

Wiltshire Council

Cabinet

23 October 2012

Subject: School Funding Reform: Arrangements for 2013-14

Cabinet member: Councillor Lionel Grundy – Children’s Services

Key Decision: Yes

Executive Summary

On 26th March 2012 the DfE issued a consultation document outlining proposals for a new funding system for schools to be implemented in 2013/14. The document covers all aspects of schools funding. The stated aims of the proposals are to:

- Move towards a national funding formula (from April 2015)
- Simplify local funding arrangements
- Change the way in which LAs are funded
- Improve funding arrangements for pupils with high needs
- Improve funding arrangements for Early Years provision

Final arrangements for 2013-14 were confirmed by DfE on 28th June 2012.

The purpose of this report is to outline the main elements of the DfE proposals, and how they impact on Wiltshire schools, and to focus more specifically on the requirement to simplify local funding arrangements for schools so that Cabinet can approve the new funding formula for Wiltshire schools.

In order for Wiltshire to be compliant with the funding reform proposals for simplification of the local funding formula, a full review of the Wiltshire funding formula for schools has been carried out.

The outcome of the review of the local formula impacts on the way in which funding is distributed to all mainstream schools in Wiltshire including maintained schools and academies. The reform proposals will result in changes to schools budgets from the 2013-14 financial year. A number of formula factors previously included in the Wiltshire formula such as the “small school curriculum protection factor” which allowed a minimum level of funding for very small schools, and the “service school factor” which targeted additional funding to schools with high proportions of pupils from service families, will not be allowed under the new funding arrangements. These and

other changes will result in significant turbulence to school budgets in Wiltshire from April 2013.

Reductions in school budgets are limited to -1.5% per pupil through the application of a Minimum Funding Guarantee which is prescribed within the regulations and this will need to be funded through capping of the gains to other schools.

A consultation was issued to all schools on 3rd September 2012 seeking views on the new proposed funding formula. The consultation closed on 21st September and outcome was considered by Schools Forum on 4th October. Schools Forum meets again on 18th October to agree the final formula to be recommended to Cabinet. The proposed formula must be approved by Cabinet before submission to the Education Funding Agency for approval by 31st October 2012.

The proposed new funding formula for Wiltshire schools, and the associated funding rates for each formula factor, will be presented to Cabinet on 23rd October following final discussion by Schools Forum on 18th October.

Proposals

- (a) Cabinet is requested to approve the new funding formula for Wiltshire schools, as recommended by Schools Forum, in order to comply with the government's school funding reform requirements. This will reflect the new requirements and the outcome of the consultation with Wiltshire schools.**

- (b) Protection for schools who will lose funding through the new formula will be included at -1.5% per pupil as required by the DfE and Cabinet is asked to approve the recommendation from Schools Forum that the minimum funding guarantee will be funded through the limiting of gains to other schools.**

Reason for Proposal

In order to be compliant with the DfE requirements on school funding reform the Council has had to review its local funding formula for schools.

The proposed formula is compliant with the new requirements and reflects the views of Wiltshire schools on those issues where local flexibility is allowed.

Michael Hudson
Service Director, Finance

Wiltshire Council

Cabinet

23 October 2012

Subject: School Funding Reform: Arrangements for 2013-14

Cabinet member: Councillor Lionel Grundy – Children’s Services

Key Decision: Yes

Purpose of Report

1. The purpose of this report is to outline the main elements of the DfE proposals, and how they impact on Wiltshire schools, and to focus more specifically on the requirement to simplify local funding arrangements for schools so that Cabinet can approve the new funding formula for Wiltshire schools.

Background

2. The DfE issued the consultation document School Funding Reform: next steps towards a fairer system on 26th March 2012 and confirmed final funding arrangements for 2013-14 on 28th June 2012. The key themes within the DfE proposals are:
 - a. Move towards a national funding formula (from April 2015)
 - b. Simplify local funding arrangements
 - c. Change the way in which LAs are funded
 - d. Improve funding arrangements for pupils with high needs
 - e. Improve funding arrangements for Early Years provision
3. The proposals contained within the document required a full review of the Wiltshire funding formula for schools to comply with the more limited flexibility for local formula and the new requirements on delegation of central budgets and for funding provision for high needs pupils.
4. The DfE proposals also require a review of the Early Years Single Funding Formula (EYSFF) and of the Schools Forum membership and constitution.
5. All changes are to be implemented with effect from the 2013-14 financial year.

Main Considerations for the Council

6. The focus of discussion for this meeting is to consider the proposed funding formula for mainstream primary and secondary schools, however a brief update on the other key elements of the funding reform proposals is also provided below. This demonstrates the wide ranging impact of the DfE’s school funding reform proposals.

Early Years Single Funding Formula (EYSFF)

7. The DfE proposals required that Wiltshire review its Early Years Single Funding Formula (EYSFF) through which funding is allocated to early years settings for the provision of the free entitlement for early education for 3 & 4 year olds. Schools Forum has considered the proposals and consulted with all early years settings across Wiltshire. Amendments will be made to the formula to reflect the outcomes of the consultation, the main change being to amend the way in which funding for deprivation is allocated. Early years settings have expressed a preference for use of the Income Deprivation Affecting Children Index (IDACI) data to drive funding for deprivation within the formula.

Schools Forum Constitution

8. Changes have had to be made to the composition and terms of reference for Schools Forum to meet the requirements of the Schools Forum (England) Regulations 2012. These changes are:
 - a. Remove the requirement to have a minimum of 15 people on the Forum;
 - b. Limit the number of other local authority attendees from participating in meetings unless they are a Lead Member, a Director of Children's Services (or their representative), Chief Financial Officer (or their representative), or are providing specific financial or technical advice (including presenting a paper to the Forum) (regulation 8(4));
 - c. Restrict the voting arrangements by allowing only schools members and the private, voluntary and independent members to vote on the funding formulae (regulation 8(10));
 - d. Require local authorities to publish Forum papers, minutes and decisions promptly on their websites (regulation 8(13)); and,
 - e. Require Forums to hold public meetings – as is the case with other council committees (regulation 8(2)).
9. Schools Forum have agreed changes to the membership of the Forum to reflect the new regulations and will be considering a report on the Terms of Reference on 18th October. The revised Terms of Reference will then need to be approved by the Portfolio Holder for Education.

High Needs Pupils

Mainstream pre-16 Provision

10. Funding for high incidence, low cost special educational needs (SEN) within mainstream provision is to be allocated through the main funding formula. Local Authorities (LAs) are allowed to use prior attainment data, deprivation and per pupil allocations to drive funding to meet these needs and Schools Forum have recommended that a combination of these factors is used
11. The strong recommendation from the DfE is that mainstream schools should meet the first £6,000 of support for pupils with additional needs and that the allocations of funding for high incidence, low cost SEN should reflect this. In order for Wiltshire to meet this requirement it is necessary to increase the amount of funding to be delegated to primary schools. An additional £848,862 will therefore be added to the funding to be allocated to primary schools for SEN. This will be funded by reducing the centrally held Named Pupil Allowance (NPA)

budget which will now only provide additional funding to schools to meet needs where provision costs over £6,000.

12. It is recognised that in some schools the high proportion of pupils with additional needs cannot be reflected adequately in the funding formula and so LAs will be able to define circumstances where the formula can be “topped up” from the High Needs funding block within Dedicated Schools Grant (DSG). Wiltshire already has a mechanism for allocating additional funding to schools with a high proportion of pupils with SEN and Schools Forum has recommended that this mechanism be continued in 2013-14. Currently, if a school has more than 3.5% of its pupils with a statement of SEN each pupil or part thereof above 3.5% attracts additional funding. This mechanism will be continued under the new arrangements.

Specialist SEN Provision – pre-16 (maintained schools and academies)

13. Specialist provision for high needs pupils in Wiltshire is identified as provision in special schools, resource bases and Enhanced Learning Provision (ELP) in secondary schools. It is defined by DfE as provision costing more than £10,000.
14. From April 2013 all specialist provision will need to be funded on a “place plus” methodology on the basis of an agreed number of places with a base level of funding provided for each planned place. For pre-16 provision this will be £10,000 per planned place. Top up funding above this level will be agreed between the commissioner (mostly the LA) and the provider on a per pupil basis and paid directly to the provider by the commissioner.
15. Budgets for special schools, resource bases and ELP in Wiltshire will need to be recalculated as base funding and top up funding. The main issues arising from the work to date in recalculating budgets for specialist provision are:
 - Empty places – unfilled places are only funded at the base rate of £10,000, with no transitional protection applied. Transitional protection is applied to the value of the top-up payment in 2013-14 but not to unfilled places.
 - In year pupil movement – top up rates are to be paid in real time with pupils only funded whilst they are on the roll of the school or setting. This may make it more difficult for special schools and resource bases to plan their budgets and will cause uncertainty in estimating funding for the year.

Alternative Provision and Hospital Education

16. Alternative provision is also to be funded on a place plus basis with a base value per planned place of £8,000. It has been confirmed by the DfE that Wiltshire will not be disadvantaged by its participation in the national exclusions trial and will continue to receive funding through its High Needs Block for alternative provision.
17. From April 2013 a new method for funding hospital education will be implemented. The DfE will work with LAs to calculate the current spend on hospital education and this will be top-sliced from the national DSG allocation and “passported” to providers. Further work will be needed to identify the implications of these changes for provision in Wiltshire.

Review of the Mainstream Funding Formula

18. The main focus of this report is the outcome of the review of the funding formula for mainstream primary and secondary schools. The DfE proposals will mean that all maintained schools and academies in Wiltshire will be funded according to the same formula which is a change from the current position. LAs have been required to review their existing local formulae and to ensure that it is brought in to line with the requirements of the new, simplified, local formula as defined by

the DfE. This has required a full review of the Wiltshire funding formula for schools as many of the formula factors within the current formula will not be allowable from April 2013, these include the current factors through which Wiltshire provides additional support to schools with high proportions of service pupils, and to very small schools.

19. Schools have been engaged throughout the review process. Schools Forum established 2 working groups, one to focus on the review of the mainstream formula and a second to focus on the changes to funding for specialist provision. The second of these groups will remain in place to continue to work on the introduction of place plus funding for specialist provision. A Project Board has also been in place to oversee the strategic issues arising from the review. Board Members included senior officers from the Council and elected members. Briefings have also been provided to all councillors, schools and to the Wiltshire Governors Association.
20. The three main issues that arise from the financial modelling work are:
 - a. The impact of the removal of the service school factors.
 - b. The impact of one basic flat rate (maximum value £200k) across all phases which, in the secondary phase, clearly affects small secondary schools and in the primary phase has the opposite effect, generally. A number of options for the lump sum have been modelled as part of this process and it is not recommended that a lump sum at the higher end of the allowable range is approved because of the redistributive effect that this has in the primary sector.
 - c. The impact of removal of the small school curriculum protection factor which currently supports very small schools within Wiltshire.
21. **Appendix 1** to this report summarises all of the allowable formula factors indicating whether they are mandatory or optional factors and which factors it is proposed to use in the revised Wiltshire formula. The appendix includes the recommendations being made to the Schools Forum meeting of 18th October. An updated summary, including the funding rates for each formula element, will be presented to Cabinet at the meeting following the Schools Forum meeting on 18th October.

Protection and Limits to Gains

22. The Minimum Funding Guarantee (MFG) will be set at -1.5% per pupil in 2013-14 and 2014-15, however the calculation has been simplified compared with previous years. The revised MFG calculation has been applied to all formula options for consideration by Schools Forum. The estimated cost of implementing the MFG varies with each model that has been consulted on however it is estimated that it could cost up to £2.5 million for 2013-14.
23. In order to fund the MFG it is possible to limit gains to individual schools. Options for limiting gains have also been modelled. The approach that has been taken is that the cost of the MFG needs to be met through the capping of gains. Cabinet will need to confirm the principle to be applied to the capping of gains.

Delegation of Central Budgets

24. In order to give schools greater choice over how to spend their budgets LAs are required to work on the basis that funding for a number of central services should be delegated to schools in the first instance. This means that a number of Dedicated Schools Grant (DSG) funded budgets that have previously been retained centrally must now be delegated to schools. There are a number of exceptions to this and there are also a number of budgets that maintained

primary and/or secondary schools can agree to de-delegate so that they continue to be provided centrally. De-delegation cannot be applied to amounts delegated to academies or to special schools.

25. Appendix 2 to this report summarises the budgets that are currently allowed to be centrally retained and the proposals with regard to delegation.

Services which can be retained centrally before allocating the formula

26. It is possible to retain a central budget to provide for significant pupil growth in pre-16 pupil numbers, including meeting basic need. In Wiltshire provision for pupil growth and supporting new schools has previously been funded from the schools contingency budget. It is recommended that an amount be identified from within the current schools contingency budget to be held centrally as a pupil growth factor. It is anticipated that the current Wiltshire formula for funding pupil growth may be allowable under the new regulations
27. It is possible to retain funding for statutory services such as Admissions and the servicing of Schools Forum. No increase in expenditure from 2012-13 levels is allowable.
28. The centrally retained budget for termination of employment costs is listed as a budget which can be retained prior to the allocation of the formula. However no new commitments are allowable against this budget after April 2013. It has been confirmed by DfE at a regional finance meeting that this means no new redundancy cases can be funded from this budget after April 2013. This effectively means that redundancy costs can no longer be met from centrally retained DSG and it is proposed that the budget is delegated as part of the per pupil funding element of the formula. Redundancy costs for maintained schools will continue to be a LA responsibility, This will be a cost pressure for the LA from April 2013.

Services which have to be allocated through the formula but can be de-delegated for maintained schools

29. There are a number of services for which the budgets need to be allocated through the new funding formula but which can be **de-delegated** for maintained schools. Approval for de-delegation is by the relevant phase members of Schools Forum following consultation with schools.
30. The services included in this category, and the associated budgets, are itemised in Section (b) in Appendix 2 to this report. Schools Forum will agree the delegation or de-delegation of these budgets on 18th October.
31. Delegation of the budgets can only be through the allowable formula factors.

Consultation with Schools

32. A consultation on the new funding formula and the proposals for delegation of central services was issued to all Wiltshire schools on 3rd September with a closing date of 21st September. Roadshows were held around the County during the consultation period to support schools in responding to the proposals.
33. Over 60% of schools responded to the consultation and the results were initially reported to Schools Forum on 4th October. Following consideration of the data Schools Forum requested further analysis of the responses and this will be reported back to Schools Forum on 18th October. Schools Forum will then be able to recommend the final formula.
34. In relation to the delegation of central budgets the responses from schools have supported the de-delegation of services and so it will be recommended that budgets will continue to be held centrally on behalf of maintained schools in 2013-14.

Environmental and climate change considerations

35. None identified

Equalities Impact of the Proposal

36. Following implementation of the new funding formula all state funded schools in Wiltshire, maintained schools and academies, will be funded according to the same funding formula.
37. The DfE has proposed changes to the way in which provision for pupils with high needs is funded. The proposals are aligned with the proposals within the green paper *Support & Aspiration: a new approach to special educational needs and disability* which are aimed at improving choice for families with disabled children.

Risk Assessment

38. If the formula is not approved then the current Wiltshire funding formula will not be compliant with the new school funding regulations.
39. The key risk following implementation is the loss of funding that will be experienced by some Wiltshire schools. That risk is mitigated by the application of the minimum funding guarantee which limits losses to schools to -1.5% per pupil. The local authority will need to work with those schools for whom the changes to the formula results in a significant reduction in funding.
40. There are risks associated with the delegation of central services. The recommendation to Schools Forum, following consultation with schools, is that the budgets for central services are de-delegated in respect of maintained schools, this will enable a viable service to continue to be delivered in 2013-14.

Financial Implications

41. This report outlines the changes to the funding formula for Wiltshire schools required in order to implement school funding reform in April 2013. All financial modelling to date has been based on 2012-13 funding levels, Dedicated Schools Grant levels will vary with pupil numbers and so the final values for 2013-14 will need to be confirmed as part of the budget setting process.
42. The new formula will cause turbulence in schools budgets and it is estimated that the cost of protection through the minimum funding guarantee will be in excess of £2.2 million. It has been proposed by Schools Forum that the cost of this be met through limiting gains to schools who would otherwise receive increases in funding through the new formula. The minimum funding guarantee is confirmed at -1.5% per pupil for the next two years however there is no confirmation of transitional protection after that date. A significant number of schools within Wiltshire will find that their budgets are reducing year on year and we will need to work with those schools to support them in addressing any financial deficit.
43. Redundancy costs in schools which have previously been funded through the Dedicated Schools Grant will need to be funded by the local authority from April 2013. The annual cost of redundancies in schools is

approximately £0.5 million and this cost pressure will need to be taken in to account within the budgets setting process for 2013-14. The DfE have confirmed that this is no longer a legitimate call of DSG.

Legal Implications

44. The Department for Education has recently consulted on a draft of The School and Early Years Finance (England) Regulations 2013. The new funding formula for Wiltshire schools will need to be compliant with these regulations and it would appear that the proposed formula as set out within this report and the attached appendices would meet the requirements contained within those draft regulations. It is also noted that the final proposed formula takes into account the outcomes of consultation with schools.

Options Considered

45. The proposed formula is the result of considerable work with schools in Wiltshire. Throughout that process different options in relation to the formula have been considered and the final proposed formula takes in to account that work and the outcomes of consultation with schools.

Conclusions

46. The proposed formula for 2013-14 is expected to be compliant with the DfE requirements. Schools have been engaged throughout the process of developing the new formula and have been consulted on the most significant elements of it.
47. The implementation of a full review of the funding formula will cause turbulence to school budgets and there will be schools which are adversely affected by the changes. The LA will need to work with those schools to support them in their financial planning.

Michael Hudson
Service Director, Finance

Report Author: Liz Williams, Head of Finance (01225) 713675
elizabeth.williams@wiltshire.gov.uk

Date of report: 10 October 2012

Background Papers

The following unpublished documents have been relied upon in preparing this report:

None

For Information, the following published papers have been relied upon on for this paper:

School Funding Reform: next steps towards a fairer system (DfE March 2012)

School Funding Reform: arrangements for 2013-14 (DfE June 2012)

Schools Forum papers presented to meetings on 10th May 2012, 13th July 2012 and 4th & 18th October 2012.

Appendices

Appendix 1 – Recommended formula factors for 2013-14

Appendix 2 – recommended approach to delegation or de-delegation of central budgets
