



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 3 December 2013

Subject: National Funding Formula Update

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Purpose of the report: To update Schools Forum on the potential National Fair Funding Formula (NFFF) and to pass on other relevant information from the November funding conference and DfE event in Warwick

Recommendations: See final section of report

1. Purpose of the Report

1.1 The Chancellor of the Exchequer announced in June 2013 that a national schools funding formula would be introduced for the 2015/16 financial year. At the time of writing, 25 November 2013, the consultation documents are still awaited. These will be shared with Schools Forum asap when available. Consultation is currently scheduled for early 2014 but there still remains a hope that these documents will be published prior to Christmas.

1.2 It has been clear for some time that there are 3 ways a national funding formula could be introduced. This report is to outline to Schools Forum what the options are and supplement this with what we **believe** may happen based on DfE and EFA comments from various meetings since the last Schools Forum. This will allow members time to consider this and be prepared for what may be a tight timeline for consultation response.

1.3 This report also focuses on some of the other issues that DfE and EFA were keen to discuss at conferences recently. This hopefully provides contextual information for the NFFF.

2. The Current and Potential Future Approach to Schools Funding

The following applies to all schools in Walsall except Walsall Academy, the current UTC and any free schools in the borough. So in other words all other nursery, primary, special and secondary schools be they academy or not – approx 117 schools.

School budgets are currently calculated as:

Step One

The EFA calculate a Dedicated Schools Grant for Walsall including academies. This is based on:

Guaranteed Unit of Funding per pupil (GUF) * number of pupils recorded on October census

This amount varies for Schools Block, High Needs Block and Early Years Block. The total amount of money created is **£223m**.

The Schools Block is £181.532m. This is based on 39,102 pupils at £4,642.52.

The GUF for Schools Block is different for every local authority area. Walsall currently has a GUF of £4,642.52. Birmingham has £5,218.28 and Shropshire £4,112.55. It is hard to explain the basis of this but it has built up over a period of time based on spending share methodology and then had previously ring fenced grants rolled into it. (E.g. Standards Fund).

Step Two

The monies are then distributed through a series of formulas and regulations. These are:

- The Early Years Funding formula (EYFF) (nursery education)
- The SEN Funding Formula to Special schools
- There are funds that are retained centrally in different ways but are covered by Schools and Early Years Finance Regulations
- The largest amount of money is that which goes through the schools funding formula, in 2013/14 this was **£180m**

Once the schools funding formula has been applied to the £180m, school budgets will have been created for 102 schools in Walsall.

To be clear, at this stage a national funding formula would only be for the schools funding formula and not early years or special educational need. This is the £180m in the Schools Block. It is believed that there will be a National Early Years Funding Formula but no date is known for that yet and therefore it would be April 2016 at the earliest.

National Funding Formula

A national funding formula is seeking to alter this. The 'why' this change is being sought would obviously be something which may produce different opinions. The following summarises opinion from some of the DfE slides from the York conference and a general overview. Reasons for a national funding formula would be:

- A) The levels of GUF are different for every local authority. Government fund £4,642 for a pupil in Walsall. If that pupil moved to Birmingham then government would provide £5,218 and then if they moved to Shropshire £4,112. The same pupils with same issues are attracting different levels of funding dependant on their geographical location.
- B) The example from the conference was that a school in Shropshire with 33% of pupils on free school meals received less funding than a school in Birmingham where only 3% of pupils were on free school meals while in other ways they were comparable (size, attainment etc.)

The concept is often quoted that all children with similar characteristics and all schools which are similar should be funded the same wherever they are in the country.

What remains unknown is how a national funding formula would be implemented. The long standing position is there are 3 approaches.

Approach 1 “Local Authority Level Formula”

To produce a formula to calculate the GUF for each authority. This would provide a transparent basis for why areas get funding. This would still allow local decision making on how to allocate the funds to schools but all children would receive funds on a consistent basis. It would be expected that factors such as deprivation, English as an additional language, the number of looked after children would drive the value of the funding received.

This would leave the role of Schools Forum very much the same as it is now.

It is difficult to predict how this would impact Walsall. Walsall's GUF is £4,642 which is 53rd highest of 151 LA's. The current mean average of GUF is £4,446. On that simple basis Walsall would lose £7.7m of funding or 4%. However that assumes that funding is done on an average basis with no weighting. If deprivation is used then Walsall has higher than average deprivation and therefore would attract more funding than average. However it is worth noting that the 15 highest GUF's are all in London so it would imply that London weighting may play a part or has done previously.

How the impact of any funding loss would be managed would be determined by the formula set. Walsall currently uses the highest possible lump sum. It maybe that the EFA might also tighten a number of rules at the same time as equalising GUF. Therefore depending on local decisions the formula could impact all schools or only particular schools.

Approach 2 “School Level Formula”

That the Minister and civil servants could do the work currently done by Schools Forum and set a formula for all schools in England. So currently schools work together in Walsall to determine levels of funding for schools. An example has been that schools vote on the level of lump sum per school. This year Walsall has chosen to have a £175k lump sum for both secondary and primary. Under this approach it would be EFA that would set these factors for all schools in England. This would also apply to AWPU, deprivation etc.

This approach would vastly reduce the role of Schools forum in setting the schools funding formula.

It is difficult to say how this would impact schools in Walsall. Clearly if the direction of funding policy continued then a formula developed would favour larger schools. However, if the total impact of the formula was to average out GUF then it could have a wider impact in Walsall. Therefore all schools could be impacted or Walsall could have both 'winners' and 'losers'.

Approach 3 “Mix”

In short this would involve elements of both Approach 1 and Approach 2. Some factors could be decided centrally with a ‘pot’ of money given to Schools Forum to allow for local circumstances.

This would reduce Schools Forum powers but allow some contribution to allocating funds.

It is impossible to say how this would impact schools as that would be driven by the level of powers split between central and local decision making.

Key Bullet Points from Presentations at York

- The timetable for implementation of the National Fair Funding Formula is:

June to Late 2013 – Finalise proposal

Early 2014 – Public consultation

Spring 2014 – Adjust proposal as necessary

Spring/summer 2014 – Announce policy

Summer 2014 to spring 2015 – LA’s to decide on school level budgets

April 2015 – Schools receive new budgets

It is worth noting that government publish the ‘autumn’ statement in December, so it is hard to determine the exact dates when terms like ‘spring’ are used.

- This will be called the National Fair Funding Formula (NFFF) not National Funding Formula (NFF).
- The Institute for Fiscal Studies did a presentation at the conference. They have produced a model which they call a low disruption model. This is the simplest way that they could implement ‘Approach 2’. In simple terms this was the model where they thought the impacts to schools would be lowest. This, on a national basis, saw at least 1 in 6 schools lose 10% of their funding and 1 in 10 gains more than 10%. Clearly this will have most impact in areas which have been ‘over funded’ or where the formula is further from the ‘norm’. It is impossible to assert whether Walsall has been overfunded as we don’t know the new criteria but we can see from local work that small primaries do better in Walsall. If Walsall was ‘typical’ then we would see 17 schools lose more than 10% of their budget which could be challenging.
- The Spending Round announced by central government in the summer announced ‘real terms protection’ of the schools budget in 2015/16. DSG will grow at more than flat cash per pupil. Pupil Premium will also grow in real terms.

- Education Services Grant will reduce by c20% in 2015/16. This is a grant that local authorities get to fund education activity but academies receive direct. How this reduction will be achieved will be consulted on in early 2014.
- No significant changes planned for High Needs funding in 2015/16. DfE want the changes from 13/14 to bed in.
- 16-19 Funding reforms will continue to bed in
- It was confirmed that every child in state funded schools in reception, year one and year two will receive a free school lunch from September 2014. It is believed that 4 out of 10 children living in poverty are not eligible for free school meals. Disadvantaged students at sixth form colleges and further education colleges will also be eligible for free school meals from September 2014. Details of how this will work in practice will be announced in the Autumn Statement on 4 December 2013.
- The Institute of Fiscal Studies made the following points in their presentation (some adapted slightly for a Walsall perspective):
 - No reason to believe that the lowest funded local authorities are the most 'under' funded and subsequently that the highest funded are 'over' funded.
 - Debate on whether it is desirable to have a different primary-secondary funding ratio across local authorities
 - With evidence pointing to high effectiveness of early intervention is this an opportunity to rebalance funding towards earlier ages?
 - Deprivation funded differently across local authorities, should pupil premium be harmonised with what local authorities do?
 - How should adjustments be made for teacher pay and local labour market conditions?

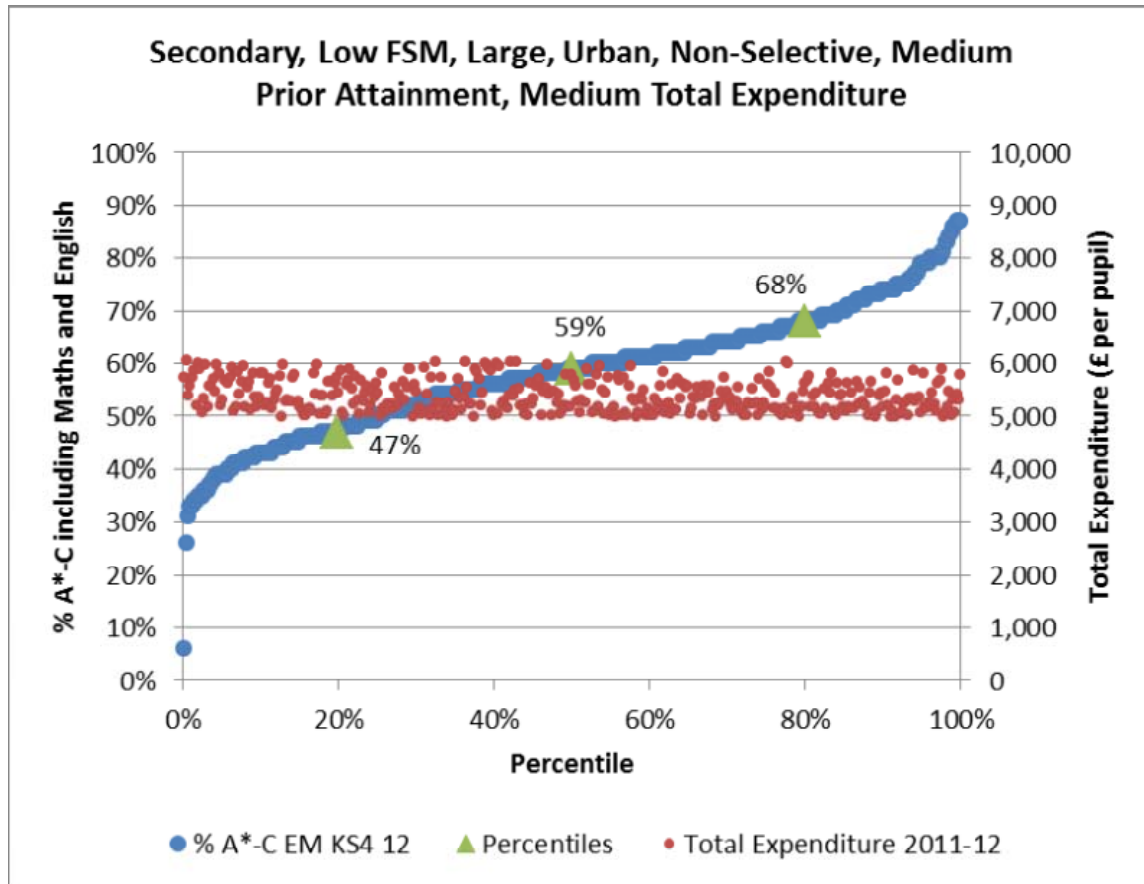
3. Efficiency agenda

3.1 The keynote speaker Josh Goodman from the DfE was keen to focus on the DfE drive to improve efficiency in schools. He highlighted the report DfE published on 26 June 2013 in relation to efficiency in the schools system. The link is here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209114/Review_of_efficiency_in_the_schools_system.pdf

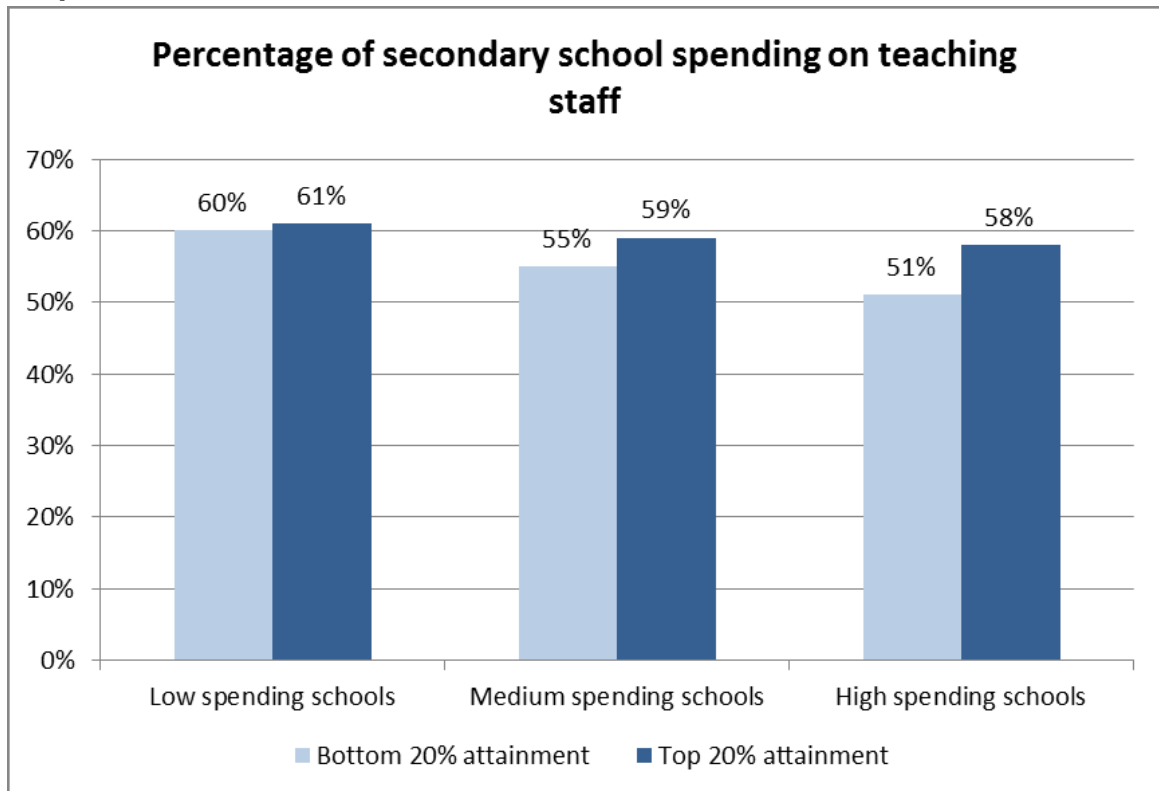
3.2 The following figures are from the report and were highlighted by Josh Goodman. The key point that DfE are driving is that schools that are similar in many ways have varying levels of achievement despite levels of spend. **Graph 1** shows the varying level of performance of similar schools with similar spend. **Graph 2** then shows a breakdown of spend on teaching staff and the link to achievements and **Graph 3** the link between spend on non-teaching

staff and achievement. The report itself highlights similar although not as clear trends in primary schools and has a wealth of information.

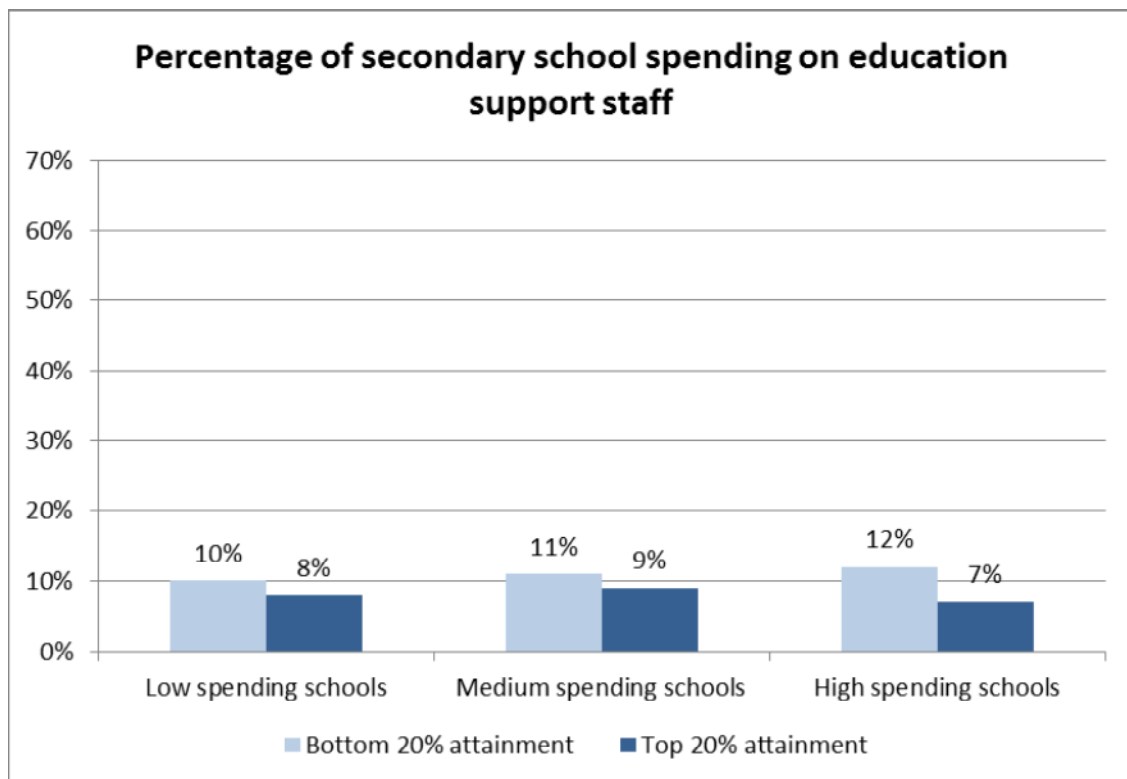
Graph 1



Graph 2



Graph 3



3.3 The DfE also stated:

- 3.3.1 There is a commitment to introduce a **simple indicator of overall school efficiency** for schools to compare their effectiveness with other schools
- 3.3.2 DfE plan to develop a **benchmarking report card** comparing financial and performance data with similar schools.
- 3.3.3 Work with schools to exploit economies of scale in national purchasing and develop a real time price benchmarking system.
- 3.3.4 Provide small start up grants to enable clusters of primary schools to take on a school business manager
- 3.3.5 Strengthen expectation of governor's roles in driving financial efficiency and develop financial training specifically for governors through the National College
- 3.3.6 Remove unnecessary restrictions that constrain how workforce decisions can be tailored to the requirements of individual schools.

4. Summary

- 4.1 Until DfE and EFA put forward their proposals for a NFFF it is impossible to predict what it will look like. The range of options is diverse and the impact impossible to predict until the detail is known.
- 4.2 While there is nothing published by EFA or DfE implications from the timeline and comments would seem to imply that a NFFF will almost certainly be a change over time. The EFA ran sessions asking for views of practitioners on how a change can be made. As practitioners are also stakeholders then there were diverse opinions.
- 4.3 The work from the IFS shows that there will be significant impact on some schools so this change should not be underestimated.
- 4.4 The concept of protection or Minimum Funding Guarantee (MFG) will continue to exist.
- 4.5 While the NFFF is a significant change in itself, it is clear that DfE sees this in the wider context of efficiency and funding reform.

5. Recommendations

- 5.1 To note the report
- 5.2 To reflect on how Walsall Schools may wish to look at efficiency data or not based on DfE recommendations