

DARLINGTON SCHOOLS FORUM

8th October 2013

ITEM NO 4

SCHOOL FUNDING 2014/15

Purpose of Report

1. To agree the Darlington School Funding Formula factors for the 2014/15 financial year.

Background

2. In March 2012 the Department for Education (DfE) released a consultation document titled "Next steps towards a fairer system" which outlined proposals to change the way in which schools are funded across the country. This was following in June 2012 by "Schools funding reform: Arrangements for 2013 -14", which detailed the way in which schools were to be funded from April 2013.
3. As a result of these publications, there was a requirement to change the way in which funding was allocated to schools in Darlington, moving from a funding formula with over thirty factors to a formula with less than ten factors, in line with the new national criteria.
4. A consultation exercise took place with all stakeholders during September 2012, which detailed the changes in the funding formula and presented a number of models to show how different options would affect individual schools.
5. Through this modelling it became apparent that the revisions to the funding formula would provide movement of funds between schools, with some schools potentially losing material amounts of funding from their budget. Although a number of different options were modelled, due to the nature of the rules concerning the funding factors, a position could not be reached whereby all schools were protected from material losses.
6. On introducing the new funding formula the DfE had maintained the "Minimum Funding Guarantee (MFG)" at minus 1.5% in 2013/14 and 2014/15. This meant that no school would lose more than 1.5% of their budget in any one year, but a school could potentially lose 3% of their budget over the two year period. Although this MFG provided a level of security of funding, in Darlington it was felt that this could not protect schools longer term, where the new funding formula had reduced a schools budget by a considerable value. It was felt that some schools could therefore become potentially unsustainable in the medium term.
7. As a result Schools Forum asked Council officers to investigate a position where the status quo could be maintained, in that all schools would receive the same funding in 2013/14 as they received in 2012/13 (after adjusting for new delegations, pupil numbers etc.). A solution was found that provided this, whereby the AWPU levels for primary and secondary schools would be "artificially" increased until a point where no school lost any funding through the new formula. The result of this artificial increase was a formula that was unaffordable in terms of the funding available. However to counter this, a cap at 0% was placed on all schools gains through the formula (i.e. they would have no increase in

13/14 on 12/13 after adjusting for pupil numbers new delegations etc.) thereby removing gains to fund the increases in budgets.

8. School Forum agreed to this model (known as the “No winner, no loser model”) at their special meeting in October 2012. This protected all schools against losses in their budget during 2013/14.
9. It was noted at the time that although this solution was in line with the new funding regulations, that this solution may not be possible in future years if the Education Funding Agency revised the formula rules. In addition it was noted that this solution would potentially mean that schools would need to take a much larger drop in funding in 15/16 if the minimum funding guarantee was amended or a national funding formula was introduced (i.e. this solution would be just a deferring of the change rather than a permanent solution).
10. The Forum agreed formula was submitted to the Education Funding Agency (EFA) at the end of October 2012 in line with the submission timetable and was accepted by the EFA as Darlington’s funding formula for 2013/14.
11. Having introduced changes to the funding of schools, the EFA undertook a review in February 2013 to look at the effects of the changes. This review also provided the EFA with information to make further changes/revisions to the 2014/15 funding arrangements.
12. When the changes to school funding were introduced in 2012, changes were made to schools budgets, early years funding and high needs funding. The EFA review concentrated on schools budget share funding, therefore at this stage there are no proposed changes to the method of funding for early years (i.e. nursery education), centralised schools block budgets or high needs funding falling within the high needs block. **This paper therefore concentrates on changes to schools budget share funding only. Agreement on arrangements for early years, high needs block and centralised schools block funding will be presented to Forum as part of the usual school budget setting cycle.**

Outcome of the EFA review

13. Following the review of the changes to the funding formula the EFA released “School Funding Reform: Findings from the review of 2013-14 Arrangements and Changes for 2014-15” which provided results of the review and the changes required to local formulas in 2014/15. These are detailed in the following paragraphs.

Pupil Led Funding

14. The EFA have been clear that they wish the majority of funding through the formula to be allocated on a per pupil basis. It has been stipulated that for 2014/15 a minimum of 80% of the funding to schools in the formula should be on a per pupil basis.
15. The EFA have not stipulated the amounts at which Age Weighted Pupil Units (AWPU) should be set, however for 2014/15 the AWPU for primary schools should be at least £2,000 and for Key Stage 3 (KS3) and Key Stage 4 (KS4) should be at least £3,000.

Prior Attainment

16. Prior attainment continues to be a discretionary factor within the funding formula in 2014/15.
17. For primary pupils in 2014/15 the measure for prior year attainment will continue to be the Early Years Foundation Stage profile.
18. For KS3 & KS4 the measure has changed to the number of pupil's not achieving level 4 or higher in English or a level 4 or higher in Maths.

Deprivation

19. Deprivation was a mandatory formula factor in 2013/14 and this continues to be the case in 2014/15. The EFA have not stipulated the amount of funding that should be passed through the formula under this factor, but have asked that all Forums determine a locally appropriate proportion of funding for this measure.
20. The measures that are used to allocate deprivation funding through the formula remain unchanged in 2014/15 in that they remain as a choice of Income Deprivation Affecting Children Index (IDACI) or Free School Meals (or a combination of the two).

Looked after Children

21. This factor remains an optional factor within the formula. For local authority areas using this factor there is no set amount of funding that must be allocated to this measure. The EFA however have changed the indicator for this factor to any child looked after for one or more days at both primary and secondary level.

Pupil Mobility

22. This factor is another optional factor within the formula in 2014/15. The definition of a mobile pupil has not changed, however the EFA have introduced a 10% threshold to the mobility factor, in order that it will only support schools which experience a significant change in their pupil numbers.

Sparsity

23. This is a new discretionary factor introduced for 2014/15. The purpose of this factor is to lessen concerns regarding changes to lump sum values particularly in rural areas. This factor allows funds to be allocated to schools in rural areas in addition to other factors based on both the distance to the next nearest school and the number of pupils in the school.
24. Whilst the EFA has not stipulated what the factors should be in each area, they have set limits on the eligibility of a sparsity factor as follows,
 - The minimum distance must be two miles for primary schools and three miles for secondary schools.
 - The maximum number of pupils a school can have at primary level is 150 pupils and 600 pupils at secondary level.

- The maximum amount that can be allocated to this factor is £100,000 per school either as a lump sum or as a tapered amount.
25. Distance to the next nearest school has been provided by the EFA using an as “a crow fly’s” distance rather than actual road travel distance. Although it is recognised that this is not a perfect measure the data set provided by the EFA must be used.
 26. The EFA are allowing local authorities to request an exceptional adjustment where the road distance is significantly more than the as a crow fly’s measure.

Lump Sum

27. The EFA have stated that reducing the size of the lump sum supports their aim of moving towards a more pupil led funding system, but still ensuring small rural schools remain viable. The lump sum value has been reduced for 2014/15 to a maximum of £175,000 from £200,000 in 2013/14. Lump sums can be set at different levels for secondary and primary schools, however the lump sum must be the same for all schools within each phase.

Schools with falling roles.

28. The EFA have developed a solution for 2014/15 to safeguard schools with falling roles. This enables local authorities to top slice DSG funding to create a small fund to support schools in exceptional circumstances. As with the growth fund a criteria will need to be agreed locally as to how this fund is operated and monitored.

High Needs

29. Following the review, the EFA have decided to stick with local flexibilities with funding outside of the schools funding formula and have therefore decided not to introduce a high needs factor into the 2014/15 funding formula.
30. It was strongly recommended in 2013/14 that local authorities should delegate through their formula enough funding to allow schools to support additional needs of pupils up to £6,000, acknowledging that this would require some authorities to delegate more funds and some authorities less. For 2014/15 the £6,000 threshold has been set as the mandatory requirement.

Other Factors

31. There remains the ability to use the following factors within the local funding formula within 2014/15, there are no changes to these factors conditions from 2013/14.
 - English as an additional language
 - Post 16 provision
 - Split sites
 - Rates
 - PFI
 - London Fringe

Primary Secondary ratio

32. As in previous years the EFA have not stipulated a constraint regarding the ratio between primary and secondary school funding.

Timetable

33. Following the publishing of the review recommendations, the EFA have asked that all local authorities in conjunction with their schools and School Forum, review their existing funding formulas and make the necessary amendments for the 2014/15 financial year.
34. The EFA have set the following timetable for the implementation of the funding formula for 2014/15.

Date Required	Action
31 st October	Submission of provisional school budget formula to the EFA
27 th November	School Census database closed
16 th December	EFA confirms 2014/15 DSG allocations
21 st January	Submission of final school budget formula to the EFA
28 th February	Local Authority confirms 14/15 budget to maintained schools, EFA to academy schools.

School Budget Shares 2014/15

35. School Budget shares will still be calculated for all maintained and recoument academies by the Local Authority for the financial year 2014/15.
36. The local funding formula must cover both maintained and academy schools using the same criteria for each school. **These criteria must be in line with the nationally set parameters.**
37. Payment of budget shares for maintained schools will be for the period April 2014 to March 2015 paid by the Local Authority. The EFA will make arrangements with academy schools to pay them direct using the funding formula to allocate funding on an academic year.

Minimum Funding Guarantee (MFG)

38. As was indicated when the funding formula changes were introduced in 2012, the EFA have a desire to protect the per pupil funding for schools from one year to the next against significant changes in the formula. As a result of this the EFA have set a minimum funding guarantee of minus 1.5% for 2014/15 (as was previously notified) per pupil. The calculation of the MFG will continue to exclude lump sums, post 16 funding, rates, early years and high needs block funding from the calculation.
39. A new condition has also been introduced with regard to the ability to cap or scale back school budgets. New condition D) within the “School and early years finance regulations” states, “any limiting or scaling back of the funding of schools and academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee for schools and academies entitled to the MFG”.

40. In simple terms what this new condition is saying is that the amount of funding that is removed from schools budgets by capping gains, cannot be more than the value of funding that is paid to schools requiring protection through the MFG.
41. **This condition is particularly relevant to the Darlington funding formula. In the current financial year due to the “no winner, no loser” formula that was agreed to ensure no school lost any funding through the revised funding formula, no school was required to have a minimum funding guarantee. This arose as the AWPU’s were artificially increased up to a value where no school needed protection, the MFG level was therefore £0. In order to fund this, a cap was required on all schools that gained through the funding formula, which totalled £5.2 million. Obviously the cap/scaling back of funding in Darlington’s case is well in excess of the budget required for the MFG and therefore is no longer viable under this condition.**
42. This means for Darlington, that we can no longer have a funding formula with a no winner, no loser model. This means that Darlington’s formula will require at least one additional change in 2014/15 over and above the changes to the factors the EFA has made.

Funding formula modelling 2014/15

43. The funding formula for 2014/15 needs to be revised to reflect the changes to the funding formula factors and condition D.
44. It is assumed that in Darlington, as in previous years that the view taken by the Schools Forum and schools will be to revise the formula to have the minimum level of turbulence with regard to funding for each school (in order to minimise budget changes). Modelling of changes to budgets has therefore concentrated on achieving this.
45. The models show for each school both the change in budget in 2014/15 (i.e. adjusted for the MFG protection) and the change in budget over the life of the formula. Modelling to find an optimum solution has concentrated on minimising the **percentage** change in budget for all schools over the life of the formula.
46. The ideal situation would be that all schools budgets will change by 0%, however the very nature of the new formula makes this unachievable. Modelling has therefore concentrated on getting all schools budget share percentage changes as near as possible to zero, with the minimum spread of change as possible. (By spread of change, this means the range of percentage changes, i.e. if the school with the biggest gain is a 5% increase and the school with the biggest loss is a 6% decrease, then this is a spread of 11%). In addition to trying to produce a model with the lowest spread of percentage gains and losses, the models also focus on the minimising the maximum percentage loss.
47. To produce a funding formula for Darlington that “best” achieves this, over 70 different modelling scenarios (with over 100 connotations) have been undertaken to ascertain potential funding outcomes. These models have used differing unit values for each of the factors and tried differing combinations of the factors to come up with the best possible solution for all schools. The models have been calculated using the “Authority Proforma Tool” provided by the EFA. This tool has been provided by the EFA for Authorities to use when calculating their school budgets and provides the results in the format that is required to be submitted to the EFA by the end of October.

48. This tool uses the pre-defined data sets as required to be used by the EFA to give a revised budget for 2013/14 using the 2014/15 revised formula criteria. Attached at appendix 3 are a number of the models that have been worked up. (Appendix 1 gives some narrative concerning the models). These models show the changes that will occur within budgets for 2014/15 under the different factor modelling. (Please note that not all models have been attached to this paper, therefore the attached appendix 3 has some model numbers missing).
49. **It should be stressed to all schools that although the proposed funding formula models may show a reduction in the budget of a school by a certain percentage, that in 2014/15 the budget will only reduce by a maximum 1.5%. Therefore for example if a schools budget reduces by 10% or £10,000 as a result of the changes, the schools budget will only actually reduce by £1,500 in 2014/15 as the balance of the reduction will be covered by the minimum funding guarantee. In future years the EFA have committed to further MFG's, but as yet these levels have not been detailed.**
50. All of the modelling of the funding formula has used the pupil numbers that were included within the 2013/14 funding formula (as collected at the October 2012 census) this enables a direct comparison between the current school budget and the resulting budget that would occur through the new proposed formula. **Schools should note that the figures included within this report are therefore for comparison purposes only and will not be the budget shares that schools receive for 2014/15. Budgets for 2014/15 will be updated using the latest pupil census figures that will be collected in the October census. In addition unit values for the 2014/15 actual budget share may be revised in line with the resources available. Once the provisional (October submitted) formula is agreed no changes will be made to the factors used.**
51. A similar exercise to the above was undertaken when the funding formula changes were introduced in the summer of 2012. At that time a number of different models were produced with different outcomes for schools under each model. What was clear at the time of doing that exercise was that no matter what factors, attributes and unit values were used within the formula, an outcome could not be produced that ensured that all schools did not lose funding within their budget share over future years (although individual years were subject to protection through the MFG). As a result the no winner no loser option was chosen.
52. The result of the current modelling has again produced the same result as was the case last year. Therefore as the no winner no loser option is no longer available, it is the case that some schools will see a decrease in their per pupil budget shares whilst other schools will see an increase. This cannot be avoided due to the nature of the factors that are required in the funding formula. This movement of funding is in line within the Government's desire to see the funding for schools to be predominantly pupil led.
53. Appendix 4 shows the percentage change to each school's budget share (before the minimum funding guarantee) for a number of the models that were tested. As can be seen there is a wide spread of results with some schools benefiting and some schools being worse off. It is the case that as one factor is adjusted to benefit a number of schools, at the same time this change disadvantages a number of other schools. Due to the nature of the EFA's formula, (in comparison with Darlington's 2012/13 formula) some schools will gain and some schools will lose out financially, no matter what factors are

implemented within the formula. All that can be adjusted is by how much the gains or losses are.

54. This is further illustrated in Appendix 5. This table shows the effect that each additional £100 in a formula factor has on each school. It must be remembered that for each £100 added to one factor, £100 must be removed from another to ensure the overall formula remains within the resources available. As can be seen from this table adding money into one factor to assist a school that is losing out often adds more to a school that is gaining. In addition adding more to one factor to help schools, may cause more schools to lose out when the corresponding reduction is made to another factor. Again there is no situation where certain factors can be chosen to ensure all schools do not lose out.
55. In line with trying to minimise the turbulence to schools, two model have been chosen as the preferred models in Darlington. These are model 28 and model 55 as attached at appendix 3. These models have been selected from all the various scenarios that were looked at, as they produce a best fit for all schools.
56. Model 28 follows as far as possible the current funding formula using only the factors that are used in the current 2013/14 formula (making revisions only for the EFA rule changes). In order to make this model affordable only the AWPU and lump sum values have been adjusted, all other funding has been protected in line with the decisions that were made concerning the current funding formula in October 2012.
57. Model 55 produces the best fit from modelling undertaken looking at adjusting the other funding formula factors (i.e. deprivation, LAC, Prior Attainment & English as an additional language). Modelling of changes to other factors produced many results that gave large shifts of funding between schools and therefore created a lot of turbulence. However model 55, whilst having turbulence, produced a “best fit” of similar proportions to model 28 and therefore is a viable option. This model mirrors model 28, except that the unit values for prior attainment have been adjusted (with the AWPU being adjusted to compensate). At primary level the prior attainment factor has had an addition £1million put into the unit value as this provides a better spread of funding at primary level. At secondary level funding has been moved from the prior attainment factor into the AWPU, as this provides a better fit. This model does not change any of the factors used in the funding formula, it merely changes the value of the units included in the prior attainment factor.
58. It should be noted that both models 28 and 55 require additional funds (approx. £230,000) to be invested in the school budget shares than is the case in 2013/14. This increase in funding has been modelled as when the budgets were set for 2013/14 (in February 2013) there was a similar amount of money unallocated to any budget. In order to aid direct comparison between the 2013/14 formula and the proposed revised formula, it has been assumed that this “spare” funding is available and is added to the resources available.
59. Normal procedure for any “spare” money is to either hold (in whole or part) as a contingency for unexpected costs (that arise in year) or to add into schools budgets. It was the case however that due to the no winner no loser formula in 2013/14, that any additional money that could have been invested into schools budgets would have been capped therefore, this funding was not added into school budget shares and remained unallocated. As there were major changes to the high needs funding system with a number of unknowns, the majority of the unallocated budget was subsequently allocated by Forum to a contingency budget for potential pressures in the high needs budget.

60. Models 28 and 55 assume that the “spare” funding would be available again in 2014/15, however if the spare funds are required for high needs purposes than models 28 and 55 would become unaffordable. In this situation the unit values within the models would need to be reduced to ensure that the school budgets remain within budget.
61. Model 70 and 71 have therefore been undertaken to show the effect of reducing the unit values in the event that there is no spare money available in 2014/15. Models 70 mirrors model 28 and 71 mirror models 55 exactly, the only change being a reduction in AWPU values to keep the overall budget within the funding envelope. These models still produce a “best fit” (i.e. spread of percentage gains and loses) however the individual budgets for all schools reduce, due to less resources being included.
62. The effect of the change of not having additional money to invest on model 28 (i.e. model 70) is that primary schools budgets reduce by approximately 0.4% over the full life of the formula. Likewise a reduction of 0.5% applies for secondary schools. The outcome therefore is that schools that gain will see their gain reduce slightly, while schools that lose will have a slightly bigger loss over the life of the formula.
63. The effect of the change in the first year (i.e. 2014/15) for model 28 (i.e. model 70) is that all schools that gained will have a slightly reduced gain and that any school that loses budget by less than 1.5% will have a slightly larger loss. Any school that already was losing more than 1.5% will have no change in the first year due to the MFG already protecting their budget. As a result, there will be a bigger MFG requirement in 2014/15, which means the cap on school that gain reduces to 1.62% (from 2.54%), therefore schools that gain will do so over a longer period of time.
64. The same situation applies as detailed in paragraphs 61 to 63 for model 55 (i.e. model 71) in the event of there being no spare funds available in 2014/15. The cap on gains in this model would reduce to 1.85% from 2.75%.
65. It is the case that if there is any additional resources that can be invested into school budget shares that this will reduce loses but also increase gains to schools.

Proposals

66. Darlington must submit a proposed funding formula to the EFA by the end of October 2013. This proposed formula must confirm the **factors** that are to be used in the funding formula for 2014/15. These factors cannot be changed once submitted (if approved by the EFA), however the unit values can be changed in line with the funding available when the actual formula for 2014/15 is calculated. The modelling that has been referenced in this report has used unit values for illustration purposes and to ensure that the proposed formula is affordable. Forum should note that unit values may change in the **actual** formula in line with the resources available.
67. The following paragraphs detail the proposed changes to Darlington’s funding formula factors for 2014/15 that have been used in creating the “best fit” models in appendix 3.
68. The data sets that have been used in the modelling again use the data that was incorporated within the 2013/14 funding formula. When the actual budget is produced for 2014/15 this will use updated data as provided by the EFA. The data that is used in

calculating the funding must use the EFA data, authorities have no option to use their own data.

New Delegations

69. When creating the funding formula for 2012/13 all of the budgets that required delegating where either already delegated within Darlington or were delegated that year. No requests were made to de-delegate any funding.
70. There are no proposals to change any delegations in 2014/15 either by requesting a de-delegation or by delegating any further budgets.

High Needs

71. In the current funding formula in Darlington, primary schools have the first £13,506 of funds delegated in their budgets for additional needs and secondary schools have the entire budget delegated. This continued a process that had been implemented a number of years previously to allow schools to manage their own additional needs provisions.
72. Under the new funding arrangements produced by the EFA the amount of funding that must be delegated to schools in their budget shares is £6,000 which is less than currently is the case in Darlington. The amount of budget delegated in schools budgets therefore needs to be reduced.
73. This reduction in delegated budget may be seen as a backward step as schools are losing control of elements of the budget, however this must be undertaken in order for Darlington's funding formula to be compliant with the EFA rules.
74. The funding that is extracted from schools will be retained centrally and added to the high needs block. The system of paying for pupils with additional needs will therefore change from April 2014. (For academy schools, changes will not occur until September 2014 due to being funded on an academic year).
75. Currently in a primary school, using the banding system, where a child has an additional need at band 6 or under the funding of the additional support for that child is picked up by the school from within their own budget. Where a child is identified as having an additional need above a band six, additional payments of budget are made to the school by the Local Authority for each banding level. This allows the school to fund the need for the child above a band six. These additional payments are made by the Local Authority to the school from the high needs block.
76. For secondary schools any additional needs for pupils are fully paid for by the school with no funding being allocated from the high needs block as the school already has this funding in their budget.
77. Under the new £6,000 threshold system, for both primary and secondary schools where a child is identified as having additional needs these will be paid for by the school up to £6,000 with any additional need over and above this threshold been paid across to the school from the central high needs block.
78. As more payments are coming out of the central high needs block, funding must be extracted from schools budgets to cover this new expenditure, as the current central high needs block is not a finite resource. The existing high needs block has already been

allocated to other high needs budget areas (i.e. special school placements, resource units etc.). Funding therefore needs to be extracted from all primary school budgets between £6,000 and £13,506 and in secondary schools for spend over £6,000.

79. The change in the system causes an issue, as due to Darlington's current system, data is not held on all pupils with additional needs. As the funding has previously been delegated there has been no requirement to collect data on the number of pupils below band 6 in primary schools and at all in secondary schools. There is therefore limited data available to calculate what funds need to be extracted from schools budgets to enable funding to be available in the central block to pay to schools for pupils with additional needs costing more than £6,000.
80. Officers from the Local Authority have met with the officers from the EFA to discuss this issue who proposed a solution. In 2014/15 a transitional year will be operated, during which time data can be collected, in order to calculate what actual funding should be removed from budgets and to calculate top up rates required to pay schools for additional needs over £6,000 (on a per pupil basis).
81. During this transitional year the EFA have given Darlington permission to set top up rates at different levels in order that whatever funding is removed from schools can be paid back as a top up at the same level, so the school receives back the extracted funding. This will mean that no school loses any funding during this transactional year. This is illustrated in the example below.
82. Three schools have following amounts removed from their budgets to take account of the change in notional SEN budgets to £6,000,
- School A £25,000
 - School B £2,000
 - School C £10,000
83. The following number of children are identified as having additional needs that require new top up payments (i.e. between £6,000 and £13,506 and above £6,000 for secondary)
- School A 5
 - School B 1
 - School C 20
84. The top rates for the schools would therefore be as follows
- School A £5,000
 - School B £2,000
 - School C £500
85. Although the top up rates are different, the total amount of funding that would be paid to the school is the same as the amount removed from their budget therefore no school would lose out during this transitional year. Again this is illustrated below.
- School A has had £25,000 removed from their budget therefore the school has £25,000 less resources. However the school has 5 pupils with additional needs over £6,000 which will be paid at £5,000 per pupil. The school therefore receives

a payment from the Local Authority of £25,000. This is the same amount as was extracted from the school, so the position to the school is budget neutral.

86. It is proposed for 2014/15 that a system will operate as detailed in the paragraph 81 above for additional needs over £6,000. Each school will receive back the funding they have had extracted at the same value, no matter how many pupils are identified with additional needs. (Over £6,000 for secondary school pupils and between £6,000 and £13,506 for primary pupils). For primary schools with children with additional needs over £13,506 the current year arrangements will continue.
87. In order to facilitate this system, a calculation was required to extract funding from schools budgets. In the current funding formula the delegated additional needs budget (notional SEN) is made up from funding within the deprivation and prior attainment factors.
88. A number of calculations were undertaken to identify the amount that should be extracted from these budgets to cover the increase in centrally paid top up payments, focusing on the current level of delegation compared to the new levels. The outcome of these calculations produced differing results, with some calculations potentially taking more out of budgets than was predicted would be needed to make payments, therefore leaving schools short in future years once the transitional year ceases.
89. Due to the data currently held, no extraction of funds from school budgets can be 100% accurate, therefore an element of estimation is required. The option used to estimate the amount of funding required from school budgets, is to calculate the level of funding that is required to make top up payments back to the schools. To do this the number of additional pupils identified as requiring a new top up (in the new bands) was estimated with an estimated value. This total value was then extracted pro-rata from all schools budgets.
90. It should be noted that this calculation is to try and identify the amount of funding that would need to be paid back to schools for pupils with additional needs over and above the £6,000 threshold. This calculation is not intended to identify the amount of notional SEN funding that each school holds for additional needs over £6,000 and therefore is not a measure of the notional SEN budget held by schools.
91. Once the total amount of funding that was required to be extracted had been calculated, the methodology for taking out of schools budget was to reduce the unit values for the FSM and IDACI measures within the deprivation factor and the unit values for the prior attainment factor.
92. The unit values were adjusted between primary and secondary schools on a weighted basis in line with the amount of funding that needed to be extracted (i.e. more funding was extracted from secondary budgets as the change has a bigger effect at this phase). The net effect on all schools in each phase was therefore at the same percentage.
93. It is likely that as data is collected over the transitional year that the number of children identified as requiring additional needs support over £6,000 will be more than has been estimated in the 2014/15 calculation. In that case it is likely that for 2015/16 the funding removed from budgets will need to be revisited to ensure that the correct amount of funding is in place within the central high needs budget.

94. This funding factor is a mandatory element within the formula and therefore remains a factor within the Darlington formula as in previous years. The AWPU levels that have been used in all the preferred models are all in excess of the minimum requirements of the funding formula criteria.
95. These AWPU values are lower than the AWPU figures that are included within the current (2013/14) funding formula (at KS3 & KS4 the value is less overall). The reduction in the AWPU values has been made as the values that were included in the current year's formula were artificially high due to the no winner, no loser model, where all increases were "capped" and removed from schools. The reductions in AWPU have been used to readdress the artificial AWPU levels set in 2013/14, not as a budget cut. The AWPU's that are used in the actual budget share calculation will be of a similar level to the model values, but will be altered in line with the funding available.

Deprivation

96. Schools Forum agreed in October 2012 to use a combination of FSM and IDACI as the measures for deprivation. The "best fit" models both showed that it was advantageous to continue to use a combination of the "FSM Ever 6" and "IDACI" measures. Therefore it is proposed to use FSM6 & IDACI again in 2014/15.
97. School Forum agreed in October 2012 to only use IDACI bands 3 to 6 in the revised funding formula as this mirrored the funding formula that had been used in 2012/13 and previous years. It is proposed therefore that only IDACI bands 3 to 6 will continue to be used in the funding formula for 2014/15.
98. The unit values that were set in 2013/14 have also been used for 2014/15, although these have been reduced slightly for the changes in high needs funding (see paragraph 91). As these unit rates were agreed as the best fit in 2013/14 it is not proposed to make any further changes to these rates at this stage in order to protect the amount of deprivation funding allocated to schools at the current rate. It should be noted however that the unit values used for deprivation in the actual budget share calculation for 2014/15 may be revised if this will provide a better overall budget solution.

Prior Attainment

99. Due to the change made by the EFA regarding the measure for secondary prior attainment a new data set has been required to be used. The result of this was that different budget amounts were allocated to secondary schools. In order to preserve the 13/14 budget level, the unit rate has been adjusted to ensure the same funding is allocated in 14/15.
100. School Forum agreed in October 2012 to use a Prior Attainment factor within the funding formula and as all of the "best fit" models (for 2014/15) included this factor it is proposed that the 2014/15 formula continues to use this factor.
101. For the "best" fit models the unit values have been revised for the changes in high needs funding (see paragraph 91). Model 28 (70) uses this revised unit value, but still follows the decision made Forum in October 2012 and therefore protects the amount of funding allocated through prior attainment at the current rate.

102. Model 55 (71) however has adjusted unit values at both primary and secondary level in order provide a better result for all schools. By adjusting the prior attainment unit values it is the case that the spread of gains and losses are more favourable, therefore it could be proposed that a different unit rate be used for prior attainment in 2014/15 rather than keeping funding at the 2013/14 level. (It must be remembered however that although this adjustment produces the best fit, this is based on the October 2012 census data. It may be the case that when the October 2013 census is undertaken, that this change in unit values will not be as favourable).
103. Although changes in the amount of funding allocated through the prior attainment factor provides a better spread of changes to individual school budget shares Forum must consider this adjustment carefully. Model 55 (70) allocates additional funding through this factor to primary schools but reduces funding to secondary schools. This may give the impression that Darlington wish to invest more money into pupils that are falling below a standard in primary schools but not for pupils in secondary schools. It also suggests that this group of pupils require considerable additional resources targeted at them at primary level in comparison to other groups of pupils falling in another factor. In addition by allocating additional funds to this factor, this could potentially be of detriment in future formulas if flexibilities concerning the allocation of funding to factors are removed in future years.
104. It is the author's (of this report) understanding that Forum and schools wish is to minimise the turbulence in the individual schools budget shares. Therefore it is proposed that resources invested in this factor be changed in line with model 55 (71) as this best achieves this desire.

Looked After Children

105. The EFA have changed the measure for looked after children to include any child looked after for more than one day. In Darlington this measure was already used in the funding formula, therefore this has no change on the formula for 2014/15.
106. It is proposed to keep a LAC factor within Darlington's Formula for 2014/15, with the unit value for looked after children set at the same amount, in order to maintain the same level of funding. As increases in Pupil Premium payments for looked after children are making more funding available to schools for this group of pupils, it is not proposed to make any changes through the formula.

English as an additional language

107. Within the funding formula agreed for 2013/14 the budget that had previously been held centrally for this service was delegated. It is proposed to continue to use this factor in the formula and not to make any changes to the unit values for this factor in 2014/15.

Pupil Mobility

108. This factor was not used in Darlington's formula in 2013/14 as the factor did not provide any benefits to Darlington schools. For 2014/15 the definition of this factor has not changed, although there has been a narrowing of the criteria. As there is no beneficial change to this factor, it is not proposed to use this factor in 2014/15.

Sparsity

109. This is a new optional factor within the funding formula. Although it was hoped that this factor would provide some assistance to the small rural schools in Darlington, only one school (High Coniscliffe) qualifies within the minimum criteria set for this factor.
110. Two further schools qualify in terms of the distance criteria, however as they have pupil numbers greater than the maximum allowable under this factor, they do not qualify. As an exceptional adjustment can only be made for the distance element of the criteria, this factor is of no value to the two schools.
111. Bishopton/Redmarshall school qualifies under the maximum number of pupils criteria but is just short regarding the distance criteria. It is the case that an exceptional adjustment can be made to the EFA for schools that fail to qualify on the distance element, as the distances that have been provided by the EFA are on a “as the crow fly’s basis” rather than by road. Therefore if the road distance is more, an adjustment can be made. An exception has been requested for this school in order that it can qualify for the sparsity factor, at the time of writing this request has been provisionally approved.
112. Although potentially only two schools qualify for the sparsity factor, these two schools are two of the smallest rural schools in the borough and have therefore been hit hard regarding the decreases in the lump sum payments. It is the case that without a sparsity factor those schools would become financially unsustainable in the short to medium term. It is therefore proposed that a sparsity factor be added to Darlington’s funding formula for 2014/15.
113. It is proposed that the lump sum value for this factor be set at £35,000 as this will support the two smallest schools. This figure has been calculated as the mid point between the losses of the two schools in the new formula. The result of this lump sum will mean that one school will no longer have a loss in their budget however the other school remain to do so at a considerable value. A larger lump sum could be allocated to remove this loss, however this would result in the other qualifying school having a large surplus as the lump sum must be the same for all qualifying schools. It was felt that to allocate too much funding to this factor would be unfair to other schools that lose out under the new funding formula that have no protection options.
114. Forum should note that in the case of Bishopton/Redmarshall school that a sparsity lump sum of £35,000 will still leave the school with a considerable budget reduction in future years. Therefore Forum may wish to consider the value of the lump sum further.
115. Any increase in the sparsity lump sum will require additional resources to be invested in the formula, it is proposed that this would in the first instance come from any unallocated budget (i.e. an increase in funds allocated to the school budget share) and therefore will not take any funding from any other school through any other formula factor. In the event of there being no unallocated funding, then a further reduction in the AWPU levels would be required.

Lump Sum

116. The maximum lump sum available is £175,000 for 2014/15. Every £ that is allocated to a lump sum is funded by reducing another funding factor. In 2013/14 this was achieved by reducing the AWPU levels. Again in 2014/15 any changes in lump sum will affect the level of AWPU, Appendix 2 shows the effect changes in lump sums (and therefore

AWPU) have on individual schools. This shows that some schools benefit from having larger lump sums whilst other schools benefit from having a lower value. The number of pupils in a school is the key variable that dictates which is better for individual schools.

117. At primary level ten of the twenty nine schools are worse off as a result of having a higher lump sum and at secondary level three of the six schools are worse off. The tipping point is in the region of 286 pupils at primary level and 820 pupils at secondary level.
118. It is the case that no value of lump sum benefits all schools, therefore a best fit is required. Of the ten schools at primary level that are worse off from having a higher lump sum, all but four of those schools are gaining through the new formula in other areas, therefore it is proposed to have the maximum lump sum of £175,000 at primary level to aid the majority of schools.
119. Of the three secondary schools that are worse off from a higher lump sum, two of the schools gain from other areas of the funding formula, therefore it is proposed that again the lump sum for secondary schools is set at the maximum level of £175,000.
120. It is proposed to set lump sum values at £175,000 for primary schools and £175,000 for secondary schools as this creates the best fit in the overall school funding models. The funding freed up by reducing lump sums (from 2013/14) has been added to the individual pupil entitlement.

Split Sites

121. Darlington has no split site schools so this factor is again not to be used in 2014/15

Rates

122. There are no changes to this factor. Rates will be included in the formula at the estimated actual value.

Private Finance Initiative

123. This factor was not used in the 2013/14 funding formula. There has been not change in the factor for 2014/15, therefore there are no proposals to use this factor in 2014/15.

Pupil led funding

124. The EFA have stipulated that pupil led funding must be at least 80% of the overall funding formula. In 2014/15 the amount of funding allocated through pupil led factors in the proposed best fit funding formulas is 87.92% which is therefore in excess of the minimum requirement. (Using model 55).
125. The pupil led figure was 86.2% for 2013/14 therefore an increase of 1.72%.

Pupil Funding Ratio

126. The EFA have not stipulated a ratio of funding between primary and secondary school funding. In 2013/14 the funding formula produced a ratio of 1:1.36 secondary (adjusted for MFG calculation). The proposed best fit models produce a ratio of 1:1.33 therefore a slight shift towards primary schools.

Summary

127. In summary it must be decided which of the factors that Darlington wishes to use within their funding formula for 2014/15. All of the models that have been put forward as creating a “best fit” for Darlington use the same formula factors. These factors are the same as are being used in the current year’s formula.
128. As all of the favoured models use the current funding factors, it is proposed to follow previous decisions and continue to use the current funding formulas factors as follows,
- Deprivation - Using FSM Ever 6 and IDACI bands 3 to 6.
 - Prior Attainment
 - Looked After Children – using the same unit values as in 13/14.
 - English as an Additional Language - using the same unit values as in 13/14.
 - Lump Sum – Using the maximum value for primary and secondary schools. (£175,000 in 14/15).
 - Rates – At the actual value
- 129 It is proposed that the following factors will not be used
- Pupil Mobility
 - Split Sites
 - Private Finance Initiative
130. **All the above factors represent a no change on the current formula.**
131. The model that provides the “best fit” for all schools is model 55 (assuming additional funds remain available). It is therefore proposed that model 55 unit values are submitted as Darlington’s provisional formula for 2014/15. These are noted as follows,
- Deprivation unit values as at current (2013/14) levels (adjusted for SEN changes)
 - Prior Attainment unit values are increased for primary schools and reduced for secondary schools, on the assumption that Forum wish to provide a model with the least turbulence.
 - The unit values for AWPU are adjusted in line with resources available.
132. **Forum should note however the unit values for these three elements will be continue to be modelled throughout the formula once the October 2013 census data is received in order to achieve the least turbulence to actual school budgets in 2014/15.**
133. It is proposed that a Sparsity factor be introduced to protect the smallest rural schools. This factor is proposed to be set at £35,000.
134. It is proposed that no de-delegations will be introduced
135. It is proposed that a cap be set on gains at the percentage that equals the cash value required to fund the minimum funding guarantee. i.e. the maximum cap available.

Recommendations

136. That Forum agrees to the proposed payment arrangements concerning additional needs detailed at paragraphs 71 to 93.
137. That Forum approves the proposed funding formula factors for 2014/15 as per paragraph 128 and 129.
138. That Forum approves the movement in funding within the Prior Attainment factor.
139. That Forum agree to the insertion of a Sparsity factor
140. That Forum agree that the Sparsity factor lump sum be set at £35,000
141. That Forum agree there will be no de-delegations introduced in 2014/15
142. That Forum agree to the cap on gains being set at the maximum allowable level
143. That by approving paragraphs 136 to 142 (above), Forum approves the submission of model 55 as the provisional formula for Darlington.

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