

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Lincolnshire Schools Forum
DATE OF MEETING:	8 October 2014
SUBJECT:	Fairer Schools Funding for 2015/16
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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IS REPORT CONFIDENTIAL?	No

SUMMARY

1. The purpose of this report is to provide an update to the Schools Forum on the DfE's latest announcement on Local Authority (LA) funding for schools from April 2015, and to set out the LA's proposals for the use of the additional funding that will be provided.

DISCUSSION

Background

2. At the Schools Forum meeting in April 2014, the LA reported that the DfE had launched a consultation entitled 'Fairer Schools Funding in 2015/16'. The report highlighted that:
 - a. A new national fair funding formula would not be introduced in 2015/16 as originally expected because the government had decided that there needed to be a comprehensive spending plan period of more than one year.

- b. Changes to LA funding for schools would nevertheless be introduced in 2015/16 to begin to address the unfairness of the current system and to provide some help to authorities that are least fairly funded.
 - c. An additional £350m would be allocated in 2015/16 to LAs with schools most in need. No LA would receive less per pupil funding in cash terms when compared to 2014/15 however.
 - d. To determine whether a LA would qualify for funding, the DfE had calculated the minimum funding level for each one, by setting minimum funding levels for five pupil and two school characteristics / formula factors.
 - e. The government had used these factors to calculate a minimum level of funding for each pupil in every school and where the Local Authority's (LA) funding was currently below that level, extra funding would be provided.
 - f. 62 of the 152 LAs would receive a share of the £350m funding available. Lincolnshire's provisional allocation was £3.7m, representing an increase of 0.9% on the LA's Dedicated Schools Grant (DSG).
 - g. It would be for LAs to decide how best to apply the additional funding through its local formulae. LAs would not be required to distribute the funding through all seven factors, or set the rates for those factors at or above the minimum rates used by the government for determining the allocation of these funds.
 - h. The per pupil Minimum Funding Guarantee (MFG) was confirmed at minus 1.5% for 2015/16, so protection arrangements would remain in place at school level.
3. The report to Schools Forum included a copy of the LA's draft response to the consultation. The key points that the LA made in the response were that:
- a. As one of the lowest funded LAs for schools, it was disappointing that a new national fair funding formula would not be introduced in 2015/16.
 - b. Whilst the provision of additional funding to the least fairly funded LAs was welcome, the extra £350m being made available was relatively modest and would constitute only c.1% of the national DSG. This sum was unlikely to cover pay and price inflation in 2015/16 and could not have a major impact on reducing the huge differentials in per pupil funding that exist across LAs.
 - c. The DfE's approach of selecting most formula factors and applying average funding rates to determine minimum funding levels for each LA appeared arbitrary and was not based on need. The proposed allocations were therefore unfair.
 - d. Although Lincolnshire would qualify for funding, its allocation at 0.9% would be one of the lowest. Some LAs that already receive considerably greater levels of funding than Lincolnshire would receive significantly larger increases in funding in 2015/16, and so in some cases the current disparity in funding would widen.
 - e. Lincolnshire's 2014/15 actual age weighted pupil unit (awpu) funding rates are between £200 and £500 lower than the DfE's minimum rates. As most school funding is distributed through awpus, this demonstrates the considerable shortfall in funding for LAs like Lincolnshire.
 - f. The proposals were likely to perpetuate the flaws and inconsistencies in the current funding system.
 - g. The cost of running small schools in rural LAs was one area where a needs assessment was urgently required and it was completely inappropriate to use LA averages to determine minimum funding levels for that.

The LA's draft response was debated and then supported by the Schools Forum. It was agreed that a joint response would be issued before the consultation period closed on 30th April 2014.

Government Announcement

4. On 17th July 2014, the DfE announced its response to the consultation exercise. Details are available at:
<https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016>
5. The key points to note are:
 - a. Fairer funding
 - i. The general thrust of the earlier proposals will be implemented in 2015/16 and the methodology originally proposed will be used to determine each LA's allocation.
 - ii. The sum allocated to qualifying LAs will be £390m, i.e. an increase of £40m on the figure originally suggested.
 - iii. Lincolnshire's increase for 2015/16 will be 1.2% of the DSG, or £4.5m.
 - iv. The minimum awpu levels have been set at the LA average rates, and the balance of the £390m funding has been used to set the other factors as close as possible to LA averages. Using these rates and each LA's data, the DfE has calculated whether each LA's current DSG funding is below the minimum level. LAs with current DSG funding below the minimum level will receive extra funding.
 - v. The minimum rates that the DfE has used for these calculations are set out in Appendix 1.
 - vi. It remains the DfE's intention to implement a national funding formula when the government next sets spending plans over a longer period of time.
 - vii. As expected, LAs will not be obliged to set their factors at or above the minimum rates. It is for the LA, working with its Schools Forum, to decide how best to design its local formula to meet local circumstances. Furthermore, the DfE has stated that "Individual schools should therefore not expect that their funding will necessarily be at or above the minimum levels."
 - viii. The Schools Block unit of funding has therefore been confirmed, although the total funding allocation for the Block won't be confirmed until after the October 2014 schools census has been completed.
 - b. Higher Needs and Early Years funding
 - i. The DfE believes that a review of all of the DSG is a vital next step to fair funding and so will work quickly on that.
 - ii. The long term aim is to move to a more formulaic way of distributing the Higher Needs block. Research is expected to be available next spring, with a detailed consultation likely to follow shortly afterwards. No major changes are planned to Higher Needs funding in 2015/16 however.
 - iii. The government remains committed to a fair distribution of early years funding through a national early years funding formula. Other than the allocation of £50m for the early years premium for 2 year olds, no changes are planned for 2015/16.
 - c. Sparsity
 - i. After careful consideration of LAs' views, the DfE is planning only two minor changes to the sparsity factor. For 2014/15, secondary schools could only qualify if their number of roll was less than 600. The figure for primary schools was 150 (although Lincolnshire chose not to operate the sparsity factor for this sector). To address an issue of unfairness created by using these absolute numbers for traditionally smaller infant and junior schools, the thresholds are to be based on average year group sizes from 2015/16. For secondary schools this will be 120 and so it is not expected that this will have an impact upon Lincolnshire's small secondary schools. The £100,000 maximum funding limit will remain unchanged. The other minor change proposed by the DfE is that LAs can apply for an exceptional factor, to allow up to £50,000 extra funding to be given to those secondary schools that have 350 pupils or fewer, and a sparsity measure of 5 miles or more. It is important to note that: only three or

four secondary schools in Lincolnshire are likely to meet the size criterion; any extra funding for those schools may be temporary as the increase in pupil numbers in the primary sector starts to feed through in the next few years; the £50,000 sum is relatively modest in the context of secondary school budgets; this change will not address the fundamental problem created by the DfE's cap of the secondary lump sum from 2013/14, and; it is not clear that the EFA would regard such payments in Lincolnshire as something other than providing an "inefficient amount of lump sum funding" given the size of some of the county's smallest secondary schools. For these reasons, the LA does not propose to make an application to operate this exceptional factor.

- d. Simplifying academies funding.
 - i. The DfE proposes to include all academies and free schools within the DSG from next year. Currently, for most academies, the LA receives the full DSG funding and the EFA recoups the academies' share and funds them directly. A similar approach applies to free schools. However, c.10% of academies are non-recoupment i.e. the LA does not receive DSG for those pupils and so the sum is not recouped. It appears that to simplify these arrangements, the DfE wishes to bring those academies and free schools within the main arrangements. Lincolnshire does not have any non-recoupment academies so that will have no impact locally. From 2015/16, the DfE will include the funding for free school pupils in the DSG and then recoup the relevant sum, except in the first year of opening when pupil numbers are estimated. It is important to note that the amount recouped will be based on the LA's estimate of pupil numbers, not the free school's estimate. Although this will guard against pupil numbers being over-estimated, it will not affect the way that free schools are funded by the EFA. LAs will be able to make retrospective adjustments in the following financial year to address any variations between estimated and actual free school pupil numbers.
- e. Carbon reduction
 - i. The government removed schools from the carbon reduction scheme in 2014/15 and deducted from each LA's DSG their planned spending, as set out in their s251 returns. This was widely regarded by LAs as unfair because of their different approaches to budgeting. So, for 2015/16, the DfE proposes to deduct £7.51 per pupil from the DSG instead. This is a simpler and fairer methodology and should result in a modest increase in Lincolnshire's DSG next year (c.£0.130m).
- f. High needs funding.
 - i. Minor changes are planned to Higher Needs funding for 2015/16 whilst the DfE's thorough review takes place. This autumn, LAs will be able to request funding for additional higher needs places in 2015/16. The balance of the available funding will then be distributed to all LAs on a flat per capita basis. In view of the fluid situation and potential for growth in Alternative Provision (e.g. pupil referral units), the DfE has decided that LAs and their schools should finance any growth from their existing budgets. The DfE proposes to change the balance between place and top-up funding to provide more stability. Therefore, the place funding for alternative provision will increase from £8,000 to £10,000 from September 2015. This will bring the place funding in to line with special school place funding which has been at £10,000 since the new system was introduced in 2013/14. This amendment should be cost neutral as the top-up rates for the relevant institutions should reduce correspondingly.

LA proposals for use of the increase in DSG in 2015/16

6. As outlined above, the LA, working with its Schools Forum, is expected to decide how best to use next year's permanent £4.5m increase in the DSG, to meet local needs. The LA has noted the following:
 - a. It is implicit in the DfE's consultation and its calculations that the additional funding is intended for the primary and secondary sectors.

- b. This matter cannot however be considered in isolation and should be seen in the context of the wider issues affecting the DSG. Those issues are captured in the 'Revised Schools Budget 2014/15' report, presented to this meeting of the Schools Forum.
 - c. There are issues arising from the requirement for the LA to comply with the DfE's regulations relating to notional SEN funding. Those issues are also captured in the 'Proposed Changes to SEN funding in 2015/16' report, presented to this meeting of the Schools Forum.
7. Having carefully considered this extensive range of issues, the LA proposes to:
- a. Transfer £2m in to the Higher Needs block to cover potential growth in the base budget for SEN as a result of the DfE' requirement for the LA to delegate some of the funding for Band 6 to 8 statements. This DfE requirement reduces to £6,000 the current threshold at which additional special educational needs funding is provided. The LA will be monitoring the response of schools to this change in funding arrangements, and to the introduction of Education, Health and Care plans from September 2014. However, this could create a significant risk to the DSG given school practices in the decade prior to the delegation of Band 1 to 5 statements in 2010/11. If such pressures do not materialise over the next two years as these new systems bed in, this funding would be released.
 - b. Allocate the remaining £2.5m equally between primary and secondary schools by uplifting the awpus by the same percentage.
- The final decisions on the use of the £4.5m funding need to be reflected in the LA's APT submission to the DfE on 31st October 2014. The purpose of that submission is to show how the LA plans to fund mainstream schools from April next year.

RECOMMENDATIONS

The Schools Forum is asked to:

1. note the contents of the report;
2. support the LA's proposals for use of the £4.5m increase in DSG from 2015/16, as set out in paragraph 7 above.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.
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Appendix 1: DfE minimum funding levels for 2015/16.

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
DfE consultation	Fairer Schools Funding in 2015/16	13 th March 2014	https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016
Report to Schools Forum	DfE consultation: Fairer Schools Funding in 2015/16	23 rd April 2014	County Offices, Newland, Lincoln, LN1 1YQ
DfE publication	Fairer Schools Funding in 2015/16	17 th July 2014	https://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016

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DfE minimum funding levels for 2015/16

No.	Formula factor	DfE minimum rates	Lincolnshire's rate for 2014/15
1	Age weighted pupil (awpu): Primary Key Stage 3 Key Stage 4	£2,880 £3,950 £4,502	£2,542 £3,468 £4,274
2	Deprivation (free school meals and IDACI)	£882 to £1,870	£1,186 to £2,379
3	Looked After Children (LAC) Primary Secondary	£1,004 £1,004	£600 £600
4	Low prior attainment: Primary Secondary	£669 £940	£1,641 £1,420
5	English as an Additional Language (EAL): Primary Secondary	£466 £1,130	£1,000 £1,000
6	Lump sum: Primary Secondary	£115,797 £125,155	£115,490 £175,000
7	Sparsity Primary Secondary	£44,635 £66,656	n/a £100,000
8	Area Cost Adjustment	This varies from LA to LA	n/a

Key statistics from the latest DfE' announcement:

- 69 of the 152 LAs will qualify for additional DSG funding in 2015/16.
- The average allocation will be £5.6m.
- The percentage increases in DSG range from 11.5% (Bromley) to < 0.0% (Staffordshire).
- The largest increase in DSG is estimated at £28.4m (Surrey). The lowest is £0.1m (Staffordshire).
- Lincolnshire's increase (1.2% / £4.5m) is the 21st lowest in percentage terms, and 37 lowest in cash terms of those LAs receiving extra funding.
- 34 of the LAs that will receive extra funding will have lower DSG per pupil figures than Lincolnshire from 2015/16.
- The new DSG per pupil funding rates for these lowest funded LAs will range from £5,872 (Westminster) to £4,158 (Wokingham)
- For the Schools Block element of the DSG, Lincolnshire will have the 40th lowest per pupil funding rate of the 152 LAs in 2015/16.