

## **CABINET**

**11 FEBRUARY 2014**

### **FINAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2014-15**

Portfolio Holder: Councillor Mike O'Brien, Children's Services (Lead Member)

Report from: Barbara Peacock, Director of Children and Adults Services

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#### **Summary**

At Cabinet in October 2013 Medway Council's Education Finance section explained the government's funding reforms to mainstream schools and academies. This started from April 2013 with further revisions by government from April 2014. Local Authorities, working with Schools' Forums, have consulted with schools and academies on the 2014-15 options. The Schools' Forum recommended these options to Cabinet in October 2013 and these were approved and subsequently notified to the Education Funding Agency (EFA).

Since then, there has been another change by government in relation to the Prior Attainment factor for the primary phase and also the 2014-15 Dedicated Schools Grant (DSG), which funds schools and academies, has been confirmed by the Department for Education.

Schools' Forum have discussed the Final Funding Formula for 2014-15 and recommended this to Cabinet for approval.

#### **1. Budget and Policy Framework**

- 1.1 Funding for schools and academies is provided by central government in the form of the Dedicated Schools Grant (DSG). The DSG is ring-fenced and regulations prevent the DSG being spent on anything other than schools and academies
- 1.2 This report deals with the formula used to distribute DSG funds to Medway schools and academies and is therefore a matter for decision by the Cabinet.

## 2. Background

- 2.1 The coalition government announced its intention to reform the school funding system in its White Paper *The Importance of Teaching*, (November 2010) referring to the current arrangements as:
- opaque and extremely complex
  - unfair, as they lead to schools with similar intakes receiving very different levels of funding
  - failing to reflect need accurately
  - failing to support the new school system (i.e. academies and free schools)
- 2.2 In July 2011 the government launched its first consultation on school funding reform. This included a proposal for a national funding formula for schools and academies but, having reflected on the responses, the government decided to delay its introduction until after 2014-15. However local authorities were required to simplify their funding arrangements for schools and academies from April 2013 as a first step towards the national funding formula.
- 2.3 The latest government paper *School Funding Reform: Findings from the Review of 2013-14. Arrangements and Changes for 2014-15* (June 2013), continues the journey with changes to school and academy funding to be implemented for financial year 2014-15.
- 2.4 The Education Funding Agency (EFA) have a significant role in overseeing the new funding arrangements. The EFA was formed in April 2012 to take over the operational functions of the Department for Education.
- 2.5 The key steps in the process are as follows:

<b>Date</b>	<b>Milestones</b>
June 2013	Government issues paper on school funding reforms for 2014-15
2 July 2013	Medway's Schools Forum met to consider the government's proposals and decided upon most of the funding formula changes. Forum decided to consult with schools and academies on remaining changes
12 August 2013	Consultation with Medway's schools and academies
13 September 2013	Closing date for responses to the consultation
9 October 2013	The Schools Forum met to consider the consultation responses and made recommendations to Cabinet for approval
29 October 2013	Cabinet met and approved Schools Forum recommendations on changes to the funding formula for 2014-15
31 October 2013	Deadline for reporting the formula to the EFA
18 December 2013	The Dedicated Schools Grant (DSG) for 2014-15 was confirmed by the Department for Education
January 2014	Local Authorities allocated their Schools Block element of the DSG using the Funding Formula
21 January 2014	Deadline for reporting Final Funding Formula to the EFA
22 January 2014	Schools' Forum met and approved the Final Funding Formula and made recommendations to Cabinet to approval in their meeting of 11 February 2014
11 February 2014	Cabinet meeting to make decisions based on Schools Forum recommendations approval of the Final Funding Formula for 2014-15
28 February 2014	Local Authorities to confirm Schools Block allocation to schools
31 March 2014	EFA to confirm allocations to academies

2.6 The October 2013 Cabinet paper explained the government's decisions and proposals on further changes needed for 2014-15:

- minimum of 80% of schools block funding be allocated through pupil-led factors
- minimum Basic Entitlement (Age Weighted Pupil Units – AWPU) rates per pupil
- changes to the data used to measure prior attainment
- establishing a portion of schools block funding for use through the deprivation factor
- single measurement to use for the looked after children factor
- 10% pupil mobility threshold
- introduction of new 'Sparsity' factor
- changes to lump sum
- new top-slicing of the Dedicated Schools Grant (DSG) for 'Falling Rolls'

- schools forum representation
- single high needs threshold of £6,000 for mainstream schools / academies
- minimum funding guarantee of -1.5%
- cap on gains

2.7 Cabinet then approved the below, at the request of the Schools' Forum:

- To allocate 5.2% of the schools block funding through the Deprivation factors
- To include the new Sparsity factor within Medway's funding formula
- To set the Lump Sum amount at the same level for both primary and secondary phases
- To continue to cap the gains from the funding formula at 1.5% per pupil

### 3. Further Change for 2014-15

3.1 The EFA (Education Funding Agency) on 16<sup>th</sup>.December 2013 notified all Local Authorities of a late change in the funding formula data for 2014-15. This change related to the funding of the Prior Attainment factor for the Primary phase.

#### 3.2 Prior Attainment Factor for Primary Phase

Currently, Prior Attainment for primary pupils in Medway is recorded by the EFA as the % of pupils not meeting 73 points using the now 'old' Early Years Foundation Stage Profile (EYFSP), so for pupils in Years 2 – 5.

A 'new' EYFSP was introduced this year, so pupils in Year 1 are now recorded using this 'new' profile as the % of pupils not achieving the level "Good Development".

For Medway then, using the final EFA data (which is mapped to the Autumn 2013 census);

Year 1 pupils: 27.57% did not achieve the level "Good Development" (new profile)

Year 2 – 5 pupils: 13.80% did not reach 73 points (old profile)

3.3 The EFA are concerned nationally that the 'new' profile is not consistent with the 'old' profile, so disproportionately more funding would be attracted to the Year 1 data than the rest of the primary cohort. So, in effect, funding for this factor would 'move' funding from Junior schools/academies across to Infant schools/academies.

The EFA gave Schools' Forums the option of:

Option A) Leaving the data as is, so funding Prior Attainment based on the two EYFSPs.

Option B) Place a weighting on the Year 1 results so that the 'qualifying' pupils be matched to the Year 2 – 5 results.  
In Medway, then this would mean funding Year 1 pupils at 13.80%.

The School's Forum decided upon Option B) in December 2013.

#### 4 Final Funding Formula 2014-15

4.1 The Department for Education confirmed the Dedicated Schools Grant (DSG) in December 2013. The 'Schools Block' allocation is £158.9 million, as shown in Table 2, of paper 'Capital and Revenue Budgets 2014-15'.

4.2 The amount of funding to be delegated to schools and academies via the 'School Block' is decided upon by the Schools' Forum following government guidance.

4.3 At their meeting of 22 January 2014, the Centrally Retained element was decided at £1.2 million, with the balance of £157.9 million being delegated.

4.4 Below shows the Centrally Retained amount for 2014-15;

	Amount	Total
<u>Growth Fund</u>		
Ongoing Commitments for 2013-14 (Primary Phase)	£160k	
Bulge Classes (Primary Phase)	£144k	
PAN Increases (Primary Phase)	£72k	
New Schools/Academies (Primary Phase)	£100k	£473k
<u>De-Delegations (LA-Maintained Schools only)</u>		
'Onside' [recorded as 'BSS' to EFA] @ £6.57 per pupil (Primary & Secondary Schools)	£135k	
Minority Ethnic Pupils/Under-achieving Groups @ £4.50 per pupil (Primary & Secondary Schools)	£92k	
Assessment of FSM Eligibility @ £0.72 per pupil (Primary & Secondary Schools)	£15k	
Trade Union Facilities @ £1.09 per pupil (Primary & Secondary Schools)	£22k	£264k
<u>Statutory Functions of the LA</u>		
Co-ordinated Pupil Admissions Process	£366k	
Schools' Forum Administration	£5k	£371k
National Copyright Licenses to follow		£145k
<b>Sub-Total Schools Block Centrally Retained 2014-15</b>		<b>£1.2m</b>

*Rounding differences will occur in the above table*

4.5 The Local Authority has now 'run' the formula as set out in paragraphs 2.6, 2.7 and 3.4. Below is a summary of the delegated allocation.

<u>Funding Factor</u>	<b><u>2014-15 Allocation</u></b>	<b><u>2014-15 Percentage</u></b>
a) Basic Entitlement – Primary	£60.4m	38.4%
b) Basic Entitlement – Secondary	£61.9m	39.4%
c) Deprivation	£8.2m	5.2%
d) LAC	£185k	0.1%
e) Prior Attainment	£12.9m	8.3%
f) EAL	£490k	0.3%
g) Mobility	£285k	0.2%
h) Lump Sum	£10.5m	6.7%
i) Split Sites	£112k	0.07%
j) Sparsity (new)	£5k	0%
k) Additional Lump Sum for Amalgamated Schools / Academies (new)	£156k	0.1%
l) Rates	£1.7m	1.06%
m) Exceptional Circumstances (Listed Building & Monument)	£27k	0.02%
<b>Sub-Total</b>	<b>£157.0m</b>	<b>99.9%</b>
MFG/Cap	£957k	0.6%
<b>Total Delegated</b>	<b>£157.9m</b>	<b>100%</b>

*Rounding differences will occur in the above table*

Funding distributed through Basic Entitlement (factors a+b) 78%

Funding distributed through Pupil-Led factors (factors a-g) 92%

## 5. Advice and analysis

5.1 The membership of the Schools Forum includes headteachers and governors from primary and secondary schools and academies. The Forum considered the issues relating to the funding formula changes at length and took account of the responses from the consultation with schools and the potential financial impact.

5.2 The Forum has asked that Cabinet implement the following recommendations relating to the funding formula:

- To place a weighting on the Year 1 prior attainment results so that the 'qualifying' pupils be matched to the Year 2 – 5 results.
- That the Final Funding Formula 2014-15 be approved.

## 6 Risk management

<b>Likelihood:</b>	<b>Impact:</b>
A Very high	1 Catastrophic
B High	2 Critical
C Significant	3 Marginal
D Low	4 Negligible
E Very low	
F Almost impossible	

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Small schools and academies become financially non-viable	The revised formula impacts adversely on small schools and academies and leaves them with insufficient funds to operate effectively	A significant lump sum has already been included in the formula. The new 'Sparsity' factor is targeted at small rural schools and academies to address viability.	D2
Increase in schools and academies with a budget deficit	Schools and academies that lose funding under the new formula do not act to reduce their expenditure and incur deficits	Officers will work with schools to help them amend their budget plans and manage the impact. Academies will work with Education Funding Agency.	D3
Increasing redundancy costs	Schools that lose funding under the new formula may need to reduce their staffing	The minimum funding guarantee provides schools and academies with transitional protection that will help take advantage of natural wastage	D3

## **7 Consultation**

- 7.1 Proposals for the funding formula changes were discussed with the Schools Forum a group consisting of headteachers, governors and school business managers of Medway schools and academies) on 2 July 2013
- 7.2 All schools and academies were consulted in the period 12 August to 13 September 2013 and were informed of the potential financial impact.
- 7.3 The Schools Forum met on 9 October 2013 to consider the responses from schools and also make recommendations to Cabinet.
- 7.4 The Schools Forum met on 22 January 2014 to approve the Final Funding Formula and to make recommendations to Cabinet, as set out in paragraph 9 below.

## **8 Financial implications**

- 8.1 The report relates to potential changes in the distribution of the Dedicated Schools Grant (DSG). Any impact will remain within the DSG and will not affect the Council's general fund.
- 8.2 The new funding formula only affects mainstream schools and academies. The funding of special schools and specialist SEN provision within mainstream schools does not form part of these changes.
- 8.3 The funds provided through the Pupil Premium Grant, the early years single funding formula and school sixth form grants are unaffected by changes to the mainstream schools funding formula.

## **9 Legal Implications**

- 9.1 Dedicated School Grant is paid to local authorities under section 14 Education Act 2002.
- 9.2 Medway Council has responsibility for setting the overall level of its individual schools budget and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2013.

## **10 Recommendations**

- 10.1 Cabinet is asked to instruct officers to implement a new funding formula for schools and academies as follows:
  - (i) To place a weighting on the Year 1 prior attainment results so that the 'qualifying' pupils be matched to the Year 2 – 5 results, as set out in Option B of paragraph 3.3 of the report.
  - (ii) To approve the Final Funding Formula 2014-15, as set out in paragraph 4.5 of the report.



## **11 Suggested reasons for decision(s)**

- 11.1 The local authority is required to implement the funding formula changes from 2014-15 in accordance with the School and Early Years Finance (England) Regulations 2013. This is a Cabinet function.

### **Lead officer contact**

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### **Background papers**

*Department for Education (June 2013)*  
*School Funding Reform: Findings from the Review of 2013-14. Arrangements and Changes for 2014-15,*  
<https://www.gov.uk/government/publications/school-funding-reform-findings-from-the-review-of-2013-to-2014-arrangements-and-changes-for-2014-to-2015>