

**Schools Funding Reform: Next Steps Towards a Fairer System -
Operational Implications of DfE Proposals**

Purpose of Report

1. To inform members of the Schools Forum of the DfE consultation on School Funding Reform and the operational requirements for implementation of the proposals.
2. To consider the project plan for the work required.
3. To consider the principles that Schools Forum wish to apply to the review of the funding formula for mainstream schools.

Background

4. During 2011 the government issued two consultations on the principles of a new school funding system, including the move towards a national funding formula for the distribution of funding to local authorities from which each LA and Schools Forum would agree a formula to distribute funding locally.
5. On 26th March 2012 the government issued further proposals to explain how it is planned to move forward from April 2013. This document is available on the DfE website via the link below:

<http://www.education.gov.uk/consultations/index.cfm?action=consultationDetails&consultationId=1817&external=no&menu=1>

6. A briefing outlining the main principles and potential implications of the DfE proposals will be provided to Schools Forum at the meeting on 10th May.
7. Whilst the document mainly consists of proposals to be implemented in April 2013, views are sought on a number of areas where there are different options. The individual consultation questions are considered in a separate report on this agenda.
8. There are significant operational requirements arising from the DfE proposals. The DfE has issued a document, *Reformed Funding System: Operational implications guidance for local authorities*, in order to assist LAs and Schools Forums in planning the implementation of the new funding system for 2013-14. This document can be accessed via the following link:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14>

9. In order that a local funding formula that is compliant with the new regulations can be agreed for Wiltshire, and budgets issued to schools for 2013/14, work needs to start now to review the Wiltshire's funding formula for maintained schools. A full review of the formula will be required.
10. Under the proposals funding for Special Schools, Resource Bases and Enhanced Learning Provision (ELP) will be removed from the funding formula and provision will be funded on a "place plus" basis as outlined in the document. The implications of this will need to be worked through in order that funding for specialist provision can be finalised for 2013/14 budgets.
11. A review of the Early Years Single Funding Formula (EYSFF) will be required in order to ensure it is compliant with the new formula requirements.
12. Changes will need to be made to the constitution of Schools Forum in order to ensure that the new requirements are met and that the composition of schools forum reflects the pupil numbers expected to be in each category of school at 1 September 2012. A further paper will be brought to Schools Forum in June 2012 on this issue.

Main Considerations

13. This report focuses on the work plan for Schools Forum between now and February 2013 to enable schools budgets to be issued for 2013/14.

Creating the New, Simpler Formula

14. The number of allowable formula factors for the local formula has been reduced from 37 to 10, only 9 of which are applicable to Wiltshire. Funding arrangements for high needs will be very different and will not be included in the main local formula. The list of allowable factors for the local formula is:
 - a. ***A basic per-pupil entitlement*** – there will be a single unit for primary aged pupils and either a single unit for secondary pupils or a single unit for each of key stage 3 and key stage 4.
 - b. ***Deprivation***, measured by Free School Meals (FSM) and/or Income Deprivation Affecting Children Index (IDACI)
 - c. ***Looked after children***
 - d. ***Prior attainment as a proxy measure for SEN*** (notional SEN budgets can still also include funding allocated through pupil numbers and deprivation; see paragraph 33)
 - e. ***English as an additional language***, for a maximum of 3 years after the pupil enters the school system

- f. **A standard lump sum for each school**, with an upper limit between £100,000 and £150,000
 - g. **Split sites**
 - h. **Rates**, which may be at actual cost
 - i. **Private finance initiative (PFI)** contracts
 - j. For the 5 local authorities who have some but not all of their schools within the London fringe area, an uplift to enable higher teacher pay scales in those schools to be reflected (*Note the authorities are Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex*).
15. The table in Appendix 1 to this report identifies the current formula factors applied in Wiltshire and suggests which category the funding allocated through the factor may now fit in to. There are a number of factors that may fit in to more than one category and some that are not compliant with the new proposals and a decision will be required as to how that funding is allocated in the future.
16. There will be a process for LAs to request additional factors for exceptional circumstances. The DfE has made it clear that the scope for this will be very restricted and will be limited to factors relating to premises and only in cases where the exception would affect less than 5% of schools and account for more than 1% of the budget of those schools. In our initial consideration of how the current Wiltshire formula maps in to the new factors, the key element that could impact on a small group of schools is the current protection within Wiltshire for schools with large numbers of service pupils. It would appear that there is no scope for this to be considered as an exception under the new rules. This can be fed back in Wiltshire's consultation response but the initial modelling work should continue on the basis that a service school factor will not be allowed in the new funding system.
17. Schools Forum is asked to confirm the mapping of current formula factors in to the new formula. In doing so members of Schools Forum will need to consider the following principles to give officers and working groups a steer in how the modelling work should be carried out:
- a) Achieving "best fit" – it is suggested that in order to minimise turbulence across school budgets that current pupil led funding should be mapped in to the new pupil led funding element of the formula, current deprivation funding in to the new quantum for deprivation, etc
 - b) Methodology for distributing deprivation funding – Schools Forum may have a view on whether deprivation funding should be allocated using FSM or post code data. The recommendation of the Schools Funding Working Group was that initially both should be modelled.
 - c) Maintaining funding within phase – turbulence could be reduced through maintaining the quantum for each phase i.e., maintain the current total for Primary and Secondary. This would also ensure

that the current ratio between primary and secondary funding could be maintained.

- d) New funding factors – Wiltshire does not currently include funding factors for Looked After Children or English as an Additional Language. Schools Forum is asked to consider whether these should be included.
- e) Split site factor – it is proposed that a specific project is undertaken as part of the modelling work to identify the additional costs associated with operating on a split site.

Delegation of Central Services

- 18. Budgets for a number of costs and services that are currently retained centrally will need to be delegated through the formula from 2013-14. These will need to be delegated using allowable formula factors as listed above.
- 19. The services recorded within the LA Section 251 Return that will need to be delegated in the future are:
 - Funding threshold and performance pay;
 - 14-16 practical learning options;
 - School meals (primary/special; secondary is already delegated);
 - Support for schools in financial difficulties;
 - Allocation of contingencies;
 - Free school meals eligibility;
 - Insurance;
 - Licences/subscriptions;
 - Staff costs - supply cover (long-term sickness, maternity, trade union and public duties);
 - Support for minority ethnic pupils or underachieving groups;
 - Behaviour support services;
 - Library and museum services
- 20. The table in Appendix 2 to this report shows the budgets recorded for each of these services on Wiltshire's 2012/13 section 251 budget return, including the amount deducted for the Local Authority Central Spend Equivalent Grant (LACSEG) which will need to be added to the total for 2013/14. Schools Forum is asked to give a steer for how these budgets should be incorporated in to the formula for 2013/14 in accordance with the allowable formula factors and the principles already agreed.
- 21. It is important to note that some of these factors could subsequently be retained centrally for maintained schools if this is agreed following consultation on the formula.

SEN as part of the mainstream formula

22. It is recommended within the DfE proposals that the maximum level of funding to be provided by mainstream schools for SEN is £6,000. Above this level pupils will receive support from the budget for high needs pupils. The expectation of the DfE is therefore that mainstream schools will meet the first £6,000 of provision for pupils with SEN in their schools.
23. The formula through which SEN funding is delegated to mainstream schools will need to change because of the DfE proposals for allowable deprivation and prior attainment data. In Wiltshire the level of funding delegated for low cost, high incidence SEN will also need to be reviewed. Initial estimates suggest that in order for schools to be able to meet the first £6,000 of provision then, on current NPA values, the first 15 hours of funding for each statement will need to be delegated. The current formula for secondary schools is funded at this level however for primary schools only the first 10 hours of each statement is currently delegated. Within the formula review we will need to increase the level of delegation of SEN funding to primary schools.
24. The impact of this on schools with relatively high numbers of pupils with statements will need to be considered.

Other issues to be considered in the Mainstream Formula

25. There are proposals within the DfE document to apply a minimum percentage to be allocated through pupil led factors, the percentage will need to be recorded through all of the modelling work to ensure any minimum requirement is met.
26. Similarly there are proposals in relation to constraints on the primary/secondary ratio and we will be required to calculate that ratio within the proposed new formula.

Minimum Funding Guarantee and Protection

27. The minimum funding guarantee (MFG) will remain at -1.5% through the current comprehensive spending review period. The calculation will be simplified.
28. The MFG is the only allowable methodology for protecting budgets in those schools which would lose funding under the new local formula. The application of the MFG would potentially be funded through limiting gains in those schools which would receive additional funding through the new formula.

High Needs Pupils – pre-16

29. Funding for special schools, resource bases and ELP will be removed from the main local formula and provision will be funded on the basis of £10,000 base funding per planned place and top-up funding for each pupil. In the initial work to identify the total funding available for the new local formula for maintained schools the amount spent on specialist provision has been identified and removed.

30. The total number of planned places in each type of provision for high need pupils will need to be identified. Wiltshire already has a mechanism in place for agreeing planned places on an annual basis. This is well established for special schools and ELP but is in its earlier stages for resource bases. The DfE proposals assume that provision for high need pupils will be funded at a base level of £10,000 per planned place plus a top-up where appropriate for individual pupils. The £10,000 base level is a proxy for the per pupil element and the £6,000 per pupil for high incidence special needs identified within the mainstream formula.
31. A methodology for agreeing the top-up level of funding for pupils will need to be put in place. Wiltshire currently operates a banding process for identifying levels of need for particular pupils and it is anticipated that this could continue under the new funding system. Continuation of the banding framework could allow a system for identifying top-up values whilst providing least turbulence to school budgets. There will not be a minimum funding guarantee (MFG) as such for specialist provision but there will be a requirement that top-ups are set at such a level that, if all the places are filled and the pupils come from the maintaining authority, the school's budget would reduce by no more than 1.5% in cash.
32. Implications for special schools and/or resource bases that have higher numbers of empty places will need to be considered throughout the process.

High Needs SEN – post-16

33. LAs will take on greater responsibility for funding post-16 provision for high needs pupils from 2013-14. It will be necessary to identify all post-16 learners with high needs so that Wiltshire can work with other LAs and providers to calculate the appropriate levels of top-up funding from April 2013. This will need to form part of the process of agreeing a baseline of pupil numbers with the Education Funding Agency so that funding can be included within the High Needs Block of the dedicated schools grant. Work has commenced on identifying those pupils for whom Wiltshire will have responsibility.

Alternative Provision

34. The DfE document includes proposals for Alternative Provision, including Pupil referral Units (PRUs) on a place plus basis. The implications of this and the changes to the local formula on Wiltshire in relation to its participation of the pilot on personalised learning provision need to be further understood.

Early Years

35. A review of Wiltshire's EYSFF will be required. Consultation was held with settings in Autumn 2011 on proposals to simplify the formula for 2012/13 and the agreed changes were implemented. As a result it is not expected that significant change will be necessary for the Wiltshire EYSFF

although it will be necessary to ensure that only allowable deprivation indicators are used. The formula factor for rurality will need to be removed from the formula as will the rates abatement for maintained nurseries.

36. It is proposed that the Early Years Reference Group consider the required changes to the EYSFF and bring proposals back to the June Schools Forum meeting.

Changes to Schools Forum

37. LAs are required to review the composition of Schools Forums to ensure that they are compliant with the regulations and reflect pupil numbers expected to be in each category of school at 1 September 2012. Any required elections will need to be held before the end of the summer term.
38. It will also be necessary to take in to account the other proposed changes ie.,
 - a) Remove the minimum requirement for 15 members
 - b) Restrict LA attendees to Lead Member, Director of Children's Services or those providing specific financial or technical advice
 - c) Restrict voting arrangements by allowing only schools members and the PVI members to vote on the funding formulae.
39. It is proposed that a further paper on the required changes to Schools Forum constitution be presented to the June meeting.

Consultation on the new funding formula

40. All maintained schools and academies must be consulted on the new local formula for 2013/14. The consultation must include a demonstration of the effect of the changes and should therefore include an impact statement for each school.
41. Consultation will also need to take place with PVI providers on any proposed changes to the EYSFF.
42. LAs are also encouraged to consult with parents and the voluntary sector in addition to schools and colleges on any changes arising from the proposals for high needs pupils.

Timescales for the Formula review

43. LAs are required to submit proposals for the simplified local formula to the Education Funding Agency (EFA) by **31 October 2012**. This will then be checked for compliance and any further changes agreed by 18th January 2013.
44. In order to meet the 31st October deadline the following timetable will need to be applied to the formula review:

- 20 April 2012 – Joint Meeting of SFWG and SEN Group to commence project – agree schedule of working group meetings
- 10th May 2012 – **additional** Schools Forum meeting to agree way forward, set principles, etc
- 25th May – SF Early Years Reference Group to agree revisions to formula
- 21st June '12 – **Schools Forum to agree proposals for consultation**. Schools Forum also consider proposals for the new membership and constitution
- Early July '12 – issue consultation and impact assessments
- 14th September '12 – close consultation
- 4th October '12 – Scheduled Schools Forum meeting – consider outcomes of consultation
- Late October '12 – **additional** schools Forum meeting to agree final formula

- December '12 – Schools Forum – DSG estimate, impact of October pupil numbers on formula values, budget issues, high needs pupils elements
- January '13 – Schools Forum – set final budget

- End February '13 – issue budgets to maintained schools

Project Plan and Governance Arrangements

45. It is clear that the funding reform proposals will impact more widely than just the funding formula for schools. There are links to the School Organisation Plan, the development of traded services and the Council's wider business planning process for 2013/14.
46. Appendix 3 to this report shows the draft project plan for implementation of the school funding reform in Wiltshire. A Project Board is to be established to oversee the project. The key role of Schools Forum is the development of the revised formula for mainstream schools, the review of the EYSFF and to confirm the funding arrangements for high needs pupils in special schools, resource bases and through ELP.
47. It is proposed that two working groups be established to consider the detail of the formula changes for mainstream schools and high needs pupils, a formula review group and a high needs pupils group. These will need wider membership than the Schools Funding Working Group and SEN Group, for example we will require input from service schools, split site schools and schools with resource bases. The working groups may need to meet frequently during May and June in order to finalise proposals and will report initially to the Schools Funding Working Group and the SEN

Working Group. The Chairs of PHF and WASSH have been consulted to identify potential working group members.

Proposals

48. The following proposals are brought for consideration:
- a. That Schools Forum confirm the mapping of current formula factors in to the new list of allowable factors (paragraph 17).
 - b. That Schools Forum confirm the principles that should be applied to the modelling of the new formula (paragraph 17).
 - c. That Schools Forum confirm which formula factors should be used to delegate the list of central services that must be included in the formula (paragraph 20).
 - d. That the Early Years Reference Group consider the required changes to the Early Years Single Funding Formula and bring proposals back to the June Schools Forum meeting (paragraph 36)
 - e. That proposals for the composition of Schools Forum be developed for consideration at the June meeting (paragraph 39).
 - f. That the proposed timescales for the formula review and consultation with schools be agreed (paragraph 44)
 - g. That two additional working groups be established to work on the detailed formula proposals and make proposals to the School Funding Working Group and SEN Working Group in order that proposals for the revised formula can be considered at the June Schools Forum meeting (paragraph 47).

Carolyn Godfrey
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Background Papers

The following unpublished documents have been relied on in the preparation of this report:

None

Appendices

1. Mapping of current formula factors to the new allowable factors
 2. Central Budgets for Delegation in new formula
 3. Project Plan
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