

# 2014-15 School Funding Formula

Consultation



Portsmouth  
*CITY COUNCIL*

# Funding Formula

## 2014-15 consultation

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## **1 Introduction**

### **1.1 Background and Purpose**

In March 2013 the government confirmed that a new national funding formula for schools would be introduced in the next spending review period (2015-16 onwards). In June last year, the government announced interim changes that would be made to the school funding formula from 1<sup>st</sup> April 2013 which have now been implemented.

For 2014-15 further changes to the funding arrangements will be required as we continue to move towards the national funding formula. At the beginning of June, the DfE published the guidance documents for funding arrangements for 2014-15 which included some proposed changes to the current funding formula.

The purpose of this consultation document is therefore to set out how Portsmouth City Council intends to implement the changes to revenue funding arrangements for 2014-15 and to seek your views on points of local discretion within the new framework.

### **1.2 Funding for 2014-15**

The Department for Education (DfE) have confirmed that the level of funding for 2014-15 that the Council receives for Early Years and Mainstream Schools will remain at the 2013-14 per pupil levels. The funding that the Council receives for High Needs services is not on a per pupil basis and it has been confirmed that this allocation nationally will remain at the 2013-14 level.

Therefore there is no additional funding from the DfE to allocate out to schools and similar settings for 2014-15.

### **1.3 Working Groups**

Schools Forum agreed to the creation of a working group to help inform the proposed changes to the funding arrangements, as happened last year. The working group included a Head Teacher, a Finance Officer and a Governor from each phase.

The first task of the working groups was to agree a set of principles which would guide and inform the financial modelling. At the July meeting of Schools Forum these principles were agreed (see Appendix 1 for details).

## **2 Early Years**

### **2.1 Early Years Funding Formula**

No changes are currently proposed to the Early Years funding formula for 2, 3 or 4 year olds.

## **3 Mainstream Schools**

### **3.1 Introduction**

Although the DfE are not proposing any significant changes to the funding for mainstream primary and secondary schools in 2014-15, they have introduced some minor changes in response to feedback they received to their consultation earlier this year.

This document sets out how Portsmouth City Council intends to implement these changes in 2014-15 and seeks your views on points of local discretion within the new arrangements.

There are no proposals, other than as explained in section 3.15, to revisit or amend the other formula factors, which are not affected by the DfE changes,.

### **3.2 Prior Attainment**

The factor has been amended for both primary and secondary schools.

#### **Primary schools:**

The first assessment of the new Early Years Foundation stage profile (EYFSP) took place over the summer of 2013. This means that in terms of the funding formula, some pupils will be assessed on the old EYFSP and year 1 will be assessed on the new EYFSP. Locally we can still choose to fund pupils based on either the achievement of fewer than 78 points or fewer than 73 points.

It is proposed that funding continues to be allocated to schools where pupils achieve fewer than 73 points in years 2-5 and for those pupils who did not achieve a good level of development in year 1.

The funding unit rate may need to be reassessed once the final data set is distributed in December 2013 in order to ensure that the allocation to schools remains affordable.

#### **Secondary:**

In terms of the secondary prior attainment factor, funding can now be targeted at all pupils who fail to achieve a level 4 for either English or Maths. The English element of the KS2 measure will identify those who do not achieve a level 4 in either the reading or teacher assessed writing elements. This change has resulted

in an increase in the number of pupils who would attract funding through this factor from 1,157 to 2,749 pupils (an increase of 1,592 pupils). If the funding rate per pupil was maintained at the 2013-14 level of £3,178.89, then the allocation through this factor would be unaffordable in 2014-15. Therefore it is necessary to either reduce the unit rate of funding through this factor or reduce funding through another factor, in order to maintain affordability.

In developing the final proposal, a number of options were reviewed:

- (a) The first option reviewed, was to reduce the prior attainment unit rate. In order to maintain affordability using the 2013-14 data, it would be necessary to reduce the unit rate to £1,377.57. However, the change in the allocation between the secondary schools, caused by the change in pupil characteristics, resulted in an almost doubling of the MFG cost.
- (b) An alternative option was to reduce the Basic Entitlement factor, in order to maintain affordability. It would be necessary to reduce both the KS3 and KS4 rates by £595.36 to £3,267.14 and £3,876.14 respectively. Reducing these rates would mean that Portsmouth would move closer to the £3,000 minimum set by the DfE. It would also result in Portsmouth being among the Authorities with the lowest funding rates through Basic Entitlement nationally (lowest 12 at KS3 and lowest 14 at KS4). Currently Portsmouth is in line with the rates of the majority of Authorities.
- (c) The proposed option for maintaining affordability is to reduce both the prior attainment and basic entitlement factors. Through reducing both these factors, it is possible to maintain the KS3 and KS4 factors nearer to the current position, whilst also limiting the impact on MFG, (4 schools would no longer have MFG or cap). Under this proposal, the prior attainment factor is reduced by £1178.89 to £2,000, whilst the basic entitlement factors are reduced by only £214.19 to £3,648.31 and £4,257.31 respectively for KS3 and KS4.

*Q1 – Do you agree with the proposal to reduce both the prior attainment funding factor and the KS3 and KS4 funding rates in order to maintain overall affordability, following the change in the prior attainment funding allocation criteria?*

### **3.3 Looked After Children**

The factor has been amended so that it will identify all pupils who have been looked after for one day or more on 31<sup>st</sup> March 2013. As a result of this change in criteria for the dataset, the number of children that will attract funding through this factor will increase.

The initial modelling indicates that based on the current pupils, an additional 18.89 pupils would be eligible (total 90.99 pupils). This would increase the funding allocated through this factor by £53,100 (@ £2,811 per pupil). In order to maintain the existing level of funding through this factor, the unit value would need to be reduced by £583.58 to £2,227.42.

Based on the financial modelling and the feedback from the funding working group, it is proposed that this factor continues to be used and that the unit rate of £2,811 remain unchanged. In order to fund the additional number of pupils at the current level, it is proposed that the lump sum rate be reduced by £850 to £139,150.

*Q2 – Do you agree with the proposal to retain the Looked After Children per pupil funding factor rate at £2,811?*

*Q3 – Do you agree with the proposal to reduce the Lump Sum rate by £850 in order to fund the increased number of children that will attract funding through the Looked After Children factor, as a result of the change in the dataset used by DfE?*

### **3.4 Pupil Mobility**

In developing the funding formula for 2013-14, it was decided that the pupil mobility funding factor would not be used, due to the low rates of mobility and the decision to allocate funding based on the needs of pupils rather than their mobility. Therefore funding was directed through the Looked After Children and other factors rather than mobility. The DfE have now revised the criteria for the use of this factor and funding may now only be targeted at those schools experiencing pupil mobility above a 10% threshold.

Based on the data provided by DfE for modelling purposes, Portsmouth Schools currently have the following pupil mobility characteristics:

- 13 schools have pupil mobility over 10% (12 primary, 1 secondary).
- The highest rate of mobility is 18.86% (funding would only be applied to 8.86%).
- The bandings of mobility are as follows:
  - 5 schools - 10% to 12%
  - 5 schools - 12% to 15%
  - 3 schools - 16% to 19%
- The mobility factor would only apply to 149 pupils across the city.

To allocate funding through this factor, it would be necessary to reduce the funding through other factors, which would affect all schools. Financial modelling was undertaken to look at the impact of redirecting funding from the Basic Per Pupil Entitlement factor to allocate on the basis of mobility. The results of the modelling provided the following conclusions:

- (a) We would need to reduce funding to all schools in order to increase funding to the 13 schools
- (b) In all scenarios modelled, 3 of the 13 schools saw a loss in funding, even with the pupil mobility factor unit rate at £3,000.
- (c) The funding would only apply to 149 pupils (0.065% of all pupils) across the city.
- (d) The decisions reached in developing the 2013-14 funding formula still remain valid, i.e. the pupil mobility rates remain low and funding is better

directed to schools based on the needs of the pupil rather on the basis on mobility.

Therefore based on the financial modelling, the conclusions above and the feedback from the funding working group, it is proposed that the pupil mobility funding factor is not used in 2014-15.

*Q4 - Do you agree with the proposal not to use the pupil mobility factor to allocate funding to schools?*

### **3.5 Lump Sum**

Currently Portsmouth allocates £140,000 as a lump sum to all primary and secondary schools. From 2014-15 Local Authorities will be able to set a different lump sum allocation for primary and secondary schools. However, the maximum sum that may be allocated is £175,000. Any all-through schools will receive the secondary lump sum value.

Authorities must also ensure that at least 80% of the delegated funding is allocated through pupil led factors. In 2013/14 Portsmouth allocated 89.77% of the school funding through these factors.

The impact of increasing the lump sum to £175,000 has been reviewed and the financial modelling shows that we would not breach the 80% rule above. However reducing the funding through the pupil led factors (such as Basic Entitlement, Deprivation, Looked After Children, etc) in order fund the increase in the lump sum, would not be consistent with the DfE principle of increasing the amount of funding through the pupil led factors.

Additionally, reducing funding through pupil led factors in order to increase the lump sum would increase the volatility in the funding for schools and would also increase the MFG requirement, which is not consistent with the principles adopted by Schools Forum in Appendix 1.

It is therefore proposed that Portsmouth does not make use of the additional flexibility to have separate lump sum rates for Primary and Secondary schools.

*Q5 – Do you agree with the proposal to retain a single lump sum rate for both Primary & Secondary schools?*

### **3.6 Sparsity**

This factor is available to small schools (less than 150 pupils) where the average distance to pupils' second nearest school is more than 2 miles (primary) or 3 miles (secondary). Based on these criteria this factor will not be eligible to Portsmouth Schools.

### **3.7 Minimum Funding Guarantee**

The Minimum Funding Guarantee (MFG) for primary and secondary schools will remain at minus 1.5% for 2014-15. The DfE have confirmed that the MFG mechanism will remain in place for 2015-16 onwards but have not yet confirmed whether it will remain at minus 1.5%.

### **3.8 Capping Mechanism**

The capping mechanism will also be retained again in 2014-15. As part of setting the budget for 2014-15 it will be necessary to re-determine the level at which the capping on the gains will be applied. For the purposes of consulting with schools, the indicative budgets have assumed that the cap remains at 1.5%.

The DfE have adjusted the capping mechanism in so that it cannot be applied to schools that have opened in the last 7 years and have not reached their full number of year group.

### **3.9 Amalgamating Schools**

Schools and academies will now benefit from additional protection when they amalgamate. Currently under the existing arrangements, where schools amalgamate they would only be eligible for one lump sum. Under the new proposals from the DfE, schools would be able to retain the equivalent of 85% of the two lump sums for the financial year following the year in which they merge.

### **3.10 Delegated and De-delegated central funding**

In 2013-14 the following budgets were de-delegated to central control from maintained schools, following approval by Schools Forum.

- a. Behaviour Support Services
- b. Administration of Free School Meal Eligibility
- c. Museum and Library Services
- d. Licences & Subscriptions (excluding CLA and MPA)<sup>1</sup>
- e. Maternity costs
- f. Special Staff Costs
- g. Ethnic Minority Achievement Service (EMAS)

It is proposed that these budgets, with the exception of Behaviour Support and the Ethnic Minority Achievement Service, will continue to be de-delegated for maintained schools. Schools Forum will be asked to vote on the proposals to de-delegate budgets at the Schools Forum meeting on the 25<sup>th</sup> September.

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<sup>1</sup> Copyright Licensing Agency (CLA) and Music Publishing Association (MPA) licences have been purchased by the Department for Education and will cover all maintained and Academy schools in England. Details can be found at <http://www.copyrightandschools.org/>



New flexibilities within the proposed Finance Regulations for 2014-15, include a proposal to allow any unspent de-delegated central expenditure to be carried over and used for the same purpose as it was used in 2013-14. This is unlikely to have any impact on the de-delegated pupil rates for 2014-15, due to the timing of the submission to the Department of Education.

It is not possible to de-delegate from Academy schools, therefore in the case of Academies, all of the funding for items (a) to (g) listed above will remain with the school to be managed locally. Academy schools will be able to continue to purchase certain services through contractual agreement with the Local Authority.

### **3.11 Growth Fund**

There are currently no proposals to amend the growth fund criteria for 2014-15.

### **3.12 Falling Rolls Fund**

As part of the 2014-15 changes, the DfE have introduced the ability for funding to be retained centrally (in the same way as the Growth 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.

A review of the schools, forecast pupil numbers and surplus capacity rates has indicated that the falling rolls fund is unlikely to be of significant use or benefit in 14-15, due to the significant pressure on schools places, particularly in the primary sector. Therefore the consensus of both the working group and the Education service is there is not a requirement for this fund in 2014-15. However we will review the position again for 2015-16.

*Q6 – Do you agree with the proposal not to create a falling rolls fund?*

### **3.13 Contingencies**

A schools specific contingency can be retained centrally for the following purposes, through a de-delegation mechanism within the school funding formula.

- Schools in financial difficulty
- New, amalgamating or closing schools
- Other expenditure where the circumstances were unforeseen when initially determining the schools budget share.

For 2014-15 it is proposed that a contingency fund is created to enable additional support and flexibility to be available to support Portsmouth schools in the above instances. If the fund is not created at the beginning of the financial year, then it will not be possible to use the contingency fund for the whole of the financial year.

A report will be presented to Schools Forum at a forthcoming meeting, which will set out the operational framework of the contingency fund. This would include

eligibility criteria and the requirement for Schools Forum approval to access the fund.

In order to establish the contingency fund, it is proposed to de-delegate between £10.00 and £20.00 per pupil on the Basic Entitlement factor. This would create a contingency of between £179k and £358k. As it is not possible to de-delegate from Academy Schools, this funding will remain with the Academy and they would not be eligible to call on the contingency fund.

*Q7 – Do you agree with the proposal to establish a contingency fund?*

### **3.14**

#### **Budget Share Financial Modelling**

An indicative 'budget share' spread sheet has been prepared to accompany this document which will provide you with an understanding of the impact of these proposals on your schools funding allocation. The indicative budget share allocation is calculated using the 2013-14 pupil data provided by the DfE.

The following points should be noted:

- (a) The comparison to the current 2013-14 budget share is shown before the de-delegation of any centrally held funding.
- (b) The final budget share for 2014-15 may differ as a result of the change in pupil numbers and characteristics and will be based on the October 2013 pupil census.
- (c) The budget share excludes any funding for resourced units or early years nursery provision.
- (d) The budget share includes changes relating to the National Non Domestic Rates corrections for 2013-14 payments and adjustments relating to schools that have converted to Academy status.
- (e) Changes to pupil numbers to reflect Mayfield School becoming an all-through school
- (f) Changes to reflect those schools who have amalgamated during the year.

The budget share spread sheet will be available on Intranet at the following location:

**[Services > Schools > Budget Information > Budget Share 2014-15 Consultation](#)**

### **3.15 Final Budget Shares**

As explained within this document, the financial modelling undertaken for the purposes of consultation have been based on the updated 2013-14 pupil data provided by the DfE.

In setting the final budget for 2014-15 for the Primary and Secondary schools, updated pupil data based on the October census will be provided by the DfE. As a result of the change in pupil numbers and pupil characteristics, it may be necessary to amend the final unit values attached to the funding formula factors, in order to maintain overall affordability.

In order to provide schools with some certainty, where possible any changes will be limited to the following formula factors:

- Prior attainment
- Basic Per Pupil Entitlement
- Lump Sum
- The percentage of the financial cap

## **4 High Needs**

### **4.1 Resourced Units**

The place funding for resourced units will remain at £10,000 per place. There are currently no proposals to amend the resourced unit top-up rates for 2014-15.

There will be discussion with each of the individual schools to confirm the number of places required for 2014-15.

### **4.2 Alternative Provision**

The place funding for resourced units will remain at £8,000 per place. There are currently no proposals to amend the resourced unit top-up rates for 2014-15.

There will be discussion with the individual schools to confirm the number of places required for 2014-15.

### **4.3 Special Schools**

The place funding for Special Schools will remain at £10,000 per place.

There will be discussion with each of the schools to confirm the number of places required for 2014-15. Top-up (element 3) funding will continue to be provided according to the level of need via the individual school's banding values. The legislation places a protection of minus 1.5%, and there will be discussion with each of the schools to confirm the banding value for 2014-15.

#### **4.4 High Needs pupil in Mainstream settings**

There are no proposals to change the funding arrangements in 2014-15 with regard to those pupils with statements of special educational need in mainstream schools. Mainstream schools and academies will continue to be required to contribute the first £6,000 of the additional support costs.

Exceptional circumstances funding will continue to be allocated where the funding formula does not adequately reflect the number of pupils with statements within the school. The rates payable will be agreed with Schools Forum. The allocations will be based on the following criteria, with the funding targeted to those schools with the higher inclusion rates:

*The percentage of pupils with low incidence high cost statements, as agreed by the SEN team in the return submitted in April, compared to the number on roll as per the October census.*

#### **Responding to the Consultation**

### **5 Submission of Responses**

A consultation response form accompanies this document and is available for schools to complete.

Please send your completed response forms to [cflfinance@portsmouthcc.gov.uk](mailto:cflfinance@portsmouthcc.gov.uk)

The consultation will close on the Friday 4th October 2013.

## 6 Appendices

### 6.1 Appendix 1

#### **School Funding Reform 2014-15 Principles for agreement by Schools Forum**

1. There will be no additional funding. Department for Education (DfE) has confirmed that the starting point for Local Authority allocations for 2014/15 Dedicated Schools Grant will be the Guaranteed Units of Funding for 2013/14.
2. All primary & secondary schools will receive protected funding levels at minus 1.5% per pupil. Special Schools will receive protection on the top-up funding (Element 3) at minus 1.5%.
3. For modelling purposes funding for each phase should remain in same proportion / percentage of overall funding as in 2013/14.
4. Ceilings on gains will continue to be imposed to allow for overall affordability (the percentage level will need to be determined).
5. We will seek to minimise the MFG and fluctuations in funding for schools.
6. Results of financial modelling will be shared with working groups and Schools Forum at a high level only (e.g. X schools lose more than £a or b%, Y schools gain more than £c or d%) to ensure that further proposals are informed by principles.
7. The formula factors for primary and secondary schools for 2014-15 will continue to be applied as they were in 2013-14, unless there are proposed changes by the DfE which would require reconsideration.
8. For modelling purposes the funding for Outreach, Behaviour Support or similar SEN services will remain at the 2013-14 levels, subject to changes affected by the academy programme.
9. Members of the working group will be expected to seek views and input from their phases and to ensure their colleagues are aware of any consultations issued by the Local Authority in respect of school funding.