

Briefing Note

To: Members of the Schools' Funding Forum
 From: Keith Abbott, Director of School Resources
 Date: 9 September 2014

DfE Fairer schools funding – Arrangements for 2015 to 2016

On 17 July, the Department for Education (DfE) published a document titled "Fairer school funding – arrangements for 2015 to 2016" that provides details of school funding arrangements for 2015-16 following a number of consultations in the spring.

In addition the DfE have published operational guidance for local Authorities, and a technical annex that describes in full the methodology they have used to calculate school block unit of funding for every local authority.

In summary there are no significant changes from the position they consulted upon. 2015-16 will be a similar year to 2014-15 and the national funding formula will commence at the earliest in 2016-17 at the start of the next spending review period. The DfE have confirmed that **MFG** for 2015-16 will be **-1.5%**.

The decision document covers a number of different issues, and I have summarised below the key points and implications for Kent:

1) Fairer funding for schools – the distribution of the additional £390m DSG (formerly £350m) to some LA's

The Departments original proposal was to distribute an additional £350m to the least fairly funded areas by setting minimum funding levels (MFL) that every local area should attract for its pupils and schools in 2015-16.

In Kent we calculated that we were (using 2013-14 data) £50 under these minimum funding levels, however as our school block funding unit was even greater we were set to receive nothing.

We, as did many other authorities, raise serious concerns around the proposed methodology. We identified that we were being penalised for having delegated substantial levels of SEN funding for example. The DfE have acknowledged these concerns but have decided that their methodology is the fairest way of distributing the funding.

The distribution to individual LAs has changed since the consultation for the following reasons:

- 1) They have used 2014-15 data (consultation used 2013-14)
- 2) They have increased the pot for distribution from £350m to £390m
- 3) The rates used in the minimum funding levels have changed, some very slightly, and some more significantly.

In the briefing notes that were prepared for discussion earlier this year as part of the consultation we highlighted the flaws in the methodology by comparing Kent to Surrey and Bromley – LAs where the overall level of DSG per pupil were broadly comparable. This analysis is repeated below with

additions to show the impact of the changes made by the DfE and the increase in the funding being made available. We have also shown the impact on Brent.

Headline table:

		Kent	Bromley	Surrey	Brent
Figures relating to the consultation proposals	DSG GUF/pupil prior to 2013-14 funding reforms	£4,885	£4,944	£4,804	£6,236
	LA Rank (out of 151, with rank 1 being the highest funded)	99	85	110	16
	Schools Block GUF/pupil following 2013-14 funding reforms	£4,367	£4,082	£4,096	£5,066
	New LA Rank	97	144	142	23
	Value of GUF equivalent transferred to either High Needs or Early Years Blocks*	£518	£862	£708	£1,170
	% transferred to either High Needs or Early Years Blocks	10.6%	17.4%	14.7%	18.7%
	Share of the additional £350m under these proposals	nothing	£19.1m	£24.8m	£13.2m
	Share of the additional £390m DSG	nothing	£19.5m	£28.4m	£11.0m
Final figures from decision document	Expressed as a % increase of the school budget	n/a	11.5%	5.2%	5.8%

* The High Needs and Early Years DSG funding has been completely ignored under these proposals

2) Longer term reform plans of high needs and early years

This section in some way addresses some of the concerns raised in point 1 above. It gives a clear indication that the review of the distribution of high needs and early years funding between LA's is a vital next step. The DfE want to move to a more formulaic way of distributing this funding as soon as possible, and they are undertaking a substantial research project to help fill some of their information gaps. The research will commence this autumn and will include fieldwork with some LA's and providers. I am hopeful that the work of f40 Finance Managers Research Group (of which Simon Pleace is a member) will also be considered. The DfE hope to have conclusions from this research by spring 2015.

The Department have reiterated their plans to introduce an Early Years Pupil Premium in 2015-16 by distributing £50m to LAs for eligible pupils.

3) Refinements to the arrangements for funding schools serving sparse areas

This section relates to the **Sparsity Factor** which we currently don't use within our local formula. Its purpose is to provide additional funding to small schools in sparsely populated areas. Some minor refinements to defining eligibility have been agreed.

In Kent we remain of the view that this factor is not appropriate for our authority as we have intentionally set the lump sum at £120k per school, providing more security than was previously provided under the old formula. In addition, in the current year only 20 schools would meet the eligibility criteria. The refinements are not expected to alter this number significantly.

4) Simplifying the administration of academies funding

This section is broken into two separate issues:

- a) The first confirms arrangements for bringing the funding arrangements for non-recoupment academies (which includes free schools) in line with recoupment academies, something that we and most LAs support. Non-recoupment academies are those who converted prior to the 1 April 2008 and all free schools (not just basic need ones).

In 2015-16, and future years, our DSG will be increased for pupils in non-recoupment academies; we will be required to calculate each institution's budget as if they were maintained by the LA (as we have done for many years for all recoupment academies). The formula answer will then be recouped by the DfE and our DSG will be reduced accordingly. The inclusion of non-recoupment academies in this process will require additional work for the school budget team.

In addition the DfE have modified their proposals following a review of consultation responses and will now include additional funding for central services. At the moment we do not know how much this will be, and although we do not anticipate a significant additional amount, this is still a welcome amendment by the DfE from a point of principle.

- b) The second confirms arrangements for funding growth in free schools. The proposal was to recoup what the LA would have provided in funding for the pupils in a free school if it had been maintained. The purpose of this change was to ensure consistency with all other schools.

Most respondents to the consultation expressed concern that some free school places were not meeting basic need. The DfE do not think these responses justify funding basic need free schools differently from non-basic need free schools, and have therefore decided to proceed with their proposal with one modification. The recoupment will be based on free school pupil estimates provided by the LA rather than the free school.

This will not have an impact on the way free schools are funded by the EFA. Recoupment from LAs and what the EFA pay to free schools are two separate processes.

This recoupment will represent a new pressure for LAs, one which has previously been funded centrally by the EFA. As soon as the DfE have published the relevant data we will be able to estimate the likely cost to Kent and will need to build this into our 2015-16 budget plans.

5) Carbon reduction commitment

Schools are no longer part of the Carbon Reduction Commitment scheme; they were removed in 2014-15, and paid for centrally by the DfE. In the current year all LAs had their DSG reduced in order for the DfE to pay for schools' contribution to the CRC scheme. The basis for the deduction was the previous year's spend and in Kent we had £1.3m deducted.

For 2015-16 they are introducing a revised method of a flat rate per pupil. Our DSG will be reduced by £1.4m in 2015-16 meaning an additional pressure for us to fund of £0.1m.

6) Changes to high needs funding for 2015-16

In light of their announcements in section 2) above regarding their longer term aims for reforms to high needs funding, the DfE do not want to make major changes to the high needs funding arrangements to 2015-16.

They are going to use the same methodology in 2015-16 as they used in 2014-15 for both pre and post 16 funding. They plan to first allocate funds for additional places identified and then distribute what is left to LAs using a flat rate per capita calculation (as they did in 2014-15). It would appear therefore that the High Needs funding that we received in 2014-15 will be built into the baseline for 2015-16 which, if true, is good news for Kent.

One other important announcement is that they hope to have high needs funding announcements confirmed in December 2014, which if achieved will be a big improvement on the current year when the announcement came out in late March, almost two months after we had to issue budgets to schools.

7) Schools Forums

The DfE will be consulting over the summer on amendments to the Schools Forum regulations in time for 2015-16. The changes being proposed are:

- To extend the membership of the forum to include a representative of Alternative Provision academies/free schools (if one exists in your LA – I am not aware of one in Kent)
- To extend the membership of the forum to include a representative of Special academies/free schools (if one exists in your LA – we have Milestone in Kent)
- To extend the forum's consultation role to include the special places to be commissioned by the LA in different institutions, and the arrangements for paying top ups
- To extend the forum's consultation role to include the AP places to be commissioned by the authority and by schools in PRUs and other providers of AP, and the arrangements for paying top-up funding.

8) Education Services Grant (ESG)

The government has confirmed that, as announced in June 2013, they will reduce ESG nationally by £200m in 2015-16. This will mean that general funding rate for LAs will fall from £113 per pupil to £87 per pupil in maintained schools. The £15 for retained duties which goes to councils for all pupils (maintained and academy) is unchanged.

Academies currently receive £140 per pupil for ESG and although there is a reduction there will be protection for academies on a sliding scale – so that the average reduction in academy funding will be 1.5% of total budget. As expected the bulk of the ESG reduction has fallen on LAs.

This information is not a great surprise and a reduction of this level has already been factored into the overall KCC budget model so is not a specific issue for our budget but is a clear sign that we still do not have a “level playing field” in respect of academy funding.

Simon Pleace
9 September 2014