



## SCHOOLS FORUM

### 2016/17 School Funding Issues

21 June 2016

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

#### Purpose of Report

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

- This report aims to clarify for schools and Schools Forum the process behind three 3 aspects of school funding which are the subject of much debate but often based on partial or incorrect information namely;
  - The allocation of the additional £20.5m school funding in 2015/16
  - Funding age range changes
  - The 1% AWPU reduction in 2016/17

#### Recommendations

- That Schools Forum note the local authority position and process for determining the approach to;
  - The allocation of the additional £20.5m school funding in 2015/16
  - Funding age range changes

- The 1% AWPU reduction in 2016/17

### **Introduction**

3. This information is being brought back to Schools Forum in order to ensure that schools have a full understanding of the action and process undertaken by the local authority to achieve decisions on these three key funding issues and to ensure that the facts rather than perception is recorded.

### **Background**

4. Local authorities are required to consider all schools equally within decisions on school funding, they are not able to differentiate between maintained schools and academies but may differentiate between primary and secondary school phases. Currently school funding decisions taken by Leicestershire County Council impact upon maintained schools, academies and Studio Schools.
5. Funding regulations are different for special schools and units whose funding structure is no longer through the operation of a local authority funding formula but a system of commissioned places and top-up funding. Decisions taken on the local authority funding formula does not therefore affect special schools.
6. Local authorities are required to adhere to the School and Early Years Finance (England) Regulations in all aspects of school funding and also to the operational guidance issued by the Education Funding agency (EFA) both of which are issued on an annual basis.
7. With the restriction of the regulation it is not possible for local authorities to reflect the funding requirements of every school, has a limited number of factors it is able to use within the formula based on Education funding Agency (EFA) data and is required to come to decisions based on the overall position for all Leicestershire maintained schools, academies and studio schools. It is not possible to achieve decisions that will reflect the circumstances of each individual school nor would it be appropriate to do so given the governing bodies ability to affect the cost base of every school though local decision making.
8. There have been, and continue to be, a number of discussions across the local authority, schools and the EFA that have been often based on a failure to set out the full facts and processes.
9. This has included a recent joint letter from Leicestershire Secondary Heads, Leicestershire Primary Heads and Leicestershire Special School Heads, all of which are represented and active in the Schools Forum, to Leicestershire MP's and a subsequent letter from Leicestershire MP's to the Leader of Leicestershire County Council.
10. This report sets out the facts behind the decisions including constraints and the process behind them including the involvement of school representatives. It will also set out the financial position of the High Needs Block since its inception in 2013 which is a further area where mis-information is widely being communicated.

### **Allocation of Additional £20.5m in 2015/16**

11. The allocation methodology was determined by a set of principles supported by Schools Forum and the School Funding Task and Finish Group which were challenged and reconfirmed throughout an open process. Data to inform the methodology was from the publication of all LA formula factors and values for 2014/15. Comparison was with statistical neighbours.
12. The Task and Finish Group challenged the local authority proposals and affirmed agreement with the principles at each of three meetings, i.e.:
  - To address two key areas where the analysis of the Leicestershire school funding formula provided less funding than in similar authorities, namely primary basic entitlement and prior attainment
  - That all education providers across Leicestershire were affected by low funding and should receive an increase in funding.
  - That the formula should not contain any additional factors from those used in 2014/15

Over three meeting attendance was 56% secondary and 36% primary

13. The additional funding delivered overall;
  - AWPU increases of 7% for primary, 1.5% for secondary
  - Low prior attainment increase of 100%
  - Further overall AWPU increase of 1.5% for both primary and secondary
  - Raised the ceiling on formula gains to 15% and reduced the number of schools receiving funding at the Minimum Funding guarantee (MFG)
  - Overall the average per pupil funding increases were 7.9% for primary and 3.6% secondary
14. Consultation on the proposals received 13 responses, 7 primary, 6 secondary. Of the secondary responses 2 were generally supportive, 4 not supportive. However following verbal concerns from secondary schools, which weren't represented in the consultation responses, the local authority put an alternative proposal to the Schools Forum which proposed to target the overall AWPU increase to secondary's which would have raised the increase from 1.5% to 2.75%. Schools Forum rejected the proposal.
15. The decision on the 2015/16 formula was taken by Cabinet in October 2014.

### **Funding Age Range Changes**

16. The local authority has, and continues to, consistently state that it has no funding to support age range changes. The first group of academies undertaking age range changes did so with the knowledge of the 1 year lag in funding.
17. EFA granted revenue support for the first group of age range academies and then changed the operational guidance on school funding to state that unless local authorities varied pupil numbers for affected schools then the EFA would remove funding from the DSG to ensure an appropriate level of funding for expanding schools.
18. The local authority worked with schools and the EFA to establish a system whereby;
  - Expanding schools being funded for estimated September pupils

- Protection of 80% for falls in pupil numbers in the first year of change, funded from headroom in the overall DSG settlement (The Leicestershire school funding formula includes £2.5m remains for this purpose)

No school has ever been, nor ever will be, funded for 100% of its number on roll and this remains the position for schools undertaking age range changes.

19. The local authority sought and has received annual approval from the Secretary of State for a scheme to vary pupil numbers based on estimated pupil numbers from initial and unverified admissions data as required by the Schools and Early Years Finance (England) Regulations.
20. The scheme serves purely to redistribute funding for the September pupil movement and not provide funding for any increase in admission numbers. Schools in general do not receive funding for growth in pupils after the October census date. It is not appropriate, equitable, nor affordable to fund schools for increases in admission numbers aligned or as a result of age range changes. Funding schools for growth in pupil numbers can only be undertaken in accordance with the local authorities policy on funding growth, approved by the Schools Forum at its meeting in January. This policy specifically excluded age range change schools.

#### **2016/17 1% AWPU Reduction**

21. The financial risk of moving to a system of needs led top-up funding for high needs was recognised in 2013/14 when the current system was introduced. Leicestershire was required to withdraw SEN funding from delegation to the value of needed top-up at that point, it was set out within local consultations that if the cost of top-up funding increased then a further reduction in delegation would be necessary.
22. In the delegated system schools met costs from budgets based only on SEN proxy indicators, the new system moved additional payments to a hard cost measure where if the cost of additional support was in excess of £6,000 this would be fully funded by the local authority. The cost of top up funding has increased by 32% since 2013/14, the number of the pupils receiving it has decreased by 1%
23. 2015/16 is the first year under the new system the high needs block has overspent. For 2013/14 and 2014/15 underspends were £2.8m and £1.4m respectively and an overspend of £3.4m in 2015/16. The 2015/16 high needs overspend increases to £4.4m largely as a result of the local authority being required to fund places whilst not receiving funding within DSG for them.
24. High needs costs have increased by £7.6m between 2015/16 and the 2016/17 estimate, these increased costs are across all services and in maintained schools and academies, special schools, independent schools and also in SEN support services. Schools have significant influence over demand for these services
25. The local authority closed the funding gap by a) allocation of headroom, b) savings targets set for SEN services and c) a 1% reduction in AWPU together with cost reductions within special school budgets. This approach reflects the shared responsibility that schools and the local authority have in reducing demand and costs.

26. The 2015/16 overspend, together with any subsequent overspend in 2016/17, will be funded from the DSG reserve. This reserve has been generated from previous underspends in the high needs and early years blocks.
27. As discussed previously at Schools Forum 1% overall AWPU decrease was chosen because;
  - AWPU is the only universal funding stream in schools and is moderated by the minimum funding guarantee
  - An AWPU reduction and a LA savings target recognises the shared responsibility to reduce costs in both schools and the LA, both of which have an influence on the budget requirement
28. The time constraints as a result of the requirement to submit the 2016/17 formula in accordance with the EFA's 22 January deadline were discussed at Schools Forum on 14 January, the issues resulting in the overspend were presented to Schools Forum in September 2015.
29. The local authority has given an undertaking that this would be reviewed for 2017/18 in the light of the introduction of the national funding formula and any constraints and opportunities.
30. 2017/18 school funding is expected to be largely based on pupil characteristics in individual schools and attached to nationally set formula values by the EFA and moderated by a nationally set MFG. The expectation is that the level of 2016/17 school funding will only be enacted for moderating and loses and gains from the introduction of the national funding formula.

### **Resource Implications**

31. Resource implications are considered throughout this report. Local authorities have a fixed pot of funding within the DSG to meet school, high needs and early years financial commitments commitments. The County Council is not in a position to provide any additional funding to supplement DSG funded services.
32. With no future possibility of balancing school and high needs funding blocks it will be necessary to adjust service levels to meet growing service demand

### **Equal Opportunity Issues**

33. None arising directly from this report.

### **Background Papers**

Schools Forum Report 22 February 2016 – 2016/17 Schools Budget  
<http://cexmodgov1/ieListDocuments.aspx?CId=1018&MId=4457&Ver=4>

Schools Forum Report 14 January 2016 – School Funding 2016/17  
<http://cexmodgov1/ieListDocuments.aspx?CId=1018&MId=4562&Ver=4>

Schools Forum Report 21 September 2015 – SEN Overspend  
[http://cexmodgov1/Published/C00001018/M00004358/AI00045289/\\$FinalschoolforumpaperHNoverspend.docA.ps.pdf](http://cexmodgov1/Published/C00001018/M00004358/AI00045289/$FinalschoolforumpaperHNoverspend.docA.ps.pdf)

Officers to Contact

Jenny Lawrence

Finance Business Partner – Children and Family Services

Email: [jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)

Tel: 0116 305 6401