



## SCHOOLS FORUM

### School Funding 2014/15

June 20 2013

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	X	Secondary	X
Local Authority		Post 16	
		High Needs	

#### Purpose of Report

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

1. This report presents the DfE's proposals for school funding for 2014/15 and sets out the timescale in order that the local authority can respond to the proposals

#### Recommendation

2. That the Schools Forum note the potential changes to the formula for funding schools for 2014/15.
3. That Schools Forum agree the re-establishment of a formula working group in order to engage schools in any proposals for changes to the school funding formula for 2014/15.
4. Note the requirements of the Education Funding Agency in respect of funding age range changes.

### **Introduction**

5. The Department for Education (DfE) launched a review of the 2013/14 school funding arrangements through a consultation in February which closed in March. Schools Forum considered the headlines from that consultation and the local authorities proposed response to it at its meeting on 21 February.
6. The outcome of that consultation has now been published and the analysis of local authority school funding formulae within at and the changes proposed for 2014/15 require a review of the Leicestershire formula. Schools Forum has already expressed its desire for a review in its meeting on September 2012. This report sets out the proposed timetable for reviewing the formula alongside the new requirements to be introduced in 2014/15.
7. This report also presents the Education Funding Agency (EFA) requirements in funding age range changes in Leicestershire schools from April 2014.

### **Background**

8. The DfE continue to struggle with attained the correct balance between the move to a national funding formula whilst ensuring there are no unacceptable consequences for schools. It is expected that the Comprehensive Spending Review (CSR) will continue to provide protection to education budgets but the settlement will maintain the 'cash flat' approach.
9. The requirements for 2014/15 are shown in the following table with the initial assessment of the implications of the requirement on the Leicestershire Formula;

<b>2014/15 Change</b>	<b>Impact on Leicestershire Formula</b>
A minimum basic per pupil entitlement of £2,000 primary pupils and for secondary £3,000	No impact, both unit values are in excess of this limit
A minimum threshold of pupil led funding of 80%	The current formula delivers 86% of funding by pupil led factors. However any changes to the formula factors may impact upon the pupil led elements this reducing or increasing this percentage
An option for local authorities to adopt a sparsity factor to target funding at small rural schools	The factor takes into account the number of pupils who for the school in question is their nearest school. A calculation is then undertaken to determine the distance to their 2 <sup>nd</sup> nearest school. If for primary the number on roll is less than 150 and the average distance is less than 2 miles , 600 on roll and 3 miles for secondary pupils, that school is eligible for sparsity funding.  Modelling needs to be completed to understand what, if any, benefit this factor may have but it should be recognised that if a factor were to be adopted the funding would need to be reallocated

2014/15 Change	Impact on Leicestershire Formula
	<p>from current formula factors without showing any impact on the minimum per pupil threshold. The full definition of this factor is shown as Appendix 1.</p> <p>The significant non pupil led factor within the current formula is the fixed lump sum.</p>
<p>Prior attainment</p> <ul style="list-style-type: none"> <li>• indicator for secondary changes from any pupil not achieving level 4 in English <u>or</u> Maths to any pupil not reaching level 4 in English <u>and</u> Maths</li> <li>• for key stage 1 pupils will qualify where they have not achieved a good level of development in all 12 prime areas of learning as well as maths and literacy</li> </ul>	<p>The impact of these changes will need to be tested in modelling</p>
<p>A maximum threshold for the lump sum of £175,000 and for a differential lump sum by school phase.</p> <p>In addition schools that are amalgamating may retain the equivalent of 85% of two lump sums for the financial year following the year in which they merge</p>	<p>The current lump sum is within this threshold but at the higher end of the values used nationally. Modelling should consider whether this value remains appropriate and whether a differential rate should be used.</p> <p>No school amalgamations are planned, however some schools, maintained and academies, have expressed the view that the lump sum is one reason they are not pursuing this option.</p>
<p>Looked after Children – indicator changed to any child who has been looked after for one day or more</p>	<p>This factor is not used given the low levels of children in care in Leicestershire</p>
<p>Pupil Mobility – factor changes to those schools that have 10% or more mobile pupils</p>	<p>This factor is not used and is not relevant to Leicestershire schools</p>
<p>Schools with falling rolls – local authorities will be able to retain a central fund to support schools with a high percentage of empty places that are required to meet future</p>	<p>Leicestershire does not hold a growth fund. This type of funding was previously held as school budget contingencies which is now delegated. The creation of such a fund would require additional resources or some level of funding in delegated budgets which may give MFG issues.</p>

2014/15 Change	Impact on Leicestershire Formula
increases in pupil numbers	
Introduces the £6,000 threshold for high needs pupils as a mandatory threshold rather than the current recommendation	No implications, this threshold was fully implemented in 2013/14
Place led funding for post 16 pupils in special schools and academies will reduce from £11,164 to £10,000	This will not have any financial implications as top-up funding will be enhanced. Change is subject to approval of the draft regulations.

11. It is not possible to undertake comprehensive modelling on these changes until the EFA issues the Authority Proforma Toolkit (APT) that contains all the initial data upon which local authorities must build their formula which is expected before the end of June. It is recommended that the working group of school business managers, headteachers convened to implement the 2013/14 proposals is reformed to challenge and validate the local authorities approach and recommendations. Schools Forum would need to nominate its representative and it will be necessary to include a representative from an academy subject to age range changes.

### **Issues for Consideration**

12. In reviewing the formula there are a number of things that need to be taken into consideration, especially given that the formula changes for 2013/14 were largely driven by a mapping exercise where old elements of the formula were 'fitted' to the new allowable elements:
- 12.1 Deprivation – Analysis of the level of deprivation within the 2013/14 formula identifies that 5.6% of the formula is allocated with reference to deprivation factors. There is no directly identifiable measure of deprivation within the School Block settlement, however the last time this was measurable within the DSG settlement a total of 6.6% was notionally deemed to relate to deprivation.
- 12.2 Lump Sum – For 2013/14 this was set at £150,000 for all schools, the 2014/15 arrangements allow for differential rates for school phases. Should it be deemed that further deprivation funding should be allocated and / or that the sparsity factor is adopted then the value of the lump sum will need to be reduced. The operational guidance for the 2014/15 arrangements set out that the lump sum is not intended to be set at a level to meet all fixed costs but should provide the additional funding required by unavoidable small schools which could not operate purely on pupil led funding.
- Further views of the EFA on the lump sum are that it is not intended, and should not be used, to offer additional funding to schools which have fewer pupils on roll because they are unpopular and that they do not wish to see added complexity to the factor, so it cannot vary according to school size.
- 12.3 Sparsity – Whilst this is a complex factor which may not be easily understood at school level, the review of the formula should consider whether this should be used and whether the associated reduction in the lump sum to provide the resource to implement it provides better protection for small schools.

12.4 Growing Schools - For 2014/15 it is possible for local authorities to hold a 'small fund' centrally to support schools with falling rolls where places may be needed in future years. No such growth fund was held in 2013/14, it is not anticipated that such a fund will be necessary in 2014/15 but should be considered against the measures necessary for funding age range changes which is considered further later in this report.

12.5 Rent – An exceptional factor was requested in 2013/14 to allow funding to continue for schools who incur payments for rent of external premises, the use of the factor was subsequently restricted by the EFA to 5% of schools. Given the few school that receive such payments the continued use of this factor should be considered

13. Any changes will again be subject to challenging timescales and will again require an appropriate balance between modelling and consultation. The initial timescale for review and implementation is;

June 20 2013	Schools Forum agree establishment of formula working group
June 2013	EFA issue the Authority Proforma Tool (APT)
June – July 2013	Formula working group meets to formula proposals for consultation with school at the beginning of the Autumn term
August 28 <sup>th</sup> to 13 <sup>th</sup> September 11 <sup>th</sup>	Consultation with schools
18 <sup>th</sup> September 2013	Schools Forum meets to recommend the formula changes and to Cabinet.  <b>Note</b> – the timescales will result in the local authority not being able to publish reports one week in advance
October 9 <sup>th</sup> 2013	Report recommending changes to Cabinet Published
October 16 <sup>th</sup> 2013	Cabinet agrees proposals
October 31 <sup>st</sup> 2013	2014/15 Pro-forma submitted to EFA
November 2013	EFA validation of the local authorities proposed formula
December 2013	EFA publish final dataset for October Census
21 <sup>st</sup> January 2014	Submission of final school budget proforma to EFA
28 <sup>th</sup> February 2014	Deadline for LA's to confirm budgets to maintained schools
31 <sup>st</sup> March 2014	Deadline for EFA to confirm academy budgets.

14. Relevant Schools Forum members will also be required to take decisions:

- to de-delegate funding for services for maintained schools
- on budgets that can be centrally retained by the local authority before allocating the schools formula
- on budgets to be centrally retained before allocation of the formula where no increase in expenditure is permissible

Decisions were taken for 2013/14 but need to be reconsidered on an annual basis.

15. There are no significant changes to the high needs funding system for 2014/15 although there is a desire by the DfE to move place led funding to an academic year basis. The outcome of the consultation identifies a wide range of variation within authorities notional SEN budgets, this will need to be considered within the formula working group. The EFA guidance also refers to the need for local authorities to work with schools and academies on ensuring that schools understand the high needs system and a role for the Schools Forum in that communication. Anecdotal feedback from Leicestershire schools shows a substantial understanding of the system and that they were appropriately prepared for the changes.
16. It is essential in moving forward that all Schools Forum members ensure that they communicate the changes with the groups they represent and whether any other channels of communication, other than the public accessibility to reports and outcomes of meetings, facilitate better communication.

### **Age Range Changes**

17. A number of academies have implemented age range changes post conversion and funding for the additional pupils has been the subject of much debate through the local authority, the EFA and in Schools Forum. The census date and the academic year funding received by academies means that additional year groups recorded in October 2013 will not generate additional funding until the 2014/15 academic year. Hence an academy has these additional pupils on roll for a full year before receiving funding. A time lag would also be present for any maintained school in this position, although they would receive funding in the following April as a result of financial year budgets. It should also be noted that schools with the associated decreased number on roll continue to receive funding for the higher number of pupils although they will be in other schools.
18. The EFA have funded the additional pupils in academies for the 2013/14 academic year but has very clearly stated this is a one off solution and that the expectation is that the local authority will identify a sustainable long term solution for similar changes in future years.
19. The solution the EFA are requiring Leicestershire to implement is for the local authority to apply to the Secretary of State for approval to vary the numbers used within the formula calculation for affected schools under Regulation 25(f) of the School and Early Years (England) Regulations. Early communication with the EFA states that '*... Ministers have made it clear that they expect to see a locally agreed solution to this in 2014/15*'
20. The operational guidance for 2014/15 funding issued by the EFA reinforces this approach, this guidance states:
 

*'We also expect authorities to request approval to vary the pupil numbers used for specific schools where;*

  - *A school has changed, or is going to change, its age range either by adding or losing year groups.*

*In these cases, they should use a weighted average of pupil numbers, taking into account the changes in pupil numbers from the new academic year. If this is not*

*done, we reserve the right to adjust amounts recouped to enable us to properly fund academies.*

The EFA, if the pupil number adjustment is not made, retains the right to remove DSG from the local authority to fund the increased academy budget. There is therefore no real option other than to request the change in pupil numbers.

21. The variation would in essence reintroduce the mechanism used to fund the changes of the Melton and Vale of Belvoir review whereby pupils were funded on a part year basis i.e. for the financial year schools received 5/12 funding for pupils registered at the previous census and 7/12 based on the expected September number on roll.
22. The local authority also receives its funding allocation based upon the number on roll from the previous census and will not receive any additional DSG to grant increased budgets to schools retaining additional year groups in September 2014, to undertake such a change therefore requires a cash neutral position to be adopted.
23. In the Melton and Vale of Belvoir review cash neutrality was achieved by allocating additional funding for those schools expanding by reducing funding in schools where the number on roll was being reduced. This was an effective mechanism because of the contained nature of that review, the position with academy age range changes is very different in that the age range changes cross a number schools some of which will not be involved in any such change.
24. With the expectation of:
  - a cash flat DSG settlement in 2014/15 Leicestershire
  - the expansion of the two year old offer to nursery education to the 40% most deprived 2 year olds in September 2014
  - any impact of provider costs within the PVI sectors for the free entitlement to nursery education for 3 and 4 year olds
  - the unfunded increase in post 16 pupils with learning difficulties which will have a full year impact in 2014/14

Leicestershire is not in a position to provide additional funding to ease the impact of this change. Whilst some DSG reserve is retained it is not expected that this will be sufficient to provide additional funding in the year of change, especially given the on-going appetite in schools to make such changes.

25. Academies with increasing rolls have planned for the pupil number increase, the historic feeder schools either to or from the academy who will see reduced funding in 2014/15 will not have been taken into account this change in their medium term financial planning. A reduction in funding will have the potential to create financial difficulties, especially given that some of schools who will be affected are already in the process of delivering challenging deficit recovery plans.
26. Work is underway to understand the pupil movements created both in September 2013 (although funded by the EFA) and 2014 and what impact there may be on the Minimum Funding Guarantee which will need to be considered alongside the financial implications. It may also be necessary to seek a variation to the operation of the MFG as a result of these changes.
27. It is relatively simple to identify the additional numbers being retained by expanding schools. It is much more complex to identify the schools these pupils would have attended if the changes had not been implemented, it will be necessary to use data

from previous school admissions to determine the school with the associated reducing roll. Early modelling identifies pupils from across the county boundary where and where there is no admissions pattern; this will not allow a cash neutral implementation and would need to be funded from the Dedicated Schools Grant (DSG) reserve if funding cannot be withdrawn from other expenditure areas.

28. It is not clear how the financial year budget would be converted to the academy budget based on the academic year or the impact of DSG recoupment for academy funding, further discussions will need to be undertaken with the EFA to establish this position and its impact on DSG recoupment.
29. There is an expectation that consultation will be undertaken with schools on the impact of adopting the pupil number variation which will also be approved locally. With the ability of the EFA to recoup DSG if these changes are not made, the local authority is in a position where it has little alternative, consultation may need to surround how schools can respond to the significant challenges and the pupil numbers to be used.
30. The timetable set by the EFA for 2014/15 funding gives two opportunities for applications for both pupil number variations and MFG exclusions:
  - 30 June 2013 – this is before the modelling has been completed, no consultation will have been undertaken with schools and it will not be possible to have briefed affected schools on the issues. It is also not in line with the formula consultation process set out earlier in the report and the formal timetable for achieving local approval for any formula changes
  - 30 September – This is exceptionally close to the formal approval of the formula although will allow consultation with schools

### **Resource Implications**

31. The high level resource implications are contained within the main body of report but further detailed modelling is required to ascertain the implications on the DSG settlement and for individual schools.

### **Equal Opportunity Issues**

32. There are no direct equal opportunities issues within this report, an equality impact assessment will need to be completed on any changes to the formula or the pupil numbers used within it.

### **Background Papers**

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00221523/school-funding-and-high-needs-funding-arrangements-2014-15>

Cabinet 16 October 2012, Proposed School Funding Formula for Primary and Maintained Schools

Schools Forum 20 September 2012, 2013/14 School Funding Formula – Primary & Secondary Schools

Schools Forum 7 September 2012, School Funding Reform

### **Officer to Contact**

Jenny Lawrence

Finance Business Partner – CYPS

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

Phone; 0116 305 6401