

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	7 October 2015
SUBJECT:	Schools block funding formulae 2015/16: Analysis of local authorities' Schools block funding formulae
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IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to share with the Schools Forum the DfE's analysis of Local Authorities' (LA) school funding formulae for 2015/16. Similar reports have been presented in the previous two years. The report enables the Schools Forum to see how Lincolnshire's funding of mainstream schools compares to other LAs. This should therefore help to inform future discussions over changes to the local funding formulae.

DISCUSSION

Background

School Forum members will recall that the previous government set out plans to introduce a national fair funding formula. As a step towards that, it introduced in 2013/14 radical reforms to simplify the way in which schools across the country are funded. Some of the key features of the current system are:

1. Only thirteen formula factors are permissible.
2. Age weighted pupil unit funding (awpu) and deprivation factors are compulsory.
3. LAs are required to allocate a minimum of 80% of their delegated Schools block funding on the basis of pupil characteristics and they have to ensure that a minimum amount is funded for each pupil (i.e. £2,000 for primary, and £3,000 for KS3 and KS4).
4. A cap of £0.175m applies to the lump sum allocation.

The previous government's original intention was to introduce a national fair funding formula in 2015/16. However, last year it announced that this would be delayed until at least 2016/17, to allow the changes to commence at the start of the next spending period. Nevertheless, to begin to address the unfairness in the system, the government allocated an extra £390m to the least fairly funded authorities in 2015/16. As a result, Lincolnshire's Dedicated Schools Grant (DSG) increased by 1.2% (£4.5m). At its meeting in October 2014, the Schools Forum supported the LA's proposal to allocate £2.5m equally between primary and secondary schools (by uplifting the awpus by the same percentage) and £2m to cover the potential increase in the funding required for SEN (following the DfE's requirement that from April 2015 Lincolnshire should delegate through its formula some of the funding for Band 6 to 8 statements).

In March 2015, the DfE published its latest analysis of LAs' local funding formulae. A copy is available at:

<https://www.gov.uk/government/publications/schools-block-funding-formulae-2015-to-2016>

It is important to note that this report focusses on the Schools block element of the DSG. It does not cover the SEN funding that is delivered to schools via the Higher Needs block.

Analysis

The LA has reviewed the latest DfE analysis for 2015/16 and the key points are captured in Appendix 1 for information. The overall conclusion is that, nationally, there has been very little change in the way LAs distribute their funding to schools. This is hardly surprising. Overall, the level of funding available through the DSG is materially unchanged from 2014/15 and the operation of the Minimum Funding Guarantee severely constrains the changes to school funding that some LAs might wish to make. Lincolnshire's relative position has changed very little too, and its funding of schools is again broadly in line with most other LAs. However, it is still the case that in Lincolnshire:

1. Awpu values are lower than the majority of other LAs. As most of the funding for schools has to go through the awpus, this is a reflection of the DfE's relatively low funding of this authority.
2. Funding for deprivation is below the national average.
3. The amount distributed for low prior attainment is at the higher end of the LA range.
4. The sum allocated for English as an Additional Language is at the higher end of the range for primary schools, albeit the sum distributed through it is relatively small.
5. The percentage of funding distributed through pupil led factors is a little lower than the national average (it is now closer to the national average though), but that is due to the need for larger lump sums to be provided to the county's small rural schools.
6. The relative funding between the primary and secondary sectors has remained largely unchanged for many years, and is currently a fraction away from the national average of 1 : 1.27.

As reported last year, it would be inappropriate for any LA to use the DfE's analysis to seek to gravitate towards the LA average. Each LA has different needs and they should be reflected in the local funding formulae. Nevertheless, this analysis might suggest that Lincolnshire's balance of funding between the primary and secondary sectors may be about right, although arguments can be put forward to alter this either way. Perhaps the two main areas for closer consideration and debate which could lead to a change in the local school funding arrangements relate to the amounts of funding distributed through the low prior attainment factor and the English as an additional language factor for primary schools.

Possible next steps

Since the general election in May 2015, a number of MPs have called upon the government to move more rapidly towards the introduction of a national fair funding formula. Should this policy be pursued by government, it seems likely that change will have to be introduced over a period of several years. It appears unlikely that additional funding will be made available to bring the least well funded up to the level of the highest funded LAs. So, a redistribution of funding appears most likely and that will almost certainly require adequate protection arrangements to apply, perhaps through the use of 'floors' and 'ceilings'. As LA DSG per pupil funding varies from c.£4,000 to c.£7,000, it is inconceivable that greater equalisation could sensibly be achieved within a few years. It has always been the LA's policy to keep the local school funding formulae under review and the need for that will assume even greater importance if the government decides to press on with plans to allocate more resource to the least fairly funded LAs.

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the contents of the report;
- b. Consider and comment upon the contents of the report.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.
Appendix 1 - Lincolnshire's school funding formula 2015/16 and the national position

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	School Funding Arrangements 2015/16	14 th January 2015	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	Fairer Schools Funding for 2015/16	8 th October 2014	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	Schools block funding formulae 2014/15: Analysis of local authorities' schools block funding formulae	25 th June 2014	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	School Funding Reform: Findings from the Review of 2013/14	25 th June 2013	County Offices, Newland, Lincoln, LN1 1YQ

	& Arrangements and changes for 2014/15		
DfE review	Schools Block Funding formulae 2015/16 – Analysis of local authorities' Schools Block funding formulae	March 2015	https://www.gov.uk/government/publications/schools-block-funding-formulae-2015-to-2016

Lincolnshire's school funding formula 2015/16 and the national position

The key outputs from the DfE's review are set out below.

Basic per pupil entitlement

1. This is a mandatory factor. The awpu must be at least £2,000 in primary and £3,000 in secondary.
2. Primary. Of the 152 LAs in England, the largest number (51) set their primary awpu within the £2,750 to £3,000 range. The second largest number (43) set theirs within the £2,500 to £2,750 range. Several LAs set their values in excess of £4,000, which illustrates the wide variation in the government's DSG per pupil funding of LAs. Most LA funding is, of course, distributed through awpus so, not surprisingly, as one of the least well funded LAs, Lincolnshire's figure remains at the lower end of the range at £2,592. Lincolnshire's awpu has increased by £50 per pupil compared to 2014/15. This reflects the LA's decision on how to allocate its increase in DSG funding in 2015/16. Most LAs in receipt of that extra funding also increased their awpus.
3. Secondary. For KS3, the largest number of LAs (38) again set their awpu between £3,750 and £4,000. The second largest number (32) set theirs between £4,000 and £4,250. Lincolnshire's awpu falls with the third largest group (30) with an awpu of £3,544. This figure represents an increase of £76 per pupil on the previous year and again, that was due to the way Lincolnshire allocated its increase in DSG funding for 2015/16. There are 5 LAs with KS3 awpus above £6,000. For KS4, the largest number of LAs (40) set their awpu between £4,250 and £4,500. Lincolnshire was again in that group with an awpu of £4,368. This figure represents an increase of £94 on the previous year. The next largest group of LAs (36) set their awpus between £4,500 and £4,750. There are 4 LAs with awpus above £6,000. Once again, Lincolnshire's position is not surprising given the relative DSG funding of LAs. It is still the case that the LA appears to fund KS4 slightly more generously than KS3, relative to other LAs.
4. Although the awpu is the largest formula factor, the percentage of the total school funding that LAs put through it can vary (in 2015/16, it ranges from 61% to 88%, with 76% being the average). For example, some LAs may need to put more or less funding through factors for low prior attainment, deprivation and the lump sum, etc. Indeed, the variation in the percentage of funding that LAs put through the basic entitlement (awpu) demonstrates this. The largest number of LAs (75) again put between 75% and 80% of funding through awpus. Lincolnshire's figure (73.9%) is in the second largest group, with 41 LAs allocating between 70% and 75%. The third largest number of LAs (20) allocated between 80% and 85% through the awpu and 3 LAs allocated over 85%.
5. In conclusion, despite the increase in government funding for Lincolnshire and the other least well funded LAs, the county's awpus remain lower than most LAs. This is not surprising. The 1.2% increase in Lincolnshire's DSG funding was never going to make a radical difference to these statistics and the current position still remains largely due to the DfE's allocation of DSG funding to LAs. Lincolnshire's position for each key stage relative to other LAs is similar to last year and so again, one sector does not appear to be funded more favourably than another. Lincolnshire's distribution of funding between the sectors is typical of other LAs and the position hasn't changed significantly over the past year, despite its £4.5m increase in its DSG funding.

Deprivation

6. This is a mandatory factor.
7. Once again, the national variation in the percentage of funding distributed through deprivation factors is again significant, ranging from below 2% to above 20% of the Schools block. In

monetary terms, this ranges from c.£500 to over £4,500 for each child eligible for free school meals. The largest number of LAs (30) put between 4% and 6% of the Schools block through deprivation factors. Lincolnshire is in this group at 5.9%. The second largest group (28) allocates between 6% and 8% through deprivation factors.

8. A degree of variation between LAs is to be expected. Those with greater variation in deprivation within their boundaries are more likely to target a larger proportion of their Schools block to help meet those needs.
9. In conclusion, the proportion of the Schools block that Lincolnshire allocates through deprivation is below the national average of 8.1%. The position is largely unchanged from last year.

Looked After Children (LAC)

10. This factor is optional.
11. Only 88 of the 152 LAs have chosen to operate this factor and none are allocating more than 0.5% of the Schools block through it. Lincolnshire is at the lower end of the range, once again allocating 0.07%.
12. Lincolnshire introduced this factor in 2014/15 and is funding £600 per LAC. The largest group of LAs (22) are funding between £1,000 and £1,250; 17 are funding between £750 and £1,000, and; Lincolnshire falls in to the joint second largest group of 17 LAs that are funding between £500 and £750 for LAC.
13. In conclusion, the proportion of the pupil population that are LAC is small and so only a very small proportion of the Schools block is directed through this formula factor. Lincolnshire's allocation of £600 per LAC is at the lower end of the range for those LAs that are using it.

Prior attainment

14. This factor is optional.
15. LAs not using this factor include 10 that do not apply it to the primary sector and 4 that do not apply it to the secondary sector. 4 LAs do not use this factor at all.
16. The amounts allocated per pupil vary tremendously. In primary they range from £115 to £2,651 and in secondary from £36 to £3,229.
17. The comparative figures for Lincolnshire are £1,641 and £1,543 in the primary and secondary sectors respectively. Once again, this places the county towards the upper quartile in both the primary and secondary sectors.
18. In terms of the percentage of the Schools block being distributed through this factor, the largest number of LAs (32) are in the 4% to 5% range; the next greatest number (28) are in the 3% to 4% range; the next largest number of LAs (24) are in the 2% to 3% range. Lincolnshire allocates 6.36% of the Schools block through this factor and therefore sits in the next largest group (11) with between 6% and 7%.
19. These figures do not include SEN funded through the Higher Needs block.
20. In conclusion, the percentage of funding distributed through prior attainment factor and the amounts allocated for qualifying pupils is towards the top end of the LA range. This position may be a legacy of the significant increase in the number of statemented pupils in the decade up to 2010/11.

English as an additional language

21. This factor is optional.
22. The majority of LAs (132) are using it.
23. In the primary sector, the amount distributed by LAs is quite narrow, with the median allocation appearing to be c.£500 per pupil. In the secondary sector, there is greater variation. The median allocation appears to be c.£750 per pupil, but some LAs are allocating up to £4,500 per pupil. Lincolnshire allocates the same amount (£1,000 per pupil) in both sectors.
24. For the majority of LAs (83) the percentage of Schools block distributed through this factor ranges between 0% and 1%. The national average is 0.8%. Lincolnshire's figure is very close to that and is largely unchanged in 2015/16 at 0.77%.

25. In conclusion, compared to the national range, the sum allocated to Lincolnshire primary schools is at the top end and the sum allocated to secondaries is towards the middle. As a proportion of the Schools block, the county allocates a similar level of funding to the national average. Comparatively, Lincolnshire primary schools appear to be more generously funded through this particular formula factor.

Mobility

26. This factor is optional.
27. Only 66 LAs operate it. Lincolnshire chose not to use it from 2013/14 when the school funding reforms were introduced. The LA had previously used such a factor but applied a threshold to restrict the level of extra funding provided to those schools with the highest pupil turnover. In 2014/15, the DfE introduced its own threshold which was set at 10%. Despite this, the LA chose not to re-introduce the factor.
28. Nationally, the greatest number of LAs using the factor are allocating between £250 to £500 in the primary sector and £500 to £750 in the secondary sector. Amazingly, the amounts allocated per pupil range from £10 to £18,690 in the primary sector, and £10 to £19,068 in the secondary sector.
29. All LAs allocate less than 1% of the Schools block through this factor and only 4 are allocating more than 0.5%.
30. In conclusion, Lincolnshire does not operate this factor and for those LAs that do, the amounts allocated are very small as a percentage of their Schools block.

Total funding through pupil-led factors

31. The factors listed above (i.e. basic entitlement, deprivation, Looked After Children, Prior Attainment, English as an Additional language and mobility) are classified as 'pupil-led'.
32. As was the case for 2014/15, a minimum of 80% of the Schools block must be allocated through these factors. All LAs have again achieved that. The lowest is 82.0%. Nearly three quarters of LAs are allocating between 88% and 94% through these factors and the national average is 89.73%, which is slightly higher than the 89.56% in 2014/15. Lincolnshire is allocating 86.99% through pupil led factors. This is an increase from the 81.27% in 2014/15 and partly reflects the distribution of the 2015/16 increase in DSG funding through awpus. Although Lincolnshire's figure is still a few percentage points below the national average, it is important to note the county's characteristics, i.e. it has lots of small, rural schools. This means that more of its funding has to be distributed through the lump sum, to ensure that sufficient funding is provided to small schools to help finance their fixed and semi-variable costs.
33. In conclusion, the percentage of funding distributed through pupil led factors is lower in Lincolnshire than in most other LAs, but that is due to the need to fund a larger lump sum for small, rural schools.

Lump sum

34. This factor is optional.
35. All LAs have again chosen to operate a lump sum factor.
36. The maximum sum permitted is £0.175m. Separate lump sums can be applied to primary and secondary schools.
37. In 2015/16, lump sums across the country range from £0.048m to £0.175m. The latter was chosen by 14 LAs for their primary schools and by 38 LAs for their secondary schools. 89 LAs chose the same lump sum for both sectors. 9 LAs opted for a greater primary lump sum than secondary.
38. Lincolnshire's primary lump sum of £0.125m appears to be in the middle of the LA range (note: the figure is £0.010m greater than 2014/15 due to the way that the LA had to redistribute funding for Band 6 to 8 statements to comply with DfE regulations relating to notional SEN funding, and to minimise the losses to individual schools). Lincolnshire's lump sum for secondary schools was again set at the £175,000 cap and so this is at the top of the range along with 37 other LAs.

39. On average, 8.3% of the Schools block is being allocated via the lump sum. Lincolnshire's figure is slightly higher than last year for the reason explained above. It is towards the top of the national range at 11.5%.
40. In conclusion, Lincolnshire continues to target more funding through the lump sum than the national average. This is to recognise the fixed and semi-variable costs of running small schools in a large rural area. Of course, prior to the school funding reforms of 2013/14 when the cap on lump sums was first introduced, Lincolnshire's percentage would have been even greater.

Sparsity

41. This factor is optional.
42. It was introduced by the DfE for the first time in 2014/15. Only 24 LAs are using it, partly because many don't have schools that are small enough (or they don't have sufficient distances between them), to be able to qualify under the DfE's rules.
43. Lincolnshire operates the factor for secondary schools. It has set the funding at the cap of £100,000 and is operating this without a taper. This approach was adopted to help compensate for the loss of funding to the smallest secondary schools as a result of the DfE capping the lump sum allocation at £0.175m from 2013/14. Prior to 2013/14, the county's smallest secondary schools had received a lump sum of c.£0.390m.
44. All LAs are using less than 1% of the Schools block to fund this factor. Lincolnshire's figure is largely unchanged at 0.23%.
45. In conclusion, whilst Lincolnshire is one of a minority of LAs using this factor, the proportion of funding distributed through it remains relatively small.

Primary: secondary ratios

46. For 2014/15, the national ratio of primary to secondary funding is 1 : 1.28 (in 2014/15, it was 1 : 1.27).
47. The largest group of LAs (52) are in the band 1.25 to 1.30. Lincolnshire falls within this band at 1.27. Not surprisingly, given the way that the increase in DSG for 2015/16 was allocated between the two sectors, this figure is unchanged from last year.
48. The next largest group (38) are in the 1.30 to 1.35 band and the next largest group (28) are in the band 1.20 to 1.25.
49. In conclusion, as reported over many years, Lincolnshire's relative funding of the primary and secondary sectors remains very close to the national average.

Notional SEN

50. The DfE's report shows that the notional SEN assigned by LAs to their funding formulae varies tremendously from below 5% to over 20%, with a national average of 10%. Although notional SEN is not a formula factor, this lack of consistency again shows that LAs do not have a clear understanding of how they should determine how much of each formula factor should be used to support SEN. As indicated above, Lincolnshire had to alter its funding of Band 6 to 8 statements in 2015/16 to ensure that it complied with the DfE's expectation that all schools should fund the first £6,000 of a child's special educational needs.

Growth Fund

51. This factor is optional
52. This is to be used to support pre-16 growth in schools.
53. 132 of the 152 LAs are using it in 2015/16. This includes Lincolnshire, which has set aside £2.0m for this purpose, as approved by the Schools Forum in January 2015.
54. In conclusion, this fund is necessary to support the expansion or opening of new schools. It enables the LA to fulfil its statutory duty of providing sufficient school places.

Falling rolls fund

55. This factor is optional.

56. In 2013/14, Lincolnshire chose not to use it, partly because of the difficulty in determining a set of fair and consistent rules that can be applied to schools, and partly because only good or outstanding schools could qualify for funding.
57. Only 29 LAs are using this factor and the maximum sum retained for this is £1.1m.
58. In conclusion, Lincolnshire does not operate this factor and although a few LAs do use it, the sums distributed through it are relatively small.

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