

# DARLINGTON SCHOOLS FORUM

7<sup>th</sup> October 2014

ITEM NO 5

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## SCHOOL FUNDING FORMULA 2015/16

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### Purpose of Report

1. To update Forum regarding the setting of schools budget shares for 2015/16.

### Background

2. School Forum will be aware that the Department for Education (DFE) published a number changes to the way that schools budgets are calculated in 2012 and 2013, this has been followed by additional guidance each year.
3. In October of 2013 School Forum agreed to the new funding formula for Darlington that calculated school budget shares for 2014/15. This formula removed previous protection that had been agreed in the previous year and as a result changed a number of schools budget shares considerably over the **full life** of the formula.
4. In July the Education Funding Agency (EFA) published a number of documents providing updated guidance on school funding for 2015/16 (these can be accessed at the following web link <https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016>)
5. **This paper concerns the changes to the schools funding formula and outlines the school budget shares for 2015/16. Early Years and High Needs funding are addressed in other papers on this agenda.**

### Changes for 2015/16

6. The following paragraphs highlight the key changes to school funding in 2015/16 as detailed in the EFA guidance.
7. The EFA undertook an exercise in early 2014 to assess the level of funding in each local authority area. The purpose of this was to allocate additional funding to local authority areas deemed to be least fairly funded by setting minimum funding levels for a number of characteristics.
8. The calculation used compared the unit values within each local authority's 2014/15 funding formula to the minimum values set by the EFA. The result of the calculation for Darlington is that the schools block should be calculated on a minimum per pupil basis of £4,315.69, however Darlington currently receives £4,485.82, therefore no extra funding has been allocated to Darlington.

9. It is the case that where the existing unit value is more than the minimum funding calculated by the EFA that the funding will remain on the existing unit value. i.e. there will be no reduction in DSG for areas already funded above the minimum level.
10. Forum should note that in the calculation the EFA used rates for the AWPU, deprivation factors etc. that are higher than the rates used in the current Darlington formula, however there is no obligation to use these rates in local formulas for 2015/16.
11. The funding formula in 2015/16 continues to have the same factors as in the current year as follows,
  - Basic Entitlement (AWPU)
  - Deprivation
  - Prior Attainment
  - Looked After Children
  - English as an additional language
  - Pupil Mobility
  - Sparsity
  - Lump Sum
  - Split Sites
  - Rates
  - Private Finance Initiative
  - London Fringe
  - Post 16
  - Exceptional premises
12. As in 2014/15 the Basic Entitlement and the Deprivation factors remain compulsory, the other factors being optional.
13. As Forum will be aware, not all factors are used in the Darlington formula, the following details any changes to the factors currently used in Darlington's 2014/15 formula.

<b>Factor</b>	<b>Change/Note</b>
Basic Entitlement	No change  Primary AWPU £2,000 minimum Key Stage 3 AWPU £3,000 minimum Key Stage 4 AWPU £3,000 minimum
Deprivation	No change
Prior Attainment	No change
Looked After Children	No change
English as an additional language	No change
Sparsity	There is a slight adjustment in the qualifying school criteria. The distance factor (as the crow flies) of 2 miles for primary and 3 miles for secondary and likewise the maximum

	<p>number of pupils at 150 for primary and 600 for secondary still remain. However the number of children in the school will now be “averaged” by year group and schools will only qualify if they have below 21.4 average pupils (per year group) and 120 for secondary.</p> <p>The maximum amount that can be allocated remains at £100,000</p>
Lump Sum	<p>No Change</p> <p>Maximum lump sum in each phase £175,000</p>
Rates	<p>No Change</p> <p>Funded at estimated rates value</p>

14. As in previous years the EFA will continue to provide the datasets for use in calculating the funding formula. These datasets must be used by all Authorities.
15. There remains a requirement to allocate at least 80% of the delegated schools funding on the basis of the pupil led factors.
16. The rules concerning delegation and de-delegation remain.
17. There is still no set constraint with regard to a primary/secondary ratio, however this has not been ruled out in future years.
18. There is still the ability to cap schools that’s budget share increase in year to make the overall funding formula affordable; however as in the current year this cap cannot be more in value than the cost of the minimum funding guarantee (MFG).
19. As in the current year, the EFA have continued to keep protection within the funding formula, through a MFG. This is set for 15/16 at minus 1.5% (as in the current year), this means that no school will see a reduction in their funding on a per pupil basis of more than 1.5% when comparing 2015/16 with 2014/15 (as in previous years certain factors in the formula are removed from the MFG calculation e.g. rates, lump sum etc.).
20. Following a DFE consultation from 2015/16 the local funding formulas will include both non recoupment academies and mainstream free schools. These schools will continue to be funded direct by the EFA but the Local Authority will now receive funding within their DSG allocation which will be recouped in the same manner as recoupment academies. New free schools will not be included within the funding formula within their first year.

## **Timetable**

21. As in previous years the EFA require Local Authorities to submit a provisional funding formula in October using the current year’s formula data. The purpose of this is to ensure that the funding formula meets with the EFA guidance.

22. Prior to submitting this provisional formula Authorities are required to model changes and consult with all schools, prior to receiving approval from Schools Forum.
23. Following the October census a final funding formula needs to be submitted to the EFA in January. Once approved this submission will be the final funding for 2015/16.
24. Maintained schools will be funded from April 15 to March 16 at the level included in the funding formula. Academies will continue to be funded direct by the EFA based on the academic year. The EFA will fund academies based Darlington's funding formula, but will adjust in line with previous funding agreements.
25. Between the October submission and the final January submission no funding factors can be changed, the only adjustments allowed concern the unit values. Therefore any changes to factors must be made in the October submission.
26. The table below outlines the key dates in the setting of school budget shares for 2015/16.

Action	Deadline
Requests for MFG exclusions and adjustments	30 <sup>th</sup> September
Circulation of School Forum paper with proposed funding formula for 2015/16 to all schools	30 <sup>th</sup> September
School Census	2 <sup>nd</sup> October
School Forum	7 <sup>th</sup> October
Submission of proposed funding formula to the EFA	31 <sup>st</sup> October
Reissue of formula tool by the EFA including the October 14 census data	Mid December
Publication of Schools block DSG allocations	Week commencing 15 <sup>th</sup> December
Final requests for MFG exclusions and adjustments	31 <sup>st</sup> December
Circulation of School Forum paper with final funding formula for 2015/16 to all schools	6 <sup>th</sup> January
School Forum	13 <sup>th</sup> January
Submission of final funding formula	20 <sup>th</sup> January

### **Proposed Funding Formula for 2015/16**

27. As Darlington has one current non recoupment academy this school must be added into the funding formula for 2015/16. This schools budget share will be calculated on the same basis as all other schools.
28. As there is the addition of a non recoupment academy into the funding formula the total cost of the formula will increase in line with this schools budget share. In order to compensate Authorities for this the EFA will add additional funding into the DSG. The EFA will calculate the value of this additional funding using the current funding formula

factors and unit values. The EFA have provisionally allocated an additional £3.4 million to Darlington's DSG, the final increase will be notified with the final DSG allocations.

29. In the summer of 2013 consultation took place with all schools regarding the changes to the funding formula for 2014/15, this resulted in Forum agreeing to the set of factors used in the formula as listed in the table at paragraph 13. As there has been no major changes in the EFA formula requirements for 2015/16 it is **proposed that the 2015/16 funding formula mirrors the current formula and therefore uses the same factors in 2015/16 as is used in 2014/15.**
30. The attached appendix 1 shows the provisional school budget shares for 2015/16. It is stressed that these budgets have been calculated using the current years data and therefore are for comparison purposes against the existing formula only. The final budget shares for 2015/16 will be recalculated using the October 14 census data and will be presented to Forum in January.
31. The provisional budgets have been calculated using the same unit values as in the 14/15 formula. In addition the lump sum and sparsity factors have been included at the values in 15/16 as in 2014/15 (i.e. Lump sum £175,000, sparsity lump sum £35,000).
32. The figures included in the provisional 15/16 formula currently include the rates budgets that were included in the 2014/15 formula. In the final formula for 15/16 the rates will be updated to the estimated charge for 2015/16 by increasing by the relevant percentage uplift (at the time of writing this is expected to be roughly 2%). In addition an adjustment will be made to any school where the rates value included in the 14/15 formula were different from the actual rates paid, as rates are funded at the actual value within the formula.
33. Any school that has a lower budget share calculated in the provisional 15/16 formula than the current year will be receiving MFG protection in 14/15. As Forum will be aware the MFG gives any school with a decreasing budget, tapered protection (to a maximum decrease of 1.5% per pupil) each year until the budget share meets the revised budget. In 15/16 the MFG will have moved on by one year, hence the budget can decrease by up to 1.5% (per pupil) based on the 2015/16 MFG protection. Appendix 1 shows the changes in MFG protection and capping for each school, to balance the current year school budget share to the 2015/16 funding formula.
34. To make the current year formula affordable schools that gained over 5.14% were capped. Therefore any school that had a capped increase in 14/15 will have an increased budget share in 2015/16, however as in 15/16 capping still applies to increases in order to make the overall funding formula affordable. Capping has been set at 1.29% in the provisional formula for 2015/16. Again this capping level will be subject to change in the final formula submission in January.
35. In order to calculate the overall affordability of the funding formula it has been assumed at this point that the same level of funding will be available for the school budget share in 15/16 as was available in 2014/15. The only exception to this is to increase the formula by £3.4 million for the addition of the non-recoupment academy. For illustration at this point it is assumed that the value of the non-recoupment academies budget share will be matched by the same increase in DSG funding. The total cost of the funding formula in

2014/15 is £56,256,165, therefore the amount of funding allocated in this proposal is £59,685,047

36. In the event that when the DSG allocations are received for 2015/16 that there is more (or less) funding available then the unit values will be amended to make the overall formula affordable. Any changes will be detailed in the report presented to Forum in January for the final formula.
37. As in the current year it is proposed to continue to use the sparsity factor. Although there has been a change to the qualification criteria this change has not affected Darlington's schools. As in the current year only one school qualified for this factor automatically (High Coniscliffe Primary), however in 14/15 permission was sought from the EFA for Bishopton/Redmarshall to benefit from this factor as although the school fell short of the qualification distance by 0.1 miles as the crow flies, the actual road distance was significantly more. Permission to include Bishopton/Redmarshall in the sparsity factor was granted in 14/15. Again a request has been made to the EFA to continue this which has been approved. Therefore in the proposed formula, as in the 14/15 formula both Bishopton/Redmarshall and High Coniscliffe primary schools qualify for this factor. i.e. there is no change.

### **SEN Changes**

38. As Forum members will be aware, within the 2014/15 funding formula changes were required to Darlington's formula to meet the EFA new requirement that the first £6,000 of high needs expenditure be reflected in school budgets. As Darlington had previously delegated funding at a higher level, this required the extraction of funding from schools budgets in order to facilitate future top up payments to schools at the new threshold.
39. Work is ongoing between SEN Officers and schools to implement the changes to high needs funding and is subject to discussion in another agenda item of this meeting.
40. Due to changes in the high needs system, prior to implementation, it is not known if further funding will need to be moved from the schools block to the high needs block or not. Therefore at this stage no changes have been made to the provisional 2015/16 funding formula for high needs. It may be the case that following the implementation of the new high needs system that further revisions are required to the high needs budget, which may result in changes to future funding formulas. Any future changes will be presented to Forum as they arise.

### **Distribution of Underspend**

41. As Forum will be aware a large underspend was rolled forward from 2013/14 that was originally proposed to be distributed to all schools during this year. However due to EFA rules this distribution could not take place until the next funding formula calculation, therefore the funding formula has been updated to distribute this underspend in 2015/16.
42. No underspend was distributed in the 2014/15 funding formula, as there was a concern that distributing underspend through the funding formula would, due to MFG protection

only favour the schools that were seeing an increase within their budget as a result of the new formula (and to a lesser extent those that were just inside the MFG protection).

43. In addition another concern was that the increase in budget shares resulting from distribution through the funding formula would increase the baseline for calculating the MFG in future years and therefore potentially make futures formulas unaffordable.
44. Following discussion with the EFA it was ascertained that both of these concerns could be removed through the use of an MFG exemption. Simply this means that the distribution of this one off funding would be excluded from the MFG calculation. This has been tested in the modelling and does achieve the required outcome.
45. Forum approved at their June meeting to request a MFG exemption from the EFA for the 2015/16 funding formula. The purpose of this request is to allow the fairest distribution of underspend in 2015/16. This request has been made to the EFA and has been approved.
46. Forum previously agreed that the fairest way to distribute underspend would be to increase the AWPU by the same amount per pupil for all phases in each school. (i.e. the AWPU will increase by the same value per pupil). This increase in AWPU will be for one year only to distribute the current held underspend.
47. In order to calculate the amount by which the AWPU will increase, the underspend to be distributed (£963,359 at this point) will be divided by the total number of children in the funding formula.
48. Following consultation with the Education Funding Agency, Darlington's funding formula must treat all schools in the 2015/16 calculation on the same basis. This includes the distribution of one off underspend.
49. Based on a total of 13,952 pupils the distribution of underspend will add approximately £69 per pupil to school budget shares for 2015/16 only.
50. Appendix 2 displays the distribution of underspend to schools within the formula for 2015/16. It should be noted that the figures included are for illustration purposes as they are based on the existing formula pupil numbers. The final distribution will be made on the October 14 census, therefore the actual distribution will change dependent on the total number of pupils (i.e. the unit rate) and the spread of pupils. Again the final distribution will be detailed in the January Forum paper.

## Summary

51. In summary it is proposed that the funding formula for 2015/16 will mirror the 2014/15 formula in that the same factors will be used in both years.
52. At this stage it is proposed that no changes will be made to school budget shares for SEN high needs changes in 2015/16.

53. It is proposed that any underspend will be issued through the AWPU at the same per pupil rate for all phases. This distribution will provide a one off additional funding allocation in 2015/16.
54. Forum will receive the final budget share figures for 2015/16 at their meeting in January. This will update all the budgets for the pupil data from the October 14 census. Unit values (not factors) may need to be adjusted from those in the provisional formula in order to make the formula balance to the resources available.

### **Recommendations**

55. That Forum notes the content of the report.
56. That Forum agrees to continue to use the agreed 2014/15 formula factors in the 2015/16 formula.

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