

TO: SCHOOLS FORUM
20 JUNE 2013

**DEPARTMENT FOR EDUCATION (DfE) SCHOOL FUNDING REFORM:
ARRANGEMENTS FOR 2014-15
Director of Children, Young People and Learning**

1 INTRODUCTION

- 1.1 In 2012, the DfE started a process to reform school funding so that it is “fairer, more consistent and transparent and so that funding intended for education reaches schools and the pupils that need it most”. From April 2013, following consultation with schools and agreement of the Forum, significant changes were introduced to the formula used to distribute funds to schools in Bracknell Forest (BF).
- 1.2 A report was presented to the Forum in March confirming that the DfE were undertaking an assessment of the impact of the changes, specifically to identify any unintended outcomes and to also identify any other changes that may be required to assist in the longer term goal of introducing a national funding formula.
- 1.3 The outcome from this review is that most of the arrangements put in place from April 2013 have delivered what was intended and will remain in place, with a small number of changes being introduced, from April 2014.
- 1.4 This paper sets out the changes, some of which are optional, and where relevant, provides an initial impact for BF. It also confirms that the Council believes that a review of the BF Funding Formula is not necessary.

2 SUPPORTING INFORMATION

Funding Mainstream Schools from April 2014

- 2.1 The main thrust of the DfE funding review has been to assess the impact arising from the changes to LA Funding Formulas. There are now a very limited number of allowable factors – 13, of which 8 could and are used in BF - with a further requirement to only use indicators and pupil data provided by the DfE. The review outcome on each factor follows below.

Pupil-led funding

- 2.2 One of the prime objectives of the DfE from the funding reforms is to ensure that a high proportion of funding is allocated to schools through pupil-led factors. This approach is designed to encourage popular and good schools to readily admit more pupils in the knowledge that significant funds will follow.
- 2.3 To support this objective, from April 2014, the DfE will require all LAs to allocate a minimum of 80% of delegated schools block funding through the relevant pupil-led factors – age weighted pupil unit, deprivation, prior attainment, looked after children and English as an additional language. In 2013-14 only 2 LAs did not meet this level of delegation, with the BF rate being 88.3%.

- 2.4 Furthermore, there will be a minimum cash value set for age weighted pupil funding, with the minimum primary rate set at £2,000 and the minimum secondary rate for both KS3 and KS4 set at £3,000. Whilst all LAs were above these levels in 2013-14, with the BF rates £2,849 and £4,080 respectively, the minimum rates may be increased in future years.

Prior attainment

- 2.5 DfE encourage the use of this factor to target funding to schools for pupils with low cost, high incidence special educational needs (SEN) below the £6,000 high needs threshold. This has become a more significant factor now that additional funds must be included in general school budgets to support SEN pupils, rather than making funding allocations to schools on the basis of named pupils.
- 2.6 Changes to the Early Years Foundation Stage Profile mean that different aged pupils will have a different methodology of funding next year. Those taking the old profile – Years 2 to 5 - will continue to be funded where scores are below 78 or 73, which for BF the agreed threshold is 78. For those taking the new Profile from September 2012 – Year 1 pupils - funding will be allocated to pupils who did not achieve the expected level of development in all 12 prime areas of learning as well as maths and literacy.
- 2.7 For secondary aged pupils, funding is currently targeted to pupils that fail to achieve a level 4 or higher in English and maths which amounts to around 10% of relevant pupils. As only 20% of pupils who achieved a level 4 in English or maths went on to achieve the 5 (A*-C) GCSEs including English and maths, from next year, the measure will be changed so that pupils will be identified as having low prior attainment if they fail to achieve a level 4 or higher in English or a level 4 or higher in maths. This change is expected to identify around 21% of pupils. Increasing the cohort will result in lower per pupil funding, unless a decision is taken to allocate a higher proportion of funding through this factor.
- 2.8 In 2012 the KS2 assessment measure was changed. Those pupils taking the old assessments will be identified from the published data. For pupils at KS2 from 2013 onwards, the English element of the KS2 measure will identify those who did not achieve a level 4 in either the reading or teacher assessed writing elements. Grammar, punctuation and spelling test results are excluded “for now”.

Deprivation

- 2.9 All LAs are required to include a deprivation factor in their funding formula which should be used in addition to funding from the Pupil Premium to target resources to pupils from deprived backgrounds who tend to achieve less well than those from less deprived backgrounds.
- 2.10 Whilst a number of issues were raised from the review, including not being able to use all available deprivation measures, the limited bands allowed if the Income Deprivation Affecting Children Index is used does not fit the deprivation profile of all LAs and that there was funding turbulence in moving from large historic deprivation related grant allocations to distributions through the new allowable measures, there will be no changes for April 2014. As this is a key factor for the DfE, “we are continuing to ask that Schools Forums and LAs determine locally an appropriate proportion or quantum of their schools block funding to allocate through this factor”. BF allocates 3.5% of funding through deprivation measures, which is proportionally in the lowest 15% of LAs. BF has been assessed as being in the 10% least deprived LAs.

Looked After Children (LAC)

- 2.11 The DfE will be limiting the methods available to resource schools for LAC so that from April 2014, a single indicator only will be permissible, covering all pupils who have been looked after for one day or more on 31 March 2013. Previously children looked after for at least 6 months or 12 months could also be used. Evidence shows that children who have been looked after for one day are equally likely to under-perform at KS4 as those who have been looked after for 12 months or more. The BF formula currently funds for pupils on this basis so there is no change.

Pupil mobility

- 2.12 DfE will be changing the method to resource schools for pupil mobility so that from April 2014, rather than paying a per pupil amount for all in-year admissions by schools, a 10% threshold will be applied to the mobility factor so that it will only support schools which experience a significant change in pupil numbers, with funding allocated only to the number of pupils above the 10% threshold and not all in-year admissions. This change is being made because the existing method is considered to spread funding thinly across a large number of schools and does not target funding to those schools which most need additional support. For BF, it was agreed that only primary schools would have a mobility factor, with £0.016m allocated in 2013-14 to all 31 primary schools. Applying the 10% threshold would have resulted in only 6 schools receiving an allocation. Using October 2012 census data, no secondary schools qualify for mobility funding based on the new 10% threshold.

Sparsity

- 2.13 DfE has indicated that one of the most common concerns raised from the funding reforms is the impact in rural areas and particularly the viability of small schools. To address this issue, an optional sparsity factor will be available to LAs from April 2014 of which the minimum criteria will be:
- For primary schools, fewer than 150 pupils and an average distance (as the crow flies) greater than or equal to 2 miles
 - For secondary. Middle or all through schools, fewer than 600 pupils and an average distance (as the crow flies) greater than or equal to 3 miles
- 2.14 For the first year of operation, LAs may reduce the pupil numbers and distance criteria but not increase them.
- 2.15 Based on October 2012 data, no schools in BF would qualify for this factor as the smallest primary school had 163 pupils, and the smallest secondary 718.

Lump sum funding

- 2.16 In 2013-14, LAs were permitted to provide a uniform lump sum to all schools up to a maximum of £200,000 with the amount in BF set at £150,000 for both primary and secondary schools. This was the maximum affordable in the primary phase, although a much larger value would have been possible for secondary schools. The view of the DfE is that the main purpose of the lump sum is to provide sufficient funding to necessarily small schools which could not operate on the basis of per-pupil funding alone which is considered the most important factor.

- 2.17 For April 2014, the maximum allowable lump sum will be reduced to £175,000 which is the average amount allocated in 2013-14. The reduction from £200,000 supports the DfE objective of more money being distributed through pupil-led factors. Differential lump sum payments between primary and secondary schools will also be permitted now, which is something that will need to be considered in BF.

Schools with falling rolls

- 2.18 In fulfilling school places planning, LAs may find that some schools are no longer required in the short term, but over the medium to long term, places are expected to increase, so it may make sense that some schools remain open, but under the high pupil-led funding approach may not be financially viable.
- 2.19 The DfE want to ensure that good schools with short term falling rolls receive sufficient funding and avoid the need to make costly steps to reduce capacity which is expected to be needed in the near future. Therefore, from April 2014, with the consent of Schools Forums, LAs can create funds to support schools with falling rolls. Relevant criteria would need to be agreed by the Schools Forum, with a DfE requirement that restricts the fund to schools that are considered by Ofsted to be good or outstanding. This is intended to prevent the fund from being used to support unpopular or low quality schools.
- 2.20 The need for such a fund in BF would be considered each year with the Forum asked to make a decision as part of the annual budget setting process, if required.

For information, Annex 1 shows the funding factors used in BF in 2013-14.

Schools Forums

- 2.21 The DfE requires Forums to operate transparently and fairly, which has always been the model adopted in BF and is recognised to be the case in the vast majority of LAs. One area of change that will be required is that Forums must include one elected representative from an institution (other than from a school or academy) providing education beyond 16 (but may also be providing education for 14-16 year olds). This will replace the current requirement for a representative from the 14-19 partnership which is currently met in BF through secondary head teacher representatives.
- 2.22 This change has been made to allow institutions providing education for students between 14 and 25 (such as further education colleges) that have an interest in local high needs funding and funding for pupils who are educated in further education provision from age 14 to have an input to the decision making process.

High Needs Funding

Mainstream schools

- 2.23 The new arrangements, with LAs “strongly recommended” to set a threshold of £6,000 before schools could request additional financial support for pupils with SEN has resulted in additional funds being added into the general budgets of schools in many areas, with £1.031m being moved in BF via per pupil, prior attainment and deprivation measures. This change is probably the primary concern for schools in BF due to now having to manage up to a further £4,180 of pupil support needs from funds that are now allocated through a formulaic approach rather than targeted to named pupils. This introduces greater uncertainty in budget planning. For 2014-15, LAs will be required to adopt this threshold which will require a minor adjustment in

BF where the threshold has been set at £6,080. This slightly higher rate was adopted in order to match to the closest unit of resource in the SEN funding model (Needs Weighted Pupil Unit or NWPJU).

- 2.24 The DfE considered adding an additional factor to the allowable list to reflect the incidence of high needs in a school but have determined that more time is needed to consider how such a factor would work. This approach would only reflect the incidence of pupils with support needs above the £6,000 and would not recognise schools with a high incidence of pupils with SEN up to £6,000. The DfE will continue to allow funds from the High Needs Block to be used to support schools with significant numbers of high needs pupils outside the Funding Formula. Where such an approach is adopted, the distribution criteria must be agreed in advance on the basis of experience in 2013-14 and be expressed as a formula that “minimises perverse incentives” i.e. does not encourage schools to take a course of action to gain additional funds. The Forum agreed not to create a fund in the High Needs Block to support mainstream schools, but it would be appropriate to review this for 2014-15 in the light of actual experience.

Specialist providers – Special Schools, SEN Resource Units and Pupil Referral Units (PRUs)

- 2.25 Members of the Forum will be aware that different funding arrangements are in place to support the specialist providers that support almost exclusively high needs pupils. Here a “place-plus” approach is adopted which in general funds providers for an agreed number of places at £10,000 per place (£8,000 for PRUs) which is guaranteed irrespective of actual numbers on roll, with top up funding paid on the basis of the assessed needs of individual pupils for the actual time they are on roll in a similar way to mainstream schools. The DfE has confirmed that there will be no change to the level of per place funding for 2014-15.
- 2.26 There are different arrangements for post 16 pupils which are determined through the national funding formula that is developed and maintained by the Education Funding Agency (EFA) and allocates different funds to individual establishments which is generally based on courses delivered, with the average allocation per place in 2013-14 at £11,164. To remove the pre/post 16 funding differential which adds a layer of complexity and uncertainty to the funding arrangements, DfE intend to introduce a uniform £10,000 per place funding rate in 2014-15. The saving arising from this change will be transferred into the High Needs Block of LAs Dedicated Schools Grant allocations to enable payment of enhanced top up funding, thereby ensuring relevant institutions do not suffer a financial loss.
- 2.27 In terms of the number of places to be funded by provider, it was originally stated that the numbers would be set for 2 years and then change subject to negotiation between the provider, LA and EFA. The latest guidance from the DfE has amended this approach with “place-led funding needing to reflect changes in distribution of places” which together with the intention to closely “align pre and post-16 funding systems” will result in changes, some of which may be significant. Overall, the changes will “need to ensure that, as far as possible, any place funding adjustments are cost neutral for authorities”.
- 2.28 The longer term plan is to fund LAs for places on an academic year basis which would be adjusted to reflect the number of places filled in each institution, as determined by the school census and individualised learner record (ILR) data for FE institutions collected in the autumn term of the previous financial year. This will result in lagged funding for LAs and mean that institutions with unfilled places will need to

plan for reductions in place-led funding the next year. As the required data for schools will not be available until 2014, the place led funding for the 2014-15 academic year will use the pre and post-16 place numbers confirmed for the purposes of the 2013-14 allocations. Whilst ILR data will be available for 2014-15, DfE has yet to make a decision as to whether this will be used and also whether transitional arrangements will need to be put into place.

- 2.29 This area of funding needs more information from the DfE before it can be fully understood. Furthermore, DfE appreciate that this is a complex and sensitive area and are therefore establishing an external group to advise on implementation. DfE has indicated that further information on the implementation process and timetable for this aspect of funding will be available from July 2013.

Timetable for 2014-15 school budgets

- 2.30 The DfE has published a draft timetable for the production of 2014-15 school budgets as set out below:

Date	Action
31 Oct 2013	LAs submit provisional Schools Budget pro forma to EFA, including expected factors to be used in the Funding Formula
27 Nov 2013	School census database closed
16 Dec 2013	EFA confirms DSG allocations for 2014-15
21 Jan 2014	LAs submit final data for Schools Budget pro forma
28 Feb 2014	LAs confirm budget for their maintained schools. EFA confirm academies budgets.

Note: this brings forward from the 15 March deadline for the issuing of 2013-14 budgets to 28 February 2014.

Next steps

- 2.31 This paper sets out the changes proposed by the DfE to school funding from April 2014 and where relevant, an initial assessment of action required and potential impact. As with the changes that were implemented at April 2013, it is likely that as work progresses and further advice and guidance is provided by the DfE, there may be a different outcome from that initially expected which may require a different course of action to be taken from that currently anticipated.
- 2.32 Should a consultation on the Funding Formula be required, views from schools on proposed changes need to be sought and would need to be received by 25 September, to go to the 17 October meeting of the Forum and then receive final agreement of the Executive Member. This will ensure that the Council has completed the appropriate decision making processes and is in a position to confirm to the DfE by the 31 October deadline the intended Funding Formula to be in operation for the next financial year.
- 2.33 In reviewing the changes required by the DfE, the Council does not believe that any changes to the Funding Formula need to be considered with the key issues for change relating to the units of resource to be used, which need to be determined by

31 January 2014, and can be considered during a consultation with schools during the autumn term.

3 EQUALITIES IMPACT ASSESSMENT

- 3.1 Not applicable at this stage. To be considered in the light of actual changes that may be implemented.

4 STRATEGIC RISK MANAGEMENT ISSUES

- 4.1 Not applicable at this stage. To be considered in the light of actual changes that may be implemented.

Background Papers

School Funding Reform: Findings from the Review of 2013-14: Arrangements for 2014-15 (45 pages)

<https://www.gov.uk/government/publications/school-funding-reform-findings-from-the-review-of-2013-to-2014-arrangements-and-changes-for-2014-to-2015>

2014-15 Revenue Funding Arrangements: Operational Guidance fro LAs (39 pages)

<https://www.gov.uk/government/publications/2014-to-2015-revenue-funding-arrangements-operational-information-for-local-authorities>

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BF Funding Formula for 2013-14

Pupil Led Factors

	Reception Uplift		Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding(%)	
	No	Amount (£) per pupil	Pupil Units					
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)				0				
	Primary (including reception)	£2,849.01	9,002.0		£25,646,791.38	£48,443,516.99	0.00%	
	Key Stage 3	£4,080.32	3,331.0		£13,591,532.67		0.00%	
	Key Stage 4	£4,080.32	2,256.0		£9,205,192.95		0.00%	
2) Deprivation	Description	Primary amount per pupil (£)	Secondary amount per pupil (£)	Number of eligible primary pupils	Number of eligible secondary pupils	Sub Total (£)	Total □ (£)	Proportion of funding(%)
	Primary FSM	£425.12		893.5	0.0	£379,827.43	£2,073,474.38	0.00%
	Secondary FSM		£1,156.72	0.0	415.8	£480,982.54	£0.00	
	IDACI Score 0.2 - 0.25	£344.34	£961.77	1,226.3	632.4	£1,030,465.08	£0.00	
	IDACI Score 0.25-0.3	£516.51	£1,442.66	130.2	70.1	£168,315.63	£0.00	
	IDACI Score 0.3- 0.4	£688.68	£1,923.54	5.0	5.0	£13,001.11	£0.00	
	IDACI Score 0.4-0.5	£860.85	£2,264.27	1.0	0.0	£882.59	£0.00	
	IDACI Score 0.5-0.6	£978.63	£2,692.97	0.0	0.0	£0.00	£0.00	
	IDACI Score 0.6-1	£1,141.74	£3,141.80	0.0	0.0	£0.00	£0.00	
		Amount (£) per pupil	Number of Pupils		Sub Total (£)	Total (£)	Proportion of funding(%)	
3) Looked After Children (LAC)	LAC_X_Mar11	£211.86	45.9		£9,714.29	£9,714.29	0.00%	
4) Low cost, high incidence SEN	LowAtt_%_PRI_78	£533.91	1,743.9		£931,071.01	£2,088,156.54	0.00%	
	Secondary pupils not achieving (KS2 level 4 English and Maths)	£2,152.74	537.5		£1,157,085.53			
5) English as an Additional Language (EAL)	EAL_3_PRI	£272.60	625.8		£170,587.41	£198,937.52	0.00%	
	EAL_3_SEC	£272.60	104.0		£28,350.11			
6) Mobility	Primary pupils starting school outside of normal entry dates	£23.95	666.4		£15,957.76	£15,957.76	0.00%	
	Secondary pupils starting school outside of normal entry dates	£0.00	255.9		£0.00			

Other Factors

Factor	Description	Total (£)	Proportion of funding(%)
7) Lump Sum	A lump sum of £150,000 per school for 37 schools	£5,550,000.00	9.28%
8) Fringe Payments	N/A	£0.00	0.00%
9) Split Sites	N/A	£0.00	0.00%
10) Rates	Estimated actual cost.	£1,353,495.00	2.26%
11) PFI funding	N/A	£0.00	0.00%
12) Sixth Form	N/A	£0.00	0.00%
13) Exceptional circumstances (can only be used with prior agreement of EFA)			
Circumstance		Total (£)	Proportion of funding(%)
Exceptional Circumstance 1	The Authority was granted approval by the EFA 12 September 2012 for Joint Use of Sports facilities to be excepted. This affects 2 secondary schools: Edgbarrow and Sandhurst.	£85,048.47	0.14%
Total Funding for Schools Block Formula (excluding MFG Funding Total) (£)			£59,818,300.96
14) Minimum Funding Guarantee <input type="checkbox"/> MFG is set at -1.5%, gains may be capped above a specific ceiling and/or scaled			
MFG Funding Total (before capping or scaling) (£)			£356,741.65
Capping Factor (%)	1.00%	Scaling Factor (%)	59.59%
Explanation as to how capping and/or scaling has been applied:			
All schools retain the first 1% of any gain, with the remainder of the gain scaled by 59.58794% which is the rate required to fund the cost of MFG.			
If capped and/or scaling applied: Total deduction (£)			-£356,741.75
TOTAL FUNDING FOR SCHOOLS BLOCK FORMULA (£)		£59,818,300.86	
% DISTRIBUTED THROUGH BASIC ENTITLEMENT		80.98%	
% Pupil Led Funding		88.32%	
RETAINED FOR GROWTH (£)		£392,050.00	
PRIMARY/SECONDARY RATIO		1:	1.32%