

**Title of meeting:** Schools Forum

**Date of meeting:** 30 April 2014

**Subject:** Fairer Schools Funding in 2015-16

**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

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**1. Purpose of report**

The purpose of this report is to provide Schools Forum with information on the government's proposals for changes to the school revenue funding arrangements for 2015-16, together with Portsmouth's response to the consultation document 'Fairer Schools Funding in 2015-16' issued on the 13<sup>th</sup> March 2014.

**2. Recommendations**

It is recommended that Schools Forum:

- a. Note the Government's proposals in respect of the changes to the school revenue funding arrangements for 2015-16 as set out in sections 3 to section 5.
- b. Note the implications for Portsmouth of the proposals set out in section 6.
- c. Endorse the response to the consultation "Fairer Schools Funding in 2015-16" attached in Appendix 3.
- d. Approve the proposals to set up working groups (one for the mainstream schools and one for the special schools) to support the implementation of the funding arrangements for 2015-16.

### **3. Background**

- 3.1. In April 2013 the Department for Education (DfE) introduced the 'Fair Funding' formula which sought to standardise the method of allocating funding to schools across the country. This was the first step in a two year transitional process towards a National Fair Funding Formula that was intended to be introduced from the financial year 2015-16.
- 3.2. On the 13 March 2014, the DfE issued the consultation 'Fairer Schools Funding in 2015-16' which sets out the government's proposals for changes to the school revenue funding formula in 2015-16. The main proposals relate to changes to the distribution of funding to Local Authorities via the Dedicated Schools Grant (DSG) Schools Block. A full copy of the consultation document can be found at: <https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016>.
- 3.3. The consultation document states that the government is delaying the introduction of the National Fair Funding Formula until a later date, but that they are seeking to move towards the equalisation of the funding provided to local authorities.
- 3.4. The proposals relate to 2015-16 only. The allocation of funding for 2016-17 and beyond is subject to the next spending review.

### **4. Consultation Proposals for 2015-16**

- 4.1. The main changes proposed within the consultation 'Fairer Schools Funding in 2015-16' can be summarised as:
  - A commitment to fund all local authorities at the same cash level per pupil as in 2014-15.
  - A proposal to allocate an additional £350m to fund schools in the least fairly funded authorities, by setting minimum funding levels that a local authority should attract for its pupils and schools in 2015-16.
  - No changes to the mainstream funding factors.
  - To continue the minimum funding guarantee at minus 1.5% per pupil.
  - That no local authority or school will receive less funding as a result of this proposal.

## 5. The Minimum Funding Level

- 5.1. The government is proposing to provide additional funding to the least fairly funded local authorities in 2015-16, after they have met their commitment to fund all local authorities at the same cash level per pupil as in 2014-15. This means that the funding level per pupil will have remained cash flat since 2011/12.
- 5.2. The consultation document sets out the proposed method by which the DfE will allocate funding to local authorities via the Schools Block for 2015-16.
- 5.3. The proposal is to set minimum funding levels that each authority should attract for its pupils, comparing this to the current per pupil level of funding. For those authorities who are below the minimum funding level the DfE will allocate additional funding. For those that are above the minimum funding level there will be no change to the 2014-15 per pupil funding allocation.
- 5.4. The minimum funding levels are based on five pupil led factors and two school led factors, as set out below:
  - a. Pupil led factors
    - A per pupil amount (basic entitlement)
    - Pupils who are from deprived backgrounds (Free School Meals and IDACI)
    - Pupils who have been looked after
    - Pupils with low attainment before starting at either their primary or secondary school
    - Pupils speak English as an additional language.
  - b. School led factors:
    - The lump sum
    - Sparsity factor
- 5.5. Appendix 1 sets out the minimum funding levels across each of the factors and Appendix 2 shows the minimum funding level calculation for Portsmouth.
- 5.6. The indicative minimum funding values in Appendix 1 are calculated using the 2013-14 funding proforma data, with the exception of the lump sum and sparsity amounts, where the DfE have used the provisional 2014-15 school funding data. The amounts proposed by the DfE for the pupil led factors are based on the average national per pupil amounts.
- 5.7. It should be noted that the minimum funding levels are not related to the funding that schools receive, via the individual factors through the Portsmouth school revenue funding formula; this will continue to be decided locally.

- 5.8. The indicative funding levels included within the consultation document and shown at Appendix 1, will be revised once the government has final confirmation of local authorities' local funding formulae for 2014-15.
- 5.9. Once the minimum funding level has been calculated, the DfE are then proposing to apply an area cost adjustment to ensure that the allocation of additional funding reflects differences in area labour market costs.

## **6. Implications of the minimum funding level proposal**

- 6.1. The proposals outlined within the DfE's consultation paper 'Fairer Schools Funding in 2015-16' have been reviewed for their implications within Portsmouth.
- 6.2. As the level of funding Portsmouth currently receives is greater than the 'minimum funding level' calculated by the DfE (see Appendix 2), Portsmouth will not receive any of the £350m additional funding that the DfE intends to allocate to Local Authorities. Therefore the Schools Block allocation per pupil will remain cash flat at the 2014-15 levels; as they have done since 2011-12.
- 6.3. We have a number of concerns with the proposals outlined within the consultation paper and have included these within the response to the consultation paper at Appendix 3. We have also summarised these below:
- a) The 'minimum funding level' calculation is based on unit values which are derived from an average of all Local Authority values used in the funding proforma. This fails to reflect local decisions and local pupil characteristics such as deprivation or prior attainment. Those authorities who have targeted high levels of funding through these factors (such as Portsmouth) will see a lower funding allocation through the formula for these elements.
  - b) The decisions around funding for local authorities is still linked to historical funding patterns rather than a fresh view (such as actual spend or cost for schools)
  - c) The comparison of funding is using the Guaranteed Unit of Funding (GUF) which is based on historical funding patterns. The current GUF's are based on historical decisions related to the split of the funding into the three blocks (Early Years, Schools and High Needs) back in 2012/13. The model proposed by the DfE favours those authorities who have allocated more funding to blocks other than the 'Schools Block' at that time.

For example, in 2012-13 East Riding of Yorkshire and Cambridgeshire Council's had GUF's of a similar amount (£4613.11 and 4643.11 respectively). Following the split of funding between the three blocks, these Council's had revised GUF's for the Schools Block of £4257.73

and £3949.94 respectively. Under the proposals set out within the consultation, Cambridgeshire with its new lower GUF will receive £20.5m, whilst East Riding will receive only £0.5m from the £350m national allocation.

- d) The minimum funding calculation excludes a number of elements, which for Portsmouth amount to circa £2.6m in 2014-15:
- National Non-Domestic Rates funding
  - PFI funding factor
  - Top-slice for Growth and Falling Rolls Funds
  - Centrally held expenditure such as Admissions, Schools Forum, Licences, etc
- e) The 'minimum funding model' fails to reflect the fact that Local Authorities will have taken advantage of the ability to move funding between the blocks; and that the Schools Block is likely to be supporting the continued growth in High Needs budget. Authorities such as a Portsmouth are continuing to see an increase in the number of pupils who require additional support together with an increase in the complexity of their need.
- f) It is unclear as to how the 'minimum funding level' will be used by the DfE in future years to allocate funding to Local Authorities. If the funding Portsmouth received was based on the minimum level, then our funding allocation would decrease by £1.6m annually.

## **7. 2015-16 School Revenue Funding Formula Changes**

- 7.1. No changes are proposed to the school revenue funding formula in 2015-16, except that the DfE are proposing to review the sparsity factor that was introduced in 2014-15. As this factor is not used in Portsmouth there will be no impact.

## **8. Minimum Funding Guarantee**

- 8.1. The DfE are proposing to retain the Minimum Funding Guarantee (MFG) for 2015-16 at minus 1.5% per pupil as in previous years for mainstream schools.

## **9. Working Groups**

- 9.1. Following the approach adopted for the last two years, we are proposing to establish working groups to review certain aspects of the funding arrangements to support the budget setting processes for 2015-16.
- 9.2. We are proposing to have separate working groups: one for the mainstream funding formula and one for the special school funding.

**Mainstream Primary and Secondary Schools**

- 9.3. Although the DfE are not proposing any changes to the individual funding factors in 2015-16, we do intend to review the funding formula to:
- a) ensure the overall budget remains affordable - which will require a review of the unit values attached the funding factors; and
  - b) consider the need for a 'split site' funding factor, following the recent and planned school amalgamations; and
  - c) consider whether to reduce the lump sum amount and reallocate the funding through another factor; to prevent this becoming an obstacle to future school amalgamations.
- 9.4. As in previous years, we are unlikely to receive the final funding proforma (with the October 14 census data) until mid-December 2014. It is also expected that the final pro-forma will need to be submitted to the DfE in January 2015. Therefore it will be necessary to undertake the initial financial modelling and consultations based on the current census data; and agree the unit values that officers can amend in order to finalise the final pro-forma.

**Special Schools**

- 9.5. Whilst the DfE have not yet issued a consultation on high needs funding or any guidance regarding 2015-16, it is proposed to set up a working group with special school representatives to discuss and review the following:
- a) Commissioned places for the academic year 2015-16
  - b) Levels of Top-up funding for 2015-16
  - c) Potential impacts of the Special Education Needs Reform and individual budgets.

**Timescales**

- 9.6. The table below sets out the proposed dates for the working group meetings for the summer term. Additional meetings will be arranged in early September to finalise the proposals to be presented to Schools Forum and for the consultation with schools.

<b>Mainstream</b>	<b>Special</b>
14 <sup>th</sup> May 2014	15 <sup>th</sup> May 2014
10 <sup>th</sup> June 2014	11 <sup>th</sup> June 2014
26 <sup>th</sup> June 2014	27 <sup>th</sup> June 2014

*All of the meeting start at 4.00pm*

**Membership**

9.7. It is proposed that the working groups will be comprised of representatives as shown below (including Portsmouth Academies).

	Mainstream Group		Special Group
	Primary	Secondary	
Head Teacher	✓	✓	✓
Governor	✓	✓	✓
Finance	✓	✓	✓
Academy Rep	✓	✓	✓

9.8. For the Special working group, representatives from the Local Authority SEN team will also be invited.

**10. Reasons for recommendations**

Schools Forum are recommended to note the proposals contained within the report.

**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:

<b>Title of document</b>	<b>Location</b>
DfE Consultation: 'Fairer Schools Funding in 2015-16'	<a href="https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016">https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016</a> .
DSG allocation tables 2012-13 to 2014-15	DfE website
Portsmouth school revenue funding formula & DSG budget 2014-2015	Education Finance

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

.....  
 Signed by:





**Appendix 1 - Indicative Minimum Funding Levels for 2015-16**

		Minimum funding levels		
		Primary	Secondary	
Age-weighted pupil unit		£2,845	Key stage 3: £3,951 Key stage 4: £4,529	
Pupils who have been eligible for free school meals in the past six years		£893	£1,080	For a pupil who is both eligible for free school meals and lives in an IDACI band 1 to 6 area, the local authority would attract both the FSM and relevant IDACI band minimum funding levels.
Pupils who live in an area that is in one of the income deprivation affecting children index (IDACI) bands	IDACI 1	£237	£321	
	IDACI 2	£290	£423	
	IDACI 3	£387	£530	
	IDACI 4	£453	£596	
	IDACI 5	£511	£659	
	IDACI 6	£741	£894	
Looked after children		£1,009	£1,009	The same measure would be used as is currently set out in the 2014-15 school funding arrangements. The minimum funding level would apply to the children reported to the Department, through the annual children looked after return and who are looked after children, for one day or more at the census point.
Pupils with low prior attainment		£878	£1,961	For the primary measure, this would apply to pupils who did not reach the expected level of development on the new Early Years Foundation Stage Profile or who achieved fewer than 78 points on the old EYFSP.  For secondary pupils the minimum funding level applies to pupils not reaching L4 at KS2 in either English or maths.
English as an additional language		£505	£1,216	This minimum funding level would apply to pupils with EAL who entered the English state school system in the past three years.
Lump sum		£117,082	£128,189	Middle schools would attract a minimum lump sum weighted by their ratio of primary to secondary year groups in the school. All-through schools would attract the secondary amount.
Sparsity sum		£53,988	£53,988	A taper would apply, whereby the size of the sum is in inverse proportion to the size of the school. The criteria for attracting the minimum funding level would be the same as the criteria for the sparsity factor in local formulas. Details of this are in '2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities'.



## Appendix 2 - DfE Minimum Funding Calculation for Portsmouth

Calculation of the indicative local authority Schools Block funding for 2015-16  
in Annex B of the consultation document Fairer schools funding in 2015-16 published on 13 March 2013

### Portsmouth

Factor	Unit Value	2013-14 Pupil Numbers (Note 1) or Number Of Schools	Funding before Area Cost Adjustment (ACA)
Age-Weighted Pupil Unit (AWPU) - Primary	£2,845.00	14,238	£40,507,110
AWPU - KS3	£3,951.00	4,966	£19,620,666
AWPU - KS4	£4,529.00	3,537	£16,019,073
FSM6_Primary	£893.22	4,675	£4,175,752
FSM6_Secondary	£1,079.65	2,755	£2,974,566
IDACI_P1	£236.53	1,737	£410,925
IDACI_P2	£290.18	1,604	£465,361
IDACI_P3	£386.69	2,110	£815,885
IDACI_P4	£452.65	1,328	£601,274
IDACI_P5	£510.74	1,409	£719,437
IDACI_P6	£740.88	605	£448,164
IDACI_S1	£320.72	992	£318,168
IDACI_S2	£423.48	960	£406,623
IDACI_S3	£530.21	1,129	£598,799
IDACI_S4	£596.17	811	£483,497
IDACI_S5	£659.21	720	£474,924
IDACI_S6	£894.00	299	£267,017
Looked-after children	£1,009.09	91	£91,812
Low Prior Attainment - Primary (Note 2)	£877.65	1,857	£1,630,218
Low Primary Attainment - Secondary	£1,960.57	1,157	£2,267,996
English as an Additional Language_3 Primary	£504.61	1,277	£644,430
English as an Additional Language_3 Secondary	£1,216.31	169	£205,631
Primary lump sum	£117,082.19	52	£6,088,274
Secondary lump sum	£128,188.64	10	£1,281,886
Middle schools lump sums		0	£0
Sparsity (Note 3)	£53,988.19	0	£0.00
<b>Total before Area Cost Adjustment (ACA)</b>			<b>£101,517,490</b>
ACA (Note 4) (where the LA falls across ACA boundaries, a pupil-weighted average is used)			1.0140
Indicative funding including ACA (using 2013-14 pupil numbers from October 2012 School Census) (Notes 3 & 4)			£102.9m
Total number of 2013-14 pupils (Note 1)			22,741
Indicative MFL funding per pupil (per consultation document - B1 in technical note) (Note 3)			£4,527
Actual 2014-15 Schools Block unit of funding under Dedicated Schools Grant (A1 in technical note)			£4,596
<b>Indicative 2015-16 funding per pupil (the greater of indicative MFL and actual 2014-15 Schools Block unit of funding above)</b>			<b>£4,596</b>
Number of 2014-15 pupils (from October 2013 School Census)			23,000
Indicative total MFL funding (£m) (B2 in technical note)			£104.1m
Actual total 2014-15 Schools Block funding under Dedicated Schools Grant (A2 in technical note)			£105.7m
<b>Indicative total 2015-16 funding (the greater of indicative total MFL and actual total 2014-15 Schools Block funding above)</b>			<b>£105.7m</b>
Increase in total 2015-16 funding (C2 in technical note)			£0.0m

#### Notes

- 2013-14 pupil numbers are taken from the October 2012 School Census as updated by local authority pro formas, with subsequent data cleaning.
- In error, our modelling is based on LPA-73 pupils. The intention is to use LPA-78 pupils for the final calculation.
- A small number of authorities may see a difference in the indicative MFL funding per pupil of up to £1. This is due to modelling approximations in the methodology for applying Area Cost Adjustments and the sparsity calculations for middle schools. These will be addressed before final funding allocations are published.
- Per Annex C of consultation document ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/289699/Annex\\_C\\_-\\_Area\\_Cost\\_Adjustment\\_\\_ACA\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/289699/Annex_C_-_Area_Cost_Adjustment__ACA_.pdf))