
Meeting: Children's Services Overview and Scrutiny Committee
Date: 3 September 2013
Subject: Consultation on School Funding Arrangements for 2014/15
Report of: Cllr Mark Versallion , Executive Member for Children's Services
Summary: The report sets out the background to the September 2013 consultation on school funding providing the background to the consultation, its scope, purpose and timeframe. The report provides the background and essential knowledge on the consultation needed by members of the Overview and Scrutiny Committee for discussion on 03 September 2013. At the meeting the report will be supplemented by a presentation detailing the financial modelling that underpins the consultation and the consultation document itself.

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: Council

CORPORATE IMPLICATIONS
Council Priorities:
This report supports the Council to deliver the following priority: <ul style="list-style-type: none">• Improved educational attainment.
Financial:
1. The implications of this report are fully funded by Dedicated Schools Grant (DSG) (ring fenced)
Legal:
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).

6. 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

7. Not applicable.

Community Safety:

8. Not Applicable.

Sustainability:

9. Not Applicable.

Procurement:

10. Not applicable.

RECOMMENDATIONS:

The Committee is asked to:-

- **Consider and comment on the content of this report which provides background information about the rationale and scope of consultation on school funding to be held between 4 and 27 September 2013 and details of aspects which are new to this consultation and not considered in the 2012 consultation.**
- **Receive and discuss a presentation which will explain the details of the consultation questions and the financial models that will be provided to schools to help them to understand the significance of the consultation for their 2014-15 budgets. The materials needed for this presentation will be available on the day.**
- **Consider and comment upon the timeline for the consultation process and its governance arrangements through Council.**

Background

11. Councils have received allocations of Dedicated Schools Grant (DSG) since the beginning of the financial year 2006/07 to finance the Schools Budget.
12. 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 Schools Forum.
13. 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.
14. 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.

15. 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.
16. Only 10 of the 12 factors permissible for 2013/14 were applicable to Central Bedfordshire. 2 were mandatory (Basic Entitlement and Deprivation), and the following factors were optional:
 - Looked after Children
 - Low cost, high incidence Special Educational Needs (SEN)
 - English as an additional language
 - Lump sum
 - Split sites
 - Rates
 - PFI contracts
 - Pupil Mobility
17. 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 2013/14:
 - 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)
18. Following consultation the following factors were not included for 2013/2014
 - Looked After Children. The Schools 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. The Schools 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 2013/14.
- 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 2013/14 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 have been reconsidered by Schools Forum and will now be considered by schools in the consultation for 2014/15.

19. The Council's Executive approved the arrangements and 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.
20. 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. This has triggered the consultation under discussion on 03 September 2013.
21. It should also be noted that six lower schools have extended their upper age-range to 11 years 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 Schools Forum was sought.
22. 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.
23. 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

24. 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.
25. As in 2013, the Council is required to submit one draft and one final pro forma to the Education Funding Agency in October 2013 and January 2014 respectively.
26. The system for High Needs Block funding remains broadly the same as it was in 2013/14.
27. 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.
28. 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.
29. 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.
30. 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.
31. 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.
32. The mobility factor if used can now be applied when the number of 'mobile' pupils exceeds 10%. No threshold was set for 2013/14.
33. 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.

34. 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.
35. 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.
36. 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.
37. 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.
38. 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. Because of the 'school-driven' nature of the age range changes in Central Bedfordshire where numbers will continue to be affected by parental preference, 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.
39. The Council is now also 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.
40. 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.

41. 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.
42. 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

43. The Council submitted an 'in principle' application for exclusions and variations by the 30 June 2013 to help inform the consultation process.
44. The Schools Forum Technical Funding Group reviewed the 2013/14 funding formula and the 2014/15 proposals during July. They have considered the impact of the proposed changes on schools' and academies' budgets (based on current pupil data) in order to inform the consultation proposals. (The consultation must include all schools and Academies)
45. Members of the Children's Services Overview and Scrutiny Committee are discussing the model proposed for the schools consultation at their meeting on 3 September. They receive this report as individual consultees as part of the consultation process in view of the timescales, and they may also wish to submit a collective view.
46. 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.
47. The Schools Forum will be required to consider the responses to the consultation in October 2013. The provisional school budget pro forma for 2014/15 must be submitted to the Education Funding Agency by 31 October 2013.
48. The DfE will confirm the DSG Schools Block in December 2013.
49. Schools Forum will need to meet in January to approve the 2014/15 Funding Formula.
50. A further paper will come to the Council's Executive on 14 January 2014 seeking approval for the distribution of the Dedicated Schools Grant for 2014/15. The Final date for submission of Central Bedfordshire council's funding proposal to the EFA is 21 January 2014.
51. Local Authorities are required to issue schools budgets by 28 February 2014.