

Briefing Note

Schools Funding Formula Review – Initial Feedback from DfE

At the National Fair Funding Conference on 23rd November 2011 the DfE gave initial feedback from the Schools Funding Consultation issued in July of this year. 1,600 responses had been received although approx 800 of these were single issue responses.

The DfE proposed the attached funding system and associated budget setting process (no timetable included). The main headlines from the responses to date are summarised below:

Issue from consultation	Notes/Implication for Wiltshire
56% in favour of budgets being allocated on a schools basis rather than a local authority basis	<p>The Wiltshire allocation of DSG will be based on the consolidation of notional allocations for each school in the County. LAs will then establish a local formula to distribute funding to schools. There will be a requirement for a clear audit trail to explain any differences between the notional allocation for each school and the allocation resulting from the local formula.</p> <p>There are implications for what data set is used for the calculation of the notional allocations. Currently LAs set school budgets based on the January pupil numbers however the DfE is unable to verify these figures for the DSG allocation until June/July. The DfE acknowledged that they will either need to bring the pupil count forward and/or review which data is used for the grant allocation.</p> <p>LAs at the conference fed back that if the Education Funding Agency (EFA) is to check and approve the local formula for compliance then this needed to happen before the formula is consulted on and not after, as this could build delays in to the system. Some LAs fed back at the conference that it would be helpful to have the EFA represented on Schools Forum to enable them to confirm compliance as the formula was being developed!</p>
Most respondents fed back that the proposed elements of the national formula were the right ones	<p>The national formula will be based on the following elements:</p> <ul style="list-style-type: none">• Basic amount per pupil• Deprivation allocation• Protection for Small Schools• Area Cost Adjustment• Plus a possibility of an element for English as an Additional Language (EAL)

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Opinion was divided on whether the protection for small schools should be on the basis of the lump sum of £95,000 or on a sparsity factor	<p>Wiltshire had responded that the lump sum would be the preferable methodology, it is more difficult to model the impact of a sparsity index without reviewing the data that would be used.</p> <p>Within the consultation it was proposed that the lump sum should only apply to primary schools. A number of responses suggested it should also apply to secondary schools and the DfE undertook to look at this again. Feedback from the Institute of Fiscal Studies in their review of potential options for a national formula indicates that only applying the flat rate to primary schools would result in a significant shift in resources from secondary to primary which may make the proposed ratios of secondary to primary funding unachievable.</p>
74% of respondents supported the use of EAL as a factor in the national formula	Wiltshire was not in favour of this proposal. We did feed back that if a factor was to be included then it should only be for the first few years when a pupil enters the system and this view was supported by the majority of respondents.
Deprivation – no strong view about whether FSM Ever 3 or 6 should be used although responses just tipped in favour of FSM 6	<p>In Wiltshire we had proposed FSM Ever 3 on the basis that the additional effort required to collate the data was not outweighed by significant increases in funding coming in to the County.</p> <p>The DfE acknowledged that the consultation had been predicated on the assumption that FSM would be the measure of deprivation although a number of respondents proposed that other measures should be used instead.</p> <p>The Institute of Fiscal Studies analysis indicates (perhaps not unsurprisingly) that the use of FSM Ever 6 has the effect of redistributing funding to secondary schools because there are fewer pupils who have been eligible for 6 years at primary level.</p>
47% of respondents agreed that LAs should calculate academy budgets	The DfE acknowledge that in effect LAs would be calculating academy budgets because Academies would be funded according to the local formula, however there is still an expectation that funding will go through the EFA and it isn't clear whether some degree of replication of local formulae will still take place or whether payments would be based on the LA calculation

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Only 27% of respondents agreed with the proposals in relation to Schools Forum	<p>Like Wiltshire the majority of respondents fed back that they were not in favour of each constituent group on Schools Forum having to separately approve the formula.</p> <p>Because of the negative response to these questions the DfE stated they will relook at the proposals in relation to Schools Forums. It is clear that they want a role for the EFA in checking compliance and want to put something in place that will future proof the changing nature of schools forums, for example, with the increasing number of academies in LA areas.</p>
Local Formula Factors	It was noted that pupil mobility, including military families, was a strong theme in responses to the consultation that should be included as permissible local formula factors. The DfE stated that they would look at this.

The DfE's stated intention at the conference is to implement change from the 2013/14 financial year. Further proposals on the detail arising from the July consultation will be issued for consultation in February or March 2012 – feedback from this is unlikely to be issued before the summer of 2012. If the change is to be implemented in April 2013 then LAs and Schools Forums will need to work together to develop the new local formula in time for the 2013/14 budget setting process which means consultation on the formula will need to take place in the Autumn of 2012. This does not give much time!

The initial work carried out by the Institute of Fiscal Studies indicated that the move to the national formula would introduce significant turbulence in to the system. There are no firm proposals around floors and ceilings at this stage but these will need to be introduced. The DfE clearly stated at the conference that there will be losers in the new formula and that if there aren't then they haven't got it right!

No feedback was given on the questions related to High Cost Pupils or Early Years and so there is no indication yet of the direction of travel for the funding of special schools or for the Early Years Single Funding Formula.

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