

# Schools Consultation Paper – Changes To The Local Funding Formula

## Background

Proposals from the DfE require Local Authorities to make changes and remodel their local funding formula for schools wef 1.4.2013.

These changes are to be made prior to introducing a National Funding Formula in 2015-16.

The aim is to produce a system that is “fairer, simpler and more consistent”. The Schools Forum has formed a working party with Headteacher and Governor Representatives – Elaine Cogan, Steve Peach, Steve Dainty, Andre Baird, Jane Gordon, John Weise, Richard Longster and Ken Frost . The group has examined the proposals being put forward. A number of decisions will need to be taken by the Schools Forum early in the Autumn Term, your views and comments will help in this process.

The formula changes are:

- to simplify and reduce the number of allowable factors that allocate funding to schools (these factors include data on pupil numbers, free school meals and pupil attainment).
- to have a single lump sum payment for primary and secondary schools (set at a level that is below £150,000)
- to remove the grant distribution element within the formula and replace with other allowable elements
- to delegate funding for additional services to schools such as Maternity costs
- to introduce “Place plus” as the basis for funding Special Schools and Bases

Appendix 1 is an overall summary of the DfE’s changes (this paper has been previously circulated).

Remodelling the formula will change the current distribution of funding between schools. There will be some schools that gain compared to the current formula and others that will lose. In addition, the impact of further delegation may either exacerbate or moderate the impact of changes. **However please remember that the Minimum Funding Guarantee will continue to be the safeguard against excessive turbulence over the next few years.**

The consensus of discussions with the Schools Forum working party is that the LA should, as far as is practicable, seek to minimise the financial impact on schools from these changes. The effect of this approach will require changes to the formula that limit potential “gains” as well as “losses”. If this is not possible then it is likely that a cap will need to be placed on gains in order that the formula is affordable.

**Question 1.** Schools are asked whether they wish to endorse this approach.

The details of the suggested changes are set out in the paragraphs below. Schools are invited to comment on the overall approach taken and on the details provided. Following previous consultations the government now intends to proceed with its programme for change, therefore the areas of flexibility available to authorities to implement are very limited.

## 1. Simplify the Local Funding Formula

Wirral does not have an overly complex School Funding Formula. The factors that are currently used to fund schools are shown in Appendix 2 together with details of their replacement

**Question 2.** Do you agree with the proposals for:

- Admissions
- School meals
- SEN
- Deprivation replacing the use of the Index of Multiple Deprivation (IMD) with The Income Deprivation Affecting Children Index (IDACI) as required by the DfE and maintaining the use of Free School Meals (not Ever 6).

IDACI is being used by the DfE as the only national index of deprivation that is focussed on children. An IDACI score is a measure of probability (from a score of 0 to 1), that a child will be living in deprivation. It allows a measure in addition to FSM, whereby funding can be distributed to children who might not be eligible or might not take up FSM's.

Where this measure is used within the formula we will be required to use a banding structure, with a fixed number of bands. No funding will be allocated to an IDACI score of below 0.2. This is a move away from the previous IMD allocations where all children attracted a score and would receive some funding. The use of this measure is illustrated in Appendix 3, the funding for children with a score of less than 0.2 has been transferred into pupil entitlement. Authorities do not have to use IDACI and could choose to use FSM only.

**Question 3.** Do you have any comments on the use of IDACI data for Deprivation funding, or the transfer into pupil funding?

## 2. Lump Sums

Lump sums are used within the formula to direct additional funding towards small schools. This is an important element in rural areas but less so in Wirral.

The amounts used in Wirral's formula are:

- Primary £77,876
- Secondary £142,273

Historically the level set for Primary Schools represents the salary of a headteacher of a small school, together with an additional sum to represent other costs. Generally the need for a lump sum to support small secondary schools is not recognised nationally or locally.

The lump sum proposed is equal to the level currently used in Primary Schools. In this model there is no 6<sup>th</sup> form abatement and the additional resources released by reducing secondary lump sums would be redistributed over secondary pupil numbers and is illustrated in Appendix 4.

Alternatively a higher lump sum could be chosen. This would benefit smaller secondary schools but would be a significant change in primary schools, potentially moving relatively large amounts of funding away from pupil numbers (each £10,000 increase would cost in the region of £0.9m and would reduce the general pupil funding by about 2%). A lump sum set at the mid point between primary and secondary is illustrated in Appendix 4a.

Lump sums in respect of SEN would not continue, although there are proposals to continue a small grants lump sum.

### Questions

4. What is your view on the use of lump sums within the funding formula?
5. Do you agree with the use of the primary Lump Sum or do you favour a higher or lower amount?
6. Do you agree with the reallocation of lump sum funds (and the basis of reallocation over pupil numbers) within Secondary Schools?

### 3. Grants

This is a large element within the formula £30m (16%) and is made up of a number of areas that were previously funded by separate grants (mainly Standards Fund). These include amounts representing allocations for School Standards Grant, School Development Grant and Specialist Schools. All have been built up over time from lump sums, bandings, pupil numbers (including 6<sup>th</sup> form), Free School Meals and separate grant applications and are therefore difficult to model within the new formula. For example, the allocations for the largest grant, SDG, varies from under £100 per pupil to nearly £900 per pupil.

The proposals from the DfE will require all grants within the formula to be distributed using the simplified funding formula. Whilst existing primary / secondary ratios can be maintained, it will not be possible to distribute or replicate the existing allocations. This area will have the biggest impact on proposals for the formula and for school funding generally. However because the grant distribution is currently within the formula the MFG will apply and this will help to reduce turbulence.

The amounts currently allocated for your school are shown in Appendix 5 compared with a proposed distribution.

The proposed distribution tries as far as is possible to mirror the current main funding formula and maintain the primary/secondary totals.

**Question 7.** Do you have any comments on the approach taken or the resulting allocations?

### 4. Additional Delegation to schools.

LA's are required to delegate the funding for additional services to schools. This will match amounts within the Schools Budget that have been allocated to academies.

The services are:

- Advanced Skills Teachers. AST's help to raise the standard of teaching and pupil achievement in their own and "outreach" schools
- City Learning Centres. The 3 CLC's provide enhanced ICT based learning across the whole curriculum.
- School Library Service. The service makes learning resources available to schools - books, artefacts, posters and DVD's.
- Minority Ethnic Achievement Service. MEAS supports children and young people for whom English is not their first language.
- Special Staff Costs. Teacher maternity, paternity and trade union costs.

- Contingency. A budget for exceptional/unforeseen costs that it would be unreasonable for Governing Bodies to meet and for School Closure costs.
- Behaviour Support. This covers the costs of a small team working with Primary Schools and a number of embedded police in Wirral's Secondary and Special Schools.
- Insurance. The cost of governors' liability at Aided Schools.
- Schools Meals and Milk. The net budget for milk in schools and a residual meals subsidy.
- FSM eligibility. The costs of administering the applications for FSM's.
- Licences and Subscriptions. The cost of copyright and performance rights licences.

The amounts in total, the suggested basis of allocation and indicative amounts to be delegated are shown in Appendix 6.

Appendix 6a - 6d describes services for AST's, CLC's, the School Library Service and MEAS in more detail. These papers ask a number of supplementary questions.

With regard to budgets for Maternity, Contingency, MEAS, School Library, FSM eligibility, Licences and Subscriptions and Behaviour Support your representatives on the Schools Forum can decide that budgets should continue to be held centrally on behalf of all schools in a phase. This applies to Primary and Secondary Schools only, the construction of Special school funding prevents this approach, however special schools may still agree to pool funding.

The basis for these decisions would be to give economies of scale or the ability to pool risk.

**Question 8.** Do you have any comment on the elements used to delegate additional services to schools?

**Question 9.** Can you indicate how you might advise your Schools Forum representative with regard to retention of central budgets?

**Question 10.** Can you indicate if you would pool funding?

## 5. Overall Impact

There are many adjustments described above to the level of funding your school will receive. Appendix 7 summarises the overall changes and shows the interaction with the MFG. It is important that in your consideration of these matters you take into account the provisional nature of the budgets shown. Whilst they indicate the impact of changes, until final decisions are taken (for example on pupil funding) and October Census figures are available, the exact changes will not be known.

**Question 11** – do you have any additional comments to make?

Please complete by 20<sup>th</sup> July and return to:

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