

**TO: SCHOOLS FORUM
12 SEPTEMBER 2013**

**2014-15 SCHOOLS BUDGET – PRELIMINARY UPDATE
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Schools Forum with an update on the arrangements required for the 2014-15 Schools Budget and to seek agreement to distribute the briefing note and consultation document at Annex A to all schools and interested parties.
- 1.2 The briefing note and consultation document sets out the mandatory changes that will apply to next year's budget and also seeks views from schools on whether central management should continue on the budgets subject to 'de-delegation' and whether any changes should be made to the arrangements where there is a choice.

2 RECOMMENDATIONS

The Schools Forum:

- 2.1 **NOTES that all the mandatory changes required by the DfE are expected to be straightforward to implement, with minimal impact anticipated (paragraphs 5.9 and 5.10);**
- 2.2 **NOTES the changes needed to be made to comply with the DfE Funding Regulations and the approaches to be taken (paragraph 5.20);**
- 2.3 **NOTES that work is ongoing to establish the reasons behind the high proportionate spend on rates compared to other LAs (paragraphs 5.21 to 5.24);**
- 2.4 **AGREES that the briefing note and consultation document at Annex A is distributed and that views of schools on the questions posed are gathered and taken into account when the 2014-15 budget is set (paragraph 5.25);**
- 2.5 **NOTES the provisional timetable for the production of 2014-15 school budgets (paragraph 5.26).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the views of schools are incorporated in a timely fashion into the planning process for 2014-15 individual school budgets.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 None.

5 SUPPORTING INFORMATION

Background

- 5.1 National funding reforms were implemented from April 2013 as part of the government objective to introduce a national funding formula for education. This is designed to ensure funds are distributed in accordance with the key policy objective of maximising money into schools with an emphasis on per pupil funding allocations, with top-ups paid for the pupils that need it the most i.e. those from deprived backgrounds, low attainment scores.
- 5.2 Many changes were required in Bracknell Forest (BF) which resulted in a widespread redistribution of funding between schools, although the final impact was moderated by the Minimum Funding Guarantee (MFG) which limited per pupil funding reductions to no more than 1.5%. The cost of meeting the MFG top up payments is being financed by scaling back increases due to schools gaining through the reforms.
- 5.3 The process was well managed in BF through a consultative approach that used a School Funding Review Group with Headteacher, governor and bursar membership to ensure the views of schools were taken into account as proposals were developed.
- 5.4 The changes required by the DfE so far have concentrated on ensuring that all Local Authorities (LAs) distribute funds to schools on a standardised and much simplified basis, and is within a tightly defined and regulated framework, with limited scope for local discretion.

Change requirements for 2014-15 school budgets

- 5.5 Further changes are required from April 2014, although these are more straightforward. They centre on the outcomes from the review of the April 2013 reforms undertaken by the Department for Education (DfE) that was published on 4 June and which examined whether the reforms are working as intended and whether there are any unintended outcomes.
- 5.6 The DfE continue to closely monitor each LA's progress against the reforms and will again require submissions at 31 October 2013, which must confirm the Funding Formula to be used next year, and 21 January 2014, which must confirm the actual units of resource to be used in 2014-15 budgets.

BF approach to change

- 5.7 Taking account of the fact that BF currently uses all of the permitted funding factors where qualifying criteria is met, the Schools Forum agreed in June that no changes need to be considered in the structure of the Funding Formula. However, the Forum did agree that a consultation should be undertaken with schools on whether the right amount of funds were being allocated through each of the factors of the Funding Formula. This is consistent with the DfE requirement for LAs to review the funding arrangements put in place at April 2013 and allows for a September / October consultation with schools. There is then sufficient time for comments to be

incorporated in budget decisions that will need to be taken in advance of the final data submission to the DfE, which must be no later than 21 January 2014.

- 5.8 Whilst fewer questions are included in the consultation compared to last year, due to the scale of changes being introduced, the document has been expanded to include an overview of the new funding framework which highlights the areas considered most important to BF. This results in a longer document than originally envisaged, and in order to provide a concise overview, a 3 page executive summary has been added at the start of the document.

Changes for consideration

Mandatory changes required by the DfE

- 5.9 The following represents the change areas for next year that must be taken into account:
1. LAs must allocate a minimum of 80% of delegated Schools Block funding through the available pupil-led factors i.e. age weighted pupil unit (AWPU), deprivation, prior attainment, looked after children and English as an additional language. The BF rate is 88.3%.
 2. Minimum AWPU values have been set by the DfE at £2,000 for primary pupils and £3,000 for secondary pupils. BF rates are £2,849 and £4,080 respectively.
 3. Test data that must be used for prior attainment funding will be changed. 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 in BF where scores are below 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 mathematics and literacy. The DfE, allow the funding threshold to be set at below either 78 or 73 for pupils in Years 2 to 5 but there are no plans to change the 78 threshold currently in use in BF. There will be a widening of eligible pupils in Key Stage 2 tests that fund secondary schools to include pupils that did not achieve Level 4 in English **or** mathematics, rather than only those pupils not achieving in both. Effectively doubling the cohort means the unit of resource needs to be halved to remain within budget. Based on 2012 test results, which will be updated to 2013 for next year's budget, this change tends to move money away from schools achieving the lowest results at Key Stage 4 and reflects the wider incidence of pupils failing on only one measure in the better performing schools.
 4. LAs and Schools Forums need to consider whether they are allocating the right amount of resources to schools through deprivation measures. This is covered in more detail below at paragraph 5.15.
 5. Funding schools for pupil mobility will be targeted to only those with more than 10% in-year turnover, rather than all in-year admissions as at present. This change means that funding will be allocated to schools in a similar way to that operated in BF before the funding reforms. It results in only 6 primary schools qualify for funding, rather than all 31. No secondary schools qualify.
 6. A new factor will be allowed to reflect sparsity. This is intended to protect rural schools, and in particular the viability of small schools. No BF schools qualify under the DfE criteria so this is not a valid factor in BF.

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7. There must be a representative on the Schools Forum from a provider of education to 14-25 year olds, other than a school. These providers have an interest in SEN funding allocations.
8. All LAs must adopt the £6,000 funding threshold for high needs pupils. Schools must cover the cost of SEN support needs up to this level from their general delegated budget. The BF rate is £6,080 so a minor change is needed but there will be no adverse financial impact on schools as funding up to the £6,080 level was added into school budgets at April 2013 and the £0.015m extra funds allocated to schools is not considered significant enough to seek to remove.

5.10 At this stage, it is expected to be a straightforward process to meet the new mandatory changes and that in most areas there is a minimal impact.

Discretionary changes where views will be sought from schools

- 5.11 The DfE have indicated that all LAs and Schools Forums should review school funding arrangements for 2014-15. There is no specific requirement on how this should be done or what it should cover, so each LA needs to adopt their own approach.
- 5.12 Taking account of the detailed work undertaken through the School Funding Review Group for the changes made at April 2013, and in the absence of any significant concerns raised since, there seems no obvious areas for change in the way that schools are funded in BF. However, significant changes were made which makes it appropriate to undertake a review to test the impact and provide schools with an opportunity to make comments.
- 5.13 The approach taken has been to focus on how the BF Funding Formula compares to our statistical neighbours and the all England average in terms of the proportion of funds allocated through each factor in the Funding Formula. Significant differences would indicate that change may be appropriate, but local circumstances may mean that a difference is expected and desirable. Therefore, views will be sought from schools on what is considered the right proportion of funds to be distributed through each factor.
- 5.14 Appendix 3 of the attached briefing note and consultation document shows the LA Funding Formula analysis in full and the relevant proportions being used.
- 5.15 The draft consultation is not making any recommendations for change, but is seeking views from schools on the questions raised in order for the Forum to take a strategic approach to change when all the relevant budget information is available. This may result in an inconclusive set of responses from schools but is nonetheless considered the correct approach to take.
- 5.16 The key areas where views of schools are being sought on discretionary changes relate to:
 1. Assuming that no additional resources are added into the 2014-15 financial settlement from the DfE, then if there is a wish to allocate more funds through existing factors in the Funding Formula, then to balance the budget, a corresponding deduction will need to be made elsewhere. The consultation assumes that any deduction will be made to the AWPU where BF is in the highest 12.5% of all LAs and the 3rd highest in the statistical group of 11 LAs.

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If the view of schools is that more money should be distributed through some factors, the Forum can reconsider the need for deductions to AWPU once the 2014-15 financial settlement is known, as this may provide an overall increase in funds.

2. Should BF allocate at the statistical neighbour average median rate? For:
 - a. prior attainment; which would need £0.060m added.
 - b. deprivation; which would need £0.319m added.
 - c. fixed lump sum allocation; which would need £0.372m added.

If schools want to move to the average rate on all of the above factors, and this is agreed by the Forum, then to maintain the cost neutral approach, AWPU funding would reduce from 81% to 79% and from £2,849 in primary to £2,798 and £4,080 to £4,030 in secondary. These lower rates would remain significantly above the minimum values set by the DfE.

3. For the fixed lump sum allocation. The maximum allowable amount is being reduced from £200k to £175k, but differential primary / secondary rates are allowed for the first time next year, so views are being gathered on whether the BF rate of £150k should be changed.
4. Whether schools again support de-delegation of the prescribed services i.e. support to schools in financial difficulty, under performing ethnic minority pupils, SIMS and other licence fees and staff supply cover, such as maternity leave absence. This amounts to £0.842m of funds and DfE require this to be an annual question for the Schools Forum, so views are planned to be sought from all schools to help inform the decision.
5. Behaviour Support Services will be delegated for the first time in April 2014. Schools will be offered new SLAs for a range of targeted services that they can buy into if required, which in total aggregates to £0.389m. In respect of the time limited Consistency Management & Cooperative Discipline CMCD® programme, it is proposed to cancel this programme and allocate the £0.032m of funds currently spent supporting three secondary schools to all secondary schools on an amount per pupil basis. The LA will not offer an SLA to continue this programme.
6. Schools will also be asked if they have any other comments on the funding arrangements in BF which will provide an opportunity to make representations on the less significant parts of the Funding Formula.
7. Views are also being sought on whether a separate SEN contingency should be created in the High Needs Block i.e. outside delegated school budgets, to make additional payments to schools with a disproportionate number of high needs pupils (i.e. those with over £6,000 of support needs). This was discounted for 2013-14 as the MFG applied top up funding for any per pupil losses in excess of 1.5%, which was consistent with managing funding losses arising from all other changes from the reforms. However, there may be issues around managing a large size of high needs pupils which results in higher costs than the individual assessed needs of each pupil and also ensuring relevant schools continue to take the pupils, with the possible alternative being more expensive out of borough placements. An outline of how such a fund could operate, which would create a budget pressure, provisionally assumed at £0.100m, is included on the consultation document for comment.

- 5.17 Exemplifications on the potential impact from the changes on individual schools are included in the consultation but there are limitations to their accuracy and schools are warned to view the results with caution and to consider the merits of the principle behind each change and to not just consider the illustrated financial impact. The main issues that schools are being asked to be aware of are:

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- The 2014-15 data set e.g. pupil numbers and deprivation and low prior attainment scores are not yet available so the financial implications are being calculated against 2013-14 data. The impact could change significantly when actual budgets are calculated against the revised data.
 - The impact of moving to allocating funds for prior attainment, deprivation and fixed lump sum allocations to the average statistical neighbour rate costs £0.751m and the illustrations assume an appropriate deduction to AWPU values will be made to maintain a cost neutral effect. This may not be how such a change, if agreed, would ultimately be financed.
- 5.18 In terms of the funding protection provided through the MFG calculation, whatever the outcomes of the operation of the local Funding Formula, per pupil funding can reduce by no more than 1.5% each year. This means that all things being equal, where relevant, the amount of MFG relevant schools receive each year will reduce by up to 1.5% of per pupil funding. Therefore, even if no changes are made at April 2014, schools receiving MFG top up in 2013-14 will receive less financial support in 2014-15, and those contributing to the cost would retain more of their gain.

Changes needed to comply with latest Regulations and guidance

- 5.19 In reviewing the arrangements put in place from April 2013, a small number of adjustments need to be made to properly comply with the latest DfE Regulations and guidance. These are mainly technical matters with minimal impact envisaged, but nevertheless need to be corrected.
- 5.20 The areas needing change to comply with the new funding framework are:
1. There is £0.052m centrally retained in the Schools Budget that is used to pay one-off premature retirement / dismissal costs of staff at schools undergoing re-organisations. This retained budget is not allowed to be increased from the previous year, so over time, with inflation, faces a real terms reduction in buying power. It has also recently been clarified by the DfE that it can only be used to fund the cost of decisions taken before 1 April 2013, so has a very limited life span. In order to maintain a fund to finance such costs in future, funding would need to be included in delegated school budgets. So that the budget can be targeted towards only those schools facing relevant costs, which can be significant, it is proposed to seek agreement to de-delegate the funds and then allocate funding top ups in-year to relevant schools at the amount of actual costs being faced. The redundancy funding policy will need to be updated to incorporate this change although there will be no material change in its application.
 2. There is £0.110m in the centrally managed school specific contingency to fund additional financial support to new, amalgamating or closing schools and to meet exceptional unforeseen costs in primary schools which are generally more difficult to manage than in secondary schools. The majority of this budget - £0.100m - has been established exclusively to be paid in-year to Jennett's Park Primary school as it moves from a 1 FE school to a 2 FE school from September 2013, at which point there will be a consequential increase in cost base that is not recognised in the initial 2013-14 budget. The remaining £0.010m has been retained to support primary schools facing exceptional, unforeseen costs. The correct way to manage this funding is as a de-delegated item, and it is therefore proposed to include the £0.110m funding within delegated school budgets, on a per-pupil basis to primary schools only, and then seek agreement to de-

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delegate the funds so funding top-ups can be passed on only to Jennett's Park Primary school and other qualifying schools. The amount required in this budget will be reviewed during the course of setting the 2014-15 budget and is expected to be reduced.

3. The cost of checking pupil eligibility to a free school meal is a Schools Budget funding responsibility, but to date, BF has not recharged any costs associated with undertaking this function. Based on the recent increase in work in this area and the clear and significant funding benefits to schools from maximising the number of Free School Meals pupils on the school census, it is timely to seek agreement from schools to charge the Schools Budget the appropriate cost, which is estimated at around £0.020m. This would be a budget pressure on the Schools Budget and would need to be included in delegated school budgets and then seek agreement to de-delegate so that funds are returned to finance the cost of the process.

Comparisons with statistical neighbours

- 5.21 The amounts allocated through each factor by BF compared to the statistical neighbours and all England in the summary information of LA Funding Formulas (see Appendix 3 of the consultation document) are broadly in line with expectations. The one exception to this relates to rates, where at 2.26% of funds allocated, BF has the highest proportionate spend of the statistical neighbours, where the average rate is 1.31%, and the second highest in all England, where the average is 1.21%.
- 5.22 Part of the reason for the high proportional amount of spend relates to the small number of academy schools in BF as academy schools are treated as charities and therefore receive an 80% rebate on their rates bill. An analysis of rates bills for schools in Berkshire shows average spend of 1.47% based on actual cost of rates, which increases to 2.03% if all schools paid full rates liabilities. The rate for BF would increase to 2.51%.
- 5.23 The other main factor that accounts for the relative high cost of rates in BF is the impact of the rebuild at Garth Hill. This change resulted in the rates liability increasing by £0.205m. If the old rates liability is used, then the BF proportion of spend would be at 2.16%, just above the area average of 2.03%.
- 5.24 Other factors impact on rates liability such as regional characteristics and the size and age of buildings. More work is being undertaken in this area, including surveying other LAs for more data and advice has also been requested from the Council's Corporate Property Team.

Next Steps

- 5.25 The Forum is recommended to agree that the briefing note and consultation document at Annex A is distributed to all schools in order to gather views on 2014-15 budget matters.
- 5.26 The anticipated timeline for key events in setting the 2014-15 School Budget is as follows:
 1. 12 Sept / Oct - Headteacher briefing
 2. 12 September – Schools Forum approval of consultation document
 3. 16 September to 25 October – consultation period
 4. 19 September – Bursar briefing
 5. 15 October – evening briefing for governors (if required)

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6. 17 October – Schools Forum agree draft 2014-15 Funding Formula statement for submission to DfE i.e. no change to the Funding Formula from 2013-14 or core data (other than that associated with new criteria for KS2 tests and mobility, both of which are subject to update) but with 2014-15 estimated units of resource.
7. 31 October – deadline for data submission to DfE
8. 28 November – Schools Forum consider outcomes from consultation and initial budget proposals for 2014-15
9. 12 December – Executive agree that the Executive Member can set the level of Schools Budget, up to the level of anticipated income
10. TBD December – Executive Member to agree outline for setting the 2014-15 Schools Budget,
11. 16 December – DfE release the data required to calculate 2014-15 school budgets
12. 20 December – indicative 2014-15 budgets issued to schools. This will be based on data collected by BFC from the October 2013 school census, not the 16 December data set from the DfE. BF will not have access to all data sets at this time e.g. test scores, so budgets will be provisional.
13. 16 January – Schools Forum propose units of resource for 2014-15 Funding Formula for inclusion on DfE data return. Note, this is a new meeting required to meet the DfE data submission deadline and will replace the currently schedule 4 February meeting.
14. 20 January – Executive Member agrees units of resource for 2014-15 Funding Formula for inclusion on DfE data return.
15. 21 January – deadline for data submission to DfE
16. 28 Feb – 2014-15 budgets issued to schools

2015-16 school budgets

- 5.27 The DfE are expected to begin the process of introducing a national funding formula for schools from 2015-16. This is expected to move money between different LAs although at this stage, the pace of change, and likely impact in BF is unknown.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal issues are addressed within the main body of the report.

Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that no significant financial implications arise from this report and the issuing the consultation document.

Impact Assessment

- 6.3 Not considered at this consultation stage.

Strategic Risk Management Issues

- 6.4 Not considered at this consultation stage

7 CONSULTATION

7.1 Not applicable for this report.

Background Papers

School Funding Reform: Findings from the Review of 2013-14: Arrangements for 2014-15
<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
<https://www.gov.uk/government/publications/2014-to-2015-revenue-funding-arrangements-operational-information-for-local-authorities>

Contact for further information

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