

# ISLE OF WIGHT SCHOOL FUNDING FORMULA REVIEW CONSULTATION - SEPTEMBER 2013

## RESPONSE DEADLINE – 30 SEPTEMBER 2013

### Summary

1. The new national approach to school revenue funding that was introduced in 2013/14 meant that the Isle of Wight's school funding formula needed to be fundamentally altered.
2. The Department for Education (DfE) has reviewed the impact of these arrangements and has made some further changes to the funding arrangements for 2014/15. A copy of the full review can be found on the [DfE website](#).
3. This consultation is to gain the views of primary and secondary maintained schools and academies on the proposed funding formula for schools in 2014/15.
4. The document explains the principles that have been agreed by Schools Forum and the preliminary views that Forum has taken.
5. The timeline for this Isle of Wight consultation is short because of the pressures within the national timeline.
6. This document has the following seven sections:
  - Introduction
  - Spreadsheet with individual school **INDICATIVE** budget information based on the proposed new Isle of Wight formula
  - New formula factors and principles agreed by Schools Forum
  - Outline of consultation issues
  - Various features to note in the new formula
  - High Needs and Early Years
  - Consultation response form.

### INTRODUCTION

7. Schools Forum needs to agree the new formula on 22 October 2013 to meet the national deadline for submission of all local formulae to the Education Funding Agency for approval by 31 October 2013.
8. We will not know the full Dedicated Schools Grant position until the national budget information is available in December 2013 (based on the October 2013 school census). Schools will receive their final budget shares by 28 February 2014.
9. This consultation focuses on the funding of mainstream pupils in primary and secondary schools, including those with statements of special educational needs. Consultation on early years is being carried out separately. This consultation does not refer specifically to special schools, resourced provisions or alternative provision. If changes to the arrangements for funding these settings are required, separate

consultation will be carried out. Some further updates can be found in the High Needs section of the document.

10. The changes introduced by the Department for Education for 2014/15 mean that a consultation with all schools and academies on changes to the funding formula is required. Following Schools Forum in July schools were asked to submit any views on the changes for 2014/15. As no specific feedback was received, the Education Finance team have worked to generate a number of options.
11. Schools Forum papers for 5 July 2013 can be found on the [Schools Forum website](#). The papers give considerable additional background detail and are referenced within this consultation document.
12. A briefing for head teachers, governors, school business managers and bursars will take place on Wednesday 11 September from 2pm – 4.30 pm at the Lakeside Park Hotel, Wootton.

Please contact Kirstie Rann or Laura Hales ([SandLBusinessSupport@iow.gov.uk](mailto:SandLBusinessSupport@iow.gov.uk)) to book onto a session.

13. A copy of the presentation for this meeting is available on the following link [School Funding Consultation 2014/15](#).
14. We will set up a Frequently Asked Questions document, which will be updated regularly and which we hope will answer most of your questions. If you have any further queries please send an email to [educationfinanceteam@iow.gov.uk](mailto:educationfinanceteam@iow.gov.uk)

## **SPREADSHEET – INDICATIVE BUDGET**

15. The spreadsheet models the impact of the proposed new Isle of Wight funding formula (the subject of this consultation) for each school. It shows the effect for each school of the four options for distributing additional funding resulting from changes in the formula, any impact of the Minimum Funding Guarantee (MFG) and the capping of gains. These are all explained later in this document.

### **Data used in the spreadsheet**

16. The figures in the spreadsheet are illustrative and are an **INDICATION ONLY** of school budgets based on the new formula. The figures should not be used for detailed planning.
17. The data set that we have used for this illustrative modelling is the October 2012 data supplied by the DfE.
18. The 2014/15 final budget share will be based on October 2013 pupil numbers and related data. It will be available by 28 February 2014.
19. Please enter your school's DfE number into cell B1. This will then populate the spreadsheet showing a breakdown for each model.

## NEW FORMULA FACTORS IN 2014/15 AND PRINCIPLES ADOPTED IN PREPARING FORMULA OPTIONS

*See Schools Forum 5 July 2013 '2014/15 Funding Arrangements'*

### Previously agreed principles

20. The following principles have been adopted when preparing the funding options for this consultation:
- Distribution of overall funds between the primary and secondary phases to remain unchanged from 2013/14 (i.e. no redistribution of funds). This is consistent with the approach adopted in 2013/14.
  - The 2013/14 top-slice from the DSG to fund the school reorganisation is not required in 2014/15 and so there will be no transfer from the High Needs Block to the Schools Block
  - The total amounts allocated overall to each factor remain broadly in line with those in the current formula before any redistribution between schools determined by the application of the new formula.
  - The size of the lump sum should be set to ensure that all schools receive an equal share of the additional funding released by the removal of the DSG top-slice to fund the school reorganisation

### New factor

21. The Department for Education (DfE) has introduced a new 'sparsity factor' for 2014/15. The methodology for assessing whether a school is eligible for sparsity funding is to measure the distance a pupil lives from their second nearest school as the crow flies. Pupil numbers also need to be below a certain threshold to attract this funding. Both criteria must be met for this factor to apply. The table below provides a summary of the sparsity criteria:

	<b>Primary</b>	<b>Secondary</b>
<b>Number on Roll</b>	Less than 150 pupils	Less than 600 pupils
<b>Distance</b>	Greater or equal to 2 miles	Greater or equal to 3 miles

### Changes to 2013/14 factors

- Lump sum – the maximum lump sum allowed is £175,000. This can vary between phases.

- Prior attainment (Primary) the indicator used will remain as the Early Years Foundation Stage Profile (EYFSP). Due to the changes to the EYFSP, the indicator will change for pupils assessed from 2013 onwards. For Year 1 pupils in October 2013, the indicator will be those who have not achieved the expected level of development in all 12 prime areas of learning of the EYFSP, as well as maths and literacy. The previous indicator (fewer than 73 points on the EYFSP) will continue for pupils in years 2-6.
- Prior attainment (Secondary) the indicator will change from pupils who achieved a level 3 or lower in Key Stage 2 tests in maths and English to pupils who achieved a level 3 or lower in maths or English. From 2013 onwards there has been a change in assessment criteria for English, meaning that there is no longer a single level per pupil. Instead, the indicator for pupils assessed from 2013 onwards will be failure to achieve a level 4 in the reading or teacher assessed writing elements of the test.
- Mobility from 2014/15 mobility funding will be targeted to schools that have more than 10% mobile pupils. Therefore they will only receive funding for pupils over the 10% threshold. Mobile pupils are those who started other than in August or September (or January for year R) in the last three years. This will mean that the funding is concentrated on schools that are most adversely affected by pupil movements.

## CONSULTATION ISSUES

22. The changes on which all schools are being consulted on are listed below:

- Size of the lump sum
- Mobility funding
- Sparsity
- Review of the split site criteria
- Options for distributing the 2013/14 DSG top-slice for the school reorganisation
- Options for restricting gains
- De-delegation decisions

23. This section explains each of the areas in turn and then explains a further consultation area relating to the treatment of any changes in overall schools budget. The consultation document asks for views on each of these issues.

### Size of the lump sum

24. A lump sum of £110,000 was used in the 2013/14 formula, as this was the optimum amount in order to protect the funding ratio between primary and secondary schools. An option to redistribute the additional funding for 2014/15 is to increase the lump sum. This will ensure that all schools benefit from an equal share of the additional funding.

25. The different lump sums not only change the actual number of schools gaining and losing through the Minimum Funding Guarantee, but they also change the amount that schools will gain or lose. The table below highlights the main results:

<b>Primary Schools</b>	£120,000 lump sum	£130,000 lump sum	£140,000 lump sum
Number of schools gaining and losing between 0 - £5,000	10 (24%)	9 (22%)	4 (10%)
Number of schools gaining and losing more than £15,000	7 (17%)	18 (44%)	27 (66%)
Number of schools gaining or losing more than 3% of budget share	3 (7%)	10 (24%)	19 (46%)
Spread between the highest gainer and the largest loser	£151,712	£161,562	£170,939

<b>Secondary Schools</b>	£120,000 lump sum	£130,000 lump sum	£140,000 lump sum
Number of schools gaining and losing between 0 - £25,000	3 (50%)	2 (33%)	2 (33%)
Number of schools gaining and losing more than £50,000	2(33%)	2(33%)	2 (33%)
No of schools gaining or losing more than 3% of budget share	0	0	0
Spread between the highest gainer and the largest loser	£128,139	£137,989	£170,829

26. These figures indicate that a lump sum of £120,000 seems most appropriate for both primary and secondary phases.

### **Mobility funding**

This factor was not included in the 2013/14 funding formula. The implementation of the 10% threshold means the number of schools that would be eligible for mobility

funding in 2014/15 is 22 primary schools. None of the secondary schools meet the criteria for mobility funding when the criteria are applied to the October 2012 data.

27. Schools Forum will be asked to consider the outcome of the funding consultation in October but would welcome views from schools on whether £50,000 should be allocated to a mobility factor in 2014/15.

### **Sparsity**

28. Due to the strict criteria for sparsity funding, only one primary school is eligible for this funding. None of the secondary schools is eligible. The authority is, therefore, not proposing that this factor is used in the Isle of Wight formula in 2014/15.

### **Review of the split site criteria**

29. The 2013/14 funding formula included a split site allowance which allocated funding to those schools occupying two distinct sites following the amalgamation of a number of schools during the reorganisation. Schools are eligible to claim this allowance if the sites are more than one mile apart and the school can demonstrate that it has maximised the opportunity to make efficiencies as a result of occupying two sites.
30. The introduction of these criteria meant that two secondary schools which occupy former middle school sites are not eligible to claim the allowance because the sites are less than a mile apart. The Schools Forum was asked to reconsider the distance criteria in May 2012 but decided that the criteria should remain as previously agreed.
31. Schools Forum has now received a further request to remove the distance criteria in the 2014/15 funding formula. If Schools Forum agrees this request, the estimated cost of providing the allowance to the two secondary schools is £132,685.
32. Schools Forum will consider the split site policy in December but would welcome views from schools on whether to retain the policy in its current form. .

### **Options for redistributing the balance of the additional funds relating to the removal of the DSG top-slice and the adjustment to the secondary funding for low attainment.**

33. Following the removal of the DSG top-slice and the adjustments to the lump sum, there will be a surplus within these factors that needs to be re-distributed within the formula. The options for re-distributing these funds are :
  - **Option 1** - All remaining funds are distributed via the low attainment factor. The reasoning behind this proposal relates particularly to the secondary phase, where there has been a change in the criteria for low attainment funding. The change in criteria is detailed in the 5 July 2013 [Schools Forum](#) paper. This has resulted in more pupils being eligible for funding and, as a result, means the unit value is reduced. By putting additional money into this area the level of funding per pupil

can be maintained. Additional funding in this area may support schools in the Government's drive to lower the attainment gap.

- **Option 2** - All remaining funds are distributed via the Age Weighted Pupil Unit (AWPU). This would be the simplest method as funding will be distributed to all schools based on the number of pupils on roll.
  - **Option 3** - All remaining funds are distributed via the Age Weighted Pupil Unit (AWPU) and the low attainment factor. The rationale for this method of distribution is to ensure that funds are allocated to those pupils with low attainment as well as ensuring that all schools receive an allocation based on the size of the school.
  - **Option 4** - All remaining funds are distributed equally between AWPU (50%) and the deprivation factors (50%)
- 34.** The finance team has done extensive modelling around all four of these options and modelling has shown that there is no significant financial difference between the options for the majority of schools. As this is a change to the principle of not redistributing funds between factors it has been agreed that it more appropriate for schools to decide where the redistributed funding should be targeted.

### **Restricting gains**

- 35.** The Minimum Funding Guarantee (MFG) protects schools with reducing budgets. The MFG has been set nationally at minus 1.5% per pupil. The cost of MFG has to be met within the authority's Dedicated Schools Grant (DSG).
- 36.** The rules again allow a cap and/ or a 'scale back' factor to be used to restrict gains. The approach was explained and consulted on last year and the decision was taken not to apply a cap or a scale back. This meant that the AWPU unit values were reduced in order to ensure that the MFG could be met from within the DSG.
- 37.** The maximum gain applied to any school was 8.51% in 2013/14 and the AWPU budget allocation was reduced by £1.327m in order to meet the MFG for 19 schools.
- 38.** The 2014/15 proposals provide an average maximum gain of 8.28% and an average MFG reduction to the AWPU of £540,000. It would therefore seem appropriate to continue with this method in 2014/15.
- 39.** The DfE will be limiting the permitted exclusions from the MFG to:
- Rates
  - Lump sum (must be the 2014/15 value used in both years' calculation)
- 40.** That means that a school's total 2013/14 budget share allocation for the purposes of calculating the MFG or restricting gains will exclude any funding relating to the factors above.
- 41.** An MFG calculator is available below the indicative budget shares to assist schools in ensuring they understand how the MFG figures have been calculated.

## De-delegation choices and delegation

42. There have been no changes to the items that can be de-delegated. Mainstream primary and secondary schools only can still decide, on a phase by phase basis, to de-delegate, i.e. to return budget allocations to those services from their budget shares. This would allow the relevant services to continue to be provided centrally. Services and de-delegation methods are listed below :

Service	Basis	Primary	Secondary
Contingency (Reorganisation transitional costs)	Number on roll	£49	£49
Free School Meals Eligibility	FSM 6	£2.17	£3.25
	Income deprivation affecting children index (IDACI) bands		
	1	£0.85	
	2	£1.07	£1.28
	3	£1.28	£1.60
	4	£1.49	£1.92
			£2.24
Licences and subscriptions	Lump Sum	£233.41	£233.41
Staff costs	FSM 6	£3.39	£5.08
	Income deprivation affecting children index (IDACI) bands		
	1	£1.33	£2.00
	2	£1.67	£2.50
	3	£2.00	£3.00
	4	£2.33	£3.51

43. The methods above are based on 2013/14 decisions. However, it is proposed in 2014/15 to review the factors used for several services. Further modelling work will be undertaken over the coming months and will be presented to Schools Forum in October.
44. Schools Forum representatives will be consulting relevant groups on the de-delegation of services with a view to coming to a decision at October Schools Forum. The DfE have changed the regulations to mean that the de-delegation of services now has to be reviewed annually.

## **Treatment of changes in funding**

- 45.** The 2014/15 Dedicated Schools Grant (DSG) figure should be available in December 2013, in time for budgets to be agreed in January 2014.
- 46.** Other than the Pupil Premium, the overall funding for the schools budget in 2014/15 is likely to be 'flat cash'. However, it is possible that there could be decisions made by Schools Forum that would impact the different elements funded from the DSG. For example, this could include deductions for services that are currently de-delegated, central expenditure items and combined budgets. It is also possible that there could be changes in other areas such as Early Years or High Needs. The end result could be either an increase or decrease in the amount available for distribution by this formula.
- 47.** If the overall funding were to change, this could be adjusted in one of two ways:
  - Adjusted unit values for all schools, or
  - Introduce a cap or scale factor. This would mean that schools that are gaining under the new formula would retain less of their gains.

## **VARIOUS FEATURES TO NOTE IN THE NEW FORMULA**

### **Other issues**

- 48.** From April 2014 the DfE has also allowed local authorities to include a central fund from DSG to support schools and academies with falling rolls in exceptional circumstances. To be eligible for this funding, there must be clear demographic evidence that a school's additional capacity is likely to be needed within the next three years to meet rising pupil numbers. Additionally, the schools must be rated good or outstanding by Ofsted.
- 49.** The pupil number projections for the Island show that the reduction in pupil numbers which has been evident in recent years is unlikely to continue and that there may even be a gradual increase in primary school numbers. However, the increase is unlikely to be sufficient to require a central fund to be created in 2014/15.
- 50.** In 2013/14 the Schools Forum approved the creation of a growth fund specifically to support those schools where the pupil numbers were increasing as a result of admission numbers increasing by a whole form of entry during the reorganisation. The authority is proposing to retain a growth fund in 2014/15. The details of proposals will be presented to Schools Forum in December.

## **HIGH NEEDS AND EARLY YEARS**

### **High Needs**

51. The new funding arrangements allow Schools Forums to agree to provide additional funding for schools with a disproportionate number of pupils with statements of Special Educational Needs (SEN). This funding would mean that no school would spend more than an agreed percentage of its budget share on statemented pupils. A paper setting out a proposal for setting aside some High Needs funding for this purpose will be taken to the Schools Forum in December.
52. The level of funding for SEN places will continue to be £10,000 for special schools and resourced provisions and £8,000 for education centres, based on the Agreed Place Number (APN) of the setting.

### **Top-up funding**

53. Assuming a flat cash settlement for DSG, top-up funding rates will continue at similar levels to 2013/14. If minor changes are needed then relevant groups will be consulted.
54. MFG will be available for top-up funding for special schools and resourced provisions to ensure that the top-up funding rate is no less than 98.5% of its 2013/14 value per pupil, ensuring that any reduction in funding per pupil is no greater than 1.5%. The DfE have made it explicit in the regulations that the MFG only protects for changes due to the formula and pupil characteristics, not due to changes in place numbers. Therefore, the 2014/15 MFG will no longer include protection for reductions in place numbers.

**These areas are outside the scope of this consultation.**

### **Early Years**

55. A separate consultation from the Department for Education (DfE) took place with Local Authorities and early years providers in April/May 2013 on the proposed changes to the role of the local authority in early education and childcare (March 2013).
56. In order to take further steps towards the future introduction of a national funding formula, the DfE are imposing further constraints on the Early Years Single Funding Formula (EYSFF). The government is proposing to make the following changes either by introducing legislation at the earliest opportunity, or through statutory guidance :
  - Guarantee an offer of funding for all providers of a quality assessed by Ofsted, or an inspection body approved by the Secretary of State, as 'satisfactory', 'good' or 'outstanding' where there is an eligible child wanting to take up an early education place
  - Guarantee an offer of funding for new early education providers, which have been registered with Ofsted, prior to their first full Ofsted inspection;

- Limit the extra conditions that local authorities can place on private, voluntary and independent (PVI) early education providers in order for them to qualify for funding to deliver places;
- Remove the existing duty on local authorities to secure information, advice and training for childcare providers, but give local authorities power to offer it;
- Reform the early education funding system, by encouraging local authorities to simplify their funding formulae or even the removal of all supplements other than deprivation
- Limit the amount of centrally retained spend with clear guidance on what the local authority can spend DSG funding on.

**These changes are subject to a separate consultation with early years providers in October 2013.**

## **CONSULTATION RESPONSE FORM**

**57. It is important that we receive responses from as many schools as possible. However, it would be appreciated if the responses are limited to one per school.**