

## REGULATORY AND OTHER COMMITTEE REPORT

<b>NAME OF COMMITTEE:</b>	Lincolnshire Schools' Forum
<b>DATE OF MEETING:</b>	25 June 2014
<b>SUBJECT:</b>	Schools Block Funding Formulae 2014/15: Analysis of Local Authorities' Schools Block Funding Formulae
<b>REPORT BY:</b>	Tony Warnock (Head of Finance – Children's and Specialist Services)
<b>NAME OF CONTACT OFFICER:</b>	Tony Warnock
<b>CONTACT OFFICER TEL NO:</b>	01522 553250
<b>CONTACT OFFICER EMAIL ADDRESS:</b>	tony.warnock@lincolnshire.gov.uk
<b>IS REPORT CONFIDENTIAL?</b>	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 2014/15. This will enable the Schools Forum to see how Lincolnshire's funding of mainstream schools compares to other LAs and that should help inform future discussions over changes to the local funding formulae.

### DISCUSSION

#### **Background**

The government originally set out plans to introduce a national fair funding formula in the next spending period (this has since been delayed until at least 2016/17). As a step towards that, it brought in a number of significant reforms in 2013/14 to simplify the way in which schools are funded.

A number of refinements were then made for 2014/15. Some of the current 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 (£2,000 for primary, and £3,000 for KS3 and KS4).
4. A cap of £0.175m applies to the lump sum allocation.
5. Since 2012/13, LAs have been required to delegate more services and budgets to schools.
6. LAs have to provide notional SEN budgets to their schools on the basis that the school will meet the first £6,000 of additional support required by a pupil with SEN.

In June 2013, the LA reported to the Schools Forum on how Lincolnshire's new school funding formulae compared to other LAs. That information was used as context to develop the LA's response to the government's refinements to the funding system for 2014/15.

In March 2014, the DfE published its latest analysis of LAs local funding formulae. A copy is available at:

[https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=3&ved=0CDgQFjAC&url=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachme nt\\_data%2Ffile%2F297531%2FSchools\\_block\\_funding\\_formulae\\_2014-15.pdf&ei=gFNOU7afCubG7AaKpoDgCQ&usq=AFQjCNE8geUYXCoGs5bxV7q9LpylWXw3Mw&bvm =bv.64764171,d.ZWU](https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=3&ved=0CDgQFjAC&url=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachme nt_data%2Ffile%2F297531%2FSchools_block_funding_formulae_2014-15.pdf&ei=gFNOU7afCubG7AaKpoDgCQ&usq=AFQjCNE8geUYXCoGs5bxV7q9LpylWXw3Mw&bvm =bv.64764171,d.ZWU)

The LA has reviewed the latest DfE analysis for 2014/15 and the key points are captured in Appendix 1 for information. The overall conclusion is that Lincolnshire's funding of schools is once again broadly similar to many other LAs. However, it is noteworthy 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 appears to be below the national average.
3. Funding for Looked After Children is at the lower end of the LA range and the total sum distributed through this factor is small.
4. The amount distributed for low Prior Attainment is at the higher end of the LA range, and is slightly higher for the primary sector.
5. The sum allocated for English as an Additional Language is at the higher end of the range, but the sum distributed through it is relatively small.
6. The percentage of funding distributed through pupil led factors is one of the lowest in the country, but that is due to the need for a larger lump sum for small rural schools.
7. The relative funding between primary and secondary sectors has remained largely unchanged for many years and is at the national average of 1 : 1.27

It would be inappropriate for any LA to use this analysis to seek to gravitate towards the LA average. That is partly because each LA will have different needs that should be reflected in its local funding formula. Nevertheless, this analysis might suggest that Lincolnshire's relative funding of the primary and secondary sector may be about right, although arguments can be put forward to alter the balance either way. Perhaps the two main areas for closer consideration and debate that may lead to a material change in the local school funding arrangements relate to the size of the lump sum / sparsity funding, and the proportion of funding distributed through the prior attainment factor. With respect to the latter, that may need to be seen in the context of current performance, narrowing the gap, and the impact the pupil premium is having on pupil performance.

The LA's policy is to keep the local school funding formulae under review. That will be necessary when the LA decides how to allocate any increase in the DSG that arises in 2015/16 as a result of the government's recent consultation and provisional plans to allocate more resource to those LAs with

greatest need. Proposals will be brought forward for the Schools Forum's consideration in due course.

<b>RECOMMENDATIONS</b>
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The Schools Forum is asked to:

- a. Note the contents of the report;
- b. Consider and comment upon the contents of the report, and provide some initial feedback on any changes that might need to be made to school funding formulae in 2015/16 and beyond.

<b>APPENDICES (If applicable) - these are listed below and attached at the back of the report.</b>
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Appendix 1 - Lincolnshire's school funding formula 2014/15 and the national position
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<b>BACKGROUND PAPERS</b>
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<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
Report to Schools Forum	School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15	25 June 2013	County Offices, Newland, Lincoln, LN1 1YQ
DfE review	Schools Block Funding formulae 2014/15 – Analysis of local authorities' Schools Block funding formulae	March 2014	<a href="https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=3&amp;ved=0CDgQFjAC&amp;url=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachment_data%2Ffile%2F297531%2FSchools_block_funding_formulae_2014-15.pdf&amp;ei=gFNOU7afCubG7AaKpoDgCQ&amp;usq=AFQjCNE8geUYXCoGs5bxV7q9LpylWXw3Mw&amp;bvm=bv.64764171,d.ZWU">https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=3&amp;ved=0CDgQFjAC&amp;url=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachment_data%2Ffile%2F297531%2FSchools_block_funding_formulae_2014-15.pdf&amp;ei=gFNOU7afCubG7AaKpoDgCQ&amp;usq=AFQjCNE8geUYXCoGs5bxV7q9LpylWXw3Mw&amp;bvm=bv.64764171,d.ZWU</a>

## **Lincolnshire's school funding formula 2014/15 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 primary awpu must be at least £2,000 and the secondary awpus at least £3,000.
2. Primary. Of the 152 LAs, the largest number of LAs (48) continue to set the primary awpu within the £2,500 to £2,750 range. Lincolnshire's figure remains at the lower end of that range at £2,542. There were 38 LAs in the £2,750 to £3,000 range, 27 LAs in the £3,000 to £3,250 range and 2 LAs with awpus above £4,500. Lincolnshire's position is not surprising given the wide differences in DSG per pupil funding across the country. Those funding differentials are likely to be reflected most in awpus, as the majority of the school funding is distributed through them.
3. Secondary. For KS3, of the 152 LAs, the largest number (34) had set the awpu between £3,750 and £4,000. The next greatest number of LAs (30) had set awpus between £4,000 and £4,250. Lincolnshire was in the next largest group (26) with an awpu of £3,468 falling between £3,250 and £3,500. There were 4 LAs with awpus above £6,000. For KS4, the largest number of LAs (42) had set the awpu between £4,250 and £4,500. Lincolnshire was in that group with an awpu of £4,274. The next greatest number of LAs (27) had set awpus between £4,500 and £4,750. There were 4 LAs with awpus above £6,000. Again, Lincolnshire's position is not surprising given the relative DSG funding of LAs, although 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. For example, some LAs may choose to put more or less funding through factors for special needs, deprivation, etc. The % of funding put through the basic entitlement, or awpu, demonstrates this. The largest number of LAs (75) put between 75% and 80% of funding through it. Lincolnshire's was just outside that group at 74.6% and in the next largest number of LAs (40) that allocated between 70% and 75%. The next largest number of LAs (20) put between 80% and 85% through the awpu.
5. In conclusion, Lincolnshire's awpus are lower than most LAs and that is caused mainly by the DfE's DSG funding of LAs. Although the LA's KS3 weighting is slightly lower compared to other LAs, the county's relative position for the funding of primary, KS3 and KS4 awpus is broadly similar. So, one sector does not appear to be funded more favourably than the other. Lincolnshire's distribution of funding between the sectors is typical of other LAs and the position hasn't changed significantly over the past year.

### **Deprivation**

6. This is a mandatory factor.
7. The national variation in the percentage of funding distributed through deprivation factors is again significant, ranging from below 2% to nearly 20%. The largest number of LAs (33) put between 6% and 8% through deprivation factors. Lincolnshire is in the next largest group (27), with its 5.89% falling within the 4% and 6% band. A degree of variation is however to be expected, because LAs with greater variations in deprivation within their boundaries are more likely to target a greater proportion of their Schools block to help meet those needs.
8. In conclusion, Lincolnshire's level of funding through deprivation appears to be a little below national average.

### **Looked After Children**

9. This factor is optional.
10. Only 89 of the 152 LAs chose to operate this factor and none were allocating more than 0.5% of the Schools block through it. Lincolnshire is allocating 0.07% through this factor.
11. Lincolnshire introduced this factor in 2014/15 and is funding £600 per pupil. The largest group of LAs (18) are funding between £1,000 and £1,250. 18 LAs are funding between £750 and £1,000. Lincolnshire falls in to the next largest group of 18 LAs funding between £500 and £750 per pupil.
12. In conclusion, very little funding is directed through this factor and Lincolnshire's allocation of £600 is at the lower end of the range of allocations for those LAs using it.

### **Prior attainment**

13. This factor is optional.
14. Only 5 LAs are not using this factor.
15. The amounts allocated per pupil vary tremendously. In primary they range from £115 to £2,874 and in secondary from £36 to £3,229.
16. The comparative figures for Lincolnshire are £1,641 and £1,420 per pupil in primary and secondary respectively. This places the county towards the upper quartile in the primary sector and just above half way in the secondary sector.
17. In terms of the percentage of the Schools block being distributed through this factor, the largest number of LAs (30) are in the 3% to 4% range; the next greatest number (27) are in the 4% to 5% range; the next largest number of LAs (25) are in the 2% to 3% range, and; Lincolnshire sits in the next largest group (9) with between 6 and 7%.
18. These figures will not include SEN funded through the Higher Needs block.
19. In conclusion, Lincolnshire's percentage of funding distributed through prior attainment is towards the top end of the LA range.

### **English as an additional language**

20. This factor is optional.
21. The majority of LAs (130) are using it.
22. In the primary sector, the median allocation appears to be £500 per pupil. Lincolnshire allocates £1,000 per pupil.
23. In the secondary sector, the median allocation appears to be between £500 to £750 per pupil. Lincolnshire also allocates £1,000 per pupil in secondary sector.
24. For the majority of LAs (104) the percentage of Schools block distributed through this factor ranges between 0% and 1%. Lincolnshire's figure is within this band at 0.74%.
25. In conclusion, whilst the sums allocated by Lincolnshire are towards the top end of the LA range, the total amount distributed through this factor is relatively small.

### **Mobility**

26. This factor is optional.
27. Only 62 LAs operate it. Lincolnshire chose not to. The LA had previously operated such a factor, but a threshold was applied to restrict extra funding to those schools with the highest turnover. For 2014/15, the DfE introduced such a threshold and set it at 10%.
28. Primary per pupils amounts range from below £250 to above £3,000 per pupil. The greatest number of LAs are within the £250 to £500 range. The same range applies in the secondary sector and the greatest number are within the £500 to £750 range.
29. All LAs allocate less than 1.5% of the schools' funding through this factor and only 2 are allocating more than 1%.
30. In conclusion, Lincolnshire does not operate this factor and for those LAs that do, the amounts allocated are very small in relation to 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. For 2014/15, a minimum of 80% of the Schools block must be allocated through these factors. All LAs have achieved that. The lowest is 81.3%. 51% of LAs are allocating between 90% and 95% through these factors. A further 43% are allocating between 85% and 90% of funding through them. Lincolnshire is allocating 81.27% through pupil led factors and is therefore very much at the lower end of the range. However, that is explained by the distribution of a much higher level of Lincolnshire's funding through the lump sum. This is necessary to ensure that sufficient funding is provided to small schools in this large rural authority, to help finance their fixed and semi-variable costs. It is noteworthy that the percentage of funding distributed through the lump sum would have been higher prior to 2013/14 when the secondary lump sum was capped.
33. In conclusion, the % of funding distributed through pupil led factors is lower in Lincolnshire than nearly all 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 chose to operate a lump sum factor in 2014/15.
36. The maximum permitted is £0.175m. Following a change to the 2013/14 regulations, a separate rate can now be applied to primary and secondary schools.
37. Lump sums range from £42,000 to £175,000. The latter was chosen by 17 LAs for primary schools and 37 LAs for their secondary schools. 99 LAs chose the same lump sum for both. 12 LAs selected a greater lump sum for primaries than secondaries.
38. Lincolnshire's primary lump sum of £0.115m is in the middle of the LA range. Lincolnshire's lump sum for secondary was set at the £175,000 cap and so is at the top of the range along with 36 other LAs.
39. On average, 8.6% of the Schools block is being allocated via the lump sum. Lincolnshire's figure is 11.1%.
40. In conclusion, Lincolnshire targets more funding through the lump sum to recognise the fixed and semi-variable costs of running small schools in a large rural area.

### **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.
43. Lincolnshire introduced the factor in secondary schools. It set the funding at the cap of £100,000 and is operating that 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. Prior to 2013/14, the county's smallest secondary schools received c.£0.390m as a lump sum.
44. All LAs are using less than 1% of the Schools block to fund this factor. Lincolnshire is using 0.24%.
45. In conclusion, whilst Lincolnshire is one of a minority of LAs using this factor, the amount distributed through it is relatively small.

### **Primary: secondary ratios**

46. For 2014/15, the national ratio of primary to secondary funding is unchanged from the previous year at 1 : 1.27.
47. The largest group of LAs (48) are in the band 1.25 to 1.30. Lincolnshire falls within this band at 1.27.
48. The next largest group (45) are in the 1.30 to 1.35 band and the next largest group (25) 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 in line with the national average.

### **Notional SEN**

50. The DfE's report shows that the notional SEN assigned by LAs to their funding formula varies tremendously from 2% to 23%. Indeed, further information published by the DfE shows wide variations in the percentages of notional SEN attributed to each formula factor. This lack of consistency suggests that LAs do not have a clear understanding of how they should determine those amounts.
51. This is of particular concern because following discussions with the DfE earlier this year, the LA is currently reviewing its approach to determine whether the funding arrangements for Band 6 to 8 statements need to change from April 2015. This is in light of the DfE's view that all schools should have £6,000 notional SEN within their budgets to meet the initial costs of a child's special educational needs. Unfortunately, the wide variation in approach by LAs does not provide an obvious way forward. The LA will provide a report on its finding to Schools Forum at the earliest opportunity.

### **Growth Fund**

52. This factor is optional
53. This is to be used to support pre-16 growth in schools.
54. 121 of the 152 LAs are using it and that includes Lincolnshire, which has set aside £1.5m for this purpose.
55. 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**

56. This factor is optional.
57. Lincolnshire chose not to use it, partly because of the difficulty in determining a set of fair and consistent rules that can be applied, and partly because only good or outstanding schools could qualify for funding.
58. Only 26 LAs are using this factor and the maximum sum retained is £0.5m.
59. In conclusion, Lincolnshire does not operate this factor and although a few LAs do use it, the sums distributed through it are relatively small.