

**Meeting:** Executive  
**Date:** 13 August 2013  
**Subject:** Consultation on School Funding Arrangements for 2014/15  
**Report of:** Cllr Mark Versallion, Executive Member for Children's Services

**Summary:** This report sets out the changes to the funding arrangements for schools for 2014/15, the consultation process that the Council is required to carry out with schools and the steps which are being taken to meet the requirements of the Department for Education (DfE) and the Education Funding Agency (EFA). The Executive is asked to delegate Authority to the Deputy Chief Executive/Director of Children's Services in consultation with the Executive Member for Children's Services to proceed with the consultation process and submit the application for variations and exceptions to the DfE in order to meet the timescales required.

**Advising Officer:** Edwina Grant, Deputy Chief Executive/Director of Children's Services  
**Contact Officer:** Helen Redding, Head of Learning and School Support  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Executive  
**Key Decision** No  
**Reason for urgency/ exemption from call-in (if appropriate)** N/A

<b>CORPORATE IMPLICATIONS</b>
<b>Council Priorities:</b>  This report supports the Council to deliver the following priority: <ul style="list-style-type: none"><li>• Improved educational attainment.</li></ul>
<b>Financial:</b>  1. The implications of this report are fully funded by Dedicated Schools Grant (ring fenced).
<b>Legal:</b>  2. Not applicable.

**Risk Management:**

3. Not applicable.

**Staffing (including Trades Unions):**

4. Not applicable.

**Equalities/Human Rights:**

5. The Schools Funding Formula takes account of deprivation indices to ensure that support is targeted at the most vulnerable groups. The High Needs Block supports those pupils who have identified additional special educational needs (SEN). Schools additionally receive Pupil Premium funding which enables them to support pupils in receipt of Free School Meals, children who are 'Looked After' and children from Service Families.

**Public Health:**

10. Not applicable.

**Community Safety:**

11. Not applicable.

**Sustainability:**

12. Not applicable.

**Procurement:**

13. Not applicable.

**Overview and Scrutiny:**

14. This paper will be presented to the Children's Services Overview and Scrutiny on 3 September 2013 for discussion but due to the tight timescales for consultation, members of the Overview and Scrutiny Committee will be sent the report in advance to ascertain their early views.

**RECOMMENDATIONS:****The Executive is asked to:**

- **approve the consultation process with schools;**
- **delegate authority to the Deputy Chief Executive/Director of Children's Services in consultation with the Executive Member for Children's Services to commence consultation with schools; and**
- **delegate authority to the Deputy Chief Executive/Director of Children's Services in consultation with the Executive Member for Children's Services to submit to the DfE the final application for variations and exclusions by 30 September 2013, and to submit the draft pro-forma with factors consulted on by Schools Forum by the 31 October 2013 following consultation with schools.**

<i>Reason for Recommendations:</i>	<i>To meet the timescales set out by the DfE</i>
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## **Executive Summary**

This report sets out the changes to the funding arrangements for schools for 2014/15, which have come about as a consequence of the national review of the changes made in 2013/14. It also provides information regarding the decisions taken for Central Bedfordshire for 2013/14. A Technical Group of the Schools Forum are working with Council Officers to model the impact of any changes for 2014/15, and this information will help inform the consultation process. The report sets out the detail of the consultation process that the Council is required to carry out with schools, the timescales for submission of the pro-forma to the DfE and the next steps required for meeting the timescales for publishing schools' budgets for 2014/15.

The final pro-forma for submission to the Secretary of State will be considered for approval by the Executive at its meeting in January 2014.

## **Background**

15. Councils have received allocations of Dedicated Schools Grant (DSG) since the beginning of the financial year 2006/07 to finance the Schools Budget.
16. The process is that, following advice from the Director of Children's Services, two statements are signed annually by the Chief Finance Officer which confirms that the DSG has been fully deployed in support of the Schools Budget in accordance with the conditions of the grant and the current Schools Finance Regulations and in consultation with the School Forum.
17. The Schools Finance Regulations govern the distribution of school funding. In 2012/13 Councils were able to use up to 37 factors within their formulae. This was reduced to 12 factors in 2013/14.
18. Following three consultations held by the DfE in 2011 and 2012, the final arrangements for 2013/14 were announced on the 28 June 2012. These changes were the first step towards a national funding formula for schools.
19. These arrangements set out that the funding would be split into three blocks: i) Schools; ii) Early Years; and iii) High Needs and also that the entire School Block must be delegated to schools, with only a few exceptions. These changes represent a major reform of schools funding and so the DfE required Councils to consult schools on new schools funding formulae.

20. Only 11 of the 12 factors permissible for 2013/14 were applicable to Central Bedfordshire (the twelfth factor was London weighting). 2 were mandatory (Basic Entitlement and Deprivation), and the following factors were optional:
- Looked after Children
  - Low cost, high incidence SEN
  - English as an additional language
  - Lump sum
  - Split sites
  - Rates
  - PFI contracts
  - Pupil Mobility
  - DSG spent on Post 16 pupils
21. The following funding formula factors were previously proposed by the Council, consulted on with schools in September 2012 and reviewed by the Schools Forum as required by the DfE. These have been included in the distribution of funding for 2012/13:
- Basic Entitlement for Primary (£2,908), Key Stage 3 (£4,170) and Key Stage 4 (£4,879)
  - Deprivation based on weighted banded Income Deprivation Affecting Children Index (IDACI) data (The IDACI deprivation index is approved by the DfE for use in the distribution of dedicated schools grant (DSG) in 2013)
  - Lump Sum factor £120,000
  - Split Site factor £120,000
  - Rates based on actual cost
  - Exceptional Factor (joint use of buildings)
22. Following consultation the following factors were not included for 2012/2013:
- Looked After Children. The School Forum, after consultation with schools, took the view that this factor would be based on where Looked After Children were in school at the point of the Census in October, and would not necessarily be where the pupil actually was in the following financial year.
  - Low Cost High Incidence SEN. School Forum agreed this could only be applied using assessment and test data at the end of the Early Years Foundation Stage and Key Stage 2. The view was taken that this did not assess needs so would not necessarily target funding to the right pupils, and so more funding should be allocated through the pupil unit.

- English as an Additional Language. Last year there were only 55 pupils in Central Bedfordshire schools entering year 1 of compulsory school age. As the numbers were so small the value per school would be minimal so the decision was taken not to apply this for 2012/13.
- PFI Contracts. It was agreed to revisit this in 2014/15.
- Pupil Mobility. The data provided by the DfE in relation to Central Bedfordshire was based on 2012/13 data. It was decided not to include this factor in 2012/13 as it did not target particular groups of pupils where mobility might be an issue. It did not target Service Children, although the additional Pupil Premium received by schools does provide additional support for this group of pupils.
- DSG spent on Post 16 pupils. As Central Bedfordshire had not allocated DSG for this purpose in 2012/13, this was not permitted by the DfE to be utilised in 2013/14 or future years.

These factors will be reconsidered by School Forum and schools in the consultation for 2014/15.

23. The Council's Executive had previously approved the arrangements and proposed distribution of the Schools Block for 2013/14 on 8 January 2013. The formula had not changed significantly in the past and therefore had not required Executive approval before January 2013. However, due to the significance of the changes in the formula for 2013/14 Executive Approval was sought.
24. The 2012 reforms of Councils' school funding formulae produced some unexpected outcomes across the Country. In response the government carried out a further review of schools funding formula in preparation for the 2014/15 school budget while continuing to move towards a national funding formula.
25. Six lower schools have changed their age-range from September 2013, therefore keeping a year 5 cohort that might otherwise have transferred to middle school. The Individual Schools Budgets (ISB) issued for 2013/14 were based on the October 2012 Census in line with the School and Early Years Finance (England) Regulations which refers to the 4 October 2012 for ascertaining pupil numbers for the distribution of funding for 2013/14. The funding for these pupils has therefore been attributed to middle schools rather than these lower schools. These regulations do not allow for changes in the funding formulae after the funding period has commenced so the view of the School Forum was sought.
26. The Schools Forum agreed on the 24 June 2013 that these schools would be funded from School Contingency for the expected pupil numbers in Year 5 in September 2013 for the two terms affected.
27. The Revenue Funding Arrangements for 2014/15 now include guidance regarding schools that have changed or are going to change their age range by adding or losing year groups. This therefore provides a solution for future years to the issue on change of age range.

## School Funding Reforms - 2014/2015

28. The 2014/15 Funding Arrangements were announced on 4 June 2013, which set out the proposed changes to funding formulae for 2014/15 upon which the Council must consult with schools. Operational Guidance for the consultation process was produced for Local Authorities. These changes are seen as a further development of the 2013/14 arrangements.
29. As in 2013, the Council is required to submit one draft and one final proforma to the Education Funding Agency in October 2013 and January 2014 respectively.
30. The system for High Needs Block funding remains broadly the same as it was in 2013/14.
31. A new optional factor has been introduced to those allowable for the schools block formula. This enables the formula to make an allowance for 'sparsity'. It is aimed at supporting necessary small schools, mainly in rural areas. Specific criteria have been drawn up by the DfE to control how this factor operates. Where a sparsity factor is used by a Local Authority, the maximum allowable value is £100k per school. According to the data provided by the DfE, if this is applied, it only impacts on 4 schools in Central Bedfordshire. These are Holywell Academy (Middle), Wrestlingworth, Dunton and Haynes Lower schools.
30. The Local Authority can now choose to have different lump sums for primary and secondary (with middle schools getting a weighted average). This is capped at £175k per school. In the 2013 consultation process the maximum lump sum value was £200K. Central Bedfordshire approved a maximum of £120k.
31. Where schools are amalgamating, the amalgamated new school will receive 85% of the total of the combined lump sum but only for the following financial year.
32. If a factor for Looked After Children is applied in a Council's funding formula this must now apply to any child who has been in care for at least 1 day, whereas in the past this was set at 6 months.
33. The new guidelines change the way prior attainment factor is measured at the end of the Early Years Foundation Stage (EYFS) and Key Stage 2 (KS2). The new measures are:
  - EYFS – not achieving a good level of development (2013 cohort)
  - KS2 – not achieving level 4 in English OR maths for all cohorts.
34. The mobility factor if used can now be applied when the number of 'mobile' pupils exceeds 10%. No threshold was set for 2013/14.

35. The basic entitlement for primary pupils (the Age Weighted Pupil Unit - AWPU) must be at least £2000, and for secondary pupils (KS3 and KS4) at least £3000. Central Bedfordshire figures for 2013/14 were well within these parameters; £2,908 - Primary, KS3 - £4,170 and KS4 - £4,879. Central Bedfordshire split the secondary basic entitlement into KS3 and KS4 as this was the best way to reflect the primary and secondary aged pupils who are educated in Middle schools which are deemed as secondary schools.
36. Local Authorities must ensure that at least 80% of delegated funding is distributed via pupil led factors (in Central Bedfordshire in 2013/14 it is 87%). There are currently no constraints on the Primary/Secondary ratio proposed in the latest guidelines but limits may be introduced in years to come.
37. The 2013/14 guidelines required the creation of a Growth Fund to be used to resource demographic increases in basic need. This was agreed at £800,000. The new guidelines state that with the agreement of Schools Forum, Local Authorities can now create a fund to cover temporary falls in a school's roll. This can only be applied to schools that have been judged by Ofsted to be 'good' or 'outstanding'. Schools Forum must also agree the criteria by which this will be applied and be consulted on allocations. This factor can only be applied if it relates to local place planning decisions and is not to be used to support unpopular or failing schools. These criteria will be agreed by the Schools Forum during the Autumn Term 2013.
38. The Operational Guidance for 2013/14 provides information regarding financing schools that are planning to change their age ranges. Councils are now able to request approval to vary the pupil numbers for specific schools where:
- there has been, or is going to be, a reorganisation; or
  - a school has changed, or is going to change, its age range either by adding or losing year groups.
39. In these cases, a weighted average of pupil numbers can be used, taking into account the changes in pupil numbers from the new academic year. The Council will need to apply for a variation in pupil numbers for specific schools for the funding period 2014/15. Councils' budgets will be adjusted to recoup budget so that the Education Funding Agency can fund affected Academies.
40. There is a change to the membership in the Schools Forum Regulations. They now require 1 member from an institution that provides education to 16 – 19 year olds. This replaces the member from the 14-19 Partnership. The representative from the UTC can continue to fulfil this role.

41. The Council is now able to apply for exceptions from the finance regulations in relation to:

- Premises factors
- Minimum Funding Guarantee
- Changes in pupil numbers as a consequence of reorganisation or changes in years of admission
- Sparsity calculation
- Variation to lump sum for amalgamated schools.

An application will be made in respect of changes in pupil numbers as a consequence of age range changes in schools.

42. Schools will be required to fund the first £6,000 for High Needs Pupils. Central Bedfordshire agreed this figure when it was recommended for 2013/14 following consultation with schools.

43. The DfE will be consulting on setting the place value at £10,000 for Special Schools and Academies with Post 16 pupils. This is currently split into 2 elements of £6,000 and £4,000. Setting the place value at £10,000 will make this consistent with the place element for pre-16 pupils.

44. All maintained schools and Academies must be treated equally when incurring central expenditure, with the exception of the figure that can only be de-delegated for maintained schools.

### **Consultation and Next Steps**

45. The Council submitted an 'in principle' application for exclusions and variations by the 30 June 2013 to help inform the consultation process. (See Appendix 1).

46. The Schools Forum Technical Funding Group will have reviewed the 2013/14 funding formula and the new arrangements during July. They will have considered the impact on all of the proposed changes on schools budgets (based on current pupil data) in order to inform the consultation proposals. The consultation must include all schools and Academies.

47. Members of the Children's Services Overview and Scrutiny Committee will discuss the model proposed for the schools consultation at their meeting on 3 September. They will be sent this report as individual consultees as part of the consultation process in view of the timescales, and they may also wish to submit a joint view.

48. The DfE recommends a consultation lasting between 2 weeks and no more than 4 weeks. The proposed consultation period in Central Bedfordshire is from 4 September to 27 September 2013.



49. The Schools Forum will be required to consider the responses to the consultation in October 2013. The provisional school budget proforma for 2014/15 must be submitted to the Education Funding Agency by 31 October 2013.
50. The DfE will confirm the DSG Schools Block in December 2013
51. Schools Forum will need to plan to meet in January to approve the 2014/15 Funding Formula
52. A further paper will come to the Executive on 14 January 2014 seeking approval for the distribution of the Dedicated Schools Grant for 2014/15. The Final date for submission to the EFA is 21 January 2014
53. Local Authorities are required to issue schools budgets by 28 February 2014

**Appendices:**

Appendix A – Central Bedfordshire Application to the Department for Exclusions and Variations

**Background Papers:** (open to public inspection)