3 years, and have separated the data into primary and secondary pupils.

Mobility – This has been calculated using the school start date for each pupil from the October School Census. It will include pupils who started in the last three academic years, but did not start in August or September (or January for Year 1). We will provide this data separately for primary and secondary age pupils so that a separate unit value can be applied to each phase.

The main changes to the data from the April data are detailed below:

- a. **Deprivation** – To reflect the concerns we have received from local authorities that the IDACI bands were not responsive to local authorities with higher levels of deprivation we have introduced a 6th band. The IDACI bands have now been set as follows:

Band	IDACI score lower limit	IDACI score upper limit
1	0.2	0.25
2	0.25	0.3
3	0.3	0.4
4	0.4	0.5
5	0.5	0.6
6	0.6	1.0

Please note that local authorities will still be able to set the unit value, and that this can vary between primary and secondary phases.

- b. **Low Cost, High Incidence SEN** – The measure will now cover all pupils in the school who have a valid test result.
- c. **Low Cost, High Incidence SEN** – The threshold for KS2 is unchanged, but we have introduced a second threshold for EYFSP (ref section above).
- d. **English as an Additional Language** – The data will now be provided so that a separate unit value can be applied to primary and secondary phases.
- e. **English as an Additional Language** – The data has been re-baselined so that time spent in N1 or N2 will not count. The indicator will identify pupils in Y1 to Y6 for primary schools, so that schools with pupils who defer entry into Reception will not be penalised, and Y7 to Yr 11 for secondary schools.

f. **Mobility** – This is a new indicator that was not included in the April dataset. Please see paragraph 11 for detail.

g. **Uplift** – We will provide local authorities with Reception uplift data that will be applied to adjust the schools block funding. This data is calculated using the net difference in numbers on roll in Reception between the October 2010 and January 2011 census. Local authorities will have the choice to either apply the uplift to all of their schools or to none of their schools. If local authorities decide not to apply the uplift, the additional money received through the schools block adjustment must be included in the formula and distributed through other factors.

Please note that data the Department provides in these datasets **must** be used when setting local authority formulae. This will ensure that schools and Academies are funded on the same basis. The formula will be reported on a proforma submitted to EFA. The EFA will calculate Academy budgets based on the formula set out in the proforma.

Authorities are able to request additional factors for exceptional circumstances connected with premises but the scope of this will be very restricted. The first opportunity to do so closes at the end of June. We will then issue guidance on what factors have or have not been approved, and there will then be a subsequent opportunity to request additional factors running from July to September. Authorities are not obliged to request additional factors.

It is a requirement under the current system for local authorities to have formula factors for new, reorganised and closing schools. In the reformed system, such additional funding will not form part of the formula because these situations are infrequent and best calculated on a case-by-case basis. Instead, funding can be held within contingencies for maintained schools and would therefore need to be approved by the maintained school members of the forum.

Consultation Questions

Question 1 – Walsall’s current funding formula makes no distinction between Key Stage 3 and Key Stage 4 on Age Weighted Pupil Unit (AWPU). There is a small difference in funding in other areas of the formula but these are miniscule in percentage terms. Do you agree that there should be no distinction between KS3 and KS4 AWPU funding?

Yes

No

Comments

Question 2 - One of the things the government has consulted on is the ratio of primary to secondary funding. In the consultation documents DfE states the national average is 1:1.27.

The Schools Funding Group has seen that our ratios are broadly similar to authorities that we are aware of who are either willing to share their information or we have attempted to analyse via public information. As the current Walsall ratio is broadly in line with the national average at 1:1.25 then after carefully considering all options the group decided to ensure that the new formula preserved the current level of funding between sectors.

Government will not enforce a national ratio in 2013/14 but may well look at this in 2014/15. This may be easier in 2014/15 when all the current changes have worked through the system and DfE may look again. It is believed that Walsall's split between primary and secondary would comply and therefore there is no plan to change this unless further DfE guidance is received in future years.

Do you agree to maintain the current ratio between primary and secondary funding as it is broadly in line with the DfE guidance and all other research the Schools Funding Formula Group has seen?

Yes

No

Comments

Deprivation (mandatory factor) measured by Free School Meals (FSM) and/or the Income Deprivation Affecting Children Index (IDACI). There can be separate unit values for primary and secondary

The Schools Funding Formula group has considered a number of options using FSM, Ever 6 and IDACI to develop a deprivation funding measure. The key principle that was established is that no measure of deprivation is perfect. Using a combination of these measures should ensure funding will be targeted to disadvantaged pupils. As Pupil Premium is allocated on Ever 6 then a decision was made to focus on FSM and IDACI in the Walsall formula.

Both indicators are used in various points across the current formula and have different weightings. On the basis that there is an overall funding differential between primary and

secondary of 1:1.25 as a guiding principle a ratio of 1:1.2 has been used between primary and secondary in both FSM and IDACI measures.

Funds for Personalised Learning and Free School Meals (FSM) have been passported into deprivation and ring fenced to distribute on FSM. All remaining funding has been distributed through IDACI.

The government have allowed **6 bands** of potential deprivation funding. The new Walsall formula allows an amount of money for each band and it increases proportionally in line with the likelihood of deprivation.

Further work has been done and the group have considered many different banding splits.

Table 1 is from School funding reform – Arrangements for 2013/14:

Table 1

Band	IDACI score lower limit	IDACI score upper limit	Value if Band 1 is paid @ £100*	Value if Band 1 is paid @ £400
1	0.2	0.25	£100	£400
2	0.25	0.3	£122.22	£488.89
3	0.3	0.4	£155.56	£622.22
4	0.4	0.5	£200	£800
5	0.5	0.6	£244.44	£977.78
6	0.6	1.0	£355.56	£1,422.22

*£100 is a nominal amount and is used for illustrative purposes only. It is used to show the scaling up of funding between the various bands. £400 is just another example to show proportionality and is also a nominal amount.

Concerns have been raised that DfE have not allowed IDACI ratings of 0 to 20% to be considered because clearly there is still up to a 20% chance that children will suffer disadvantage. The group have given significant attention to this but there would appear to be no way to fund this band or come up with a different methodology to mimic it.

Using 2013/14 information for funds both in the formula **and** pupil premium (which is outside of the formula is planned to remain so).

c£6m distributed through Ever 6 (Pupil Premium)

c £9m distributed on FSM (Funding Formula)

c£11m distributed on IDACI (Funding Formula)

Due to all the potential changes in future years it is impossible to work to a set proportion between the factors. DfE will alter pupil premium, there will be changes in IDACI bandings, changes in eligibility for FSM and also Universal Credit which will start in 2013 may alter the way FSM is measured.

Question 3 – Do you agree in using a composite measure of deprivation made up of FSM and IDACI?

Yes

No

Comments

Question 4 – Do you agree with the measure of proportionality in between IDACI bands?

Yes

No

Comments

Looked after children (LAC) (optional factor)

The government consultation has stated that LAC pupils have some of the lowest attainment. Rather than identifying a cash value, the method proposed will see pupils identified as looked after for 6 months being allocated a sum equal to 50% of the unweighted AWPU. With both the extra funding from this increase and the increased funding from pupil premium, it is felt that this would give schools a meaningful amount of money to support approved attainment for these pupils.

Question 5 – Do you agree with the level of support for LAC in the formula?

Yes

No

Comments

English as an additional language (EAL) (optional factor) for a maximum of 3 years after the pupil enters the statutory age school system. There can be separate unit values for primary and secondary

The group have allocated funding that was previously used in the Ethnic Minority factor of the funding formula. For simplicity the funding unit is the same for both secondary and primary pupils and is the same for each of the 3 years. This results in an approximate unit of funding per pupil per year of £438. The group did work on looking at altering the level of funding over each of the 3 years. However, the DfE have stated in their FAQ document that a split allowing more in the first year is not allowable.

Question 6 – Do you agree with the level of support for EAL in the formula?

Yes

No

Comments

Pupil mobility (optional factor)

This is a new factor introduced by the DfE at the 28 June 2012. The factor is aimed to apply where there are significant midyear admissions. It is not proposed to use this factor in the Walsall funding formula. The Funding Formula group did not have significant chance to analyse this part of the formula but this does not exist in the current Walsall formula. Further data will be analysed to determine if this is appropriate in any way but consultation views are sought at this stage:

Question 7 – Are midyear admissions an issue for your school?

Yes

No

Comments

Split sites (optional factor) – the allocations must be based on objective criteria, both for the definition of a split site and how much is allocated

Walsall council pays split site for 3 schools only. The total funding allocated through the funding is £50k out of over £200 million. It is proposed to continue current definitions of split site and the same level of funding.

Question 8 – Do you agree that the current split site values and allocations should continue?

Yes

No

Comments

The Schools Funding Formula group were very aware that the lump sum is the best way of protecting smaller schools. A significant amount of funding now goes through per pupil factors. Modelling has been produced with lump sums of £80k, £100k, £150k, £175k and £200k.

The government's consultation recognises that moving a higher percentage of funding into AWPU will be a challenge for smaller schools. For 2013/14 the group feels that a higher lump sum would give appropriate protection to small schools who could suffer budget pressures once the Minimum Funding Guarantee (MFG) ceases. The DfE have stated that they may review the level of the cap allowed for this factor in future years.

It is worth noting that in the initial consultation government were consulting on values between £100k and £150k. The increase has shown that DfE have received a response implying that £100-£150k would be too low.

The Schools Funding Formula group have recommended £175k as the lump sum for 2013/14, this is because:

- The factor can be reviewed in future years and may reduce
- £175k provides an appropriate level of protection for smaller schools
- If the factor was to be reduced by government to £150k then there would be a smaller gap to bridge in future

Question 9 – Do you agree that £175k is the appropriate level of lump sum funding?

Yes

No

If No, what level would you suggest and would the rationale be behind this?

Low cost, high incidence SEN (optional factor)

Previously Walsall's funding formula has used many different ways to allocate funding for SEN, including lump sums and School Action etc. The DfE have said that for an SEN factor the only measure that can be used is prior attainment. However, this factor is **optional**.

The Schools Funding Group has worked through several examples of using prior attainment and found that it is not as accurate as current measures and despite it seeming to be the most obvious measure it appears to create greater funding inequality.

The Schools Funding group therefore recommend that prior attainment is not used for SEN funding or used as a minor part of the formula for notional SEN budgets as it appears to promote inequality.

Question 10 – Do you agree that Walsall should not use prior attainment for SEN or should use it only as a minor part of the revised funding formula for SEN?

Yes

No

Comments

On the basis that current SEN funding is not allocated on prior attainment or in line with current practices then new measures have to be found. Question 11 lists these measures

Question 11 – Which of the following measures would you like to see used to distribute the funding that was previously distributed by SEN? Where more than one measure is selected please also allocate a percentage

	Please Tick	Percentage
AWPU	<input type="checkbox"/>	<input type="checkbox"/>
Deprivation	<input type="checkbox"/>	<input type="checkbox"/>
Lump Sum	<input type="checkbox"/>	<input type="checkbox"/>

English as an Additional Language

Comments

Question 12 – Do you have anything further that you would like to add to the consultation?

Please send completed consultation responses to Dan Mortiboys, 3rd Floor Civic Centre, Darwall Street, Walsall WS1 1TP or preferably by e-mail to mortiboysd@walsall.gov.uk

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The deadline for consultation responses to Walsall Council is 12pm Monday 17 September.

Appendixes

Schools Forum – Proposed Funding Formula Report 10 July 2012