



SCHOOLS FORUM

2015/16 School Funding

16 June 2014

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	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

1. This report presents the Local Authorities response to the Department for Education's consultation 'Fairer Schools Funding in 2015-16'. A further report is presented on the proposed plan to develop the school funding formula for 2015-16.

Recommendation

2. That Schools Forum note the analysis of the consultation and the response to it.

Introduction

3. It had been widely expected that the next stage of the National Fair Funding Formula (NFFF) would be introduced in 2015/16. The Department for Education (DfE) have however not taken that next step and have instead consulted on the allocation of £350m to authorities that are '*...least fairly funded*'. The consultation was short, it launched on 13 March and closed on 30 April.
4. The DfE are stating that they will implement a national formula at some point in the future which will be at point where the government is able to set multi-year expenditure plans.
5. It was always going to be difficult for the government to implement the NFFF without additional funding given that to achieve equality of funding within a cash fixed settlement authorities with high levels of funding would see that funding reduce in order for other authorities funding to increase.
6. Under the proposals it is estimated that Leicestershire will receive an additional £17.1m (£202 per pupil) within the Schools Block Unit of Funding (SBUF), however there are concerns about the methodology used to distribute the funding and the final allocation can be expected to differ from the value quoted in the consultation.

Background

7. It was difficult to get a balance within the consultation response which is shown in Appendix 1: whilst additional funding is welcomed, the concerns over the allocation methodology are significant. Further concerns surround how this additional funding has been communicated to schools and the heightened expectations that schools will receive the minimum units of funding used within the calculation which will not be the case. The proposed methodology is purely a mechanism to be applied to fund local authorities.
8. The basis for the calculation is to multiply minimum values for a number of characteristics available within the funding formula by the number of pupils to be funded and this is then compared to the SBUF for 2014/15. Where the calculation is in excess of the 2014/15 level of funding an authority receives additional funding.
9. The calculation takes no account of any funding allocations outside the identified characteristics such as rates, rent, Minimum Funding Guarantee (MFG), nor does it consider centrally managed services or any movement to either the High Needs or early Years Blocks. Taking these into account the Leicestershire would need to scale back the minimum values by an

estimated £6.3m in order to fully fund current commitments. It is therefore not possible to fund schools at the minimum levels, this is clearly not their expectation.

10. The published figures are an estimate using 2013/14 data and the October 2012 schools census and will be updated. The final figures could be significantly different given that authorities have further revised formulae for 2014/15, criteria for use of some of the factors have been changed by the DfE and the school population has changed. Because of expected changes only 75% of the £350m has been allocated. 2014/15 formula data and the October 2013 school census data is available to the DfE and could have been used to generate actual funding levels which would have allowed for informed decisions to be taken on the 2015/16 Leicestershire school funding formula.
11. The proposed additional funding is allocated for schools and academies, there is no uplift in funding proposed for the High Needs Block which funds special schools and special unit, nor the Early Years Block which funds nursery providers.
12. The consultation asked for views on the operation of the sparsity factor. Leicestershire does not use this within the funding formula, it is a blunt measure of distance pupils would need to travel to their next nearest school rather a real identifier of funding need in small rural schools.
13. A further consideration is the method to be used for the area cost adjustment which has been used to reflect higher costs, largely salaries, in London and London fringe authorities. Given the freedom that academies have over staff terms and conditions and the introduction of performance pay for all schools it has to be questioned whether the area cost adjustment should be retained.
14. The DfE have stated that their final proposals will respond to this consultation and that on 'Academies funding: simplifying the administration' towards the end of June, both of which will have an impact on school funding in 2015/16.

Resource Implications

15. It is necessary to review the Leicestershire formula and take decisions on how the additional funding will feed into the formula, this is going to be a challenging process given the uncertainty on funding levels and the expectations of schools.
16. Until modelling is complete it is not possible to identify whether the additional funding will purely add monetary value to current formula factors

which would not require approval by Cabinet or give the opportunity to make fundamental changes to it which would require Cabinet approval. Given the political sensitivities, and school expectations, that could arise as a result of this additional funding it is proposed that irrespective of the outcome of modelling and consultation Cabinet approval is sought for the 2015/16 school funding formula.

17. Consultation will need to be undertaken with schools, the timetable set by the Education Funding Agency (EFA) will again require this to take place during the latter part of the summer term and early part of the autumn term. This will again result in the ability to only offer a short consultation given the school summer break.

Equal Opportunity Issues

18. An equality impact assessment will be completed on any changes to be made in the school funding formula.

Background Papers

The full consultation can be viewed at;

<https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016>

Officers to Contact

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Department
for Education

Consultation Response Form

Consultation closing date: 30 April 2014
Your comments must reach us by that date

Fairer schools funding in 2015-16

If you would prefer to respond online to this consultation please use the following link: <https://www.education.gov.uk/consultations>

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 1998.

If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Please tick if you want us to keep your response confidential.	<input type="checkbox"/>
Reason for confidentiality:	

Name: Jenny Lawrence	
Please tick if you are responding on behalf of your organisation.	<input checked="" type="checkbox"/>
Name of Organisation (if applicable): Leicestershire County Council	
Address: County Hall, Glenfield, Leicester. LE3 8RF	

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Ministerial and Public Communications Division by e-mail: consultation.unit@education.gsi.gov.uk or by telephone: 0370 000 2288 or via the Department's '[Contact Us](#)' page.

Please mark the box that best describes you as a respondent.

<input type="checkbox"/>	Maintained school	<input type="checkbox"/>	Academy	<input checked="" type="checkbox"/>	Local authority
<input type="checkbox"/>	Governor	<input type="checkbox"/>	Bursar	<input type="checkbox"/>	Parent
<input type="checkbox"/>	Schools forum	<input type="checkbox"/>	Trade union organisation	<input type="checkbox"/>	Other

Please Specify:

1 Do you agree that the existing distribution of schools funding is unfair?

<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Not Sure
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Comments:

There is no doubt that the current distribution is unfair given that it does not consider the cost of delivery and remains based upon expenditure patterns of local authorities for 2005/06 which are themselves based upon a previously flawed central government assessment of funding needs.

The proposals maintain the 'spend plus' methodology which has been widely accepted by the DfE and Local Authorities as being an allocation mechanism that isn't fit for purpose as it is not based upon funding need but historic decisions taken by local authorities on school funding.

It is exceptionally disappointing that the DfE have failed to deliver the formulaic distribution for Dedicated Schools Grant that has been its stated objective for a number of years. It remains inequitable that local authorities that may in the past have chosen not to invest in education may receive additional funding over those authorities that have chosen to invest. Whilst the allocation of the additional £350m goes some way to addressing the inadequacies of the current funding system, the fundamental and recognised flaws remain.

The consultation considers primary and secondary schools only, if there is to be real equity in school funding then there also needs to be additional funding for the High Needs Block to ensure that special schools are not disadvantaged and funding to enable a rate

uplift for nursery education providers.

In a system where schools are expected to be treated equally it will be necessary to move some of this additional funding to the High Needs Block to ensure some uplift in funding for special schools and to the Early Years Block for nursery education providers given that funding inconsistencies are present in these elements of the Dedicated Schools Grant settlements too. It will become increasingly difficult to manage funding expectations from education providers, rationalise the need for equity and achieve the appropriate authorisation for such movements through the Schools Forum and local authority decision making processes.

The current school funding settlement also does not adequately reflect a number of strategic issues local authorities are currently facing such as the need to allocate Dedicated Schools Grant to support the growth in school places and the need to settle deficit budgets as schools convert to sponsored academy arrangements.

It is disappointing that the indicative figures within the consultation are largely based upon the October 2012 school census and local authority formula factors for 2013/14 when updated information is available to the DfE. The publication of local authorities funding formulae for 2014/15 by the DfE in March identifies changes in formulae values, this and data from the October 2013 school census will allow the DfE to revise the calculation now, the use of this more recent data would allow the DfE to fully allocate the £350m rather than 75% and would have given local authorities more certainty on funding allocations.

Earlier sight of the revised calculation would provide local authorities the necessary certainty to begin informed discussions with schools on 2015/16 funding. We would urge the DfE to provide a formal response to this consultation at the earliest opportunity with this revised calculation to ensure that schools and other education providers can be fully engaged in formulating formula proposals during the summer term, allow sufficient time for consultation and allow decision making through the Schools Forum and the County Council at the beginning of the autumn term in order to meet the EFA's deadline for the budget pro-forma submission in October.

2 Do you agree with our proposed choice of characteristics to which to attach minimum funding levels?

Yes

No

Not Sure

Comments:

A number of key school funding allocations do not feature within the choice of characteristics. their omission will result in the need to scale down the minimum values within the formula e.g. split sites, rent, rates, minimum funding guarantee. The proposals also do not take account of any necessary movement between blocks and especially to the High Needs Block which carries a high level of financial risk and will need to receive some of the additional funding for special schools and early years providers who are all funded from the same source.

The Schools Block also funds centrally managed services, including the recent changes to copyright established by the DfE and these too need to be funded from the Schools Block Unit of Funding. To retain these current allocation factors, maintain the approach to High Needs and fund centrally managed items will require school level funding to be further scaled back from the minimum levels, equating to an estimated £6.3m for Leicestershire, before funding decisions for special schools and nursery providers are considered. This creates an inability to fund schools expectations that they will also receive the minimum values.

Whilst the EFA have confirmed in their email to local authorities of 10 April that the minimum values are not a national formula and they are not a view of the minimum amount of funding for individual schools, paragraph 17 of the consultation is not clear whether the expectation of the DfE is that authorities should use these minimum values within their local formula. For the reasons stated above it is not possible to deliver this. Certainly it is the expectation of schools that they too will receive the minimum values and local authorities may have real difficulties in explaining why this will not be the reality for their 2015/16 delegated budgets.

Given our proposal to set minimum funding levels such that we can afford to fund all local authorities at those levels or above in 2015-16, do you agree with the proposed values of the minimum funding levels?

3 a) Age Weighted Pupil Unit

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 b) Deprivation

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 c) Looked-after children

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 d) English as an additional language

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 e) Low prior attainment

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 f) Lump sum

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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3 g) Sparsity

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Not Sure
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Comments:

Whilst the additional funding that adopting the minimum values generates is welcomed by Leicestershire County Council, it is difficult to give an informed view given the consultation states that these will be revised following review of 2014/15 formula factors and the October 2013 school census so the expectation is that the values will change.

Local authorities have taken individual decisions on the most appropriate values within their individual formulae and the 2013/14 values are therefore conscious decisions based upon local circumstances as well as being influenced by levels of funding. Using a distribution methodology based upon local decisions is not sufficiently robust to drive a national formula to distribute funding.

The 2014/15 dataset issued by the DfE in March show variations from the values within the consultation document especially for prior attainment where values have fallen significantly as a result of the widening of the criteria for 2014/15 and more pupils being eligible.

Given that only 24 authorities are using the sparsity factor there is limited benefit in attaching a minimum value to a factor that does not adequately reflect the additional funding need for necessary small and rural schools.

There needs to be some consideration of the impact other factors that are not reflected in the calculation will have on the minimum values as well as reflecting the centrally managed budgets approved through the Schools Forum .

There is also a real opportunity for the issues that the current system for funding school liabilities for National Non-Domestic Rates (NNDR) brings and which have been exacerbated by the inability to fund increases or decreases in year. Consideration needs to be given on whether it is possible to take NNDR out of the school funding system which currently creates a significant bureaucratic process whereby:

- HM Treasury includes schools' NNDR in the Department for Education Annual Department Expenditure Level;
- the EFA reflect the NNDR cost within the Dedicated Schools Grant and pay to Education Authorities;
- Education Authorities provide funding to individual schools
- Schools make payments to District / Borough Councils
- District Councils return NNDR funding to HM Treasury.

Many schools have had to enter into deficit budget arrangements where rates revaluations have taken place, and often cover a number of years, now it is no longer possible to adjust school budgets in year. A similarly bureaucratic process exists for academies through the EFA.

4 Do you agree that labour market cost differences should be taken into account as we allocate the £350m?

<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<input type="checkbox"/> Not sure
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Comments:

Given that academies are free to set their own pay scales and all schools can adopt performance related pay which allows them to move away from historic nationally set pay scales we would question the need to maintain an area cost adjustment within the Schools Block

5 Do you agree this should be calculated using the hybrid approach we have set out?

<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<input type="checkbox"/> Not sure
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Comments:

As detailed in the response to question 4 we question the need to retain an area cost adjustment for school funding

6 If you do not agree that we should use a hybrid approach, what would you prefer we used?

<input type="checkbox"/> Use teacher pay bands only	<input type="checkbox"/> Use a general labour market measure only	<input type="checkbox"/> Use an alternative method
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Comments:

None

As detailed in the response to question 4 we question the need to retain an area cost adjustment for school funding

Sparsity Review

7 We introduced a sparsity factor for the first time in 2015-16. How helpful has this factor been in ensuring that sufficient funding is targeted at small schools serving sparsely populated areas?

<input type="checkbox"/> Useful	<input checked="" type="checkbox"/> Not useful	<input type="checkbox"/> Not sure
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Comments:

As a rural authority Leicestershire has a number of small primary and secondary schools, however a number of these are close to County boundaries and fail to trigger the sparsity factor distance requirement, only 5% of schools qualify for this funding in what is a large rural authority.

Parental preference informs a school population with a subsequent distortion of schools that qualify for this factor. Additionally the use of the mean distance within the factor is too crude an assessment of ability to travel to the second nearest school where environmental features such as motorways, railway lines, rivers etc. affect the length of the journey to school. Given that post code data is available journeys can be measured in a meaningful way.

The measure does not adequately reflect the overall cost benefit of maintaining small schools.

In considering the definition of a 'necessary school' a number of factors other than the home location of a pupil need to be considered especially where pupils are out of catchment. It also needs to evaluate the economic and social value of maintaining the school, specifically the cost of home to school transport and community value.

8 Do you think it would be useful to revise the criteria for the sparsity factor to take into account the average number of pupils in each year group, rather than the number of pupils in the school? If so, how?

<input type="checkbox"/> Useful	<input type="checkbox"/> Not useful	<input checked="" type="checkbox"/> Not sure
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Comments:

As stated in the response to question 7 we do not feel there is any value in using the sparsity factor. It is difficult to see how using the average number of pupils in each year group gives any real benefit given that the limiting criteria within this factor for Leicestershire is the distance to the next nearest school.

9 Are there any other changes you would like to suggest to improve the operation of this factor, and why?

Comments:

Government policy has been to further delegate powers to the regions, following from that policy decision local authorities should be free to allocate differential lump sums related to school size. This would allow the additional overhead costs associated with small schools to be adequately funded. With the movement towards increasing the percentage of pupil related funding and what appears to be a drive from the DfE for the limit on the lump sum to be reduced the risk of small schools becoming financially unviable is growing.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply.

E-mail address for acknowledgement:

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, please confirm below if you would be willing to be contacted again from time to time either for research or to send through consultation documents?

Yes No

All DfE public consultations are required to meet the Cabinet Office [Principles on Consultation](#)

The key Consultation Principles are:

- departments will follow a range of timescales rather than defaulting to a 12-week period, particularly where extensive engagement has occurred before
- departments will need to give more thought to how they engage with and use real discussion with affected parties and experts as well as the expertise of civil service learning to make well informed decisions
- departments should explain what responses they have received and how these have been used in formulating policy

- consultation should be 'digital by default', but other forms should be used where these are needed to reach the groups affected by a policy
- the principles of the Compact between government and the voluntary and community sector will continue to be respected.

If you have any comments on how DfE consultations are conducted, please contact Aileen Shaw, DfE Consultation Coordinator, tel: 0370 000 2288 / email:

aileen.shaw@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed responses should be sent to the address shown below by 30 April 2014

Ministerial and Public Communication Division, Level 2, Department for Education,
Mowden Hall, Staindrop Road, DARLINGTON DL3 9BG

Send by e-mail to:

SchoolFunding.CONULTATION@education.gsi.gov.uk

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