

Wiltshire Council

Cabinet

22 October 2013

Subject: **Schools Funding Reform: Arrangements for 2014-15**

Cabinet member: **Councillor Laura Mayes – Children’s Services**
Councillor Dick Tonge – Finance, Performance, Risk, Procurement and Welfare Reform

Key Decision: **No**

Executive Summary

Under the funding reform proposals implemented by the DfE for 2013-14 a full review of the Wiltshire funding formula for schools was undertaken during the last financial year. All schools within Wiltshire are now funded according to the new funding formula implemented for the 2013-14 financial year. The current formula was agreed by Cabinet in October 2012.

The government agreed to review the changes implemented for 2013-14 and consulted with schools and local authorities in March of this year. In June 2013 the DfE issued proposals for school funding in 2014-15. These proposals build on the changes to the funding formula implemented in 2013-14 and have been introduced following the review of the impact of the changes implemented in this year. The proposals are not intended to bring about large scale changes but are made in order to address any unintended consequences of the new funding model.

As a result, the main elements of the funding formula are left unchanged however there are 3 changes that local authorities could now incorporate within their local funding formulae for 2014-15. These are:

1. **Lump sum** – it is now possible to set differential lump sums for primary and secondary schools, with a maximum allowable lump sum of £175,000
2. **Pupil mobility** – a threshold has now been introduced to enable funding to be more targeted
3. **Sparsity** – a new factor can now be used to target funding at necessary small rural schools

The new proposals for 2014-15 are aimed at supporting schools in rural authorities and Wiltshire Schools Forum has considered the implications of the new proposals to establish whether they should be incorporated in to the Wiltshire local funding formula. Following consideration of the potential financial impact of the proposals the recommendation from Schools Forum is that differential lump sums should be implemented for primary and secondary schools but that the formula should not be amended to include Mobility or

Sparsity factors. This is because the reversal of the national decision on the single lump sum gives the flexibility needed to take account of local needs and the complexity and constraints of the new mobility and sparsity factors have negative consequences locally.

The DfE issued its proposals in June, Schools Forum considered those proposals on 27th June and finalised proposals for consultation with schools in July. Schools were consulted in September and the outcomes of those proposals were considered by Schools Forum on 3rd October. It is important that these recommendations are considered at the October Cabinet meeting in order that the changes to the formula can be agreed prior to the Education Funding Agency's deadline of 31st October.

Proposals

Schools have been consulted on proposed changes to the lump sum element of the local funding formula and the

recommendation from Schools Forum is as follows:

- 1. That the lump sum for Primary schools be set at £85,000**
- 2. That the lump sum for Secondary schools be set at £175,000**

Maintained schools were also consulted on the delegation or de-delegation of budgets for central services and the

recommendation of Schools Forum is that budgets for central services continue be held centrally with the exception of the elements of the budgets for the Ethnic Minority Achievement Service and the Traveller Education Service which have been delegated to secondary schools in 2013-14.

Reason for Proposal

The changes to the lump sum element of the schools funding formula introduced by DfE in 2013-14 had the single biggest impact on school budgets in Wiltshire. The ability to set differential lump sums and therefore recognise the different fixed costs in primary and secondary school will mean that the funding formula can more appropriately reflect the costs of running schools.

The reasons why Schools Forum has not proposed the implementation of a mobility factor or a sparsity factor are detailed within the report.

Carolyn Godfrey
Corporate Director

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Wiltshire Council

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Cabinet member: **Councillor Laura Mayes – Children’s Services**
Councillor Dick Tonge – Finance, Performance, Risk, Procurement and Welfare Reform

Key Decision: **No**

Purpose of Report

1. The purpose of this report is to update Cabinet on the outcome of consultation with Wiltshire schools on proposed changes to the Wiltshire local funding formula for schools and to agree the changes to the formula as recommended by Schools Forum.
2. The report will also outline why proposals from the Department for Education (DfE) to allow the inclusion of formula factors for mobility and sparsity are not recommended for inclusion in the Wiltshire formula.

Relevance to the Council’s Business Plan

3. The report makes recommendations in relation to the allocation of funding across schools in Wiltshire. Effective allocation of the funding available can support the Council and Wiltshire’s schools in improving the attainment, skills and achievement of all children and young people.

Background

4. Under the funding reform proposals implemented by the DfE for 2013-14 a full review of the Wiltshire funding formula for schools was undertaken during the last financial year. The new formula was approved by Cabinet in October 2012 and all schools within Wiltshire, including academies, are now funded according to the new funding formula implemented for the 2013-14 financial year.
5. The government agreed to review the changes implemented for 2013-14 and consulted with schools and local authorities in March of this year. In June 2013 the DfE issued proposals for school funding in 2014-15. These proposals build on the changes to the funding formula implemented in 2013-14 and have been introduced following the review of the impact of the changes implemented in this year. The proposals are not intended to

bring about large scale changes but are made in order to address any unintended consequences of the new funding model. It is important to note that the changes proposed by the DfE are part of the journey towards the development of a national funding formula for schools from 2015-16.

6. The main elements of the funding formula are left unchanged however there are 3 changes that local authorities (LAs) could now incorporate within their local funding formulae for 2014-15. These are:
 - a. **Lump sum** – it is now possible to set differential lump sums for primary and secondary schools, with a maximum allowable lump sum of £175,000
 - b. **Pupil mobility** – a threshold has now been introduced to enable funding to be more targeted
 - c. **Sparsity** – a new factor can now be used to target funding at necessary small rural schools
7. The new proposals from DfE for 2014-15 are aimed at supporting schools in rural authorities and so Wiltshire Schools Forum has considered the implications of the new proposals to establish whether they should be incorporated in to the Wiltshire local funding formula. Following consideration of the potential financial impact of the proposals the recommendation from Schools Forum is that differential lump sums should be implemented for primary and secondary schools but that the formula should not be amended to include Mobility or Sparsity factors. Schools were consulted on the proposed changes to the lump sum during September and the outcomes of that consultation were considered by Schools Forum on 3rd October 2013.
8. Maintained schools were also consulted on the potential delegation of budgets for a number of centrally provided services. Budgets for these services must be delegated to academies but maintained primary and secondary schools can opt for the budgets to be de-delegated so that they continue to be provided centrally.

Main Considerations for the Council

Lump sum

9. LAs are allowed to include a lump sum for each school within the funding formula. The purpose of the lump sum is to recognise the fixed costs within a school. Under the funding reform proposals implemented in 2013-14 any lump sum had to have the same value across both primary and secondary schools meaning that it was not possible to reflect the differing nature of costs between the two phases of schools. As a result, the change to the application of the lump sum in 2013-14 had the biggest single impact on schools in Wiltshire in the revised funding formula, particularly for secondary schools. A lump sum of £100,000 was agreed within the 2013-14 Wiltshire funding formula and this represented an increase from £85,000 for primary schools and a decrease from over £300,000 for secondary schools.

10. Within the new funding framework it is now possible to apply differential lump sums to primary and secondary schools. The maximum allowable lump sum has been set at £175,000, reduced from £200,000 in 2013-14 by the DfE. This reduction has been applied because no authorities used the maximum in 2013-14. Schools Forum agreed that schools should be consulted on changes to the lump sum to enable different values to be applied across primary and secondary schools.

11. The options consulted on were:

- a. To set the lump sum for Primary schools at £85,000 in line with the previous Wiltshire funding formula
- b. To set the lump sum for Secondary schools at £175,000, the maximum allowable under the new rules.

Mobility Factor

12. Local Authorities (LAs) are allowed to include an element within the funding formula to reflect pupil mobility within the school year. If a mobility factor is used, funding is now to be targeted at schools with greater than 10% pupil mobility. Mobility is measured by the average number of in year starters over the previous 3 years and therefore looks at inward mobility rather than net mobility.

13. Following the implementation of the 2013-14 funding changes Wiltshire Council and Wiltshire Schools Forum had expressed concerns to the DfE that the initial mobility factor incorporated in to the school funding formula did not allow funding to be targeted at schools with the most need because there was no threshold incorporated within the calculation. It has also consistently been a concern within Wiltshire that the factor reflects only inward mobility rather than net mobility and the associated turbulence that creates.

14. The new proposals from the DfE do incorporate a threshold to enable funding to be targeted to higher levels of mobility and so financial modelling work was undertaken in Wiltshire to consider the impact of the new factor and whether it would support Wiltshire schools. Using data provided by DfE it was established that 63 out of 199 primary schools, and 2 out of 29 secondary schools, could be eligible for the mobility factor if it were applied. Eligible schools tend to be those with higher populations of service pupils but not exclusively so.

15. In considering whether a mobility factor should be applied Schools Forum took in to account the following issues:

- a) Funding/Affordability – funding for a mobility factor would need to be drawn from other elements of the delegated budget, most likely Age Weighted Pupil Units (AWPUs) therefore inclusion of a mobility factor would result in a decrease in AWPUs funding across all schools.

Of the schools eligible for mobility funding, 11 would lose more funding through the AWPU reduction than they would gain through the mobility factor. All primary schools not eligible for mobility funding would experience a reduction in funding.

For secondary schools only 17.5 pupils would attract funding across the whole sector. Unless the rate is set very high it is not possible to use the mobility factor to significantly target funding.

- b) The data to be used in the mobility factor is based on historical movement of pupils. There is a concern that the data to be used in the proposed mobility factor reflects past patterns of pupil movement but that the future pattern for military schools in Wiltshire would be one of growth, as families move back to the County, but of more stability in terms of in year turbulence. As a result it is felt that the existing growth fund, held centrally within the schools budget, is a more flexible way of reflecting that position.
- c) The mobility factor does not recognise net mobility, only inward movement of pupils, and therefore has the potential to duplicate funding allocated from the Growth Fund for additional pupils.

16. As a result of these issues Schools Forum agreed not to recommend the inclusion of a Mobility factor in the Wiltshire formula.

Sparsity Factor

17. The sparsity factor is designed to support “necessary small rural schools”, ie., schools, that because of their remote location, are necessary as children cannot access education from an alternative nearby school.

18. If it is to be included in the formula, the sparsity factor is to be driven by size of school and by the average distance pupils would need to travel (as the crow flies) to their second nearest school. DfE has set the parameters as follows:

- Primary Schools – size threshold of 150 pupils and minimum distance threshold to the second nearest school of 2 miles.
- Secondary schools – size threshold of 600 pupils and minimum distance to the second nearest school of 3 miles.

19. LAs are allowed to vary the criteria by reducing the size threshold and/or increasing the distance threshold, the impact of this would be to reduce the numbers of schools eligible for the sparsity factor. Funding would be applied as a lump sum, with maximum value of £100,000, and can be tapered to reflect different sizes of school with smaller schools receiving higher amounts.

20. Wiltshire Council and Schools Forum lobbied strongly to the DfE that the new funding model implemented in 2013-14 did not support 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 this year 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.

21. Because the proposals from the DfE are designed to support necessary small schools in rural authorities, financial modelling work was undertaken to understand the impact of a sparsity factor in Wiltshire.
22. If DfE recommended thresholds are applied the maximum number of schools eligible for sparsity funding in Wiltshire would be 31 Primary and 3 Secondary schools. Because of the need to consider the combination of distance travelled and pupil numbers, neither the smallest primary school in Wiltshire nor the most “remote” under this definition would qualify for funding. Whilst the smallest and most remote secondary school in Wiltshire would be eligible for funding under the model, other small secondary schools are not eligible because the distance criteria are not met.
23. In considering whether a sparsity factor should be implemented in Wiltshire Schools Forum took the following issues in to account:
 - a) Funding/Affordability - If a tapered lump sum with a maximum of £100,000 is used (as recommended by DfE) the total cost of implementation of a sparsity factor in Wiltshire would be £1.193 million. This would need to be funded from reduction in other elements of the funding formula. Because the sparsity factor is allocated to schools as a lump sum the most appropriate way to fund it would be a reduction in the universal lump sum allocated to all schools. For Primary schools this would mean a reduction of £5,595 from the lump sum for all primary schools in order to meet the cost of the sparsity factor. For secondary schools the lump sum would be reduced by £2,851.
 - b) Impact on per pupil funding in individual schools – the mechanics of the sparsity factor mean that higher amounts of funding are targeted at smaller schools which meet the size and distance criteria. This increases the amount of per pupil funding in those schools over and above similar size schools that, through the formula, are less remote but that may still be considered rural. The figures indicate, for example, that for very small primary schools the resulting difference in funding between a school that qualifies for sparsity funding and one that does not could be more than £1,300 per pupil. 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 additional per pupil funding to that level.
 - c) Existing support for smaller schools – now that the formula is allowed to contain differential lump sums for primary and secondary schools it was felt that the lump sum, operating alongside the new rules which enable schools which federate to keep 85% of the combined lump sums from the previous schools for at least one year, gave sufficient

flexibility to enable small rural schools to be supported within Wiltshire without the implementation of a sparsity factor.

24. Because of these factors Schools Forum agreed not to recommend the inclusion of a sparsity factor in the Wiltshire funding formula.

Delegation of Central Budgets

25. In order to give schools greater choice over how to spend their budgets LAs are required to work on the basis that services within the Dedicated Schools Grant (DSG) Schools Block, and the funding for them, should be delegated to schools in the first instance. This means that a number of DSG funded budgets that have previously been retained centrally should now be delegated to schools. There are a number of exceptions to this, for example the Admissions Service budget, 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.

26. Maintained schools have therefore been consulted on the potential delegation of budgets for the following services:

- Schools Contingency
- Free School Meals Eligibility
- Licences – including copyright and software licences
- Maternity costs
- Trade Union Facilities Costs
- Ethnic Minority Achievement Service
- Traveller's Education Service
- Primary Behaviour Support Service

27. Schools must be consulted on an annual basis. In 2013-14 maintained schools opted for all of these services to be retained centrally on behalf of primary schools but a proportion of the budget for the Ethnic Minority Achievement Service and Travellers Education Service was delegated to maintained secondary schools.

Consultation Outcomes and Recommendations

28. The recommendations of Schools Forum for 2014-15, based on the outcomes of the consultation with all schools, are outlined below.

29. That the lump sum to be included in the Wiltshire funding formula is set at the following values for 2014-15:

- Primary Schools: £85,000
- Secondary Schools: £175,000

30. That the recommendation in relation to the delegation of central services is as follows:

DfE Heading	Wiltshire Budget	Maintained Primary Schools	Maintained Secondary Schools
Contingencies	Schools Contingency	De-delegate	De-delegate
Free school meals eligibility	Free School Meals Eligibility Service	De-delegate	De-delegate
Licences/subscriptions	IT Licences (specifically for SIMS and HCSS software packages)	De-delegate	De-delegate
	Copyright Licences	De-delegate	De-delegate
Staff costs – supply cover	Trade Union Duties	De-delegate	De-delegate
	Maternity Costs	De-delegate	De-delegate
Support for minority ethnic pupils and underachieving groups	Ethnic Minority Achievement Service (EMAS)	De-delegate	Delegate
	Traveller Education Service	De-delegate	Delegate
Behaviour support services	Primary Behaviour Support Service	De-delegate	Not delivered to secondary schools

31. This position is unchanged from 2013-14

Safeguarding Considerations

32. This report makes proposals in relation to the allocation of funding across schools in Wiltshire. There are no direct safeguarding issues arising from this report.

Public Health Implications

33. This report makes proposals in relation to the allocation of funding across schools in Wiltshire. There are no direct public health issues arising from this report.

Environmental and Climate Change Considerations

34. This report makes proposals in relation to the allocation of funding across schools in Wiltshire. There are no direct climate change issues arising from this report.

Equalities Impact of the Proposal

35. Following implementation of the new funding formula all state funded schools in Wiltshire, maintained schools and academies, are now funded according to the same funding formula meaning consistency of funding for all state funded schools in the county. The options presented in the paper have given due consideration to possible inequities in the distribution of funding.

Risk Assessment

36. Risks that may arise if the proposed decision and related work is not taken:

1. The implementation of the current single lump sum of £100,000 across both primary and secondary schools has caused significant reductions in budgets for small secondary schools in Wiltshire. There is a risk that without the protection of the minimum funding guarantee small secondary schools in Wiltshire would not be financially viable. The proposed change to implement a higher lump sum will help to mitigate this risk.
2. The proposals in the report are recommendations from Schools Forum following detailed consideration of the DfE's proposals and consultation with all Wiltshire schools to arrive at the most appropriate formula for Wiltshire within the current rules. There is a risk that if the changes are not made then Wiltshire will not be able to influence the inclusion of differential lump sums within the national formula when implemented in future years.

37. Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks:

	Risk	Action to mitigate the risk
1.	Turbulence caused to school budgets as a result of the proposed change	A minimum funding guarantee is in place to restrict losses in funding to -1.5% per pupil
2.	There are risks associated with the delegation of central services – the LA may not be able to continue to provide services without a high level of buyback from schools	Following consultation with maintained schools, Schools Forum has recommended that central services continue to be provided centrally on the same basis as in 2013-14.

Financial Implications

38. This report outlines proposed changes to the funding formula for Wiltshire schools following a review of the funding reform changes implemented in April 2013. All financial modelling to date has been based on 2013-14 funding levels, Dedicated Schools Grant levels will vary with pupil

numbers and so the final values for 2014-15 will need to be confirmed as part of the budget setting process. The cost of the proposed changes will be met from within the overall schools budget with the increase in the lump sum for secondary schools being funded by a reduction in the Age Weighted Pupil Unit (AWPU).

39. The new formula will cause turbulence in schools budgets and a minimum funding guaranteed (MFG) is in place to restrict losses in funding to -1.5% per pupil compared with the current year. It was proposed by Schools Forum, and agreed by Cabinet, in October 2012 that the cost of this would 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 year however there is no confirmation of the level of transitional protection after that date.
40. Because of the application of the MFG and capping mechanism many schools may see little difference in their actual funding arising from the proposals within this report however it is important that the “right” formula is agreed for Wiltshire schools, within the constraints of the funding reform rules. Any changes made to the funding formula in Wiltshire will inform the DfE’s thinking in the development of a national funding formula for 2015-16.
41. As outlined in the Risks section above there is a risk that if budgets for central services are delegated the LA would need to consider the viability of those services moving forward on a traded basis. At this stage it is not recommended that services are delegated to maintained schools, with the exception of a small level of delegation to secondary schools. If budgets are to be delegated in the future a risk assessment would be carried out to establish whether a level of service could still be delivered on a traded basis therefore minimising any staff reductions as far as possible.

Legal Implications

42. 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 changes as set out within this report would meet the requirements contained within those draft regulations. The regulations require the local authority to consult both the schools forum and maintained schools about any proposed changes to the funding formula. These consultations have been carried out.

Options Considered

43. The options considered by Schools Forum in proposing changes to the funding formula for 2014-15 are outlined in the report, as are the reasons for not including mobility and sparsity factors within the formula.

Conclusions

44. The current Wiltshire funding formula is compliant with DfE requirements however the proposed changes will enable the formula to better reflect the differing requirements of primary and secondary schools.

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Background Papers

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

School Funding Reform: Findings from the Review of 2013-14 Arrangements and Changes for 2014-15 (DfE – June 2013)

School Funding Reform 2014-15 – Consultation with Wiltshire Schools
