

TELFORD & WREKIN COUNCIL**CABINET - 8 NOVEMBER 2012****APPROVAL OF A NEW FUNDING FORMULA FOR TELFORD & WREKIN MAINSTREAM SCHOOLS****REPORT OF THE ASSISTANT DIRECTOR, EDUCATION, CULTURE & SKILLS****LEAD CABINET MEMBER – COUNCILLOR PAUL WATLING****PART A) – SUMMARY REPORT****1. PURPOSE**

- 1.1 In March 2012 the Department for Education (DfE) published the document “*School Funding Reform: Next steps towards a fairer system*”. This outlined a number of changes affecting school funding, including the requirement for Local Authorities to revise their local funding formula for schools. The new formula for mainstream schools must only include the more limited range of funding factors allowed under the new arrangements.
- 1.2 The new formula needs to be submitted to the Education Funding Agency by 31 October 2012. Telford & Wrekin’s formula will be submitted (as is allowed) subject to cabinet approval on 8 November. There are other funding changes which will effect special schools and Pupil Referral Units (PRUs) but these are not subject to the 31 October deadline and will be the subject of a future report.
- 1.3 This report seeks Cabinet approval for the proposed new funding formula for Telford & Wrekin mainstream schools.

2. RECOMMENDATION

- 2.1 **That the proposed new funding formula for Telford and Wrekin mainstream schools, to take effect from April 2013, be approved.**

3. SUMMARY IMPACT ASSESSMENT

IMPACT ASSESSMENT AT A GLANCE	
COMMUNITY IMPACT¹?	Do these proposals contribute to specific Priority Plan objective(s)?
	Yes By ensuring that, as far as is possible schools receive fair funding for their pupils, this supports the objective to Improve achievement and attendance at all key stages.
	Are there any measures that will be used to show the proposals are making a difference?
	Yes Sustaining as much financial stability for schools as is possible within the new requirements.
	Will the proposals impact on specific groups of people?
Yes Children, young people, parents and the wider community served by schools.	

TARGET COMPLETION /DELIVERY DATE?	The new funding formula will take effect from April 2013. Details of the new formula have to be provided to the Education Funding Agency (EFA) by 31 October, but ours will be provided on the basis of being 'Subject to Cabinet approval'.	
FINANCIAL (VALUE FOR MONEY) IMPACT?	Yes	The new funding formula redistributes funds between schools as discussed in the report below.
LEGAL IMPACT?	Yes	The new arrangements have to comply with the new School Finance Regulations.
OTHER RISKS & OPPORTUNITIES?	Yes	The national Minimum Funding Guarantee, currently set at minus 1.5% per pupil, offers schools protection from significant losses of funding per pupil as a result of formula changes. However, no such protection is available for losses of funding in individual schools arising from reductions in pupil numbers. As a result, some of T&W's secondary schools, with large reductions in pupil numbers, will experience large reductions in funding in 2013/14 and subsequent years. More detail is provided in Section 9 of this report.
IMPACT ON SPECIFIC WARDS?	Yes	The new formula will affect all schools, including academies, with the exception of nursery schools, special schools, Thomas Telford school and independent schools and so will impact upon all Wards across the Borough.

4 SUMMARY

- 4.1 The DfE requires Local Authorities to implement a simpler funding formula for schools from April 2013. The DfE plans this to be the first stage towards a national funding formula for schools, to be implemented in the next spending review period (i.e. at some point in the period from 2015/16).
- 4.2 The DfE has set the rules for the new formula to ensure that it is predominantly pupil led and requires more delegation to schools.
- 4.3 The new funding formula affects how much of the total funding received by T&W is allocated to individual schools. The amount per pupil that is allocated to T&W via the Dedicated Schools Grant (DSG) is not changed by these proposals.

5 INFORMATION AND BACKGROUND

- 5.1 The new 2013/14 funding formula can only be based upon the the following factors:
- 1 *Basic per pupil allocation*
 - 2 *Deprivation* – measured by eligibility for Free School Meals or the Income Deprivation Affecting Children Index (IDACI).
 - 3 *Looked After Children*
 - 4 *Low cost, high incidence SEN*
 - 5 *English as an Additional Language (EAL)* - for no more than 3 years after the pupils enter the school system
 - 6 *Pupil mobility* - relating to pupils who didn't start in school in September
 - 7 *Lump Sum* - no more than £200,000 & the same lump sum must apply to all primary and secondary schools
 - 8 *Split site allowance*
 - 9 *Rates* - at actual cost

- 10 *PFI contracts*
- 11 *London Fringe factor* - not applicable to T&W
- 12 *Post 16 funding* - where LAs have used DSG to provide additional support for 6th Forms, not applicable to T&W
- 13 *Exceptional premises factors* – each has to be individually approved by the Education Funding Agency (EFA – a new DfE agency). T&W have applied for and had approved an exceptional funding factor for schools making significant financial contributions to joint use leisure centres.

- 5.2 Only 11 of the standard factors are therefore applicable for T&W schools.
- 5.3 The new funding formula must also include some funds previously held centrally by the Local Authority for the provision of services to schools. For T&W this amounts to £1.1m.
- 5.4 The national Minimum Funding Guarantee (MFG) will continue to apply for 2013/14 and 2014/15, which guarantees that no school can lose funding of more than 1.5% per pupil compared to the previous year. The DfE has also stated that the MFG will continue beyond 2014/15, although the rate has not been specified and this would clearly be subject to decisions made by a future government. Whilst the MFG offers funding protection at a pupil level the formula cannot be used to protect schools against losses arising from reductions in pupil numbers.
- 5.5 As part of the changes, the DfE are also making changes to the funding of SEN, with schools expected to pay for the first £6,000 of additional needs from their general budget. As a result, from April 2013, statements of up to and including 15 hours will no longer deliver additional funding to schools – instead the funding previously distributed in this way will be distributed via the formula factors identified under paragraph 5.1 above.
- 5.6 Pupil premium is outside the new funding arrangements. Pupil premium is allocated based on every pupil that has ever registered as eligible for free school meals at any point within the last six years, or is a looked after child, or comes from an armed forces family. Pupil premium will continue to increase as previously announced by the government – to £900 per eligible pupil in 2013/14 (from £619 in 2012/13) with a further increase in 2014/15. The exception to this is the armed forces premium which is currently £250 per eligible pupil.
- 5.7 Since March a number of different options for the new formula have been modelled. They have been discussed in meetings held since March with the Schools Forum (schools representative body with regard to finances), with the Forum's School Funding Formula Sub-Group and with all schools in two consultation processes, in May and September.
- 5.8 The formula recommended to Members seeks, as far as is possible within the new constraints, to offer budget stability to schools and to support those schools most financially vulnerable in forthcoming years. In order to go as far as is possible to achieve these aims we have:
- Chosen a relatively high lump sum, (£175,000 compared to the maximum allowable £200,000) as this offers the most stability to our smaller primary schools. With a smaller lump sum, in most cases they would experience the maximum allowable decrease under the Minimum Funding Guarantee (minus 1.5% per year for the next 2 years) and then a much greater fall if protection arrangements ceased or were loosened.
 - Maintained a comparatively high ratio of funding between secondary and primary schools at over 1.4 compared to a national average, according to the DfE, of 1.27. The secondary sector and in particular specific schools within it, are losing

significant funding due to reducing pupil numbers and a move towards the national average ratio would increase the financial pressures experienced in the schools.

- Maintained funding driven by deprivation at current levels. There was a strong feeling in some of our schools that any decrease risked undermining the impact of pupil premium funding.
- Included funding factors for split sites and English as an Additional Language (EAL) in order to recognise unavoidable extra costs for schools associated with these factors.
- Limited gains for any individual school to 2.5% per pupil, so as to create more funds to be available for other schools and reduce the differential between schools that gain under new arrangements and schools that will experience reduced funding.

5.9 The new funding formula has to be more pupil driven than previous arrangements, which is the clear intention of the DfE. For example, no funding based on premises is allowed, unless approved as an exceptional factor. The minimum funding guarantee, described in paragraph 5.4 above, offers protection to schools with stable pupil numbers, but not for reductions in pupil numbers. The result is that despite our desire for stability, and protection for schools with the most difficult budget circumstances, funding for individual schools increases or decreases based mainly on changes in pupil numbers.

5.10 It should be noted that schools receive funding that is outside the scope of these funding changes, namely early years funding, 6th form funding, special units attached to mainstream schools and individual funding for high needs pupils. These sources of funding are not included in the prior year baseline or the modelled funding for 2013/14.

Additional Delegation of Funding to Schools

5.11 Schools are funded by the Dedicated Schools Grant (DSG). Under the new arrangements this will be split into three notional blocks: Schools, Early years and High Needs (covering SEN). Compared to now, £1.1m more of the Schools Block will need to be delegated to schools.

5.12 These newly delegated funds are currently used to support a number of services, including the Schools Catering service, the Multicultural Development Team, non home to schools transport etc. For some of these funds, the Schools Forum can decide to then de-delegate, i.e. return the funds to the Local Authority for central provision of services. Decisions on whether any of the funds will be de-delegated will be made at the Schools Forum to be held on 20 November.

5.13 In general, the implications of this change are that apart from historic commitments and statutory functions, any other central expenditure from the Schools Block will have to be explicitly agreed with the Schools Forum, rather than, as now, the agreement just being based around the proportion of the overall Schools Budget that is held centrally. Forum approval is by phase – so only primary members can agree for primary de-delegation, secondary members secondary de-delegation etc.

6 EQUALITY AND DIVERSITY

6.1 The new funding formula includes additional funding for pupils from deprived backgrounds, pupils with low prior attainment and pupils for whom English is an

Additional Language. It therefore aims to allocate funding as fairly as possible to schools taking into account the characteristics of pupils.

7 ENVIRONMENTAL IMPACT

7.1 There is no direct environmental impact from the proposed funding changes.

8 LEGAL

8.1 The DfE is issuing new Finance Regulations which will document the legal requirements for the new funding system for schools.

9 OPPORTUNITIES AND RISKS

9.1 The Authority has no choice but to implement a new funding formula which is compliant with the new Regulations.

9.2 However, there is a risk that because the new funding formula has to be more pupil led than previously, it does not support a planned approach to the provision of school places. The DfE's view that successful schools should be able to expand underpins the allowable factors in the new formula and potentially creates problems for other schools that contract. Schools with reductions in pupil numbers will feel a stronger financial impact of this, just as expanding schools will experience a larger increase in funds.

9.3 The requirement for more delegation does place more emphasis on trading with schools and could more fully expose services to the open market.

10. FINANCIAL IMPLICATIONS

Schools

10.1 The re-distributive impact of the new funding formula in 2013/14 is limited on a per pupil basis to between minus 1.5% (by the national Minimum Funding Guarantee) to +2.5% (a proposed cap within the local funding formula).

10.2 Some schools experience much more significant changes in funding in 2013/14, but these are driven by changes in pupil numbers. Even after the MFG, modelling suggests that funding changes will range from -10% to plus 13% in the secondary sector and from -4% to +17% in the primary sector

10.3 In the longer term, more schools will experience significant changes in funding, as the cumulative impact of MFG reductions take effect. Some primary schools, would experience large losses without MFG protection. In some of these cases, this is a continuation of existing protection provided in the current formula and in that sense is not a new issue.

10.4 It should also be noted that:

- It is the DfE's stated intention is implement a national funding formula for schools in the next spending review period, which would replace local formulas;
- In a recent letter date 10 October 2012, the DfE have also stated their intention to continue with national MFG protection beyond 2014/15, as follows: "*Although we cannot give an exact figure for the Minimum Funding Guarantee in future years until after the next spending review, we can reassure you that a Minimum Funding Guarantee will continue to operate, in order to offer protection against unmanageable falls in school budgets.*"

- In the same letter the DfE have also promised to “*carry out a careful review in early 2013 of the impact of simpler funding formulae*” in order to “*advise ministers on making any necessary adjustments to avoid unacceptable consequences for schools.*”
- 10.5 Because of the first two points in particular, for some schools it is doubtful whether they will ever reach the point of being allocated the budget that they would receive in 2013/14 if there was no protection. MFG protection seems likely to continue up to the point that a national funding formula (or change of policy from a future government) takes effect.
- 10.6 From an LA perspective, the requirements for additional delegation means that services provided to schools, unless related to core provision (for example SEN) will need to move to a more fully traded basis.
- 11. WARD IMPLICATIONS**
- 11.1 There are implications for the all the wards in T&W as the funding changes affect all maintained primary and secondary schools and academies.

Background Papers

Minutes of the Schools Forum meetings held on 16 May, 12 July and 19 September
http://www.telford.gov.uk/info/100005/education_and_learning/279/schools_forum/2

DfE, March 2012, ‘School Funding Reform: Next steps towards a fairer system’

DfE, July 2012, ‘2013/14 Revenue funding arrangements: Operational guidance for Local Authorities’

Letter from Sarah Healey (DfE) to Local Authorities dated 10 October 2012

<http://www.education.gov.uk/schools/adminandfinance>

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