

Distribution Sub-Group (2016) Paper 12 – Education Funding Formula

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Education Funding Formula

Summary

1. This paper summarises the Department for Education’s proposed changes to introduce a national funding formula for schools in England, as set out in their consultation document¹.
2. The paper goes on to consider the synergies between these proposals and the considerations to date in reviewing the education formula in Wales and looks at how this might inform formula changes in Wales.

Views Sought

3. Members are asked to note the summary provided of the English consultation, to consider this in relation to the formula development in Wales and to discuss next steps.

Department for Education Consultation

4. In England, the Department for Education (DfE) ran a consultation from 7 March to 17 April 2016 seeking views on proposals to introduce a national funding formula for schools.
5. Ultimately, the DfE is proposing to bring in a funding model whereby schools are funded directly from Central Government, rather than through Local Authorities.
6. DfE are proposing to construct a national funding formula based on 4 building blocks, to reflect the major types of schools’ costs:
 - i. Per pupil costs
 - ii. Additional needs costs
 - iii. School costs
 - iv. Geographic costs
7. **Per pupil costs:** A core funding allocation per pupil using 3 different year groupings, reflecting the current arrangements for local funding formulae:
 - Basic funding for each primary pupil (covering key stages 1 and 2)
 - Basic funding for each key stage 3 pupil
 - Basic funding for each key stage 4 pupil

In the current funding system in England, the biggest factor in local funding formulae is ‘basic entitlement funding’, which accounted for 76% of schools’ budgets in 2015-16. DfE believe it is important that schools should have certainty about the minimum amount of funding each pupil will attract, and that their budgets will grow in line with pupil numbers.

¹ https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula/supporting_documents/Schools_NFF_consultation.pdf

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8. **Additional needs costs:** A block based on pupil characteristics that are linked to a likely need for additional educational, pastoral or administrative support, incorporating 3 additional needs factors:
- Socio-economic deprivation
 - Low prior attainment
 - English as an additional language
9. **School costs:** A block to reflect costs associated with school premises and overheads, rather than their pupils' characteristics. This has been split into 2 groups:
- School cost factors that DfE are proposing should form part of the national funding formula : lump sum and sparsity
 - School cost factors that DfE think cannot easily be allocated on a formulaic basis and are therefore proposing to allocate to Local Authorities on the basis of historic spend in 2017-18 and 2018-19 : business rates, premises factors (including split sites, PFI and exceptional circumstances) and growth.
10. **Geographic costs:** A block that includes an area cost adjustment. This would be a multiplier applied to every factor so that schools' funding is increased if they are situated in areas of higher cost.

Considerations for the Education Sub Group

11. It is suggested the formula review in England has the potential to inform our own considerations in Wales.
12. In considering the synergies of the proposed approach set out in the English consultation, consideration relates to the proposals for the distribution formula only.
13. The Education Sub Group identified a list of categories and drivers of the need to spend on education services. This table has been reproduced here with an additional column which attempts to match each spending category with one of the 4 blocks from the proposals in the English model:

Expenditure on:	Expenditure Share:	Drivers:	Block:
Teaching Staff	50%	<ul style="list-style-type: none"> • Number of pupils (possibly stepped) • Need to establish which figure to use. • Allow for non-contact time • Need to establish what teaching resource required to cover the curriculum in the secondary sector • Management Team in the Secondary sector needs to be taken into account. • More work needed on Special Education 	Per pupil Costs
School Buildings	9%	<ul style="list-style-type: none"> • Need to establish whether there is a maximum distance which pupils should be asked to travel to school • Need to establish whether there is a maximum and minimum size of primary school. • Once this is established – can establish a 	School Costs

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		<p>notional number of schools for an area and the size of those schools.</p> <ul style="list-style-type: none"> • Need to model the current cost of running varying size of schools to be used in the modelling. 	
Teaching support	9%	<ul style="list-style-type: none"> • Early years requirement can be modelled on the required 1:8 ratio and Years 1+2 on the 1:15 ratio. • Need to establish what the resource required to carry out the 24 non-teaching tasks and establish what the drivers would be. • Need to establish what the additional needs drivers would be. 	Per pupil Costs / Additional Needs Cost
Access and Inclusion	6%	<ul style="list-style-type: none"> • Further work required to establish what appears under this heading. 	Additional Needs Cost
School Transport	5%	<ul style="list-style-type: none"> • Would need to be modelled when the modelled number of schools is known, in accordance with statutory requirements. 	Geographic costs
Free school meals	3%	<ul style="list-style-type: none"> • Need to understand whether there is a varying cost of production according to size of school. • Can then be modelled according to FSM entitlement. 	Additional Needs Cost
Corporate and Departmental Support	3%	<ul style="list-style-type: none"> • Further analysis required to establish what costs are included and whether those drivers are fixed or variable. 	School Costs
Non Mainstream education	2%	<ul style="list-style-type: none"> • Further analysis required to determine what is included here and how it translates into spending need – objective or policy driven? 	Additional Needs Cost
Clerical support	2%	<ul style="list-style-type: none"> • Need to establish the blocks of work undertaken and build up from there according to whether it is variable or fixed. 	School Costs
Schools Improvement Service	2%	<ul style="list-style-type: none"> • Contributions to consortia – but need to examine whether there should be a more needs based driver. 	?
Youth Service	1%	<ul style="list-style-type: none"> • Work needs to be undertaken to determine which cohort we are meant to be giving a service and then examining what are the current drivers of that service. 	?
Pre-school provision	1%	<ul style="list-style-type: none"> • To be considered with schools; teaching and non-teaching resource. 	?

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ICT Infrastructure	<1%	<ul style="list-style-type: none"> Need to establish how these costs vary and why. 	School Costs
Other category	6%	<ul style="list-style-type: none"> Some items under this heading may belong to some of the headings above. With the remainder, we ought to be able to isolate these costs and determine drivers in terms of pupil numbers school numbers or size or fixed costs. 	?

14. It is suggested from this table that the issues being addressed in the English consultation do have some read across to the approach in Wales. It is therefore proposed to discuss further with DfE how the work is being taken forward in England and discuss some of the challenges identified in Wales.

Assessing the appropriateness of a any new formula

15. It is also important to give some consideration at this stage to the criteria for determining the appropriateness of a new formula against the existing formula. Consideration is being given to the basis for preparing a comparison between the existing and proposed models. This will be based on the guiding formula principles of equity, stability, clarity and relevance underpinned by the key principle that the formula should distribute the available resources on the basis of relative need. There are potentially also considerations of fairness and predictability and an obvious condition that the formula should be as simple and transparent as possible.
16. It is also important to make a distinction between the development of an appropriate needs-based formula and the transition arrangements for introducing any formula change which results in material redistribution.

Next steps

17. Taking these considerations into account, it is intended to drawn up a timeline identifying milestones and targets in order to keep this work on track and to ensure a definite point in time by which any new model can be tested for its suitability.
18. Members are asked to consider and discuss a number of related issues that will have a bearing on the direction of this work:
- What should be the criteria and approach to determining whether the alternative funding model is preferable to the existing formula?
 - Does the approach considered by England provide a more efficient and simpler model for addressing the different drivers of need?
 - Should the above table be duplicated for Primary and Secondary education separately?
 - Should categories such as *Schools Improvement Service*, *Youth Service* and *Pre-school Provision* be treated as separate services?