



SCHOOLS FORUM

2014/15 School Funding

26 November 2013

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

Introduction

1. This report provides Schools Forum with an update on 2014/15 school funding including the outcome of the submission to the Secretary of State to vary the pupil number count for schools undertaking, or affected by, age range changes.
2. It also provides some background on the expected Schools Budget settlement for 2014/15 and how that is likely to impact on budgets.

Recommendation

3. That Schools Forum note the outcome of Local Authorities request to the Secretary of State for Education to vary pupil numbers for 2014/15 budgets in schools undertaking, or affected by, age range changes.

4. That Schools Forum note the expectations in relation to the Dedicated Schools Grant and school budgets for 2014/15

Funding Age Range Changes

5. Schools Forum considered the changes to be implemented to fund schools undertaking, and affected by, age range changes at meetings on 20 June and 18 September and further discussed them with the Education Funding Agency (EFA) on 27 September.
6. The proposal contained three elements;
- Movement from the previous year's census for affected year groups to a weighted pupil number
 - Protection for schools with falling rolls
 - A technical adjustment to the Minimum Funding Guarantee (MFG) calculation to ensure schools are not disproportionately advantaged or disadvantaged from retaining Key Stage 4 pupils for the first time
7. Following consultation feedback, and as reported at the meeting of the Schools Forum and the EFA on 27 September, the submitted proposal differed from that considered on 18 September in respect of the realignment of estimated pupil numbers to actual numbers in the following year for all schools irrespective of increasing or falling rolls.
8. The local authority submitted a draft proposal for consideration by the Secretary of State on 30 September pending a decision from Cabinet on 15 October. Cabinet agreed to submit the proposal and the EFA were subsequently advised of that decision. The final proposal is included as Appendix 1, this is a technical document required by the EFA and is presented to Schools Forum for completeness, it has also been released to schools.
9. The EFA have confirmed that the Secretary of State intends to approve the proposal when the 2014 school finance regulations are laid and that the 2014/15 draft school funding formula should reflect the changes. The formula submission submitted in October reflects the approved changes.
10. The impact of the changes is summarised in the following table for maintained schools and academies;

<u>Maintained Schools</u>	<u>Academies</u>
<u>Pupil Number Count</u>	
Financial Year Budget (April – March);	Academic Year Budget (September – August)
<u>Age Groups Affected by Change in Financial Year</u>	<u>Age Groups Affected by Change in Academic Year</u>

<p>5/12 Previous October Census 7/12 Estimated October Census in year of change</p> <p><u>Age Groups Unaffected by Change</u> 12/12 Previous October Census</p>	<p>12/12 Estimated October Census in year of change</p> <p><u>Age Groups Unaffected by Change</u> 12/12 Previous October Census</p>
<p>For each year of change schools receive 'Real Time' Funding based upon actual + estimated pupils for affected year groups only –</p> <p>Growing schools will see increases in funding at the point new pupils are admitted / retained</p> <p>Schools with reducing rolls will lose funding at the point pupils are admitted / retained by other schools</p>	
<p>Pupils adjusted for each year of change only – year groups unaffected by change remain funded on a lagged basis</p>	
<p style="text-align: center;"><u>Realignment of Pupil Number Estimates</u></p>	
<p>Pupil number estimates corrected in following year;</p> <p>If October estimated pupil numbers are less than actuals – pupils added the following year</p> <p>If October estimated pupil numbers are higher than actuals – pupils removed in the following year</p>	
<p style="text-align: center;"><u>School Protection</u></p>	
<p>For the first year a school is financially affected by age range changes in another school that result in reducing number on roll;</p> <p>Reduction in pupil numbers protected at 80% i.e. the maximum loss in pupils for the first year of age range change in another school will be 20%</p> <p>Note; protection set at this level for 2014/15 school budgets (financial year for maintained schools / academic year for academies) but will be subject to review for 2015/16 in light of the anticipated national funding formula and for affordability</p>	
<p style="text-align: center;"><u>Ceiling on Formula Gains</u></p>	
<p>Ceiling on gains within the formula restricted to +1.5% per pupil</p>	
<p style="text-align: center;"><u>Minimum Funding Guarantee</u></p>	
<p>Previous year per pupil funding adjusted to the ratio of Key Stage 3 and Key</p>	

Stage 4 pupil numbers in the year of change for Minimum Funding Guarantee calculation

It should be noted that the proposal only funds the change in pupil numbers resulting from the age range change, it does not fund the impact of demographic growth or reduction in pupil numbers.

2014/15 Dedicated Schools Grant Settlement

11. The Dedicated Schools Grant (DSG) settlement for 2014/15 will be a one year settlement which is not expected to be released until after the Chancellors autumn statement which is scheduled for 4 December. Whilst the national quantum has been set for school funding in 2014/15 there are some uncertainties relating to both the settlement and its timing.
12. The DSG settlement is within three blocks and the expectations for 2014/15 for each block are set out below, information from the EFA is suggestive that the timing of the settlement for each of the blocks may be different ;

Schools Block - this is expected in December and has been confirmed as a cash flat per pupil settlement based upon the October 2013 census, this will not allow for additional funding for pay awards retrospectively for 2013/14 or its full year impact in 2014/15. The ability of academies to set out their own pay and conditions and the introduction of performance related pay for teachers makes it impossible for the local authority to assess the financial impact given the ability for each school to adopt a different position.

The Minimum Funding Guarantee (MFG) is confirmed as minus 1.5% per pupil for 2014/15.

The draft funding formula submitted to the EFA in October has not included any uplift to the formula factor values used in 2013/14, neither is it anticipated that the settlement will change this position when the final formula is submitted in January 2014.

It is widely expected that the budget held for the Carbon Reduction Commitment will be removed by the EFA nationally now schools are not contained within local authority schemes. It should be noted that authorities were not granted additional funding for this at the time it was introduced.

High Needs - this is confirmed as a cash settlement based upon previous spend, it is not expected that the settlement will be adjusted for changes in demand and numbers of pupils. 2014/15 will be the first full financial year for the post 16 funding changes which may bring pressure on the settlement. It will not be possible to fund the additional costs of pay awards for special schools or on top-up funding for primary, secondary and special schools. The contingency set in this block for 2013/14 has been removed and has been reallocated to fund protection for schools with falling rolls as a result of age range changes.

The settlement for this block is not expected until March 2014 and will give problems in balancing the overall budget, the budget will need to be agreed before this is confirmed in order that budget information can be released to schools. This is a particular issue given that in 2013/14 the EFA made a number of changes to the settlement post April 2013, it is not known whether this will be the case again.

Early Years - it is expected that this settlement will be a per pupil amount based upon the Spring term headcount for three and four year olds using the same funding rates as 2013/14. Confirmation of the settlement will be after the budget has been set, as in previous years it will be necessary to estimate on un-validated headcount information.

It is also anticipated that the settlement will include funding for two year old places, this settlement may also be delayed as the EFA are advising that there may be difficulty in obtaining income data from HMRC that will identify the number of eligible disadvantaged children. The entitlement also moves to include provision for the 40% most deprived two year olds and two year olds with special educational needs in September 2014. Again this settlement is expected to be the same per pupil as for 2013/14 and will not allow for any increase in the rate paid to providers for places

2015/16 Expectations

13. It remains the intention of the DfE to move to the next stage of what is now the National Fair Funding Formula in 2015/16 and a consultation is expected on the framework and detail of its implementation early in 2014. It can be expected that the challenges faced by local authorities in implementing the 2013/14 changes will be present again in the lead in time to 2015/16.
14. The EFA announced recently through a national funding conference that the expectation is that the DSG settlement for 2015/16 may be 'better than cash flat', it is uncertain what this means but it could indicate that there may be transitional funding to assist its implementation.
15. The National Fair Funding Formula will only apply to the Schools Block settlement and the distribution of funding to individual schools. There is no indication of how the High Needs block will be flexed to take account of changes in the number of high needs pupils, this is a concern given that the current settlement is based upon historical spend and not need.
16. It has been confirmed that MFG will be present within the new arrangements but have not stated at what level that will be. Ministers have also stated that they wish to see movement to the national formula sooner rather than later, the speed of the transition will dictate the level of MFG with a shorter transition resulting in more turbulence and greater losses and gains for schools.
17. For the Early Years Block it is expected that this will continue to be a per capita amount for three and four year olds, two year old funding is also expected to move to a participation basis rather than the current position of funding eligible children. The DfE wish to move to a national early years formula possibly for 2016/17.

Resource Implications

18. Initial modelling, based upon the 2013/14 school dataset issued by the EFA, identifies that 31 schools with a financial impact arising from the proposals to fund age range changes, of these;
 - 16 schools are estimated to see a reduction in funding
 - 15 schools are estimated to see an increase in funding

The local authority has met with a number of schools to discuss the impact of the changes and how that can be managed at school level.
19. Pupil number estimates taken from data on September 2014 school admissions and from expected numbers of retained pupils where schools are growing in number will be shared with affected schools in the week commencing 2 December and will give a brief opportunity for schools to ensure they are not materially different to those expected.
20. The dataset for the 2014/15 budget is expected to be released to local authorities by the EFA in early December, the modelling will be revised to take account of this and the estimated admissions data, that may affect the overall impact upon individual schools.
21. School protection will be funded from:
 1. The restriction on the ceiling on schools gaining from the 2013/14 formula revisions to no more than plus 1.5% per pupil. Schools Forum should note that the proposal approved by the DfE also includes permission to disapply the proposed additional grant condition on 2014/15 Dedicated Schools Grant (DSG) to allow the capping factor to include the cost of school protection in addition to the MFG.
 2. The release of contingency from the High Needs Budget and the use of DSG reserve
22. The level of school protection will need to be reviewed for 2015/16 for both affordability and any implications arising from the next phase of implementation of the national funding formula in 2015/16.
23. The 2014/15 DSG settlement will not allow for inflationary pressures to be funded in school budgets or for early years providers. Schools will need to plan to absorb those additional costs in addition to the minus 1.5% per pupil minimum funding guarantee or the plus 1.5% gain on the formula.

Equal Opportunity Issues

24. The proposal does not impact upon any protected characteristics, it is concerned with the allocation of funding to individual schools.

Background Papers

Leicestershire County Council Cabinet 15 October 2013 – Funding Schools Affected by Age Range Changes

[http://politics.leics.gov.uk/Published/C00000135/M00003635/AI00035914/\\$FundingSchoolsAffectedByAgeRangeChanges.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003635/AI00035914/$FundingSchoolsAffectedByAgeRangeChanges.docxA.ps.pdf)

Schools Forum 18 September 2013 – School Funding Formula 2014/15 and Funding Age Range Changes

[http://politics.leics.gov.uk/Published/C00001018/M00003870/AI00035820/\\$Item5201415FormulaandFundingAgeRangeChanges.pdfA.ps.pdf](http://politics.leics.gov.uk/Published/C00001018/M00003870/AI00035820/$Item5201415FormulaandFundingAgeRangeChanges.pdfA.ps.pdf)

Schools Forum 20 June 2013 – School Funding Arrangements 2014/15

[http://politics.leics.gov.uk/Published/C00001018/M00003871/AI00034948/\\$Item7SchoolFunding201415.docA.ps.pdf](http://politics.leics.gov.uk/Published/C00001018/M00003871/AI00034948/$Item7SchoolFunding201415.docA.ps.pdf)

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Leicestershire County CouncilProposal to Disregard Regulation 13 (pupil numbers) and Minimum Funding Guarantee Exclusion

The proposal is submitted in order that Leicestershire County Council can respond to the funding needs of schools affected by age range changes in September 2014 and within the 2014/15 financial year.

This proposal was agreed for submission to the Secretary of State at the County Council's Cabinet on 15 October 2013.

Variation in pupil Numbers

Under Regulation 25 (i) of the School and Early Years Finance (England) Regulations 2012, Leicestershire County Council is seeking the approval of the Secretary of State to disregard the pupil numbers from the October 2013 school census in favour of a weighted average to reflect the change in pupil numbers for schools undertaking or affected by age range changes in other schools in September 2014.

For the affected year group the October 2013 pupil numbers will be amended by (7/12ths) of the anticipated change due to take place the following September. In doing this, we will estimate the total intake for the affected age group for September 2014 at the affected schools. We will continue to make these adjustments until the new age range has fed through (e.g 2 adjustments for a KS3 school taking on KS4 pupils)

Where a school already has a Key Stage but the pupil numbers will be impacted upon in the future by that school changing its own age range (e.g. a KS4 school extending to take in KS3 pupils who will eventually become KS4), then no adjustments will be made in respect of these pupils (i.e. no KS4 adjustment will be made in anticipation of the KS3 pupils become KS4 in the following year).

In estimating pupil numbers the local authority will seek to ensure that the net pupil movement will be nil. This will be achieved by only amending the pupil year group subject to change. Actual pupil numbers will be taken, which will then have one adjustment to allow for the total pupils in each key stage that would be affected by an age range change.

In the example below this school will be affected by another school retaining 250 Year 10 pupils in Sept 2014. If we adjust for the 250 pupils and roll all the year groups on a year for the 2014-15 budget, we will fund them for 1,200 pupils in 2014-15. However this will mean as well as losing the 250 pupils, they will not be funded properly for the October 2013 Year 11, which is not affected by age range changes.

Our plan is therefore to subtract the 250 pupils from the Oct 2013 actual numbers, and fund them for 1,250 pupils. That way we are only making an adjustment for the age-range change, and not building in other demographic changes. To correct for actuals in the following year, we will look at the Oct 2014 intake and compare it to the 500 estimated intake. If it was higher we would add on the difference to the next set of pupil numbers, but if it was lower we would remove the difference from the next set of pupil numbers.

	Actual Oct 13 Pupils	Estd Oct 14 Pupils No age range change	Estd Oct 14 Pupils with age range change
Year 10	700	750	500
Year 11	800	700	700
Total	1500	1450	1200

	Proposed Oct 13 Pupils for 2014-15 budget
Year 10	700
Year 11	800
Age Range Adjustment	-250
Total	1,250

Protection for Schools Losing Pupils

When the amendment is a reduction in pupils, we will protect the affected school by 80% of the loss, thereby only reducing the key stage concerned by 20% of the total reduction. This protection will only apply to year 1 of the change. Year 1 will be the first year a school loses pupils due to another school changing its age range. A losing school could have more than one "Year 1", if it is affected by a second school changing its age range in a subsequent year.

2014-15 is the first year of this new system, so protection will apply to all schools losing pupils in 2014-15.

If a school is gaining in one key stage and losing in another, the pupil changes will be weighted using the Key Stage funding per pupil to ascertain if there is a net loss and the level of protection required. e.g. a school gains 180 KS3 and loses 470 KS4. 180 KS3 pupils are equivalent to 151 KS4 pupils in funding terms, so the net loss in KS4 terms is $(470-151)=319$ pupils. The protection applied to KS4 would therefore be 80% of 319 (and not 80% of 470)

In calculating the Minimum Funding Guarantee for 2015/16 we will request that the funding protection given to individual schools be excluded.

Funding the cost of protection

For 2014/15 the estimated total loss is approximately £3.3 million to schools who would be losing pupil numbers. The first call on funding for protection will be headroom within the DSG settlement and DSG reserves but it may be necessary to cap the ceiling on formula gains in order to provide additional funding. Setting the ceiling at 1.5% for all schools would generate approximately £2.2 million, (equivalent to the funding of approximately 66% of the loss). The total losses outlined in this paragraph assume that any gains are netted off from the loss.

We also request permission to disapply the proposed condition on Dedicated Schools Grant to enable the capping level on schools gaining by formula changes to a sufficient level to meet the additional costs arising from the level of protection being offered to schools with falling numbers as a direct consequence of age range changes. In this manner it is possible to protect the current per pupil entitlement which will may need to be reduced should the local authority have insufficient headroom within the 2014/15 DSG settlement to fund protection.

We would like to establish the principle for future years would be that the ceiling does not drop below 1.5%. Variations in the cost of protection unable to be funded from DSG reserves would be met through amending the per pupil funding. When the per pupil funding reaches it's 2013-14 level again, then the ceiling could be increased if the total funding available allows.

Minimum Funding Guarantee and Ceiling

Leicestershire has differential per pupil entitlements for Key Stage 3 and Key Stage 4, in order that schools do not receive inappropriate gains from an intake of Key Stage 4 pupils we also request a variation to the application of the Minimum Funding Guarantee and the scaling factor on formula gains.

For example a high school which only currently has key stage 3 children is gaining Key stage 4 children would appear to be large gainers when comparing the funding per pupil to the previous year baseline. We would like to amend the Minimum Funding Guarantee and Ceiling calculation for schools impacted by the age range changes. In order to avoid an inappropriate MFG/ ceiling calculation after these pupils have become actuals we would want to re-calculate the previous year's baseline funding per pupil, as per the following example which uses a school that has changed it age range in 2014/15.

2013/14 Budget	2014/15 Budget	2015/16 Budget
October 2012 Census	October 2013 Census	October 2014 Census
Pupil Funding:	Pupil Funding:	Pupil Funding:
KS3 650 pupils	KS3 634 pupils	KS3 563 pupils
		KS4 328 pupils
	Addition to October 2013 Census	Addition to October 2014 Census
	KS4 7/12ths of the Estimated Oct'14 intake 328 pupils	KS4 7/12ths of the Estimated Oct'15 intake 350 pupils

Key Stage	Oct '14 Actual Pupil No's.	Profile%		
KS3	563	63%		
KS4	328.00	37%		
Total	891			
Key Stage	Actual Oct'13 Pupil No's.	2014/15 (£) Per pupil	Total Funding (£)	Average Per Pupil funding (£)
KS3	634	£3,571	£2,263,782	-
KS4	0	£4,263	£0	-
Total	634		£2,263,782	£3,571
Key Stage	Oct'13 Pupil No's. re-profiled based on Oct'14 actual % profile	2014/15 (£) Per pupil	Total Funding (£)	Average Per Pupil funding (£)
KS3	400.61	£3,571	£1,430,425	-
KS4	233.39	£4,263	£994,909	-
Total	634		£2,425,335	£3,825
	Adjustment required to average funding per pupil			£255
	Original MFG Baseline 14/15 funding per pupil			£3,840
	Adjustment to the MFG Baseline 14/15 funding per pupil			£255
	Adjusted MFG Baseline 14/15 funding per pupil			£4,095

In this example £3840 would have been the 2014/15 MFG baseline used in the 2015/16 budget as calculated in the normal method, we would increase this figure by £255 to allow for the change in age range that has occurred in the October 2014 census.

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