

SCHOOL FUNDING 2014/15 – CONSULTATION DOCUMENT

1) 2013/14 SCHOOLS FUNDING MODEL

1.1 Two principles, endorsed by both Cabinet and Schools Forum, underpinned the development of the 2013/14 schools funding model:

- ***that the funding formula for 2013/14 should not produce any school that 'loses' funding, with the exception of two schools with specific issues that cannot be addressed through the formula***
- ***that rapid and fair progress continues to be made towards narrowing the gap between the primary and secondary sector***

1.2 To achieve these two principles the funding model set for 2013/14 required a cap of 7.30% and a negative MFG of £4.047m. To ensure no schools lost (with the exception of two specific schools) the model required to achieve this position cost £175.362m. The funding envelope was £171.351m leaving a gap of £4.047m. To fund this gap a cap on gains of 7.3% was applied.

1.3 A summary of the final formula for 2013-14 is detailed below:

	Final Funding Formula 2013/14
AWPU KS 1 & 2	£3,868
AWPU KS3	£5,009
AWPU KS4	£6,146
Cap	7.30%
MFG / (CAP)	£-4,047,421
Lump sum	£150,000
Primary split site	£100,000
Secondary split site	£216,000
Pre MFG primary: secondary ratio	1:1.35
Post MFG primary: secondary ratio	1:1.40
Net primary gain / (loss)	£10,668,520 (includes pupil growth)
Net secondary gain / (loss)	£1,876,487
Primary 'winners'	45
Primary 'losers'	0
Secondary 'winners'	8
Secondary 'losers'	1

2) EDUCATION FUNDING AGENCY - 2014/15 REGULATION CHANGES

- 2.1 Following significant School Funding reforms for 2013-14 the Education Funding Agency published further reforms on 4th June 2013 for implementation from April 2014. The changes continue the move towards a national funding formula. Schools Forum can recommend changes; the local authority has responsibility for making formula change decisions.

The latest reform documents 'School Funding Reform: Findings from the Review of 2013-14, Arrangements and Changes for 2014-15' is available at

<https://www.gov.uk/government/publications/school-funding-reform-findings-from-the-review-of-2013-to-2014-arrangements-and-changes-for-2014-to-2015>

2.2 **Pupil Led Funding**

The reforms require all local authorities to delegate a minimum of 80% of the delegated schools block funding through pupil led factors ie basic entitlement, deprivation, prior attainment, look after children, EAL, and mobility.

2.3 **Prior attainment**

In the 2013-14 schools funding formula, pupils qualify for the prior attainment factor at KS2, if they fail to achieve a level 4 or higher in English **and** maths. This measure picks up around 10% of pupils. The DfE have reviewed attainment data, which shows that currently only 20% of pupils who achieved a level 4 in English **or** maths went on to achieve the 5 (A*-C) GCSEs including English and maths. In light of this, the DfE have changed this measure so that in 2014-15, **pupils will be identified as having low prior attainment, if they fail to achieve a level 4 or higher in English or a level 4 or higher in maths.** It is expect such a change to mean that this revised measure would identify around 21% of pupils.

2.4 **Primary/secondary ratio**

The EFA are not, at this stage, prescribing constraints on the primary/secondary ratio, but have not ruled this out for future years and authorities should be aware of where they are within the range.

2.5 **Pupil Mobility and Service Children**

Starting in 2014-15, a 10% threshold will be applied to the mobility factor, so that it will only support schools which experience a significant change in their pupil numbers.

2.6 **Lump Sum**

In 2014-15 the maximum lump sum will be £175,000. The DfE will enable local authorities to differentiate the lump sum by phase for 2014-

15, provided that for each phase the lump sum level does not exceed the £175,000 cap.

In 2014-15 two merging schools will be able to keep 85% of the two lump sums for the next full financial year following the year in which they merge.

2.7 Schools with Falling Rolls

Local authorities can, in 2014-15, use top-sliced DSG funding to create a small fund to support schools with falling rolls in exceptional circumstances. Currently £400,000 is the allocation for 2014-15 from schools facing financial difficulties dedelegation

Recommendation: move Eastbrook allocation from Schools facing Financial Difficulties to Schools with Falling Rolls Fund.

2.8 Minimum Funding Guarantee

The pre-16 Minimum Funding Guarantee (MFG) for mainstream schools will continue at 1.5% per pupil in 2014-15.

2.8.1 In their email correspondence dated 1 February 2013, the EFA approved LBBD's 2013-14 funding formula quoting '*...the authorities' adherence to the finance regulations and proforma appear to meet the required criteria...*'

2.8.2 On 2 July 2013 the Local Authority finance team were informed that, due to EFA changes to the regulations for funding models, LBBD's 2013/14 model, if applied in 2014/15, would probably not be compliant. The EFA will expect the 2014/15 formula to be affordable overall, so that the funding saved capping 'winners' will offset the costs of the MFG. In terms of the summary table detailed in 1.3, in the box titled 'MFG / (CAP)' there must be either £0 or a positive figure.

This new condition is contained in the School and early years finance - Summary of proposed changes to regulations and conditions of grant for 2014-15

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227204/Finance_Regulations_2013_consultation_v4.pdf

2.8.3 If the EFA had insisted on this for 2013/14, this would have lead to the Local Authority having to strip £4.047m out of the model and set the funding model at the resource envelope of £171m. The impact of this would have been 5 secondary schools and 1 primary schools losing funding in 2013/14.

3) FUNDING PRESSURES

- 3.1 In 2013/14 it was necessary to move £1.2m from the Schools Block to the High Needs Block to fund increasing demand pressures within high needs. The Schools Forum has expressed a strong preference for this not to happen in 2014/15. However there are significant concerns about funding the increasing demands of children with complex needs against a funding block that is fixed at its 2012/13 level. The EFA did provide demand growth within the high needs block in 2013/14. However this growth was limited to the £10k per place funding with the top up funding having to be found elsewhere across the blocks. By way of example, the top up funding for ARP places currently ranges from £12,000 to £61,500. ARP growth in 2013/14 was 50 number of places with the top up funding not being provided by the EFA. In section 5 below, alternative solutions are proposed for keeping £1.2m within the schools block.
- 3.2 As a reminder, LBBB has the third highest schools block within London, out of thirty three schools. 82.96% of the DSG for LBBB goes to the schools block. The Local Authority with the highest proportion in London allocated 84.94% to the schools block, while the lowest allocated 68.22%.

DSG Block Allocations Across London as published in February Schools Forum Report

LBBB has the 14th highest pupil premium allocation based on the 13-14 indicative figures, being allocated £11.8 million. The highest Pupil Premium allocation in London is £20 million, whilst the lowest is £57,600.

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00218077/funding-settlement-2013-14>

http://media.education.gov.uk/assets/files/xls/p/suppressed_school_13-14_illustrativev2.xls

4) DEVELOPMENT OF THE 2014/15 SCHOOLS FUNDING MODEL

- 4.1 The national average of the funding ratio between primary and secondary schools remains at 1:1.27, for every £1 allocated to a primary school £1.27 is allocated to a secondary school. Post MFG LBBB is currently positioned at 1:1.40. In 2013-14, LBBB had the 29th highest pre-MFG Primary: Secondary ratio in the country (out of 152 LA's) and the 8th highest in London, placing it in the upper most quartile.

While it is evident that LBBB is significantly above the national average in respect of the funding ratio between primary and secondary, it does

also rank highly in respect of the level of pupil-led funding and funding allocated through the Basic Entitlement.

LBBB is in the upper most quartile nationally for Pupil Led funding, with 92.6% of funding being allocated through the AWPU, the 37th highest in the country (placing 16 out of 33 in London).

LBBB allocates 81.6% of schools funding through the Basic Entitlement, the 22nd highest in the country and 5th highest in London. The highest proportion for Basic Entitlement funding in London is 87.1% whilst the lowest is 63.1%.

LA Data Proformas 2013-14

<http://media.education.gov.uk/assets/files/xlsm/s/la%20data%20proforma.xlsm>

- 4.2 The minimum funding guarantee of 1.5% is still in place which means that no school can lose more than 1.5% of their previous year's budget per pupil.
- 4.3 Taking into account the EFA regulation changes it will not be possible to achieve both of the principles detailed in 1.1. Therefore the draft models for 2014/15 have been based on the principle of minimum turbulence.

5) 2014/15 PROPOSED CENTRALLY RETAINED DSG BUDGET / DSG DE-DELEGATIONS

- 5.1 The Local Authority / Head Teachers Steering Group were tasked by the Schools Forum to review the 2012/13 centrally retained DSG budget. The recommendations from the Steering Group were agreed by Schools Forum on 25 June 2013 and are detailed below:

2012/13 centrally retained DSG budget	£2,849,800
Adjustments:	
Reduction in DSG cont. to Community Music Service	(£100,000)
Removal of VoIP telephony system provision	<u>(580,000)</u>
2014/15 proposed centrally retained DSG	£2,169,800
A reduction of 24%	

Refer to Appendix A for the full detail of the proposed 2014/15 centrally retained items. (Appendix A - Centrally Retained DSG Budget 201415)

Decision required – Schools Forum agree each line of the centrally retained DSG for 2014/15 as recommended by Head Teachers Steering Group.

- 5.2 A net reduction of £227,600 is proposed for the DSG de-delegations as detailed below:

2012/13 DSG de-delegations	£1,925,613
Adjustments:	
Phased reduction in cont. for schools in financial difficulty	(£250,000)
Increase in support for trade union duties	<u>£22,400</u>
2014/15 proposed DSG de-delegations	£1,698,013
A reduction of 12%	

Refer to Appendix B for the full detail of the proposed 2014/15 DSG de-delegations (Appendix B - DeDelegated DSG Budget 2014/15)

Decision required – Schools Forum agree to dedelegate £1,698.013 DSG for 2014/15 as recommended by Head Teachers Steering Group.

- 5.3 The impact on the proposals for reducing the centrally retained and de-delegated DSG is that a sum of £907,600 remains within the Schools Block and is available to fund the schools funding model. The proposed models for 2014/15 continue with a £1.2m transfer from the Schools block to high needs. However by reducing the amount of DSG to be centrally retained and leaving more money within the Schools block, this mitigates the impact of moving funds from the Schools to the High Needs block. In 2014/15 there will be a shortfall of £300k against the £1.2m but this can be made up in 2015/16 by a further reduction to the contingency for Schools in Financial Difficulty. This action retained the £5m retained DSG for schools based projects rather than providing a cushion for the High Needs Block.

6) GROWTH FUND

- 6.1 DfE regulations allow for a growth fund to be held to fund significant pupil growth. A growth fund of £3.07m is required for 2014/15. This covers:
- £2,650,000 to fund additional classes opened from September 2014. The proposed criteria for allocating this growth is to award £57,000 to each school with a class opening in September 2014 which is additional to the classes opened in September 2013. Additional classes must be part of the growth plan agreed and co-ordinated by the Schools Estates team. Where primary schools have expanded from 1.5 to 2 forms of entry, £28,500 additional class funding will be allocated. The growth fund will cover 46

additional classes from September 2014. If demand for additional classes proves to be greater there will be a need to allocate more money in year to the growth fund. This will have to be funded from the retained carry forward.

- £420,000 has been earmarked to cover the opening of new schools and proposed school expansions. The criteria for allocating new school funding will be based on a reasonable level of funding to meet the schools need (taking into account funding allocated the formula if applicable) and for this reason will have to be assessed on a case by case basis. For school expansions an additional one off split site allocation of £40,000 is proposed. This is to be awarded to school expansions of 2 or more forms of entry onto a new separate site. Split sites are defined as a site being split by a public highway. Once again if demand exceeds the £420,000 earmarked provision, the balance will have to be funded from the retained carry forward.

6.2 The Schools Forum is asked to approve a growth fund of £3.07m for 2014/15 and agree the proposed allocation criteria for additional classes, new schools and expanding schools, as detailed in 6.1 above.

Decision required – Schools Forum agree the growth fund of £3.07m for 2014/15 and agree the proposed allocation criteria for additional classes, new schools and expanding schools

7) PROPOSED MODELS FOR 2014/15

Assumptions for Consultation Models.

All Models

Underlying Data

Numbers on Roll

- Number have been taken from the May Census, PAN numbers for London Riverside have been used
- Known growth classes for September 2013 have been added
- Less known ARP places have been deducted, as required by funding regulations

Guaranteed Unit of Funding (GUF)

We have assumed that the GUF for 2014-15 remains as 2013-14 rate of £5,582.87

NNDR

July 2013 data plus a 2% anticipated increase.

PFI

Figure used from the PFI funding model, still to be confirmed

Non Delegated (top sliced)

This has been reduced by £680k (£580k VoIP and £100k Music Service). This has been added to the amount available for the funding formula.

Dedelgation

All models have £1m (£1.25m 2013-14) dedelegated for schools facing financial difficulties, trade unions increased to £325k (£302,600 2013-14). Schools gain £227,600 as a result of having to dedelegate less.

Growth Fund

This remains at £3,070k

Transfer to High needs block

The £1.2m transfer to the high needs block continues

Lump Sum

Lump sum mains at £150k for both Primary and Secondary Schools.

Modelling Options available

Approximately 80% of funding is allocated through AWPU, of the remaining 12 factors the next largest allocation is prior year attainment at approx 5% of funding. Therefore in order to have maximum impact on funding ratios and gains/losses per school the AWPU factors have been adjusted. Adjusting the other factors would have minimal impact on schools funding.

Calculation of gains and losses

Post MFG gain/(loss) column 42

Indicative change to a school's funding for 2014-15 as per their funding statement

Post MFG gain/(loss) excluding NNDR column 44

As National non Domestic Rates (NNDR) are funded on an actual basis ie funding is given to match expenditure any movement in NNDR would mask the true gains/losses to schools. Therefore this column strips out the effect of NNDR changes to give a truer picture.

Post MFG gain/(loss) excluding NNDR plus Pupil Premium increase column 46

The illustrative pupil premium increase for 2013-14 has been added to gains/loss to illustrate additional funding received by schools.

Gain/loss if no MFG excl NNDR column 48

Gain/ loss per school if no Minimum Funding Guarantee was in place excluding the effect of NNDR on funding. This shows the anticipated change in funding if no protection for losses or capping for gains was in place.

Model 1:

Move towards the national average ratio of 1:1.27 in real terms (post MFG) by applying a 4% cap to gains, no reduction to primary AWPU and a £400 reduction to KS3&4 AWPU. This model moves the post MFG primary/secondary ratio to 1:1.36 (from 1:1.40). Pre MFG primary/secondary ratio moves to 1:1.32 (from 1:1.35).

Model 2:

Move towards the national average ratio of 1:1.27 in real terms (post MFG) by applying a 5.2% cap to gains, £75 reduction to primary AWPU and a £240 reduction to KS3&4 AWPU. This model moves the post MFG primary/secondary ratio to 1:1.38 (from 1:1.40). Pre MFG primary/secondary ratio moves to 1:1.38 (from 1:1.35).

Model 3:

Move towards the national average ratio of 1:1.27 in real terms (post MFG) by applying a 5% cap to gains, £110 reduction to primary AWPU and a £210 reduction to KS3&4 AWPU. This model moves the post MFG primary/secondary ratio to 1:1.39 (from 1:1.40). Pre MFG primary/secondary ratio moves to 1:1.39 (from 1:1.35).

Model 4:

Maintains the status, no movement to the primary: secondary funding ratio (1:1.40) by applying a 5% cap to gains, reducing primary AWPU by £120 and KS3&4 AWPU by £180. Pre MFG primary/secondary ratio moves to 1:1.40 (from 1:1.35).

8) EFA / CONSULTATION TIMETABLE

Next steps

Date	Action
31 October 2013	Local authorities submit provisional Schools Budget pro forma to the EFA
19 November 2013	Cabinet Meeting
27 November 2013	Schools census database closed
16 December 2013	EFA confirms DSG allocations for 2014-15 (prior to re-couplement of funding for academies)
21 January 2014	Local authorities submit final data for Schools Budget pro forma
28 February 2014	Local authorities confirm budget for their maintained schools. EFA confirms academies budgets.

List of appendices:

Appendix A – Centrally Retained DSG Budget 2014-15

Appendix B– DSG Dedeglated Budget 2014-15

Appendix C – Funding Model 2014-15 Details

Appendix D – Funding Model 2014-15 summarised analysis