



## SCHOOLS FORUM

### 2014/15 School Funding Formula and Funding Age Range Changes

June 18 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		Secondary	X
Local Authority		Post 16	
		High Needs	

#### Purpose of Report

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

1. This report presents the outcomes of the school funding formula working group commissioned by Schools Forum to review the 2013/14 school funding formula and the approach to funding age range changes in academies and maintained schools.

#### Recommendations

2. That Schools Forum supports the approach to the 2014/15 school funding formula and the recommendation for no change from the approved 2013/14 school funding formula.
3. That Schools Forum supports the local authorities proposal to be submitted to the Education Funding Agency in order to fund maintained schools and academies for the impact of age range changes.

### **Introduction**

4. This information is presented to Schools Forum in its role as a consultative body on all aspects of school funding and reports the outcome of the school funding formula working group commissioned to work alongside the local authority in developing the detail of the proposals.
5. The local authority would like to express its thanks to the formula working group that met on three occasions to consider both potential changes to the formula and funding age range changes (including during the summer break). The group consisted of:

Jane Ripley	Business Manager	Beauchamp College
Beverly Cupplditch	Business Manager	Kibworth High
Alex Green	Principal	Abington High
Judith Malcolm	Business Manager	Beacon Academy
Cathy Payne	Business Manager	Manor High
Andy Winter	Business Manager	Wreake Valley
Helene Chadwick	Business Manager	Lutterworth High
Dave Green	Business Manager	Woodbrook Vale
Heather Sewell	Headteacher	Cossington Primary
Tina Hudson-Goater	Business Manager	Limehurst Academy
Sue Ward	Headteacher	Newton Burgoland Primay
Jo Turner	Business Manager	Fleckney Primary

Not all members attended all three meetings. It should be noted that the group failed to obtain a consensus view on the proposals for funding age range changes. The local authority is making the proposals having undertaken due process to identify the best possible position for Leicestershire schools within the constraints of the level of funding and the position of the EFA which allows funding to be recouped should it fail to respond to school organisational change.

### **Background**

6. The Department for Education (DfE) issued their analysis in June of school funding formulae implemented by local authorities required under school funding reform, this followed the release of national information on the values and factors used for all local authorities. This information was considered by Schools Forum at its meeting on 20 June 2013. Additionally in recommending the 2013/14 school formula to Cabinet for approval Schools Forum requested a review of the new formula during 2013/14.
7. As a result of age ranges changes in academies the Education Funding Agency (EFA) are requiring Leicestershire to amend the pupil number count used to drive future school budgets to ensure that school reorganisation is adequately funded for both schools growing and decreasing in numbers. It is important to note that this is not a change in the school formula but a request to the Secretary of State for Education submitted under paragraph 25 i) of the School and Early Years Finance

(England) Regulations 2012 to enable the local authority to disregard the October 2013 pupil number count to fund school budgets for 2014/15.

8. Schools Forum re-commissioned the formula working group to consider both the funding formula and the impact of age range changes, this report presents the outcome of that work. The working group were briefed with respect that the task was to work with the authority that would best fit the needs of all schools in Leicestershire rather than view the proposals from the perspective of their individual schools.

### **2014/15 School Funding Formula**

9. The formula working group considered local authority modelling on the new options available within the formula and where the Leicestershire formula was outside the range of that shown by authorities deemed to be Leicestershire's statistical neighbours.
10. The working group supported the view of the local authority that there should be no changes to the formula factors for 2014/15. A number of factors supported the rationale for no change;
  - a) There is no necessity or requirement for Leicestershire to make any formula changes. 2013/14 saw significant and complicated changes and it can be expected that the next phase of the national funding formula will require further change. It was viewed that 2014/15 should be taken as a relatively small period of stability.
  - b) The Leicestershire formula is in line with that of local authority statistical neighbours except for funding through IDACI where the allocation in Leicestershire is low and in the lump sum which is high. The working group considered modelling in a number of areas;
    - a) Moving funding from the lump sum to IDACI
    - b) A reduction in the per pupil entitlement and an increase in IDACI factors
    - c) Introduction of the sparsity factor

These changes would all result in unnecessary turbulence and the group did not request that the local authority do any further modelling on potential changes.
  - c) Only 17 primary and 1 secondary school are eligible for the sparsity factor. Within the current formula it was a conscious decision to move to a higher lump sum of £150,000 in order to protect a larger number of schools, this remains within the DfE's acceptable level and should be retained. Modelling identified a significant and un-moderated financial advantage which was not deemed acceptable for these 18 schools from its introduction.
  - d) The focus of the local authorities work should be on achieving an acceptable solution for Leicestershire schools affected by age range changes which would have a significant impact in 2014/15 and for any future reorganisations.

### **Background to Age Range Changes**

11. The requirement to reflect age range changes within school funding in 2014/15 remains unchanged from the position reported to Schools Forum on June 20. The EFA are requiring Leicestershire to implement changes to ensure that funding follows the pupil and be received by the school educating that pupil at the time. Forum

determined at the June meeting that it was not appropriate for either the EFA or the local authority to be funding a single pupil in two locations.

12. The EFA are able to act to ensure that funding will follow the pupil through the operational guidance supporting 2014/15 funding changes which makes provision for the EFA to remove Dedicated Schools Grant (DSG) from local authorities where they fail to respond to the movement in pupils in academies. This is in order that they can in turn fully fund academies for the pupils they have on roll in 2014/15. The EFA have provided funding for age range changes in academies in the 2013/14 academic year of c£3m and have been clear that they cannot repeat this funding. Had this funding been able to be removed from the DSG settlement, as per the arrangements for 2014/15, it equates to a reduction in the per pupil entitlement of 1.16% or would restrict the ceiling on schools gaining through the new formula to 0.5%.
13. The EFA have been robustly challenged on the requirement to change but have the ability to enforce a position whereby funding for all schools in Leicestershire can be affected. It is therefore imperative that the local authority is able to implement a model acceptable to both the EFA and to affected schools. In doing this it has to be accepted that the model must be sustainable and delivered in a position of cash neutrality – the local authority is not able to provide additional resources to fund the changes. Schools Forum accepted this position through the statements of intent made at the June meeting and again at the informal meeting on 8 July which are;
  - a) To recognise the thinking to minimise the impact of significant changes.
  - b) To create a proposal to manage age range changes and the impact across the County.
  - c) Look at the capacity to predict numbers at all levels in schools and the impact that has on planning.
14. The authority has worked with both the formula working group and the EFA in the formulation proposals which must be submitted to the EFA by 30 September for formal approval by the Secretary of State. To reiterate, this is not a change to the agreed funding formula but a request to vary the pupil numbers used within the formula together with a request to amend the calculation of the Minimum Funding Guarantee (MFG) to ensure that affected schools do not receive an inappropriate financial benefit from the changes. The latter change is necessary largely as a result of the differential funding rates for KS3 and KS4.
15. It is essential that within the proposals that maintained schools and academies are treated in the same manner. In formulating the proposals the impact of funding school protection is shared across all schools given that this is a whole Leicestershire issue and that at some point most schools are likely in some way to be affected by age range changes.
16. Whilst formal approval by the EFA is required through the submission of a request by 30 September they have indicated that they will allow the local authority to use the initial data on September 2014 secondary school admissions that will be available in November. By using this data the ability for schools to overstate September 2014 pupil numbers is removed. This will not give a comprehensive picture at primary school level, accordingly the local authority will assume, for example, that the current year 5 will be fully retained into year 6 if moving to a 5-11 school.

17. Whilst it is necessary to have a sustainable model given that age range changes are likely to continue into the future it is not possible at this time to determine what, or if, impact future school funding reform will have on the proposals.
18. All modelling has been completed on the data used for the 2013/14 formula, any underlying changes in that data may require adjustments marginally different from any values given in this report, any such changes will be reported to Schools Forum through the budget setting exercise.

### **Age Range Changes – Funding Proposal**

19. The proposal considers three areas for schools affected by age range changes;
  - a) Pupil numbers
  - b) Protection for schools with falling rolls
  - c) Changes to the calculation of the Minimum Funding Guarantee for affected schools.

Affected schools are defined as;

- i) Those schools undertaking an age range change and
- ii) Schools that have historical feeder links to an age range change school where the number on roll will be affected by that age range change and based upon previous admissions data

It should be noted that without the proposed change schools with falling rolls will also see a fall in funding, age range changes will deliver this reduction in funding at an earlier point.

### 20. Pupil Numbers

The operational guidance for local authorities is exceptionally clear that where authorities have organisational change, including those resulting from age range change, authorities should use weighted pupil numbers that reflect the changes in pupil numbers at the start of the academic year i.e. for the 2014/15 financial year this should be 5/12 of the October 2013 census and 7/12 of an estimate for September 2014 and all modelling has been completed on this basis.

The EFA have confirmed that academies will be funded in 2014/15 based upon the same pupil count used by the local authority for the 2014/15 academic year which in this instance would be the estimated September 2014 pupils.

- a) The formula working group debated at length the impact of moving from a lagged funding system to one of actual numbers and that it saw schools effectively losing funding for pupil that it hasn't taught i.e. the September 2014 reduction in pupils wouldn't drive any funding allocation for the 2014/15 budget but that of 2015/16 without an in year change. There were mixed views within the group of whether Leicestershire should introduce the changes and leave schools to respond individually to changes in numbers, for the reasons discussed in Paragraphs 12 & 13 this is not a recommended option.

Following the third meeting of the formula working group the EFA were again challenged on this position who have responded with the following;

*'We have been very clear as you say that we will fund academies accordingly if authorities do not vary pupil numbers and recoup what we feel is an appropriate amount because there is no separate pot of money. It has to be funded from your DSG envelope again as it would have done in the past and as is the case for the growth fund, new basic needs schools etc. On a process point, the request to vary pupil numbers is from the authority and does not require forum approval'*

- b) The proposal is that 2014/15 budgets are constructed using a weighted average of 5/12 of the 2013 autumn census and 7/12 of September 2014 estimates. The September estimates will be taken from 2014 admissions data for secondary schools. For primary schools retaining a year group it will be assumed that there will be full retention of the previous year group i.e. in a school retaining year 6 it will be assumed that all year 5 pupils are retained.
- c) Where a school already has a particular Key Stage and numbers will see an impact from its own age range change i.e. a Key Stage 4 school extending to Key Stage 3, no Key Stage 4 adjustment will be made as Key Stage 3 pupils will progress to Key Stage 4.
- d) If a school is gaining one year group and losing another, the net growth or loss of pupils will be used within the formula.
- e) The school finance regulations do not allow adjustments to budget in year and adjustments must be in the following year's budget. It is proposed that;

<b>Schools with Falling Rolls</b>	<b>Schools with Increasing Rolls</b>
If actual intake is higher than estimate the additional pupils will be funded the following year	If actual intake is higher than the estimate it will be deemed to be demographic growth and not funded
If intake lower than estimate no adjustment will be made	If intake lower than estimate pupils will be reduced in the following year

- f) By adjusting pupils in the following year it will be possible to ensure that schools with growing rolls receive the appropriate level of funding and schools with falling rolls are not doubly affected by the change. It also provides some resilience to demographic changes where it would be unfair to fund an age range change school and not a school unaffected by age range changes.

## 21. Protection for Schools with Falling Rolls

- a) Within the lagged funding system the loss of funding for reductions in September pupil numbers is not seen until the following years budget, adjusting pupil numbers as described in paragraph 20 will introduce a 'real time' movement in budget in the years of operation. The implication of this is that schools will effectively lose funding for pupils it has not yet been funded for i.e. the change in

pupil number count will reduce the 2014/15 budget for pupils in September 2014 - with lagged pupil funding they would not normally receive that funding until 2015/16.

- b) As a result of this 'real time' budget reduction schools will not have sufficient planning time to effect measures to reduce expenditure, it is appropriate that some level of protection is offered to schools.
- c) Initial 2014/15 modelling has identified that schools affected by age range change are estimated to lose c£3.3m. This change is purely the result of the changed method of counting pupils and on top of any impact of a reduced September 2013 pupil count.
- d) It is proposed to protect schools for the first year they are financially affected by another school undertaking an age range change. A school may be affected by changes from more than one school, in this instance protection will be offered for the first year of each change.
- e) The cost of protection will be met from a hierarchy of formula factors which will first draw on any headroom in the DSG settlement, secondly (if necessary) reduce the percentage ceiling on gains from formula changes and finally (if necessary) reduce the per pupil entitlement.
- f) For 2014/15 reducing the ceiling on gains to 1.5%, which is in line with the Minimum Funding Guarantee (MFG), will generate approximately £2.2m and fund 66% of the loss to schools. For 2014/15 it is proposed to fund protection at 80%, this will require a reduction in the per pupil entitlement of 0.17%. Whilst the affordability of this will need to be reviewed on an annual basis, the ceiling on gains will be fixed at 1.5%.
- g) The higher level of protection of 80% in 2014/15 is justified given that schools have not had time to plan for the change in the pupil count methodology.
- h) Local authorities are able to retain a small fund to support good schools with falling rolls where demographic data shows a future need for those places in the near future. The nationally set criteria for the allocation of this funding will not allow the local authority to provide support for schools affected by age range changes. However, if it were to be the case that it could be used that funding would need to be found within the total DSG in a similar manner to that referred to within paragraph 21 e).
- i) Any level of protection must be affordable and sustainable. There is no information as yet of how future school funding reform may affect the proposals, it will be necessary therefore to reconsider school protection on an annual basis

## 22. Minimum Funding Guarantee

- a) MFG protects school funding on a per pupil basis comparing the budget for the new year with that of the previous year. The formula provides a higher per pupil entitlement at Key Stage 4 than Key Stage 3, without adjusting the MFG calculation schools gaining Key Stage 4 pupils would receive inappropriate high levels of protection.
- b) It is proposed to recalculate the 2013/14 budget reprofiling the pupil numbers as that for 2014/15 i.e. in 2014/15 pupil numbers show that a school has 63% of pupils at Key Stage 3 and 37% at Key Stage, the MFG baseline for 2013/14 would be calculated on the same basis to give an average per pupil value.

### **Consultation**

23. Consultation on the principles around the change was undertaken in June, this gained school views on the methodology for the pupil count and protection for schools with falling rolls. There was no consensus view on the proposals with responses very much driven by how individual schools would be impacted upon by the changes. A second consultation was released to schools at the point this report was released and is shown at Appendix. The consultation, as a result of the powers the EFA have, is not on whether the change should be implemented but on the criteria and factors contained within the proposal. The consultation period is short given the timescale and responses are required back by September 25<sup>th</sup>.
24. The Departmental Management Team within the Children and Young People's Service will consider the outcome of consultation on the proposals and may adjust the proposal submitted to the EFA as necessary.
25. Schools Forum comments on the proposals will be captured through the minutes of this meeting and an update on the outcome of the submission to the Secretary of State will be given at the meeting of the Schools Forum on 26 November.

### **Resource Implications**

26. Local authorities, as with schools, are funded on lagged pupil numbers, this means that for schools expanding as the result of an age range change in September 2014 the local authority receives no additional funding for those pupils. Schools are able to plan for some of the changes but will not have been able to plan for the change in the pupil count methodology and will need a level of funding protection in order that they are able to plan in a measured manner for the change.

### **Equal Opportunity Issues**

27. The objective of school funding reform is to ensure that pupils with the same characteristics are funded in the same manner.

### **Background Papers**

Schools Forum 20 June 201 – School Funding 2014/15

Schools Forum 18 September 2012 – 2013/14 School Funding Formula – Primary and Secondary Schools

### **Officers to Contact**

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Appendix 1School Funding 2014/15Proposal to Vary the Pupil Numbers for 2014/15 Budgets in schools affected by Age Range Changes

To ensure compliance with the operational guidance issued by the Education Funding Agency (EFA) for determining 2014/15 school budgets, Leicestershire County Council is required to respond to the funding needs of schools undertaking age range changes by using weighted pupil numbers within the 2014/15 funding formula and for all years in which further age range changes are implemented.

The local authority in conjunction with a Formula Working Group Commissioned by the Schools Forum has formulated proposals for submission to the Secretary of State for Approval on 30 September 2013 on a change to the pupil number count to reflect the significant pupil number changes in the academic year that best meet the needs of all schools in Leicestershire. This proposal is set in the context of Leicestershire receiving no additional funding in respect of these changes and the ability for EFA to remove funding if the local authority fails to act in order to meet the needs of schools with growing rolls which are the result of significant organisational change

Reports considered by the Schools Forum on 20 June 2013 and 18 September 2013 can be viewed on the following link:

<http://politics.leics.gov.uk/ieListMeetings.aspx?Committeeld=1018>

Schools affected by these changes will be:

- 1) Schools undertaking an age range change
- 2) Schools that are historic feeder school links to schools undertaking age range where their number on roll will be affected by that change which will be determined from previous admissions patterns

Leicestershire has accepted the position that change must be implemented following robust challenges to the EFA and the changes that allow the EFA to remove funding from Leicestershire should changes not be implemented. The Schools Forum has also considered the issue and has stated that it is not appropriate, nor affordable, for one pupil to be funded in two separate schools at the same time. Whilst the EFA have funded academies for the 2013/14 academic year for increased pupil numbers, it has also stated that further funding is not available for this position to continue.

Your views are invited on the following elements of the proposal;

### **1 - Pupil Number Estimates**

To implement the changes it is necessary to use weighted pupil numbers in order to calculate the 2014/15 financial year budget for maintained schools

Weighted numbers will result in budgets for the financial year for maintained schools being based upon 5/12 of numbers from the autumn 2013 census and 7/12 of September 2014 pupil estimates. For academies the EFA will fund the academic year budget using the September 2014 estimates.

The local authority intends to take the following approach to estimating pupil numbers;

- Pupil numbers from the September 2014 admissions data for secondary schools
- For primary schools retaining an additional year group it will be assumed that all pupils in the previous year group will remain

**Do you feel this methodology for determining Weighted Pupil Numbers is appropriate?**

### **2 – Adjusting Pupil Numbers for Actual September 2014 Numbers.**

The School and Early Years Finance (England) Regulations 2012 prohibit local authorities from making corrections to pupil numbers once the schools budget has been set. In order that schools are funded for the correct number of pupils it is proposed that numbers are adjusted in the following financial year in the following manner;

#### Schools with Reducing Rolls

If the actuals are higher than estimated the additional pupils will be added to the following year pupils

If lower than estimate no adjustment will be made

#### Schools with Increasing Rolls

If the actuals are higher than estimated no adjustment will be made

If lower than estimate an adjustment will be made in the following financial year.

**Do you feel this basis for correcting pupil estimates is appropriate?**

### **3 – Protection for Schools with Falling Rolls**

In planning for age range changes schools with a falling September 2013 roll have been able to recognise the reducing numbers in budget planning. For the first year of a change and specifically for 2014/15 because of implementation of weighted pupil numbers, the reduction in funding is unplanned.

It is proposed that schools with falling rolls will be granted 80% protection against the drop in pupil numbers taken into the 7/12 element of the pupil count i.e. if a school is expected to lose 200 pupils in September 2014 the maximum loss will be 160. It is proposed that funding protection will be offered for the first year in which a school is affected by any change in age range in another school.

**Do feel that protection should be at 80% and for the first year a school is affected by a falling roll as a result of age range changes?**

### **4 – Funding School Protection**

The funding for protection of schools will be found within the overall funding envelope for Leicestershire Schools. Protecting schools for 80% of the falling roll requires reductions in other elements of the school formula, it is proposed that the following hierarchy be used to provide funding protection;

1. Any Headroom within the overall Dedicated Schools Grant settlement
2. Reducing the ceiling on schools gaining through formula changes to plus 1.5% per pupil (Ceiling is 4% for 2013/14)
3. A reduction in the per pupil entitlement in all Key Stages

**Do feel this approach to funding school protection is appropriate?**

### **5 – Minimum Funding Guarantee**

Protection through the Minimum Funding Guarantee (MFG) ensures that school budgets do not fall more than minus 1.5% per pupil from that received in the previous year. Funding rates for Key Stage 4 are higher than those for Key Stage 3 this would mean that for schools being funded for Key Stage 4 pupils for the first time would receive large funding increases if un-moderated.

It is proposed that for affected schools that the 2013/14 budget used as the comparison is profiled to reflect the percentage of the September numbers at both Key Stages. To illustrate this point if the September number on roll showed 63% of Key Stage 3 pupils and 37% Key Stage 4, the number of September 2013 pupils

would be re-profiled to this same percentage.

**Do feel the proposal to amend the basis of calculation for the Minimum Funding Guarantee is appropriate?**

Once completed please return the consultation by email no later than September 25<sup>th</sup> to [jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)