

CONSULTATION ON SCHOOL FUNDING ARRANGEMENTS 2013-14 (PRIMARY AND SECONDARY SCHOOLS AND ACADEMIES)

Introduction

- 1.1 The Government has announced a wide-ranging set of school funding reforms, to be implemented from April 2013. There is limited local flexibility in implementing the new requirements and the changes are significant. The actual effects are mitigated for two years (2013/14 and 2014/15) through the application of the Minimum Funding Guarantee (MFG). There will also be additional delegation of funds. This consultation covers two of the key aspects of the Government's reforms to school funding;

A. Simplification of the funding formula

B. New delegation

- 1.2 The consultation relates to the funding of primary and secondary schools and academies but does not cover changes to the funding arrangements for SEN High Needs provision (e.g. special schools and special units) or for SEN funding relating to high cost SEN pupils in mainstream schools. It does not cover sixth form funding from the Education Funding Agency or Early Years funding, which will continue to be via the Early Years Single Funding Formula (EYSFF). There will be further consultations on the High Needs funding and on Early Years funding.

For further information on the Government's school funding reforms please see the following link;

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools/revenuefunding/a00205567/school-funding-reform-arrangements-2013-14>

- 1.3 Indicative budgets illustrating the impact of the new funding formula, the application of the Minimum Funding Guarantee (MFG) and additional delegation are available on the extranet at

<http://schools.leicester.gov.uk/home/management/finance/consultation/dfc-school-funding-reform> . **This is for illustrative purposes and is based on data that would have been used in 2012-13.**

For academies the 2012-13 budget shares shown are those budget shares that would have applied if the academy had remained a maintained school. The final 2013-14 allocations under the new funding formula will differ from the illustrative examples accompanying this consultation due to:

- Any changes to the new funding formula resulting from this consultation and subsequent decisions by the Schools Forum and Leicester City Council Executive.
- Updating funding allocations based on data from the October 2012 School Census.
- Any change in the overall resources available following the completion of the 2013-14 budget process.

We welcome and seek the views of all schools, academies and stakeholders within this consultation process. You are invited to comment on the questions within this document.

A. Simplification of the Funding Formula

(a) New Funding Formula

- 1.4 The Government has announced that from April 2013 the local authority funding formula will have to be simplified radically. The number of allowable local formula factors has been restricted to “introduce simplicity, ensure national consistency and pave the way for a national funding formula”. The number of allowable factors is to be reduced from 37 to 11 with a further change that pupil numbers from the previous October census will be used to calculate the budget shares. Thus 2013-14 budget shares will be based on the October 2012 pupil count (rather than the January 2013 count as would have been the case under the existing system).
- 1.5 Appendix A divides the current Leicester formula factors into two groups, those that are currently in use and the allowable factors from April 2013. The removal of many existing formula factors and the restrictions on the remaining ones will constitute a major change to the school funding formula.

(b) Constraints on Permitted Factors

- 1.6 In addition to limiting the number of factors, the DfE is imposing restrictions on the use of some of the eleven factors which are permitted. This means that even where there is an equivalent factor in the existing formula, the method of calculation of that factor in the new formula is significantly different.

(i) Lump Sum

The lump sum is not mandatory but cannot be larger than £200k and there must be a single lump sum for all primary and secondary schools.

(ii) SEN Factor – Use of Prior Attainment Data

The prior attainment data must be the foundation stage profile (for primary) and Key Stage 2 tests (for secondary). The thresholds to be used are specified as;

- Primary: pupils who score fewer than 73 points (or 78 points) as measured by the Early Years Foundation Stage Profile.
- Secondary: pupils who fail to achieve a level 4 in both English and Maths at Key Stage 2.

(iii) Age Weighted Pupil Unit (AWPU)

There can only be one AWPU for all primary age pupils. The DfE is allowing separate KS3 and KS4 AWPU's in secondary, the relativity of which can be determined locally.

(iv) English as an Additional Language (EAL)

Authorities will only be able to provide funding to pupils with EAL for a maximum period of 3 years from when they entered compulsory education in England.

(v) Mobility

Funding for this factor must be based on the number of pupils starting in the last three academic years who did not start at usual times.

The data for the new formula factors will be supplied by the DfE and local authorities are not permitted to use any other data.

Appendix B gives further details about each of the new formula factors.

(c) Protections & Exceptions

(i) Minimum Funding Guarantee (MFG)

1.7 The MFG will continue to operate at 98.5% (i.e. no school to lose more than 1.5% per pupil compared to the previous year) providing major protection against formula changes for two years (2013/14 and 2014/15). Like the budget shares the MFG will be based on pupil numbers from the October census. Due to the scale of changes there is a large amount of MFG protection. Authorities will be able to introduce a cap on gains and use the resource released by the cap to help fund the MFG.

1.8 Exceptions to applying the MFG will be more restricted than currently and generally limited to rates, the new lump sum, sixth form funding and early years funding. Authorities can apply for additional exceptions from the MFG.

(ii) Additional exceptional premises related factor

Authorities are able to apply for “exceptional” premises funding factors provided they comply with the DfE criteria.

(iii) Reorganisation funding

It is no longer permitted to provide funding for reorganising schools through budget shares. The new arrangements will be as follows;

- Funding for additional places can be held centrally and distributed to eligible schools (including academies) by the authority. This funding is currently centrally retained as part of the Schools Facing Exceptional Circumstances contingency.
- Infant class size funding can be retained centrally and distributed to relevant schools (including academies) based on an agreed formula. This funding is currently allocated to schools via one of the old formula factors.

(d) Academies

1.9 The funding of academies will match more closely the funding for maintained schools.

- Leicester City academies will be funded on the same formula as Leicester maintained schools with no lag, except that academy funding will be for the academic year rather than the financial year, i.e. academies' 2013/14 academic year budgets will be based on the Leicester 2013/14 financial year funding formula.
 - Schools' Budget LACSEG will disappear as all components will be delegated.
 - Local Authority budget LACSEG is expected to be replaced by a grant per pupil payable to academies to fund the relevant local authority functions such as school improvement.
- 1.10 Thus Academies funding will be determined according to the formula proposed in this consultation document.

(e) Impact of the Changes

- 1.11 The authority is required to implement very large scale changes to the school funding formula. The Leicester City formula has evolved over a number of years and has allowed us to target funding to accommodate specific issues such as infant class size protection, small schools and high levels of deprivation. The new formula is much simpler and does not allow such targeting. As a result there will always be a significant redistribution of funds (after protection ends) whatever the precise formula parameters are selected. In particular the following trends have been identified:
- Junior Schools generally gain substantially.
 - Infant schools generally receive a reduced budget share.
 - Schools in receipt of historical funding streams i.e. EAZ, LIG generally receive a reduced budget share.

(f) Approach to developing the new formula

- 1.12 The authority has worked, with the Formula Funding Review Group (FFRG), to develop a new funding formula which is compliant with the Government's requirements. The FFRG is a small working group of representatives from Leicester Schools and Academies and has been in existence since 2008 with any recommendations from the work of the group presented to Schools Forum.
- 1.13 The formula for allocating delegated budgets needs to be submitted to the DfE by 31st October 2012 for April 2013 implementation and this means there is no time for detailed consultation on radical changes to the current formula. As a result the overall aim of our 2013/14 formula proposal has been to minimise the changes to existing school budgets where possible. In this consultation we are asking whether or not you agree with this approach. We are not consulting on the detailed formula funding factors that we have selected for 2013/14.
- 1.14 It is intended to review the 2014-15 funding formula in detail again during the remainder of 2012-13 and from the start of the 2013-14 financial year. This consultation will start that process by inviting views on the formula factors available for use.

1.15 Separate funding arrangements will continue for sixth form funding, Early Years funding and SEN high needs funding. Therefore these are not covered by the new simplified funding formula.

(g) Mapping Existing Formula Factors to the New Formula

1.16 The funding from each of the existing formula factors has been 'mapped' to each of the new eleven factors. This is done by allocating the funding for each existing factor to its closest match in the new formula with an adjustment for the difference/balance of funding for the amount required to fund the lump sum. The lump sum must be the same for primary and secondary schools.

B. Additional Delegation

1.17 An element of the DSG has previously been retained by the Local Authority, as agreed with Schools Forum, to fund centrally provided services, school improvement initiatives and to provide contingencies for schools in financial difficulty or schools facing exceptional cost pressures.

1.18 The following table provides an analysis of the revised treatment of the funding that is currently centrally retained

| CATEGORIES | AREA OF SPEND | 2012/13 BUDGETED EXPENDITURE (£000) |
|---|---|--|
| Category 1 - Can be centrally retained but no new commitments compared to 2012/13 - approval by Schools Forum for each item | Admissions service | 595 |
| | Servicing of Schools Forum | 50 |
| | Carbon Reduction Commitment | 350 |
| | Capital expenditure funded from revenue | 2,785 |
| | Termination of employment Costs | 646 |
| | Sub Total | 4,426 |
| Category 2 - Allocated to schools but can be de-delegated - approval by Schools Forum by phase | Schools in financial difficulty | 458 |
| | Schools facing exceptional cost pressures | 734 |
| | Funding for significant pupil growth | 0 |
| | Behaviour support service | 839 |
| | Ethnic minority groups and bilingual learners incl travellers | 656 |
| | Free school meal eligibility | 39 |
| | Insurance | 110 |
| | Staff cover costs (e.g. union duties) | 212 |
| | Licences/subscriptions | 5 |
| | Sub Total | 3,053 |
| Category 3 - Must be delegated, Schools can CHOOSE to buy into services | School Improvement (Non Statutory) | |
| | Whatever it takes | 1,250 |
| | 1-2-1 Tuition | 104 |
| | LA School Improvement (Collaborative & CPD) | 503 |
| | Advanced Skills Teachers | 376 |
| | Academic Coaching | 369 |
| | Hubs & Spokes | 120 |
| | Operational Services | |
| | School Meal subsidy | 200 |
| | School Milk | 130 |
| CRB checking | 263 | |

| | |
|---------------------------------------|--------------|
| Choice Advisor, safeguarding training | 59 |
| Other | |
| 14-16 Practical Learning | 701 |
| NQTs | 459 |
| Headroom | 913 |
| Total Category 3 | 5,447 |

- 1.19 It should be noted that the figures quoted in the table above relate to 2012/13 and could vary for 2013/14 depending on any change in the overall level of resources.
- 1.20 We are asking whether or not you agree that funding should be de-delegated where possible, for the areas as listed above. It is the local authority's view that de-delegation is sensible bearing in mind our overall aim to minimize the change to funding in 2013-14. For maintained schools the pooling of funding is desirable to address financial and operational risks that individual schools would find difficult to manage within their own budget. Such pooling has enabled funds for schools in financial difficulties or those facing exceptional cost pressures to be available. The Council provided Behaviour Support Services provides a central resource paid for by all maintained schools but free at the point of use for any maintained school.
- 1.21 The local authority and schools have also found it beneficial to pool resources to provide school improvement initiatives and to fund items such as Advanced Skills teachers and NQTs. Once again this has been a resource paid for by all maintained schools but free at the point of use for those maintained schools who use it. These benefits will be lost unless schools continue to collaborate to pool their resources. The alternative is that schools buy into these services on an individual basis at the point of use. However the costs for individual schools may become prohibitive.

Modelling of Schools Funding Formula

- 1.22 The modelling has been run using data which has been provided by the DfE and has been taken from the October 2011 census. The values for each of the new formula factors have been determined from the modelling and these are shown in illustrative budget allocation for individual schools.
- 1.23 The detailed modelling for each primary and secondary school based on the revised formula is available on the extranet at <http://schools.leicester.gov.uk/home/management/finance/consultation/dfE-school-funding-reform/> The modelling shows:-
- The variance comparing a 'like for like' budget, ignoring the MFG protection and additional delegation.
 - The effect on the school budget after MFG and capping of any gains.
 - The effect on the school budget after additional delegation.
 - The effect on the school budget after de-delegation.

(h) Issues for Consultation

- 1.24 The City Council is obliged to implement the Government's new funding arrangements. However, due to the challenging timescale it is proposed to maintain

existing funding allocations to the closest new funding factor available with a clear intention to consider elements of the formula where discretion is allowed for financial year 2014/15 and this includes:

- The relative funding values of the different formula factors
- Use of permitted factors – only compulsory factors are AWPU and Deprivation.
- The balance of funding between Primary and Secondary Sector.

1.25 The consultation can be split into three sections:

1. The proposed formula for 2013/14
2. Schools Block Additional Delegation
3. Review of the formula for implementation in financial year 2014/15

Responses to this consultation should be returned to Education & Children's Finance by **12th October 2012**.

Please return responses, preferably electronically to:

cypsfinance@leicester.gov.uk

or

Education & Children's Finance
5th Floor
York House
91 Granby Street
Leicester
LE1 6FB

SECTION 1 – PROPOSED FORMULA 2013/14

Governing Principle – Minimising redistribution

- 2.1 In developing the formula for financial year 2013/14 we have been guided by the principle of attempting to replicate as far as possible the existing funding formula to minimise the funding redistribution. This is due to the challenging timescales and need to have a formula in place by 31st October 2012.
- 2.2 The current distribution of funding across schools is the product of many years of development and consultation with schools and stakeholders and has been targeted to meet the priorities of Leicester schools.
- 2.3 It is intended to review the formula in line with DfE guidelines for financial year 2014/15. The FFRG will continue its work to develop a revised formula and recommend further changes to Schools Forum and the Executive of City Council.

Question 1

Taking into consideration the challenging timescale do you agree with the approach of replicating as far as possible the existing funding formulae with a mandate to review the formula in detail for 2014/15?

SECTION 2 – SCHOOLS BLOCK ADDITIONAL DELEGATION in 2013/14

- 3.1 The Government is requiring a number of categories of expenditure which are currently held centrally for maintained schools (and in some cases delegated to schools during the financial year) to be delegated to schools at the start of the financial year. Academies already receive funding for these items in their Schools Budget LACSEG.
- 3.2 The effect of this delegation would be that all schools, maintained and academies, would be funded on the same basis thus eliminating schools budget LACSEG. The items that will be newly delegated to maintained schools are detailed in Category 2 and 3 of the table in paragraph 1.18.

De-Delegation

- 3.3 Although the new regulations on school funding require the above budgets to be delegated to schools, Schools Forum has the ability to decide on behalf of maintained schools collectively, for each phase whether to 'de-delegate' the funding i.e. pass back to the LA to retain centrally to provide the service. De-delegation cannot be agreed for funding delegated to Academies.
- 3.4 Schools Forum will decide whether to de-delegate funding, category 2 in the table at paragraph 1.18, and voting is limited to members representing schools in the relevant phase. Schools Forum has expressed a strong desire to de-delegate funds wherever possible for 2013-14.

Question 2 (a)

Do you support de-delegation of funds? Please tick each budget type you would support de-delegation.

Question 2 (b)

For the budgets that cannot be de-delegated would you be prepared to contribute to the collaborative projects that currently utilise this funding e.g WiT, Academic Coaching, ASTs, and other school improvement initiatives?

This will involve entering into an arrangement to pool resources to achieve a result similar to the current funding arrangements. This would mean that services could continue in their current form, free at the point of use for those in need but paid for by all maintained schools.

Question 2 (c)

In the event you do not wish to pool your resources please indicate which areas of spend you would wish to purchase from the additional delegation your school will receive.

SECTION 3 – REVIEW OF FORMULA FOR IMPLEMENTATION IN 2014/15

- 4.1 Please note that there will be further consultations regarding the formula for 2014/15. However any early views you have on this matter could help to shape the proposals

Primary/Secondary Ratio in 2014/15

- 4.2 No redistribution of resources between the primary and sectors has been undertaken in developing the new formula. The DfE are not at this stage prescribing constraints on the primary/secondary ratio but it will review the 2013/14 data of local authorities and inform authorities at the extreme ends of the range of the ratio.
- 4.3 The primary/secondary ratio of funding per pupil in the proposed formula for 2013/14 is 1:1.33, reflecting the current sector of split of resources. The DfE has indicated that the national average is 1:1.27. Across the country the ratio spans from 1:1.1 to 1:1.5. Thus Leicester City secondary ratio is marginally above the national average.

Question 3

Do you agree that the primary/secondary ratio of 1:1.33 (based on existing split of resources between sectors) is appropriate? If not, please specify your preferred ratio.

The number of formula factors to be used in 2014/15

- 4.4 The new funding arrangements permits the use of eleven formula factors, as detailed in Appendix B and listed below;

Compulsory Factors

- AWPU
- Deprivation (using either/or both FSM's and IDACI)

Non-Compulsory Factors

- Prior Attainment
- English as an Additional Language

- Pupil Mobility
- Rates (Funded on actuals)
- Split Site
- PFI
- Looked after Children
- Lump Sum
- Non EFA sixth form funding

Question 4 (a)

Which formula factors should be used in developing the formula for 2014/15? Please indicate in the comments box why you have included/excluded each formula factor.

Question 4 (b)

Please rank the non-compulsory factors in priority order if funding were to be allocated using these factors. Priority 1 would be the highest priority.

- 4.5 With several of the new formula factors, authorities have a choice over the definition of the data used to determine the factor. The table below shows the options.

| Formula Factor | Data Options |
|--|--|
| Looked After Children | Number of Looked After Children (LAC) |
| | Number of LAC looked after for at least 6 months |
| | Number of LAC looked after for at least 12 months |
| Primary Prior Attainment Data | Number of pupils with FSP score of fewer than 73 points. |
| | Number of pupils with FSP score of fewer than 78 points. |
| English as an Additional Language (EAL) | EAL pupils in their first year of education. |
| | EAL pupils in their first two years of education. |
| | EAL pupils in their first three years of education. |

Question 4 (c)

Assuming that the formula factors in the above table are used in allocating resources, which of the data options for each of the formula factor would be your preferred choice? Please only select one per formula factor.

Deprivation – IDACI & FSM

- 4.6 Deprivation is a mandatory formula factor with resources to be allocated using either or both FSM (Annual and/or Ever 6 measure) and IDACI (using 6 bands as stipulated by DfE). The unit value using IDACI and the banding system can be set by local

authorities in addition to the weighting for each band e.g. should the unit value for children in band 6 be weighted at 2.25 compared to 1.0 for children in band 1?

Question 5 (a)

Which deprivation measure should be used to allocate resources to primary and secondary schools?

Question 5 (b)

What level of weighting should be attached to each unit value for pupils within each IDACI band?

Lump Sum

4.7 This is the amount that is allocated to a school regardless of the number or characteristics of the pupils it has on roll. The current lump sums in the Leicester City Council formula (including premises allocation) are:

- Primary £19k
- Secondary £52k

4.8 The maximum permitted level for the new lump sum is £200k with no set minimum. In addition, the existing allocations for small schools and premises factor will not be permitted in the new formula. The lump sum would be seen as a contribution to the school fixed costs including employee and premises costs.

4.9 The DfE is not permitting any difference between sectors in the value of the lump sum. Therefore the lump sum for secondary and primary schools will be set at the same level. However, the value of the lump sum will affect the level of funds available to allocate through other factors.

4.10 The proposed model to be implemented from April 2013 sets the lump sum at £100k.

Question 6

Do you agree that the lump sum should be set at £100,000?

KS3/KS4 Relativity

4.11 The DfE is permitting separate AWPU for KS3 and KS4 with the relativity between these being a local decision. The relativity between the KS3 and KS4 AWPU in the current Leicester City Council formula is 1:1.13. There are a number of aspects of KS4 which have a higher cost than KS3 in particular, smaller group sizes in some subject and exam fees.

Question 7 (a)

Should there be a differential in AWPU value for KS3 and KS4?

Question 7 (b)

If your answer to Question 8 (a) is yes, should the relativity between KS3 and KS4 AWPU be maintained at its current level of 1:1.13? If no, please suggest an alternative relative differential between KS3 and KS4.

Significant Pupil Growth & Infant Class Size Protection

- 4.12 Leicester City Council is currently projecting that an additional 682 reception places will be required by 2015/16.
- 4.13 The DfE regulations will allow for resources to be retained centrally before any delegation and de-delegation of resources to schools. The requirements are that:
- The growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need and to support additional classes needed to meet the infant class size regulation.
 - The fund must be used on the same basis for the benefit of both maintained schools and recouperment academies.
 - Any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to maintained schools and academies through the local formula.
 - Criteria on how the growth funding is to be allocated needs to be agreed with Schools Forum prior to the start of the financial year along with the total sum to be top-sliced.

Question 8

Should funds for significant pupil growth and infant class size protection be top sliced?