

SCHOOLS FORUM

School Funding 2016/17 and Onwards

14 January 2016

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies	X	Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority		Post 16	
		High Needs	

Purpose of Report

Content Requires;		By;	
Noting		Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	

1. This report sets out;
 - the development history and constraints of the 2015/16 formula for funding maintained schools and academies in Leicestershire,
 - a comparison against the 2015/16 formulae in operation across Leicestershire's comparative authorities,
 - the short and medium term anticipated education funding environment and its impact on school funding

Recommendations

2. That Schools Forum note the content of this report
3. Consider the formula value comparisons and analysis within the report

4. Support the local authority in developing a 2017/18 funding formula should the introduction of a national funding formula retain any local flexibility in funding
5. Support the local authorities' intention to reduce the AWPU value by 1% to meet the additional High Needs costs for 2016/17
6. Note the local authorities' intention to charge schools for services provided by Specialist Teaching Services, the first of which will be Autism Intensive support from April 2016
7. Actively engage with schools and the local authority in setting out the expectations for school funding for 2017/18

Introduction

8. The current Leicestershire school funding formula was introduced in 2013 in response to national funding changes introduced by the Government. These changes were significant and included limitations on the factors which local authorities could use within the formula and the introduction of annual school funding timeline which required local authorities to agree their funding formula by the end of October the preceding calendar year.
9. The local authority is operating under the financial austerity measures introduced by the government in 2010. This result of this is that whilst it is necessary to meet increasing needs with reduced resources. It is therefore necessary to consider a whole systems approach to the allocation of resource which requires re-balancing of budgets.

Background

10. School funding has been, and remains, subject to significant policy changes by government which it would be useful to recap prior to opening a discussion on the future of school funding in Leicestershire. It is this national context which has framed the relative funding position of both the local authority and its schools and the context in which decisions have been made on school funding;

Pre 2006	<p>Local authorities received a cash backed spending settlement for all education services including schools. The Secretary of State had powers to enforce a level of expenditure on local authorities. Regulation governed the requirements for school budgets including minimum levels of delegation.</p> <p>Leicestershire provided funding in excess of the government's spending settlement of £2.2m</p>
2006/07	<p>The Dedicated Schools Grant (DSG) was introduced and paid to local authorities as a ring fenced grant, based simply on a monetary value being applied to the number of pupils within schools and early year's providers. The grant was to fund school delegated budgets and other education services defined by financial regulations. The introduction of the grant did not however make any assessment of the funding need for individual local authorities and was based purely on the level of expenditure in authorities for 2005/06 and locked into the system the additional education funding provided by Leicestershire .</p> <p>The changes had no impact on the manner in which the school funding</p>

	formula operated
2011/12	<p>Can be seen as the first stage in national school funding reform. Prior to this point schools had been in receipt of multiple individual grants, these were 'mainstreamed' into the school formula and delivered in a single formula budget.</p> <p>Timescales were short to achieve this change and grants were integrated into the formula following a 'best fit' methodology with the Minimum Funding Guarantee (MFG) moderating the changes</p>
2013/14	<p>National policy changes were implemented and declared by the government to be the first stage towards a national funding formula.</p> <p>DSG was effectively split into three discreet funding settlements. Schools and Early Years reflected changing pupil numbers but High Needs was based on the previous year's expenditure which effectively continued to freeze 2005 expenditure into the new grant.</p> <p>Restrictions were placed on the formula factors that local authorities were able to use within the school funding formula and changes were moderated by the use of the MFG and a ceiling to limit the gains schools were able to make.</p> <p>Initial information on requirements for school budgets was released for consultation in March 2012 and confirmed in July 2012 for October 2012 approval. The timescale for change to the school funding formula allowed only for 'best fit' methodology from the previous formula.</p>
2015/16	<p>Additional funding was announced by the government for 'lower funded authorities' in March 2014. The basis of the allocation was to ensure that authorities received funding at a minimum level across the allowable funding factors.</p> <p>School funding levels have been equally informed by decisions made by local authorities and the amount of per pupil funding received. As such authorities that have chosen to allocate lower levels of funding to schools but receive a higher per pupil rate than Leicestershire, such as a number of London Boroughs, have received additional 2015/16 school funding at an equal rate as those poorly funded authorities that have chosen to increase school funding levels such as Leicestershire.</p> <p>The Leicestershire funding formula was compared to those from statistically similar authorities using data on all local authority for the first time formulae published by the Education Funding Agency (EFA). Additional funding was allocated into the school funding formula into areas where that analysis showed Leicestershire schools were funded lower than comparative authorities.</p>

11. The Department for Education (DfE) has confirmed that there will be no changes to school funding for 2016/17 and their intention to continue to move to a school funding

system that is fair, explainable and transparent. It is important to note that they have consistently referred to this as being a system where all pupils with the same characteristics are funded equally irrespective of the local authority they are educated within and not an equal amount of funding for every pupil.

12. The 2015 Spending Review and Autumn Statement has announced that there will be a consultation issued in 2016, it is widely expected that will be January, on the implementation of a national funding formula in 2017 and that transitional arrangements will be in place. It is also expected that the consultation will consider a national early years funding formula and will move to a formulaic distribution for the High Needs Block.
13. The Spending Review also announced that it represented the next step towards the government's goal of ending local authorities' role in running schools and all schools becoming academies. In this environment it cannot be assumed that the local authority will have a future role in determining a funding formula for its schools.
14. However with no changes for 2016 there is an opportunity to take a holistic and objective review of the school formula for implementation in 2017/18 should the national funding policy allow. This will enable the consideration of issues that have not been possible to consider in the recent timescales for change which could include a review of the weighting between factors, consideration of allowable factors that haven't previously been used in Leicestershire, the values attached to the current factors etc.
15. Any review however will need to be aligned to the direction of the national funding formula and the transitional arrangements that will be in place to support its introduction. If a national formula exists with no local flexibility over its operation there is probably no role for local authorities in school funding decisions and a review of the Leicestershire formula becomes an academic and pointless exercise and time may be better spent preparing and advising schools on the implications of such a change.
16. A review would also need to consider the relativity of funding between the blocks, most significantly Schools and High Needs. In order to meet the requirements of the 2013 funding reforms it was necessary to remove funding from school delegated budgets to fund the new 'top-up' arrangements.

The 2015/16 Leicestershire Funding Formula

17. A comparison of the Leicestershire formula and those of statistical neighbours has been completed which can be seen at Appendix 1.
18. The circumstances and environment in which local authorities take decisions on their school funding formulae are influenced by numerous factors and are individual based on circumstances, priorities and policies. Leicestershire used the data issued by the EFA in 2014/15 to inform its thinking for the 2015/16 funding values, it was highly probable that other authorities had done the same. To get a view of the direction of travel of other authorities a further comparison was undertaken to identify what things had changes in the comparative authorities between 2014/15 and 2015/16. This can be seen at Appendix 2.

19. It is difficult to understand the individual starting points for authorities and factors and decisions making processes have informed decisions in individual authorities but the analysis shows;
- a) Of the group of 11 authorities, 7 were in receipt of additional funding for 2015/16.
 - b) The rate of funding received in Leicestershire per pupil is now in line with the comparator authorities.
 - c) Leicestershire's basic entitlement rates remain below average despite the additional resource. Primary and KS4 have improved but KS3 remains behind.
 - d) Comparator authorities appear to have increased AWPU and lump sum rates by a reduction in deprivation and prior attainment funding.
 - e) The % of pupil led funding in the Leicestershire formula has increased but decreased in the comparator group.
 - f) The value of the lump sum in Leicestershire remains at 2014/15 levels but has increased in the comparator group.
 - g) The ratio of primary to secondary funding has fallen in Leicestershire, however this appears to be affected by the rates differential and proportionality between mainstream schools and academies.
 - h) Leicestershire has not allocated funding for EAL or LAC in either year, comparator authorities reduced allocations in 2015/16 in these areas.
20. The analysis of funding rates provides some information on the relative funding priorities across the comparator group, it does not however provide any information on the issues each local authority is trying to address and what their priorities may be.
21. Further analysis has been undertaken comparing the 2015/16 Leicestershire formula with the units of funding used by the DfE in distributing the additional 2015/16 funding which can be seen in Appendix 3. Unsurprisingly given that the DfE took average funding from 2014/15 which included much higher funded authorities, the % differentials for many of the factors are much greater. This data also shows that Leicestershire allocations through the Income Deprivation Affecting Children Index (IDACI) and the lump sum are higher.
22. In moving to the 2013/14 school funding formula conscious decisions were made to:
- Increase funding through IDACI and reduce funding for Free School Meals (FSM), as Pupil Premium funding is based on FSM. IDACI was chosen as the factor for the core school budget deprivation allocation to avoid schools being overly funded on FSM
 - Include a higher lump sum to provide protection against the removal of small school protection
23. There are also issues to be considered in making any wide scale changes to the schools funding formula. MFG was originally introduced to ensure that school got a minimum increase in their per pupil funding, latterly it has operated to ensure that schools do not receive a per pupil funding level less than 1.5% below that from the previous year. Any revision in the funding rates and formula factors used will create turbulence in delegated school budgets which may take many years to work through the system, which is currently the case for a number of Leicestershire schools from previous changes over a number of years. Any change must be carefully managed to

reduce the turbulence in school budgets alongside the move to the national funding formula.

Funding Age Range Changes

24. Funding for age range changes rests outside the school funding formula and is effected by a variation in pupil numbers through application of the School and Early Years Finance Regulation which is approved by the Secretary of State on an annual basis. The pupil number change serves purely to account for the redistribution of pupils at the beginning of the academic year. It does not, and will not, provide funding for any other change that increases the number of pupils in the school such as demographic growth and / or changes in admission numbers that may be associated with an age range change. For these latter changes schools do not and will not receive additional funding until the following financial year under the normal lagged funding arrangements.
25. The process used was reviewed to inform the 2015/16 formula and no change was recommended. The mechanism continues to provide protection to schools, by providing funding for 80% of the net loss of pupil in the first year they are affected by a change in another school. Given the current financial climate it would be timely to review whether protection should continue.

Funding For Special Educational Needs

26. Leicestershire had an almost fully delegated funding system for SEN prior to 2013 and was implemented as a result of rising costs of SEN arising from an entitlement to funding if particular needs could be evidenced. The new national system re-introduced the perverse incentive for schools to access additional funding based on the identification of needs
27. It was recognised locally, and has also been recognised in the DfE commissioned research into the SEN funding system undertaken In 2013, that there is an inconsistency in the manner in which schools identify need and ability to manoeuvre through a system that allows access to additional funding.
28. A transfer from the Schools to High Needs has been present since the new funding system was introduced in 2013, this is largely as a result of the need to remove funding from delegation to implement needs lead 'top-up' funding. However the risk of an escalating budget requirement as a result of the national changes was recognised as a key risk for Leicestershire and that a further movement from the Schools Block to High Needs is now necessary.
29. In 2015/16 the school / high needs transfer was £2.8m, early analysis of the budget requirement for SEN in 2016/17 identifies an increased budget requirement of £7.5m, it is anticipated that £1.5m of this additional cost will be able to be met from headroom within the schools block settlement leaving a funding shortfall of c£6m.
30. The notional SEN budget is currently issued to schools to provide an indication of the funding delivered by the factors within the school funding formula which are recognised as a proxy indicator of SEN. Analysis of the additional costs in schools for pupils with SEN reflected in statements is £6.5m, however the notional SEN budget is £30.2m.

31. It is proposed that the funding gap is reduced by reducing the 2016/17 AWPU values by 1% which would further close the funding gap by an estimated £2.5m to £3.5m pending actions to reduce the overall demand and cost of SEN as discussed at the meeting of the Schools Forum on 21 September 2015.

New School Growth

32. A further call on the limited DSG is funding in order to commission new schools which is subject to separate report on today's agenda. Based on modelling the 2015/16 school formula and the anticipated development of new schools the total cost to 2024 is anticipated to be £21.2m and a funding gap of £17.1m is estimated after the application of earmarked reserves. The lagged school funding system means that these costs will need to be met within the current level of DSG and may require a further short term reduction in school delegated funding from 2018/19 onwards if no headroom is available in the DSG settlement and / or the ability to create a reserve is restricted. For 2015/16 the DSG reserve is reducing as a result of overspending SEN budgets.
33. If a reduction in school funding is the only way the current shortfall can be met this would equate to an equivalent reduction in AWPU as detailed below;

	2018/19	2019/20	2020/21	2021/22	2022/13	2023/24	2024/15
Primary	-1.1%	-1.2%	-2.6%	-1.2%	-1.4%	-0.7%	-0.4%
Secondary	-	-	-1.4%	-0.5%	-0.5%	-0.5%	-0.0%

34. Currently £3.5m is held within the DSG reserve and is earmarked to meet the costs of deficits arising from schools that are required to enter into sponsored academy arrangements. This is a notional value and whilst academy conversion has slowed down and Leicestershire currently has no schools in deficit within that process, the government's intention to move coasting and underperforming schools into sponsored arrangements may move schools into that position. It may however be possible to reduce that provision in 2016/17 to assist with funding pressures and that will be reviewed within the final stages of the budget process.

Resource Implications

35. This report has been completed based upon the national context of the austerity measures introduced by the government which has seen school funding remaining at a cash flat value with the exception of some authorities, including Leicestershire, where additional funding was delivered to schools in 2015/16. Since 2010 the budget for Children and Family Services has fallen by 47.3% (76.6% including the loss of grant income) and a further budget reduction of 19% expected over the following 4 years
36. School funding is a finite resource, without additional funding any changes in the formula will purely serve to redistribute current funding. A balance has to be maintained between achieving better outcomes for children which would need to be a key driver of any change, and the impact of the turbulence.
37. The DfE introduced the Minimum Funding Levels for the 2015/16 schools budget settlement and referred to this being the first step towards fairer funding and a

movement towards a national funding formula. Leicestershire received additional funding purely on the basis that it was funded below those national minimum levels.

38. The Spending Review announced no additional money to implement the 2017/18 national formula, it can therefore only be achieved by reducing funding for higher funded authorities in order to increase the funding for those lower funded. With Leicestershire being funded at the current DfE minimum level the chance of additional school funding in 2017/18 is unlikely. Any change carries a risk that the current minimum funding levels would need to be reduced to support transition, if this were to be the case then school funding in Leicestershire would reduce.
39. There is also a need to redefine both the schools and local authorities responsibilities for meeting the educational needs of vulnerable learners given the financial pressure being encountered within those areas, especially for special educational needs. It is necessary to consider what approach should be taken to ensure that the needs of vulnerable learners are met through universal services by setting clear expectations at which thresholds for more targeted funding is accessed. It is now necessary to charge schools for services currently provided, through for example Specialist Teaching Services that are currently provided at no cost given that all budgets for teaching and learning are held by schools. The first of these charges will be for Intensive Autism Support with details provided within the 2016/17 Schools Budget report at the February meeting of Schools Forum.
40. Pressure is currently being experienced within all budgets supporting other vulnerable learners, notably for children educated on medical groups and autism support services, in addition to budgets supporting SEN. School funding needs to be considered within a whole system approach i.e. is the right resource in place to allow for the commissioning of services at the earliest point to ensure that needs do not escalate. Escalating needs result in an escalating budget requirement which simply isn't available, a whole system approach needs to consider respective roles and responsibilities which need to be clearly aligned to funding expectations and the delivery of localised solutions which reduce costs and improve outcomes.
41. The school funding formula is an input based system designed purely to allocate resources through an agreed formula to schools. Previous modelling has unsuccessfully tried to identify correlation between budgets for individual schools, any factors within the formula that may produce anomalous outcomes, school performance and school location. Leadership and management however are factors that cannot be modelled and further consideration needs to be given to determining how schools achieve best value in the manner they deploy that resource and whether the local authority has a role to do so given the school to school support mechanisms that now exist. The Spending Review has stated that guidance will be issued to schools on the effective use of resources and commissioning services.

Equal Opportunity Issues

42. Any review of school funding must consider how the funding system can be used to ensure that the educational outcomes for vulnerable learners can be enhanced.

Background Papers

Report to Schools Forum 21 September 2015 – SEN Overspend
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4358&Ver=4>

Report to Schools Forum 20 February 2015 - 2015/16 Schools Budget
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4356&Ver=4>

Report to Cabinet 13 October 2013 – 2015/16 School Funding
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4268&Ver=4>

Report to Schools Forum 18 September 2014 – 2015/16 School Funding
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4043&Ver=4>

Report to Schools Forum 16 June 2014 – 2015/16 School Funding
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4118&Ver=4>

Report to Schools Forum 16 June 2014 – 2015/16 Funding Formula
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4118&Ver=4>

Report to Schools Forum 13 February 2014 – 2014/15 Schools Budget
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4117&Ver=4>

Report to Schools Forum 26 November 2013 – 2014/15 School Funding
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4040&Ver=4>

Report to Cabinet 15 October 2013 – Funding Schools Affected by Age Range Changes
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=3635&Ver=4>

Report to Schools Forum 18 September 2013 – School Funding Formula 2014/15 and Funding Age Range Changes
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=3870&Ver=4>

Report to Schools Forum 20 June 2013 – School Funding Arrangements 2014/15
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=3871&Ver=4>

Report to Schools Forum 21 February 2013 – 2013-14 Schools Budget
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=3779&Ver=4>

Report to Schools Forum 4 December 2012 – School Funding Reform Update
http://www.leics.gov.uk/index/education/information_about_schools/support_for_schools/finance/schools_funding_forum/schools_funding_forum_report1.htm#20thsep2012

Report to Cabinet – 16 October 2012 – Proposed Funding formula for Primary and Secondary Schools 2013/14
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=3395&Ver=4>

Report to Schools Forum 7 September 2012 – School Funding Reform
http://www.leics.gov.uk/index/education/information_about_schools/support_for_schools/finance/schools_funding_forum/schools_funding_forum_report1.htm#20thsep2012

Report to Schools Forum 11 May 2012 – School Funding Reform

http://www.leics.gov.uk/index/education/information_about_schools/support_for_schools/finance/schools_funding_forum/schools_funding_forum_report1.htm#20thsep2012

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