

Title of meeting: Schools Forum

Date of meeting: 15 January 2014

Subject: School Funding Reform 2014/15

Report from: Julian Wooster, Director of Children's and Adults Services

Report by: Richard Webb, Finance Manager for Children's Services

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

The purpose of this report is to inform Schools Forum of the progress being made towards the implementation of the changes to School Funding for 2014-15 and to seek approval for the final stage of the submission to the Department for Education (DfE) of the 2014-15 school funding proforma.

2. Recommendations

It is recommended that Schools Members:

- a. Approve the proposed changes to the mainstream schools revenue funding formula as set out in paragraphs 4.7 to 4.11.
- b. Approve the table at Appendix 1, showing the de-delegated budgets and the unit values to be used in 2014-15.
- c. Agree the growth fund for 2014-15 be set at £300,000 and the continued use of the growth fund criteria as set out in Appendix 2.
- d. Agree the establishment of a falling rolls fund for 2014-15 as set out in section 7, with the criteria set out in Appendix 3.
- e. Agree that £14.00 per pupil be de-delegated from all maintained schools to establish a contingency fund, together with the criteria set out in Appendix 4.
- f. Endorse the school funding pro-forma at Appendix 5 to be submitted to DfE by the 21st January 2014.

It is recommended that Schools Forum:

- g. Approve the proposal to fund the Fair Access Protocol support service directly from the High Needs Budget from 2014-15.
- h. Approve the transfer of an amount equivalent to the closing balances of the Arundel Court Infant and Junior schools to the new Arundel Court Primary School in 2014-15.

3. Background

- 3.1. Schools Forum have received a number of reports and made a number of decisions over the past year, in respect of the Funding Formula changes and the implementation of the arrangements for 2014-15.
- 3.2. The main purpose of this report is to seek approval for the final stage of the submission to the Department for Education (DfE) by the 21st January, of the 2014-15 school revenue funding pro-forma for the Primary and Secondary phases.
- 3.3. The final proposed funding pro-forma is attached at Appendix 5.

4. Funding Formula Changes 2014-15

- 4.1. At the Schools Forum meeting on the 23rd October, Members agreed the mainstream formula factors, together with the choices that the Council had made in implementing these locally.
- 4.2. Following the endorsement of the draft funding pro-forma by Members, the pro-forma was submitted to the DfE. The DfE have confirmed that this draft pro-forma met the required criteria.
- 4.3. In October, it was also highlighted that in setting the final funding formula for 2014-15, it was likely that the final unit values may require amendment. These changes would be required in order to maintain affordability and minimise the impact of fluctuations in funding at the school level, and would be limited to the following formula factors:
 - Prior attainment
 - Basic Per Pupil Entitlement
 - Lump sum
 - The percentage of the financial cap
- 4.4. It had been hoped that it would be possible to allocate an amount of funding from the carry-forward balance to schools, in setting the final schools funding formula for 2014-15. A significant amount of uncertainty

remains in certain areas of the Dedicated Schools Grant budget, such as the increase in Out-of-City placements, Top-Up Funding for High Needs Pupils, new Post 16 responsibilities, the impact of the Children's & Families Bill, Academies and the new National Funding Formula. In light of these potential financial risks, no allocation has been proposed in 2014-15 from the carry-forward balance.

- 4.5. The last reported estimate of the carry-forward balance of circa £1.5m equates to around only 1% of the overall DSG grant.
- 4.6. The final adjustments to the funding formula for 2014-15 are summarised below in the paragraphs below.

Prior Attainment - Primary

- 4.7. The first assessment of the new Early Years Foundation Stage Profile (EYFSP) took place in the summer of 2013. The data from this assessment was not available for the October pro-forma and it was expected that we would need to review the funding rate attached to this factor once the data was available from the DfE.
- 4.8. The new assessment criteria is now available and has resulted in an increase of 61% in the number of pupils eligible for funding through this factor. At the existing funding rate, this would require an additional £1.3m to be allocated to primary schools as a result of the criteria changes, which is unaffordable.
- 4.9. In order to maintain the overall affordability of funding to schools, it is proposed that unit funding value be reduced from £1,148.08 to £740. With the revised rate, the funding allocated to Primary schools through this factor in 2014-15 would amount to £2,221,801 (2013-14 = £2,132,559).

Financial Cap

- 4.10. In 2013-14 the financial cap was set at 1.5% in order to minimise fluctuations in funding for schools and to protect against significant and unaffordable increases in funding.
- 4.11. For 2014-15 the financial cap will remain in place as explained within the consultation document. However, now that the final data is available it is proposed to increase the rate of the cap to 2% in order to allow those schools who have been capped to retain a greater proportion of their funding.
- 4.12. The main impact on the amount of funding individual schools will receive in 2014-15 has been as a result of the change in pupil numbers. The

October 2013 census has shown an increase in the number of Primary school pupils of 429, whilst the secondary schools have seen a reduction of 177 pupils. As a result of these changes, the Primary : Secondary funding ratio, has changed from 1:1.29 to 1:1.27 between the draft funding pro-forma in October and January funding pro-forma at Appendix 5.

- 4.13. The Minimum Funding Guarantee (MFG) and the financial cap mechanisms, ensure that schools will not see a reduction of more than 1.5%, or an increase of more than 2% in the amount of funding per pupil. However, where there is a change in the number of pupils, schools will see an increase or decrease in their overall funding.
- 4.14. The movements in the individual school funding between 2013-14 and 2014-15 is summarised in the table below. The main reason for the significant decreases in the funding received by Secondary schools is due to the overall reduction in pupil numbers. A mechanism to support these schools is proposed later in the report.

	Decrease		Increase	
	Primary	Secondary	Primary	Secondary
0% to 2.5%	8	3	11	3
2.5% to 5%	7	-	9	-
5% to 10%	-	2	8	-
10% to 15%	-	2	5	-
15%+	-	-	2	-
TOTAL	15	7	35	3

5. De-delegated Central Funding

- 5.1. At the Schools Forum meeting on the 25th September 2013, School Members voted by phase to de-delegate from maintained schools the relevant budgets to central control. The table at Appendix 1 reflects those decisions and in particular:
- (a) To only de-delegate the budgets for the Ethnic Minority Achievement Service for the period April to August 2014. From September 2014, schools or Academies wishing to access this service will need to sign-up to either a service level agreement or traded service agreement respectively.
 - (b) Secondary schools chose only to delegate the Behaviour Support Service for the period April to August 2014. From September 2014, secondary schools or Academies wishing to access this service will need to sign-up to either a service level agreement or traded service agreement respectively. Maintained Primary schools chose to de-delegate for the whole of 2014. Any Primary Academies will need to enter into a traded service agreement to access these services.

- 5.2. The table at Appendix 1 also shows the de-delegated unit values for 2014-15 and the comparatives for 2013-14.
- 5.3. The Department for Education has negotiated a central licence for all publically funded schools for the following licences:
- Copyright Licencing Agency (CLA)
 - Schools printed Music Licence (SPML) owned by the Music Publishers association (MPA)
 - Newspaper licensing Authority (NLA)
 - Education Recording Agency(ERA)
 - Public Video Screening Licence (PVSL)
 - Motion Picture Licencing Company (MPLC)
- 5.4. Under the regulations, the funding for these licences will be centrally retained before delegation to schools. The amount de-delegated for the centralised administration of copyright licences has been reduced to reflect the increased number of licences negotiated by the DfE.
- 5.5. Historically, the Behaviour support funding included an amount for the Fair Access Protocol (FAP) Support Service. The service provides mentoring support to children and young people who are identified as hard to place by the Inclusion Support Panel due to their additional needs and/or complex circumstances when moving between schools. Funding in previous amounted to circa £59,000 and supported 1.5fte FAP mentors.
- 5.6. It is proposed to re-align the funding for this service from 2014-15 as it is a separate service from behaviour support. Therefore from 2014-15 it is proposed that this funding be allocated from the High Needs Budget.
- 5.7. The School and Early Years Finance (England) Regulations 2013 now permit any unspent amounts in respect of the budgets in 2013-14 to be carried forward for use on the same purposes. Therefore it is intended that any under-spends at the end of 2013-14, will be carried forward to be used for the same purposes in 2014-15.

6. Growth Fund

- 6.1. The current growth fund criteria are attached at Appendix 2. For financial year 2014-15 no changes are currently proposed to the existing criteria.
- 6.2. For 2013-14, no allocations from the fund for 'significant and sustained' growth have yet been made, as the October 2013 census data is required in order to calculate the allocations. It is intended that these allocations will be calculated and issued to schools and academies by the end of February 2014.

- 6.3. Currently £200,000 has been set-aside for this fund. For 2014-15 it is proposed that this be increased to £300,000, to reflect the growth in pupil numbers in the primary phase. As this is not a de-delegated fund, it is possible to amend the criteria and the value of the fund during the financial year if deemed necessary.

7. Falling Rolls Fund

- 7.1. In addition to a growth fund, it is possible to retain funding centrally for a 'falling rolls' fund, where a population bulge is expected in the future but where a good and necessary school or academy currently has surplus places and faces an unmanageable funding shortfall in the short term.
- 7.2. During the consultation period, it had not been anticipated that schools would experience such a significant fall in the number on roll, which would result in an unmanageable funding shortfall in the short term.
- 7.3. In order to support these schools, it is proposed that a 'falling rolls' fund is created in order to provide a mechanism to allocate additional funding to them. It is anticipated that two Secondary schools would benefit from this fund in 2014-15.
- 7.4. The proposed criteria for the fund are set out in Appendix 3, together with the funding allocation methodology. It is proposed that £500,000 is retained centrally in order to establish the fund.
- 7.5. Where a maintained school is experiencing a funding shortfall for the above reasons, but is not good or outstanding, then they would be able to apply to the 'schools contingency fund' for support. In the case of academies, they would not be eligible to apply to the 'schools contingency fund' and would need to contact the Education Funding Agency for support.

8. Contingency Fund

Background

- 8.1. At the Schools Forum meeting in October 2013, Members approved the establishment of the schools specific contingency for maintained schools. The contingency will be funded through a de-delegation mechanism within the school revenue funding formula.
- 8.2. The School and Early Years Finance (England) Regulations 2013, permit the creation of a schools specific contingency through this mechanism, in order to support schools that have incurred expenditure which it would be

unreasonable to expect them to meet from the schools budget share, which may include:

- schools in financial difficulty
- new amalgamating or closing schools
- the writing-off of deficits of schools which are discontinued, excluding any associated costs or overheads
- other expenditure where the circumstances were unforeseen when initially determining the schools budget share

8.3. The contingency fund will apply only to maintained schools, as it is not possible to de-delegate from Academies. When a school converts to Academy status, the Council will only be able retain the de-delegated funding until the following September or April, following conversion, whichever comes first.

Value of the Fund

8.4. As part of the funding formula consultation with schools earlier this year, it was proposed that the fund be created by de-delegating between £10.00 and £20.00 per pupil from each of the maintained schools. It was estimated that the fund created would be between £179k and £358k, based on the available pupil data.

8.5. Now that the updated pupil data from the DfE based on the October 2013 census is available, it is possible to provide more accurate estimates of the fund value for the current maintained schools, based on different de-delegation rates.

8.6. The table below provides an illustration of a range de-delegation rates, (using the Basic Per Pupil Entitlement factor) and estimated fund values:

De-Delegation rate	Fund Value
£5	89,557
£8	143,291
£10	179,113
£12	214,936
£14	250,759
£15	268,670
£16	286,581
£20	358,227

For every £1 change in the de-delegation rate, the fund value would increase or decrease by £17,911¹.

¹ This figure will vary according to the number of schools that have converted to academy status, at the time of writing the report it only schools that have converted or are planned to convert up to an including 1 September 2014 are excluded from this figure.

- 8.7. It is proposed that the de-delegation rate for 2014-15 be set at £14.00 to create an initial fund value of £250,759.

Operational Framework

- 8.8. The contingency fund will be created to support all maintained Primary and Secondary Schools. The main purpose of the fund is to support schools that have incurred exceptional costs which it would be unreasonable to expect them to meet from the schools budget share; and which do not arise as a result of the decisions of the school or its governing body.
- 8.9. Appendix 4 provides further details of the proposed operational criteria for this fund, together with the decision making processes.

9. Arundel Court Closing Balances

- 9.1. Arundel Court Infant and Junior Schools amalgamated to become Arundel Court Primary on the 1st September. As the contingency fund was not in place in 2013-14 it has not been possible to transfer the balances of the closing schools to the new Primary School.
- 9.2. The balances of the closing schools amount to £108,781 and will form part of the carry forward balance in 2013-14 to 2014-15.
- 9.3. If Schools Forum approves the contingency criteria in Appendix 4, then it is recommended that Schools Forum approve the transfer of an amount equivalent to the closing balances of the Arundel Court Infant and Junior schools to the new Arundel Court Primary School in 2014-15.

10. Reasons for recommendations

Schools Forum are recommended to endorse the proposals contained within the report. Local Authorities are required to submit the revenue funding proforma for 2014-15 to the DfE by the 21st January 2014 in order to meet the statutory deadlines.

11. Equality impact assessment (EIA)

This report does not require an Equality impact Assessment as the proposal does not have any impact upon a particular equalities group.

12. Legal Implications

Legal comments have been included within the body of this report

13. Head of Finance's comments

Financial comments have been included within the body of this report.

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Signed by:

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities	DfE Website
The School and Early Years Finance (England) Regulations 2013	www.legislation.gov.uk
School revenue funding working papers	Education Finance

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Appendix 1 - De-Delegated Budgets

Expenditure Item	13/14 De-Delegation Rates				14/15 De-Delegation Rates			Notes
	Basis	Primary	Secondary		Basis	Primary	Secondary	
Administration of Free School Meals	NOR	£1.22	£1.67		NOR	1.22	1.67	N/A
Licences & Subscriptions	NOR	£0.87	£1.38		NOR	0.45	0.39	N/A
Maternity	NOR	£19.90	£18.74		NOR	19.90	18.74	N/A
Union Duties, Suspension, Jury Services, etc	NOR	£6.96	£14.83		NOR	6.26	14.81	N/A
Ethnic Minority Achievement Service	EAL	£211.66	£1,025.11		EAL	89.21	430.83	De-delegation for 2014-15 only for April 14 to August 14. Thereafter the service will operate as a traded service. 2014-15 rates reflect 5/12ths of the 2014-15 SLA rate
Museum & Library Service	NOR	£1.12	-		NOR	1.12	-	Primary schools only.
Behaviour Support	NOR	£14.11	22.92		NOR	13.52	8.35	Primary: Delegation for whole of 2014-15.
	FSM	£42.97	70.72		FSM	40.14	23.97	Secondary: De-delegation for 2014-15 only for April 14 to August 14. Thereafter the service will operate as a traded service. Unit rates reflect 5/12ths of the 2013-14 rates

NOR = Number on roll

EAL = English as an additional language factor

FSM = Free school meals factor

Appendix 2 - Growth Fund Criteria

Significant & Sustained Growth

*'Growth funding will be allocated to schools where there is a **significant** and **sustained** growth in pupil numbers'*

For funding to be allocated to schools from this growth fund; the growth in the number of pupils must meet **both** of the following criteria:

- **'Significant'** – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.
- **'Sustained'** – The 'significant' criteria has been met for both the current and previous academic year.

A one-off allocation from the growth fund will be made to schools who meet the above criteria. The allocation will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation.

Increasing Age Range

Where a school is amending its age range, funding may be allocated from the 'Growth Fund' up to a maximum of £280,000, with the specific approval of schools forum, where the following criteria are met:

- *The increased school places are required in order to meet basic need within the area and have been agreed with the Local Authority.*
- *The increased places relate to pre-16 pupils.*
- *The new school places are not within the schools current phase.*
- *A business case has been submitted by the school which sets out the expected set-up costs to be incurred.*
- *Any funding allocated would be to support the following areas of expenditure:*
 - *additional leadership team capacity*
 - *additional secretarial support*
 - *publicity, promotion and advertising of the new school*
 - *consultancy*
 - *curriculum costs*
 - *recruitment costs*
 - *other revenue costs related to set-up of the new school*

If the above criteria are met, the funding would be allocated from the 'growth fund' in full to the school in a single funding period. The funding allocation would be calculated as £445 multiplied by the total number of additional places anticipated to be created in the school as a result of the change in the schools age range up to the maximum permitted.

Where a school is eligible for an allocation from the growth fund based on both the 'sustained and significant' and the 'increased age range' criteria, then the school will only be eligible for an allocation from one of these mechanisms within the financial year.

Appendix 3 - Falling Rolls Fund

Criteria for accessing the fund

- The fund is only available to Primary and Secondary maintained schools or Academies in Portsmouth.
- Financial support will be available only for schools:
 - Judged Good or Outstanding at their last Ofsted inspection.
 - Surplus capacity exceeds 30 pupils or 20% of the published admission number.
 - Local planning data shows a requirement for at least 50% of the surplus places within the next 3 financial years.
 - Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort.
 - The school will need to make redundancies in order to contain spending within its formula budget.
 - Where the school does not have a surplus revenue balance as at 31st March 2014 in excess of 5% (secondary) or 8% (primary) of its school budget share for the previous funding period (or the relevant academic years in the case of academies).

Funding Allocation

- Schools and academies who meet the above criteria in 2014-15 will be able to request financial support.
- Funding will be using the following formula:

The decrease in the number on roll between the October 2012 and October 2013 census, multiplied by the value of the 2014-15 Basic Per Pupil Entitlement factor.

For Secondary schools, the Basic Per Pupil Entitlement Factor for Key Stage 3 will be used.
- *The maximum allocation to a school or academy from the fund will be limited to £300,000.*

Appendix 4 - Schools Specific Contingency Fund

Purpose of the fund

The School and Early Years Finance (England) Regulations, permit the creation of a 'schools specific contingency' via the de-delegation of funding through the schools revenue funding formula. The contingency fund supports only Primary and Secondary maintained schools.

The purpose of the fund is to support maintained Primary and Secondary schools that have incurred expenditure, which it would be unreasonable to expect them to meet from the schools budget share. This may include:

- schools in financial difficulty
- new, amalgamating or closing schools
- the writing-off of deficits of schools which are discontinued, excluding any associated costs or overheads
- other expenditure where the circumstances were unforeseen when initially determining the schools budget share

Section 4 of the Scheme for Financing Schools continues to apply in respect of schools that are or are likely to be facing a deficit balance.

Criteria for accessing the fund

- The fund is only available to maintained Primary and Secondary Schools in Portsmouth
- Where as a result of exceptional expenditure or loss of income a school is experiencing financial difficulty, or has incurred other expenditure which it would be unreasonable to expect the school to meet from its budget share, then financial support will be considered for eligible schools where the following criteria are met:
 - The costs or loss of income **must** have had a disproportionate effect on the schools budget.
 - The costs or loss of income:
 - arose as a consequence of decisions by bodies outside of the control of the school or its governing body;
 - are exceptional in nature;
 - could not have been foreseen by the school or governing body.
 - The governing body has taken steps to mitigate the impact, where possible.
- Additional costs for new, amalgamating or closing schools:

New maintained schools:

Funding of costs in respect of the initial set-up of new maintained schools will be considered where a business case has been submitted by the school which sets out the expected costs to be incurred; and the following conditions are met:

- The increased school places are required in order to meet basic need within the area and have been agreed with the Local Authority.
- The increased places relate to pre-16 pupils.
- Any funding allocated would be to support the following areas of expenditure:

- Initial leadership team capacity
- Initial secretarial support
- publicity, promotion and advertising of the new school
- consultancy
- curriculum costs
- recruitment costs
- other revenue costs related to set-up of the new school

One-off funding will be allocated based on the business case submitted, up to a maximum funding allocation of £445 multiplied by the total number of additional places anticipated to be created in the school.

Amalgamating schools:

Where two or more schools amalgamate, an amount equivalent to the closing balances of the previously maintained schools will be allocated to the new school.

Closing schools:

In the case of closing maintained schools, which are not amalgamating or converting to academies status under the Academies Act 2010, the contingency may fund additional costs where the school has insufficient balances and the costs are eligible to be funded from the Dedicated Schools Grant.

- Where a maintained school is discontinued, any remaining deficits balances may be charged against the contingency. Where it is necessary to use the contingency for this purpose it will be reported to the Schools Forum at the next scheduled meeting.

Decision Making Process

Where a school believes that their circumstances warrant support from the 'schools contingency fund', then governing body should submit a request to the Finance Manager for Education and Children's Services.

The submission will be reviewed by the Head of Education and the Finance Manager for Education and Children's Services. The level of the schools revenue and capital balances will also be considered as part of the review of any submission.

Any application which the Head of Education and the Finance Manager for Education and Children's Services assess as meeting the above criteria, will present the submission to the Schools Forum to make the final decision as to whether to provide financial support from the fund.