

EDUCATION OVERVIEW & SCRUTINY COMMITTEE

Agenda Item
No. 7

DATE: 26 MARCH 2019

SCHOOLS FUNDING AND PUPIL PREMIUM

Ward(s) All

Portfolio: Councillor Towe - Education and Skills

Summary of report

This report provides scrutiny members with an overview of schools funding and pupil premium funding and identifies the main points and any key issues.

Reason for Scrutiny

To inform the Committee of the financial system that schools and the local authority have operate within in relation to Education funding and identify the main points and key issues that members may need to be aware of.

Recommendation

1. To note the content of the report and raise any further questions that Members feel may be required to support their understanding of education funding.

Signed:



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1. Schools Funding – Dedicated Schools Grant

1.1 Each local authority receives a revenue grant, the Dedicated Schools Grant (DSG), each year to fund the provision of education. The DSG grant is made up of 4 “blocks”, each of which is set out in more detail below.

1.2 Central School Services Block (CSSB) –

Overview:

For Walsall for 2019/20 this equates to circa £1.375m, and is provided to local authorities to support the statutory services that they are required to provide to all schools.

Financial Issues:

The actual cost of the statutory services that the local authority has to provide to all schools is significantly more than the CSSB funding that is received. Historically, local authorities previously received Education Services Grant (ESG) funding, which for Walsall was circa £3m per year, to support the statutory services but this funding was cut nationally from 2017/18 with only part of the funding moved into DSG to create the CSSB block of funding.

As such this change has placed financial pressure on authorities as they are required to provide these statutory services but funding paid within the CSSB is not in line with costs.

Schools funding guidance does allow the authority to seek a contribution toward these costs from schools, but given that no funding has been provided to schools for these services schools have not been supportive of this approach as it would in effect constitute a reduction in funding for them. As such the local authority has had to invest its own revenue funding as part of the budget process to offset the fall out of grant funding.

1.3 Schools Block –

Overview:

For Walsall for 2019/20 this equates to circa £209.028m and is provided to local authorities to fund mainstream education. Funding for the authority is driven by the October school census carried out by each mainstream school in Walsall each year and then there is a requirement for the authority to set a ‘local funding formula’ which details how it will then allocate this funding to individual schools (with a requirement for 100% of funding to be passed on).

It should also be noted that once the local funding formula has been agreed each year any funding to be allocated to mainstream academies is not paid to Walsall Council, and is held by the DfE and paid directly to those schools (for 2019/20 this equates circa £105.833m of the total Schools block funding).

Financial Issues:

Totality of funding – whilst education budgets have been protected by government since 2010 what this has meant is that funding per pupil has remained flat (although the government has invested additional funding per pupil over the last 2 years) but if more pupils are supported then more funding is paid (to the authority and then on to the individual school). The Institute for Fiscal Studies has highlighted that this means that school funding has not risen in line with inflation and therefore schools, whilst being protected, have seen a real terms reduction in funding per pupil since 2010.

Individual schools have therefore had to identify ways in which to contain increases in costs (e.g. pay awards, progression through salary grades, increases in pension costs) within the total funding that is available to them.

Schools National Funding Formula (NFF) – historically the total funding paid to each authority has in the main followed historical spending on education in each area, however Central Government has now begun the implementation of a NFF, which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the previous methodology.

This commenced from April 2018, with authorities informed in September 2017 that for 2018/19 and 2019/20 although allocations for each school would be calculated nationally by the Education & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations would not be paid directly to schools and would instead be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.

For Walsall the main impact with the NFF is that there is a lower level of ‘lump sum’ funding allowable (an amount of funding paid to each school to cover the types of costs all schools will see regardless of pupil numbers e.g. a head teacher, a business manager, admin staff etc.), at £110,000 per school rather than £175,000 used in the local formula, however the funding this has freed up has been invested within the NFF in targeted areas of support e.g. deprivation funding and low prior attainment funding.

The risk here though is that for those small schools with lower levels of deprivation the reduction in lump sum funding may not be offset by an increase in targeted funding.

This has led to significant work with Schools Forum to seek to identify each year a local formula which aims to reduce the number of schools seeing a reduction in funding (per pupil) but starts to prepare schools for the allocations that they may actually receive once the NFF has been fully rolled out.

1.4 High Needs Block -

Overview:

For Walsall for 2019/20 this equates to circa £33.140m and is provided to local authorities to fund support to children with additional needs, whether supported in mainstream schools, Additionally Resourced Provision, Special Schools, Pupil Referral Units, Independent Schools or Alternate Provision.

Funding for each authority was previously driven by historic spending in each area but from April 2018 the government has commenced the implementation of a High Needs Funding Formula with allocations being based on a mix of historic spending (which now only informs 50% of allocations) and a range of proxy factors which are believed to identify underlying need in each area (e.g. free school meals, deprivation, low prior attainment, disability living allowance).

As with the schools block there is then a requirement for the authority to identify a local High Needs funding formula which sets out the basis for allocating high needs funding.

Financial Issues:

Totality of funding – Unlike the schools block, the High needs block is a cash limited budget nationally therefore if more children in Walsall are supported from within the High Needs block it does not follow that more funding will be allocated to Walsall. Nationally this is currently a

significant issue with a large overspend on high needs block funding forecast by a number of authorities, although this has not yet been the case in Walsall.

Inclusion Agenda – Part of the pressure referred to above is linked to the fact that nationally there has been a large increase in the number of permanent exclusions. From a financial perspective if a child is in a mainstream school and included in a schools October census this will drive out funding for that child in the following years schools block allocation (broadly speaking for Walsall it would drive out funding of circa £5.5k per year for a primary child or circa £8k for a secondary child).

However if that child is excluded and no mainstream place can be found for that child to move to then there is a requirement for the local authority to provide education for that child and this is normally provided at a Pupil Referral Unit (where costs will normally be 3-4 times the cost of a mainstream place).

Pupil Referral Unit (PRU) places are funded from the High Needs block, therefore if there is an overall increase in children being supported in PRU's then no additional funding will be allocated to the local authority via the High Needs block and these costs will need to be met from within existing allocations thus placing additional pressure on this area – at a cost that is significantly more than that for supporting a child in a mainstream place.

Furthermore the funding that was paid in the schools block will also potentially be lost to Walsall on an ongoing basis (unless the mainstream school has been able to fill the vacant place by the following October).

Given the pressures that this is leading to nationally the government is now taking steps to seek to address this by trying to identify options to promote / foster inclusive practice in more mainstream schools – for instance OFSTED is currently consulting on the implementation of a new inspection regime which will place more emphasis on inclusive practice and reducing the number of permanent exclusions.

High Needs Funding Formula (HNFF) – As with the schools block the government has now begun the implementation of a HNFF meaning that historical allocations of funding are likely to change for the majority of authorities.

In Walsall this has led to ongoing work with special school heads to seek to identify changes that may be required to the local high needs funding formula that is utilised, and in support of this a wider piece of work is ongoing by the SEN team to formalise the way in which special needs are identified and categorised in Walsall, and appropriate support then prescribed.

1.5 Early Years Block -

Overview:

For Walsall for 2019/20 this equates to circa £20.365m and is provided to local authorities to fund early education (15 hours per week, term time, for eligible 2 year olds, 15 hours per week, term time, for all 3 / 4 year olds, and the additional 15 hours per week, term time, for 3/ 4 year olds of working parents who meet eligibility requirements) whether this is taken up in Private / Voluntary / Independent (PVI) settings, with childminders, in nursery schools or in nursery classes at primary schools.

With the implementation of the additional 15 hours of support for 3 / 4 year olds of working parents in September 2017 the government introduced a Early Years National Funding Formula as the basis of allocating funding to each local authority, and which also introduced

a requirement to pay all providers a universal hourly rate for all 2 year old hours and also all 3 / 4 year old hours.

Financial Issues:

Early Years National Funding Formula (EYNFF) – as there are a range of settings that parents can choose to provide funded hours to their 2 / 3 / 4 year olds, each of these providers is likely to see a different cost for each hour of care provided e.g. PVI providers are likely to see lower employers pension costs as they will not be contributing to teachers / local government pension schemes, nursery classes in Primary schools will be paying in to these pension schemes and also (following the decision of the local authority) will also be paying the ‘actual living wage’ as a minimum (which PVI’s are less likely to pay), and maintained nursery schools are likely to see the highest cost of provision as they will also have the pension costs / actual living wage costs and additionally their overheads (head teacher costs / premises costs) will only be spread over the small numbers of pupils in each school (rather than the wider number of pupils that will be supported within a primary school).

As such differential hourly rates used to be paid to different providers, however the implementation of the EYNFF included a requirement to pay a universal hourly rate for each hour of provision i.e. the authority can only pay the same amount per hour to all providers, and cannot pay different amounts based on costs that each provider may incur.

This led to a national campaign by maintained nursery schools to set out the financial impact on the sector and the potential for nursery schools to close. The government responded to this campaign by confirming that for 2017/18 – 2019/20 a ‘Maintained Nursery Schools Supplement’ (MNSS) would be paid to local authorities to be utilised to provide additional funding to maintained nursery schools for the costs that this sector was likely to see.

For Walsall the MNSS funding has so far been sufficient to compensate maintained nursery schools for the funding that they have lost in the reduction in their hourly rate payments, but there is currently no commitment from government to continue the funding until the outcome of the next spending review is known (although government have now confirmed that MNSS funding will continue until the end of the 2019/20 academic year i.e. August 2020 rather than March 2020), and therefore nursery schools, with the support of the authority, are having to identify potential options that may need to be considered if funding is not ongoing e.g. potential federation / amalgamation with other schools.

Sustainability of providers – The implementation of the additional 15 hours of funded provision for 3 / 4 year olds of working parents has faced considerable challenge from the PVI sector whereby providers have set out that hourly amounts paid by government, via local authorities, is not sufficient to meet costs, and that with the universal 15 hours for all 3 / 4 year olds this funding gap was made up with private provision (i.e. hours paid for by parents) but with the increase to 30 hours they are less able to make up the shortfall.

Nationally, and locally within Walsall, this is now seeing growing numbers of providers withdrawing from the sector, and along with the maintained nursery school position set out above, places significant risk on the requirement for local authorities to ensure that sufficient 3 / 4 year old provision is available going forward.

2 Pupil Premium

- 2.1 Pupil premium is additional funding for publicly funded schools in England that is designed to help disadvantaged pupils of all abilities perform better, and close the gap between them and their peers.
- 2.2 It is payable for the following categories:

Disadvantaged Pupils	Annual Pupil Premium Per Pupil
Pupils in year groups reception to year 6 recorded as Ever 6 free school meals* (FSM)	£1,320
Pupils in years 7 to 11 recorded as Ever 6 FSM	£935
Looked-after children (LAC) defined in the Children Act 1989 as one who is in the care of, or provided with accommodation by, an English local authority	£2,300
Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order	£2,300
Service Children	Annual Pupil Premium Per Pupil
Pupils in year groups reception to year 11 recorded as Ever 6 service child or in receipt of a child pension from the Ministry of Defence	£300

*Ever 6 FSM means any pupil who has been eligible for free school meals at any point in the preceding 6 years.

- 2.3 The data which drives the allocation of funding is based on the January school census carried out by each school.
- 2.4 For maintained schools (i.e. schools which are not academies) the Pupil Premium funding is then paid to the local authority with a requirement to pass the funding on to each school (with a breakdown of amounts to be paid to each school provided to the authority by the DfE i.e. the authority is not able to choose / identify a formula to allocate the funding).
- 2.5 For academies the funding is paid directly to them by the DfE.
- 2.6 The only exception to the above is for looked after children, where allocations are based on children recorded as looked after for at least one day at March each year (and being aged 4 – 15 on August 31 the preceding year). This funding is then paid to local authorities and must be managed by the designated virtual school head who must then discuss with each looked after child's educational setting how they will best utilise the pupil premium funding to support the child's educational needs as described in their personal education plan.
- 2.7 The totality of pupil premium funding for all Walsall schools (both maintained and academy, and also incorporating the looked after children funding) is circa £20.4m for 2018/19.
- 2.8 Financial Issues:
No significant financial issues have been raised by schools in relation to pupil premium funding. The only issue to highlight to panel members at this stage is that each school is required to publish a statement on their website each year setting out their strategy for the

effective use of pupil premium funding, and a number of recent internal audit reports (and OFSTED reports) have highlighted that these statements have not always been published.

Where identified this has led to an action being highlighted in the audit report, and internal audit then review this at any follow up audit to ensure the action has been implemented.