

**Schools National Funding Formula and High Needs Funding Formula  
Government Consultation – stage 1**

The government has issued a consultation on moving towards a national funding formula for schools. The first consultation is to outline the principles to underpin the new funding system and the basic components for the new formula. The detail will be set out in a second consultation later in the year. The consultation was issued on 7<sup>th</sup> March 2016 with a response date of 17<sup>th</sup> April 2016.

A separate consultation on a high needs formula and other high needs funding reforms has also been issued with the same response times.

There will also be a consultation on an Early Years funding formula later in the year.

This initial briefing outlines the main headlines arising from the two consultations and the potential implications, or things that will need to be taken in to account, in Wiltshire.

***Schools National Funding Formula***

Consultation Proposal	Comment/Implications
<p>Principles for new funding system The reforms are based on 7 underpinning principles:</p> <ul style="list-style-type: none"> <li>• A funding system that supports opportunity</li> <li>• A funding system that is fair</li> <li>• A funding system that is efficient</li> <li>• A funding system that gets funding straight to schools</li> <li>• A funding system that is transparent</li> <li>• A funding system that is simple</li> <li>• A funding system that is predictable</li> </ul>	<p>Difficult to disagree with the broad principles, although they are not necessarily all easy to achieve together.</p>

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Consultation Proposal	Comment/Implications
<p>The main funding of the schools system will remain in place with Dedicated Schools Grant (DSG) being the main grant for schools funding. Pupil Premium will remain in place as a separate grant.</p> <p>There will be a bringing together of elements of DSG and the Education Services Grant (ESG) in a “Central Schools Block”</p> <p>DSG will move from being split in to 3 blocks (as currently) to 4 blocks including the new Central block. A baselining exercise will be carried out based on 2016-17 spend to determine current levels of spend in each block.</p> <p>Flexibility to move funding between blocks will be removed and authorities will be required to delegate 100% of the schools block once the central elements have been removed</p>	<p>A number of implications here which will be outlined in more detail further in this note however the baselining of expenditure between the blocks will be a key task. It isn't yet clear whether this will be done using the statutory Section 251 return which is currently being completed or whether there will be a separate baselining exercise.</p> <p>The Wiltshire Schools Forum has adopted a principle in recent years of trying to stick to the allocations of each block and not move funding between them</p>
<p>The main proposal is for a school level national funding formula with a much reduced role for local authorities in determining schools' funding.</p> <p>The document describes moving from a “soft” national formula in 2017-18 and 2018-19 to a “hard” national formula in 2019-20</p>	<p>In the “soft” national formula which is to be implemented in 2017-18, funding will be allocated to local authorities using the national funding formula but local authorities will continue to distribute funding to schools according to local formulae.</p> <p>From 2019-20 funding will be allocated directly to schools using the national formula and there will be no role for local authorities in determining schools' budgets.</p> <p>The document also states that the DfE will use the two year transitional period to monitor how closely local formulae have responded to the introduction of the new funding formula. <b>Wiltshire will need to consider whether to make amendments to its local formula to achieve some convergence to the new formula during the transitional period.</b> We will need to await the more detailed consultation to enable modelling of different options but this potentially creates a level of turbulence in school budgets from April 2017 whilst reducing turbulence in 2019-20.</p>

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<p>The new formula is to be based on 4 main elements:</p> <ul style="list-style-type: none"> <li>• <b>Per pupil costs</b> – basic level of funding, expected to be age weighted as in the current Wiltshire formula</li> <li>• <b>Additional Needs</b> – to be measured using deprivation and prior attainment</li> <li>• <b>School Costs</b> – includes items like a lump sum, sparsity factor, rates, PFI, split site allowance, pupil growth, etc</li> <li>• <b>Geographic Costs</b> – Area Cost Adjustment to reflect additional costs of some areas</li> </ul>	<p>There are some factors allowable in the current formula that will be removed from the national formula – Looked After children, mobility and post-16 factors. Wiltshire does not use any of these currently and so there will be no impact from that removal.</p> <p>The national formula may include factors or data sources that are not currently used in the local Wiltshire formula. For example it is possible that the national formula will include a sparsity factor, Wiltshire does not currently use this factor. Previous modelling indicated that the current (and proposed) methodology did not distribute funding in Wiltshire in a particularly rational way – Wiltshire has many small schools but they are not necessarily remote.</p> <p>Wiltshire currently uses Free School Meals (FSM) data to distribute deprivation funding. The new formula is likely to incorporate FSM data and a more “location” based data set such as IDACI which is based on post-code data. In Wiltshire the Schools Forum has considered a more pupil led approach, such as FSM, to be a more sensible measure and the move to a different measure could cause some turbulence.</p> <p>There is currently flexibility over the lump sum that is allocated to schools. If the new formula contains a very different figure for Wiltshire schools then this will cause turbulence in school budgets. For example the lump sum for Wiltshire primary schools is lower than the maximum currently allowed – a higher lump sum means less funding to allocate on a per pupil basis and therefore would have a redistributive effect.</p> <p>As stated above, Wiltshire will need to consider whether to move towards some of the proposed formula factors in advance of the “hard” formula coming in to place in 2019-20. It isn’t clear from the document whether allocations to LAs in 2017-18 and 18-19 will include the school by school detail of what the national formula would allocate.</p>

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<p>Once the DSG blocks have been baselined, and the central elements removed from the schools block, there will be a requirement for authorities to delegate 100% of the schools block. This will mean that the current arrangements that allow funding for certain central services to be “de-delegated” for maintained schools will be withdrawn.</p> <p>It is unclear what the role of Schools Forum will be after 1<sup>st</sup> April 2019 and the document states that a review of the role, functions and membership will be carried out in advance of introducing the “hard” formula.</p>	<p>Wiltshire currently de-delegates funding for the following services:</p> <ul style="list-style-type: none"> <li>• Maternity costs</li> <li>• Free School Meal Eligibility Service</li> <li>• Licences and subscriptions – includes SIMS Licence</li> <li>• Trade Unions facilities costs</li> <li>• School contingency budget</li> <li>• Behaviour Support Services</li> <li>• Travellers Education Service</li> <li>• Ethnic Minority Achievement Service</li> </ul> <p>From 2019-20 responsibility for these services will rest with individual schools and if the LA is to continue to offer them it would need to be on a fully traded basis.  <b>Wiltshire will need to delegate the budgets for all of these services with effect from 2019-20.</b></p>
<p>Protection from losses/capping of gains            In calculating the allocations for local authorities the DfE will apply a national minimum funding guarantee (MFG) at the current level of maximum 1.5% loss per pupil, and apply a cap on gains.</p> <p>Because some authorities will receive less funding as a result of the new formula it may be difficult to set a local formula within the current rules. There is a proposal in the report to allow local authorities to set a local MFG that allows greater losses than the one used at national level.</p>	<p>Difficult to know the impact on Wiltshire until we have more detail to enable modelling of the new funding model however the implication here is that there could be significant losses in some LAs. As a low funded authority (currently) Wiltshire would hope to gain rather than lose from the new formula.</p>

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<p><i>Support for School Efficiency</i>            The document recognises that there will be schools who lose as a result of the new formula. There is a proposal for an “invest to save” fund in 2016-17 to allow schools to invest in ways to save money in the future.</p>	
<p><b><i>Funding to remain with Local Authorities</i></b>            Funding for LA responsibilities currently comes from 2 sources – the elements of DSG that are retained centrally and the retained duties element of the ESG. The proposal is to bring those two funding streams together in to the new Central Schools Block of DSG and distribute on a formulaic basis – likely to be on a per pupil basis with some element for historic commitments</p> <p>The current spending review includes efficiency targets for ESG and so national ESG funding levels are set to reduce by £600m by 2019-20. Part of this saving is to be realised by reducing statutory burdens on LAs and the removal of specific duties.</p>	<p>The document clearly states that the DfE expects LAs to “step back from running school improvement from the end of the 2016-17 academic year and that therefore they will no longer require funding for this function.” The central DSG block will therefore no longer contain any element of funding for school improvement after September 2017.</p> <p>In order to achieve the savings required through the reduction in funding for central LA functions work will need to take place to identify the historic commitments that exist and what the current central DSG and ESG is funding.</p>

**High Needs Funding Formula**

<b>Consultation Proposal</b>	<b>Comment/Implications</b>
The case for change is that the current mechanism for distributing high needs funding is not fair because it is based on historic patterns of spend rather than need.	No surprise – and we would agree with this as a case for change.  The same seven principles for the funding system are also to be applied here.
It is proposed that the majority of the high needs funding should be distributed to local authorities rather than directly to schools/institutions	Again, we would probably agree this is the right approach as the LA has responsibility for assessing need and commissioning provision
It is proposed that high needs funding will be distributed based on a formula rather than historic provision. The formula will be based on the following factors: <ul style="list-style-type: none"> <li>• Basic unit of funding for pupils &amp; students in specialist SEN institutions</li> <li>• Population factor – based on the 2-18 population</li> <li>• Health and Disability factors – DLA and children in bad health</li> <li>• Low attainment factors</li> <li>• Deprivation factors</li> </ul>	Wiltshire would welcome a move to a formulaic approach. It is difficult to be clear on the impact until we see the more detailed consultation.
It is proposed that the formula for Alternative Provision funding will only reflect population and deprivation factors and that funding for hospital education will reflect current spending levels	

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<p>To avoid making sudden and “disruptive” changes through the new formulaic approach it is proposed that there is also a formula factor based on 2016-17 planned spending levels. In addition to this there will be an overall minimum funding guarantee</p>	<p>The 2016-17 planned spending level formula factor would appear to be a dampening mechanism within the new formula which will mean that losses and gains are smoothed for at least the first 5 years. This suggests that even if Wiltshire is a gainer from the new formula, gains are not going to be significant in the short term.</p> <p>Difficult to comment further on this without seeing the detail.</p>
<p>There is to be some support with capital funding through the free school programme for new SEN provision and other capital funding to support the expansion of existing provision</p>	
<p>Place funding will continue for schools although for schools with Resource Bases there will be a small change so that they receive per pupil funding through the main school formula and then place funding of £6,000 per planned place.</p> <p>There is a proposal to bring the funding for independent special schools in to line with other types of provision by funding £10,000 per place direct from the EFA. The same proposal may also be implemented for Independent Specialist Providers (post-16)</p>	<p>This means that each child on the roll of a school with a resource base or enhanced learning provision (ELP) will attract the equivalent of an Age Weighted Pupil Unit and the place funding for the RB represents the funding required to meet additional needs (before any top-up funding applied).</p> <p>The changes for ISS/ISP funding would make funding for all types of provision consistent and would make comparison of costs, for example at a tribunal, more consistent.</p>

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