

28 April 2014

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Dear Sir/Madam

Fairer Schools Funding in 2015-16 – Consultation Response

I am writing in response to the consultation on Fairer Schools Funding in 2015-16. This letter contains the combined response from Wiltshire Council and Wiltshire Schools Forum to the consultation document issued in March 2014.

Wiltshire Council and its Schools Forum welcomes the announcement of additional funding to address inequalities within the current schools funding system however there are a number of concerns in relation to the approach being taken in the distribution of that funding. These are outlined below in the response to the consultation questions.

Question 1 – Current Funding Distribution

Wiltshire strongly agrees that the existing distribution of schools funding is unfair. The current “spend plus” system perpetuates the relative funding position of each local authority at a single point in time and cannot be amended to reflect changing circumstances for example increases in costs in certain areas or changes in the pattern of deprivation.

Questions 2 & 3 – Use of Minimum Funding Values

The proposal to use minimum funding values for specific characteristics of schools/pupils for the distribution of funding to local authorities creates a number of issues:

1. The values are based on the average values in 2013-14 (except for lump sum and sparsity where 2014-15 average values are to be used) for specific formula factors. Local Authorities currently have local flexibility to set their own values for each formula factor within the constraints of the funding regulations. The use of an average value as a method for distributing funding is not necessarily an indication of need in any single local authority area, simply a measure of distance from the average and a reflection of previous decisions.
2. The minimum values are used to distribute the Schools Block funding to local authorities. The schools block is also utilised to fund a number of services over and above the budget delegated to schools, including pupil growth fund, admissions, capital expenditure charged to the revenue account (CERA), falling rolls fund, etc. As a result of this the

minimum values could not be used to distribute funding to schools via the local formula as it would not be affordable. Whilst the distinction between using the values as a methodology to distribute funding to local authorities and not schools is made in the document, the use of published minimum values may raise expectations at school level that funding for individual schools should be at those values and so could be misleading. In Wiltshire the estimated increase in schools block allocation for 2015-16 amounts to £5.4m, based on October 2012 pupil numbers, but to utilise the minimum funding values in the local formula would cost an additional £15m.

3. By only applying the increase in funding to the Schools Block, the methodology still has the effect of perpetuating historical distributions and decisions made at individual local authority level. The methodology does not address the differentials in overall DSG funding between local authorities – this is examined in more detail later in this consultation response.

It is not possible to comment on the individual proposed minimum values for each characteristic as it is not proposed that these values should be used at school level and the values will change once pupil data is finalised for October 2014.

Questions 4-6 – Area Cost Adjustment

Wiltshire agrees that labour market costs should be taken in to account in the allocation of funding and that the hybrid approach is the most appropriate method – taking in to account both teaching and non-teaching staff costs.

Questions 7 to 9 – Sparsity Review

Wiltshire Council and Schools Forum lobbied strongly to the DfE that the new funding model implemented in 2013-14 did not support small rural schools. In Wiltshire the need to support smaller schools has previously been addressed through the lump sum element of the formula and through support for federations, split site schools etc. In responding to the DfE consultation in March 2013 Schools Forum expressed concern that the proposed sparsity factor was too complex and that differential lump sums would be a more appropriate way to support schools in rural authorities. In 2014-15 the Wiltshire formula includes differential lump sums for primary and secondary schools.

Wiltshire Schools Forum considered the impact of the sparsity factor as proposed for 2014-15 and opted not to implement it within the local formula. Within Wiltshire there are a large number of small rural schools both at primary and secondary level with 92 primary schools and 7 secondary schools meeting the size criteria of having fewer than 150 or 600 pupils on roll respectively. When the distance criteria are also applied the number of qualifying schools reduces to 31 primary and 3 secondary schools. The application of a sparsity factor to those schools was not considered helpful for a number of reasons, including:

- Affordability – the cost of the model would have been in excess of £1.1m and this would have impacted on all Wiltshire schools;
- Impact on per pupil funding levels in individual schools – the application of the sparsity factor has a significant impact on the per pupil funding in what would otherwise be considered similar schools. Schools Forum therefore needed to consider whether, in the Wiltshire context, any single school would be considered so much more remote than other similar schools as to justify significant additional per pupil funding.

- Impact of grammar schools – the location of grammar schools in parts of Wiltshire has an effect on which secondary schools are eligible for sparsity factor as they impact on the calculation of “distance to nearest alternative school”.

Whilst the sparsity factor may be helpful in supporting small schools in remote areas it is not a suitable method for supporting small rural schools located in village communities in a county such as Wiltshire. It is still the view of Wiltshire Council and Wiltshire Schools Forum that small rural schools could be supported through more flexibility in the value of the lump sum and through the new changes introduced to the lump sum for amalgamated schools.

Other Comments

One of the biggest concerns in Wiltshire is that the proposed methodology for the distribution of additional funding does not address inequalities in overall funding levels between local authorities.

Until (and including) 2012-13 DSG funding was allocated on the basis of a Guaranteed Unit of Funding (GUF) for each local authority. The GUF was multiplied by the total number of pupils to arrive at the DSG total for each local authority. The level of the GUF was based on historical spend at the point at which DSG was implemented and in 2012-13 the GUF for Wiltshire ranked 148th out of 151 authorities.

From 2013-14 DSG has been split in to 3 blocks Schools Block, Early Years Block and High Needs. The split is based on historical spend between the blocks in each local authority area and rather than a single GUF funding is now allocated on a per pupil basis for the Schools Block, per pupil basis for Early Years and a combination of place numbers and historical spend for High Needs. The calculation of the Schools Block is therefore based on a Schools Block Unit of Funding derived from levels of spend in 2012-13. When Schools Block funding is compared for 2013-14 Wiltshire’s unit of funding ranks 126th out of 151 authorities. This is not because Wiltshire’s funding has increased from 2012-13 to 2013-14, instead it reflects historical decisions on the allocation of funding. At the point at which the blocks were split Wiltshire was spending 82% of total DSG on the Schools Block. The proportion varies across all local authorities between 70% and 88% and this impacts on the proposals for the allocation of the increase in funding for 2015-16.

Appendix 1 to this letter illustrates this in more detail by comparing the increases in funding to be allocated to authorities with previously similar ranking in GUF levels. To follow through the analysis, the comparison between Wiltshire and Gloucestershire shows the following:

- a) In 2012-13 Wiltshire received a lower GUF than Gloucestershire by £68 per pupil;
- b) When comparing 2013-14 data Wiltshire has a higher Schools Block Unit of Funding (SBUF) than Gloucestershire and a much lower Early Years Block Unit of Funding – this is because of historical spend;
- c) Because the calculation only looks at Schools Block spend Gloucestershire will receive a higher increase in SBUF than Wiltshire even though historically Gloucestershire has been funded at a higher level overall.

Whilst it is possible to look at the increases in a number of ways, a review of the list of authorities benefiting from the proposals would suggest that the proposals will not result in a reduction of inequalities in total funding between Councils as many of the authorities benefitting from the increase in funding are authorities that have been ranked above the median for overall

funding levels in previous years. To do this would require a more fundamental review of the distribution of funding between local authority areas by considering the demands across all types of provision including high needs.

I hope that you find these comments helpful.

Yours sincerely

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