

Cabinet – 29 October 2014

Schools Forum Proposed Schools Funding Formula 2015/16

Portfolio: Councillor B Cassidy, Children's Services

Related portfolios: Councillor Sean Coughlan, Leader of the Council

Service: Children's Services: 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 schools funding formula by 31 October 2014. All Councils expect to be informed of their Dedicated Schools Grant (DSG) in December 2014 and then a final funding proforma will need to be completed and sent to the DfE by 20 January 2015.
- 1.2 Walsall Schools Forum in both 2012 and 2013 went through exercises to review the schools funding formula. All schools were consulted in both years as defined in legislation, and Schools Forum has then reviewed those consultations and recommended those respective formulae to Cabinet.
- 1.3 In 2014 Walsall Schools Forum has decided that after 2 years of extensive review, the current schools funding formula remains fit for purpose and have recommended this with 15 of the 16 voting members recommending the formula and one abstention.
- 1.4 Central Government has informed Walsall Council that funding per pupil will remain the same in 2015/16 as it was in 2014/15. Nationally this funding formula not only impacts both maintained schools and Academies. Previously the Black Country University Technical College and the original Walsall Academy were exempt from this formula. However, for 2015/16 for the first time this funding formula will also apply to both these schools.
- 1.5 The schools funding formula is the process that divides the Dedicated Schools Grant (DSG) amongst schools in the borough of Walsall.
- 1.6 The recent School Improvement Inspection by OFSTED stated, "Through consultation and robust modelling of options, the Schools Forum has agreed a formula that gives considerable weighting to deprivation, reflecting the challenges

faced by many children and young people in Walsall.” The letter goes on to state, “The Local Authority uses a range of methods such as efficiency benchmarking, to ensure the budget decisions represent good value for money.” Finally it states, “School leaders are challenged to ensure financial control is robust and school balances are not excessive.”

1.7 The Chancellor of the Exchequer has previously announced a desire to move to a national schools funding formula but more recent announcements state that will be after the next comprehensive spending review.

2 Recommendations

2.1 That Cabinet approves the Schools Funding Formula (**Appendix 1**) that was approved at Schools Forum on 23 September 2014.

2.2 That Cabinet notes and approves that any surplus on Dedicated Schools Grant (DSG) will be allocated amongst schools as a ‘flat cash per pupil’ amount as Schools Forum agreed in October 2013.

2.3 That Cabinet notes that the DfE may request revisions to the school funding formula and that values attributed in the formula may change once the DfE receive the October census data and Cabinet therefore 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 for the 2015/16 Schools Funding Formula.

3 Report Detail

Background

3.1 The Education Funding Agency (“EFA”) published in August 2014 version 2 of “Schools Revenue Funding 2015 to 2016 Operational Guide”. The aim of this document was to inform Local Authorities of all the actions they need to take to ensure their schools funding formula is compliant.

3.2 The document states that there were very few changes for 2015/16. The changes were mainly around ‘sparsity’ which only applies to very rural areas and areas such as amalgamating schools which do not apply to Walsall currently.

3.3 This report builds on a series of reports that have been published by DfE and EFA in recent years. This outlines a clear direction for schools funding towards a national schools funding formula. The Chancellor of the Exchequer George Osborne announced on 26 June 2013 that it was intended to implement a national schools funding formula from 1 April 2015. In March 2014 further announcements were made delaying any possible national funding formula until after the next comprehensive spending review.

3.4 In **Appendix 1** there is a breakdown of the Walsall Council schools funding formula which was used for 2014/15 and has been recommended by Schools Forum to be used in 2015/16.

- 3.5 It must be noted that this formula only applies to mainstream schools and Academies. Cabinet will receive further reports regarding the different formulae that are applied to special schools and alternative provision and also the early years funding formula.
- 3.6 The EFA also ensure as part of schools funding there remains a Minimum Funding Guarantee (MFG). The MFG ensures that the funding schools receive doesn't decrease by more than 1.5% per pupil year on year. This ensures that any schools that have lost funding through formula changes have a number of years to manage this change.

Walsall Approach to a New Funding Formula

- 3.7 Schools Forum reviewed the EFA publication, "Schools Block Funding Formulae 2014/15" at the meeting in April 2014. A decision was made by Schools Forum not to do further work on the schools funding formula after 2 years of development and consultation.
- 3.8 The current formula was last reviewed in 2013. Walsall Association of Secondary Head Teachers (WASH) and Primary, Special and Nursery Forum were asked to nominate members for a working party. This formula only impacts primary and secondary schools and Academies and as a result it is only primary and secondary representatives. **Table 1** reflects the make up of the working group

Table 1

Headteacher	School
Mike Ison (Governor)	Grace Academy
Gary Crowther	Shire Oak Academy
Max Vlahakis	Alumwell Junior
Gary Thornton	Palfrey Junior
Michelle Sheehy	Millfield Primary

The group shared various information via e-mail and phone. There was a half day workshop to consider and develop options following on from this. The workshop took place on 1 July 2013. With one head unable to attend further briefings have also been delivered.

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

- 3.9 The group developed the following guiding principles:
- 3.9.1 That Walsall schools put a lot of time and effort into developing the schools funding formula used in 2013/14. This was well received across Walsall schools. Therefore, unless the new regulations enforced a change there would be no further change for 2014/15

- 3.9.2 That if a national funding formula consultation were to be published then this would be something that would be useful for potentially looking at other areas of Walsall's formula. Therefore, before publishing the consultation with schools locally, the maximum amount of time would be allowed to see if EFA or DfE were to publish any more national information.
- 3.9.3 That no decisions would move money between primary and secondary sectors. EFA have not recommended an advisable ratio and Walsall would therefore preserve the status quo.
- 3.9.4 That primary and secondary sectors would have different lump sums and develop their own models in this respect.
- 3.9.5 That any surplus divided amongst schools would be done so on a per pupil basis at a flat rate per pupil.

Schools Funding Formula

- 3.10 The final funding formula proposed for 2015/16 is the same as 2014/15 and they are both very similar to 2013/14 with only the lump sum basis changing. Below is a brief summary of the principles of the funding formula:

Age Weighted Pupil Unit (AWPU)

- 3.11 AWPU is the biggest part of the funding formula, it is the funding which has not been allocated to the other factors and is allocated on a per pupil basis. The AWPU rates are different for primary and secondary children. Government insist on minimum AWPU rates per pupil.

Lump Sum

- 3.12 Secondary schools will have a lump sum of £175k. This means each school will receive £175k with no reference to pupil numbers, deprivation, buildings etc. This is designed to cover the costs all schools need to meet regardless of size.

For primary schools it is £175k.

The maximum allowable lump sum under regulations is £175k. (See link to SEN below). In both cases the £175k includes £25k notional SEN funding.

Deprivation

- 3.13 Walsall allocates funds to schools for both the Income Deprivation Affecting Children Index (IDACI) measure of deprivation and the number of children who receive free school meals (FSM). The IDACI element is higher. DfE allocate Pupil Premium funding (£1300 per child in 14/15) outside of Walsall's formula and use 'Ever 6' Free School Meals to do so. Previous work has highlighted that this composite measure will ensure that all schools with deprivation should therefore receive some funding to help them. There has always been extensive debate if one measure is 'the best' and a composite measure has proved successful.

Low cost High Incidence Special Educational Need (SEN)

- 3.14 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)

- 3.15 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

- 3.16 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 c£438.

Split sites

- 3.17 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

- 3.18 Business rates will be funded through the formula on actual cost.

Rental Exceptional Factor

- 3.19 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)
- Sparsity

4. Council priorities

The new funding formula is seen as equitable and is transparent by those consulted in previous years. 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 adversely by these changes.

5. Risk management

The DfE in their consultation of March 2012 recognise that smaller schools may become less financially viable under the new funding formula and continued changes. Walsall Council's new funding formula has provided the maximum lump sum for 2015/16 for smaller primary schools. This will allow smaller schools time to manage these impacts. If the DfE continue with their plan of a national funding formula for 2016/17 and beyond, the larger lump sum will protect schools until this is fully implemented. There is no further information on what a national funding formula will look like at this time.

6. Financial implications

- 6.1 Total Dedicated Schools Grant (DSG) funding for Walsall schools will remain at the same overall level per pupil. The only changes will be if there are more or less pupils at October census.
- 6.2 No school will lose more than 1.5% of funding per pupil per year for the financial year 2015/16 under the MFG. Clearly if schools have fluctuations in pupil numbers between years then this will impact budgets as it always has. There will also be schools who will gain from this process.
- 6.3 The DfE in the March 2012 consultation emphasised that smaller schools may have financial challenges from this new formula. The nature of the new funding formula favours larger schools. It is difficult to define 'smaller' schools but one form of entry primary schools or schools who have pupil numbers significantly below the published admission number (PAN) is often used.
- 6.4 It remains important to emphasise that no change has been made to the formula this year. There has been no drive from schools to change the formula. Walsall schools are largely content with the current formula based on two separate consultations. DfE caused the formula to change significantly in 2013/14 and this will still be impacting on some schools as their MFG decreases. It is worthwhile to emphasise that there may well be inequalities built into the 'old' formula which have built up over a number of years and are

currently working their way out of the formula. 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 Walsall Schools Forum has been presented with benchmarking data showing local and national comparisons. This information did not influence schools to make changes to the Walsall formula.
- 6.6 OFSTED as part of the School Improvement Inspection stated "Through consultation and robust modelling of options, the Schools Forum has agreed a formula that gives considerable weighting to deprivation, reflecting the challenges faced by many children and young people in Walsall." The letter goes on to state, "The local authority uses a range of methods such as efficiency benchmarking, to ensure the budget decisions represent good value for money." Finally it states, "School leaders are challenged to ensure financial control is robust and school balances are not excessive."

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 2015/16. 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

Unless schools were to close there will be no property impacts.

9. Health and wellbeing implications

There has been no indication from consultation or response or Grant Thornton's resilience check on school balances that schools funding would impact on the health and well being of staff or pupils.

10. Staffing implications

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 2014/15 and finance officers will work with schools that face financial difficulty.

11. Equality implications

The schools funding formula takes advantage of most factors that are allowed to be used. Funding is allocated for English as an additional language, to support Looked After Children and to support deprivation. Pupil mobility has not been funded.

12. Consultation

- 12.1 Schools Forum has received a number of reports on schools funding formula.
- 12.2 A formal consultation was released to schools on 24 September 2013; a Schools Forum working group was established, WASH have discussed, Primary Forum has discussed and an electronic survey has been used

Background papers

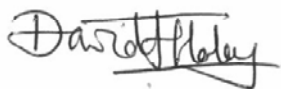
Schools Forum reports 23 September 2014 Dedicated Schools Grant – Fairer Schools Funding and Dedicated Schools Grant – Walsall’s funding formula
Schools Forum report 8 April 2014 – National Fair Funding Formula
Schools Forum report 11 June 2013 – Schools Funding Formula (includes comparison details with other local funding formulas)
Schools Forum report 9 July 2013 – Schools Funding Formula
EFA – “School funding reform: Next steps to a fairer system” published on 26 March 2012
EFA – “Review of 2013-14 School Funding arrangements” February 2013
David Laws written ministerial statement on school funding reforms – 4 June 2013
EFA – Operational information for Local authorities: for revenue funding arrangements for the 2015-16 financial year

Author

Dan Mortiboys
Schools Finance

☎ 652328

✉ mortiboysd@walsall.gov.uk



David Haley
Executive Director

20 October 2014



Councillor Cassidy
Portfolio holder

21 October 2014

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

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU)	mandatory	October census		Primary	2,879.743
				Secondary	4,339.937
Deprivation - Primary	mandatory	via Free School Meal %		1,241.8475	
		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 %		1,490.2169	
		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	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 and Maths		214.9979	
Looked After Children	optional	Number of pupils looked after continuously for 6 months at March 2012 mapped to Jan '12 census.		1,406	
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.		0.482	
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	