

FAIRER SCHOOLS FUNDING 2015-16 – BRIEFING ON DfE CONSULTATION

Purpose of the Report

1. To provide a briefing on the recent DfE consultation document Fairer Schools Funding in 2015-16 issued on 13th March 2014 and the Wiltshire response.
2. To make proposals on how any increase in funding should be allocated to schools in 2015-16.

Main Considerations

3. Following the implementation of school funding reform in 2013-14 it has been anticipated that the government would bring forward proposals for a national school funding formula. On 13 March 2014 the Department for Education (DfE) published the '[Fairer Schools Funding in 2015/16](#)' consultation paper. The consultation set out how the Department intend allocating an "additional £350m in 2015/16 to increase the per-pupil budgets for the least fairly funded local areas". The consultation did not contain proposals on a national funding formula and the government stated that, whilst this is still the ambition, it is not appropriate to set a national funding formula until funding can be allocated to schools over a longer period of time, ie., within the next spending review period.
4. The main features of the consultation were as follows:
 - a. A further £350 million is proposed to be allocated to increase funding in the lowest funding authorities;
 - b. It is proposed to update the calculation method for the Area Cost Adjustment (ACA) to include teaching and non-teaching employment costs;
 - c. Minimum funding levels are to be used to set the funding for the Schools Block element of each local authority's DSG allocation.
5. The DfE provided worked examples to each LA that is expected to gain from the additional funding. Initial figures circulated by the DfE are based on October 2012 pupil numbers and these will be updated to October 2013 values later this year. Final allocations for 2015-16 will be based on October 2014 pupil numbers.
6. The methodology used is to apply minimum funding levels to each formula factor and multiply by the number of eligible pupils for each factor. The overall total is multiplied by the ACA. If the total achieved through this calculation is higher than the schools block funding to be allocated through a flat cash settlement then the LA will receive the increased Schools Block value.
7. The consultation period closed on 30th April and Schools Funding Working Group met on 31st March to consider the issues and to agree a response from Wiltshire Schools Forum.

Impact of the Proposals on Wiltshire Schools

8. Indicative figures released as part of the consultation indicate that Wiltshire would benefit from the proposed change with a potential £5.4m additional funding based on October 2012 pupil numbers and the proposed minimum funding values.
9. Whilst the consultation document gave minimum proposed values for each formula factor Councils will not be required to use these minimum values or change their local funding formula as a result of the changes. This is important as the minimum values are to be used as a way of distributing funding to local authority areas not to individual schools. The minimum values are used to calculate the overall value of the schools block **not** the value of the delegated budget. A number of items are top

sliced from the overall schools block before delegated budgets can be calculated, these include the Pupil Growth Fund, Admissions, Capital Financing costs, etc. The DfE's exemplification suggests that applying the minimum values would result in an additional £5.4m being added to the Schools Block for Wiltshire, but it would cost in excess of £15m to apply these minimum values to the Wiltshire formula and would therefore not be affordable.

10. It is also important to note that the initial calculations are based on October 2012 pupil numbers. These will be updated and the final funding for 2015-16 will be based on October 2014 pupil numbers. As the total amount of additional funding will not change (£350m), movement in pupil numbers will result in adjustment of the minimum funding levels meaning Councils could receive more or less funding when funding allocations are finalised.

Response to the Consultation

11. A copy of the response to the consultation is attached to this report (Appendix 1)
12. The consultation questions focussed on whether the approach of ascribing minimum funding values is the correct one and whether the values are correct. It was difficult to answer the specific questions about values as they are based on averages and will be subject to change as pupil number data is updated.
13. Perhaps a more fundamental question is whether the methodology is correct or equitable in the first place.
14. Until (and including) 2012-13 DSG funding was allocated on the basis of a Guaranteed Unit of Funding (GUF) for each LA. The GUF was multiplied by the total number of pupils to arrive at the DSG total for each LA. 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 LAs.
15. 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 LA 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 LAs between 70% and 88% and this impacts on the proposals for the allocation of the increase in funding for 2015-16.
16. The table attached to the consultation response 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 for the comparison between Wiltshire and Gloucestershire shows the following:
 1. In 2012-13 Wiltshire received a lower GUF than Gloucestershire by £68 per pupil;
 2. 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;
 3. 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.
17. 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. To do this

would require a more fundamental review of the distribution of funding between local authority areas. This is stressed within Wiltshire's response to the consultation.

Allocation of Additional Funding

18. The indicative figures within the DfE consultation indicate that Wiltshire would benefit from the allocation of an additional £350m nationally. It is not yet known how much additional funding will be received as the allocation will be based on October 2014 pupil numbers and the revised minimum funding values at that stage. The minimum funding values published in the consultation will be subject to change as pupil numbers are updated because the overall total available to allocation will remain at £350m. It is assumed that the allocation of £350m will increase the base funding for the Schools Budget nationally and not be a one off increase.
19. Schools Forum will need to consider how any additional funding should be distributed in 2015-16. In doing so Schools Forum may want to consider the potential impact of making changes to the local funding formula, particularly given the numbers of schools in Wiltshire already being affected by Minimum Funding Guarantee and Capping. A report considered by Schools Forum at the March meeting identified that in 2014-15 168 schools in Wiltshire are affected by either MFG or capping and the total cost of the MFG in 2014-15 is £1.611m.
20. At the meeting on 31st March Schools Funding Working Group discussed the allocation of any additional funding and were keen to ensure that the impact would be to reduce the cost of the MFG in Wiltshire and the numbers of schools subject to capping as a result. The Working Group also felt that there should be minimal change to the Wiltshire formula for 2015-16 after the significant changes that have been implemented in the last 2 financial years.
21. As a result the recommendation of the School Funding Working Group is that any increase in funding received as a result of the changes for 2015-16 should be allocated through an increase in the Age Weighted Pupil Unit (AWPU) in order to maximise the impact of any increase across all schools. Whilst the level of additional funding has still to be confirmed the impact of a £5.4m increase applied to the current AWPU and pupil numbers would be as follows:

	Current	Estimate with additional Funding (£5.4m)
Potential increase in AWPU		2.69%
Total Cost of MFG	£1,611,101	£815,517
Number of Schools on MFG	77	43
Number of Schools Capped	91	58
Maximum MFG	£133,683	£72,865
Maximum Cap	£117,443	£73,340

22. If it is agreed that any increase in funding should be allocated through AWPU's then there will be no requirement to consult with Wiltshire schools on formulaic changes for 2015-16 other than to seek schools' views on the delegation/de-delegation of central services. An approach of minimal change to the formula would give a year of relative stability and support schools in planning for next year.

Proposal

23. Schools Forum is asked to:
 - a) Note the Wiltshire response to the DfE consultation
 - b) Confirm that any increase in funding in 2015-16 should be allocated to schools via Age Weighted Pupil Units
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