

SCHOOLS FUNDING FORMULA 2015/16

To: Children and Young People Committee

Meeting Date: 18th November 2014

From: Adrian Loades, Executive Director: Children, Families and Adults Services

Electoral division(s): All

Forward Plan ref: N/A **Key decision:** No

Purpose:

- a) To advise the Committee of the Fairer Funding for Schools to be received in 2015/16.
- b) To seek the Committee's endorsement of the proposed approach to allocating the additional funding through the local funding formula as set out in paragraph 3.3.

Recommendation: Members are asked to:

- a) Endorse the proposed approach for the local schools funding formula, prior to final approval in January.

<i>Officer contact:</i>	
Name:	Martin Wade
Post:	Schools Finance Manager
Email:	Martin.wade@cambridgeshire.gov.uk
Tel:	01223 699733

1.0 BACKGROUND

- 1.1 The majority of Schools Funding is allocated to the Local Authority (LA) through the Dedicated Schools Grant (DSG) in support of Schools Budgets under section 14 of the Education Act 2002. Subject to the Schools and Early Years Finance Regulations, and consultation with Schools Forum, the LA is responsible for allocating the Schools Budget Share (SBS) to individual schools in accordance with the local schools' funding formula.
- 1.2 Cambridgeshire has historically received low levels of funding to support schools and following national changes implemented from 1st April 2013 received the lowest £ per pupil for pre-16 school age pupils than any other LA. Since 2013 funding has been allocated on the basis of three notional funding blocks.
- Schools Block – calculated on actual pupil numbers for school age pupils in mainstream schools.
 - Early Years Block – calculated on participation for Early Years pupil in maintained and Private, Voluntary and Independent (PVI) settings.
 - High Needs Block – based on historic levels of spend for High Needs Pupil in maintained schools and academies, including special schools and SEN units, plus the additional costs for education placements and Post 16 learners attending FE providers.
- 1.3 On the 17th July 2014 the Department for Education (DfE) announced the final Dedicated Schools Grant (DSG) methodology which will inform the budget setting process for 2015-16. Full details can be found at: <http://www.parliament.uk/documents/commons-vote-office/July%202014/17%20July/3-Education-Funding.pdf>
- 1.4 As a result of the Minimum Funding Levels (MFL) to be applied the initial Cambridgeshire Schools Block per pupil will increase by **£311** per pupil to **£4,261** which equates to an overall increase of approximately **£23m** or **8%** over current DSG funding levels based on October 2013 pupil numbers.
- Please note:** The final actual Schools Block DSG to be received for 2015-16 will be based on October 2014 pupil numbers as such will not be notified to the Local Authority (LA) until December 2014.
- 1.5 Within the published guidance the DfE have also highlighted the requirement to recover £51m nationally in respect of the Carbon Reduction Commitment (CRC). For 2015-16 a deduction of **£7.51** per pupil will be made to DSG allocations. The DfE have stated that this is a baselining operation and that they do not expect to make any further changes in subsequent years. Based on the October 2013 pupil numbers used in the illustrative data this would equate to approximately **£560k** from the overall Cambridgeshire DSG. However it is likely the total final contribution will be higher due to the overall

anticipated increase in pupil numbers.

- 1.6 Following this adjustment the final amount of funding to be received within the Schools Block for each mainstream school age pupil is **£4,254**. This overall increase in funding has moved Cambridgeshire from 151st to 136th in the table of Schools Block per pupil funding.
- 1.7 Further to the Fairer Funding adjustments the DfE has also made a significant change in respect of non-recoupment academies and free schools. This will include Cambourne Village College which opened in September 2013, the University Technical College which opened in September 2014 and the new Cambridge University Primary School due to open in September 2015. From 2015-16, funding for all schools will be included in local authorities' DSG settlements, including those which are currently non-recoupment academies or free schools (NRAs). The transfer of funding into the DSG is intended to be cost-neutral and will include an uplift for local authorities which are receiving an increase to their schools block unit of funding as a result of the minimum funding levels.

2.0 PROPOSED DISTRIBUTION

- 2.1 The additional funding **cannot** be used to support LA functions and however it is allocated it must be used to support pupils, schools and education providers. This could be through a direct increase in schools individual budget shares, funding for High Needs Pupils to meet rising numbers and levels of need, to increase Top-Up allocations, to support pressures on Early Years provision, or to meet the revenue costs for growth and new schools.
- 2.2 Subsequent to this the DfE have confirmed that: *"Our expectation is that the MFL uplift will be passed to schools. The composition of the local formula is, however, a local decision and it is a local authority decision as to how DSG funding should be allocated, following appropriate consultation with schools and schools forum. Funding can be moved between the 3 DSG blocks at any time."*
- 2.3 There have been no significant changes to the levels of funding within the Early Years Block, other than a change to the basis for the allocation of funding for 2 year-olds, or the High Needs Block for 2015-16.
- 2.4 Almost a third of responses to the DfE's recent consultation expressed the view that the funding system can only be considered truly fair when reform is carried out across the entire DSG. Although the DfE do recognise this and agree that it is a vital next step they have stated that *"We cannot do this for 2015-16 because we do not know enough about the genuine cost of high needs and early years provision and how this varies between different areas."* The DfE have committed to looking at the funding arrangements for future years. This will start with a research project in the autumn term with the aim of informing a detailed consultation.
- 2.5 During 2013-14 and 2014-15 additional DSG funding has been

received to support the delivery of Early Years places for deprived 2 year olds. This funding has been based on anticipated levels of take up, including trajectory funding to support the increasing demand. Lower levels of actual take up have resulted in an underspend, which has been used to offset structural pressures in 3 and 4 year old funding. Due to the changes to 2 year-old participation funding there will no longer be this level of flexibility within the overall Early Years Block and despite the reductions in funding rates to providers from September 2014 there is likely to be a continued pressure in 2015-16.

- 2.6 It is therefore proposed to transfer **£500k** of funding from the Schools Block to the Early Years Block to meet the underlying structural pressure and avoid further reductions in funding for all Early Years providers.
- 2.7 At this stage there is no proposal to move further funding to the High Needs Block in 2015-16, although this may be necessary in future years to support increasing demographic pressures.

3.0 LOCAL FORMULA

- 3.1 Although there have been significant changes to the Schools Block funding allocations, there have been minimal changes applied to the allowable funding factors within the local formula. The only change of note is within the Sparsity factor which is not currently used within the Cambridgeshire formula due to the limitations on how it can be used.
- 3.2 At the Schools Forum meetings on the 27th June 2014 the consensus of Forum members was for as much funding as possible to be allocated to Primary and Secondary schools as a universal increase, with individual schools best placed to target as required. Following a significant transfer of funding of approximately £1.3m from the Schools Block to the High Needs Block in 2014-15, which included additional funding for Special School places the majority of Forum members did not support a further transfer to the High Needs Block for 2015-16. It was recognised however that should demographic pressures continue to increase such a transfer would be unavoidable in future years.
- 3.3 CYP Committee are asked to endorse the following proposals, which have been discussed with and supported by the Cambridgeshire Secondary Heads (CSH) Executive on 3rd October 2014, the Cambridgeshire Primary Heads (CPH) Finance representatives on 6th October 2014, and Schools Forum on the 24th October 2014;
 - a) A sum of £500k of the additional funding to be received is allocated to the Early Years Block to avoid further reductions in funding rates for all providers.
 - b) No additional funding to be transferred into the High Needs Block, including Special Schools at this stage.
 - c) The remainder of the additional funding will be allocated to Primary and Secondary Schools through the local formula.
 - d) The funding will allow for:
 - i) Changes to overall numbers of schools.
 - ii) Changes in overall pupil numbers to be funded (including

- variations to pupil numbers for new and expanding schools)
- iii) Changes in overall cost of factors due to updated datasets.
- e) Rates and PFI amounts will to be adjusted to reflect latest estimates available at budget setting time.
- f) No proposed changes to local funding factor values other than:
 - i) Basic Entitlement to be uplifted based on total available funding (same % uplift to be applied to both Primary and Secondary).
 - ii) Split Site Lump Sum to be increased to reflect costs being incurred.
 - iii) Potential addition of exceptional premises factor
- g) Minimum funding guarantee will be dependent on individual school circumstances.

Appendix A shows the available local formula factors and the proposed Cambridgeshire approach for 2015-16.

- 3.4 Based on these proposals and using October 2013 census data (as used by the DfE in the most recent published information) illustrative figures have been calculated and can be seen in **Appendix B**.
- 3.4 A number of schools receive per pupil level protection year on year due to historical funding for grants and various other factors. This is known as the Minimum Funding Guarantee (MFG) and is a national factor which has to be calculated for all schools. The MFG applies to school age pre-16 pupils and subject to the exclusion of the lump sum and rates funding factors it limits reductions in funding to 1.5% per pupil when compared to the previous year. Within each sector, the number of schools in receipt of and level of the current MFG will also impact on the final funding levels for all schools. As schools will be receiving more funding per pupil, the amount required to fund MFG will reduce, thus releasing funding back into the Basic Entitlement. As these factors are linked this will continue until all funding within the sector is allocated.

Please note:

- 1. The MFG does not provide protection for those schools experiencing falling rolls as is a per pupil calculation. Some schools with historically high levels of MFG will receive **no** per pupil uplift over current funding levels. Other schools will only receive a minimal uplift as they will not attract additional funding until their MFG has reached zero. For academies the EFA will responsible for calculating the MFG allocation based on previous years funding levels. As such the LA will not know the final levels of funding to be received by individual academies.
- 3.5 As a result of the MFG and changes in pupil numbers and pupil characteristics schools budget experiences will vary dependent on their individual circumstances.

4.0 NEXT STEPS

The table below shows the key dates in the Schools budget setting process:

Date	Action
2 October 2014	School Census Day
24 October 2014	Schools Forum
31 October 2014	Local authorities submit provisional 2015-16 Schools Budget pro-forma to the Education Funding Agency (EFA).
18 November 2014	CYP Committee
27 November 2014	School Census database closed.
Mid-December 2014	DfE to publish pupil data and factors.
10 December 2014	Schools Forum
Week commencing 15 December 2014	DfE confirms DSG Schools Block allocations for 2014-15 (prior to academy recoupment)
13 January 2015	CYP Committee
16 January 2015	Schools Forum
20 January 2015	Local authorities submit final data for Schools Budget pro-forma.
28 February or 14 March 2015	Schools Forum
January – February 2015	Local authorities confirm budgets for maintained schools (28 February). EFA confirms Academy budgets.
June 2015	Early Years Block updated for January 2015 Early Years pupils.

- 4.1 Further details will be presented to CYP Committee in January when final approval of the local funding formula will be sought.

5.0 ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

- 5.1.1 Schools are significant employers within local communities and use their resources to improve life chances through education.

5.2 Helping people live healthy and independent lives

- 5.2.1 There are no significant changes as a result of proposed Schools Funding Changes in 2015-16.

5.3 Supporting and protecting vulnerable people

- 5.3.1 Additional funding being allocated to Primary and Secondary schools will support their ability to support their most vulnerable pupils.

6.0 SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

- 6.1.1 A number of schools have been reporting increasing levels of financial strain and this additional funding will support many of those in greatest need.

6.2 Statutory, Risk and Legal Implications

- 6.2.1 The local authority is responsible for agreeing the local funding formula for schools in consultation with Schools Forum. The allocation of the DSG is subject to compliance with Schools Finance Regulations and the final formula will be subject to checks by the Education Funding Agency.

6.3 Equality and Diversity Implications

- 6.3.1 There are no significant implications within this category.

6.4 Engagement and Consultation Implications

- 6.4.1 Consultation with Head teacher representative groups and Schools Forum has been undertaken.

6.5 Public Health Implications

- 6.5.1 There are no significant implications within this category.

6.6 Localism and Local Member Involvement

- 6.6.1 There are no significant implications within this category.

Source Documents	Location
<ul style="list-style-type: none">Fairer Schools Funding Arrangements for 2015 to 2016.Schools Revenue Funding 2015-16 Operational Guide.	Martin Wade Schools Finance Manager 1 st Floor Octagon Shire Hall Cambridge CB3 0AP