

BRIEFING PAPER

SUBJECT: FAIRER SCHOOLS FUNDING 2015/16
DATE: 25TH JUNE 2015
RECIPIENT: SCHOOLS FORUM

THIS IS NOT A DECISION PAPER

SUMMARY:

The DfE has advised local authorities that they intend to postpone the introduction of a national funding formula and that this will not be implemented in 2015/16 as originally intended. This paper looks at the interim funding proposals for 2015/16.

RECOMMENDATION:

- (i) Note the proposals;
- (ii) Note that a further paper will be brought the Schools Forum to discuss options for aligning the current SCC funding levels to those minimum funding levels proposed by the DfE for 2015/16.

REASONS FOR REPORT RECOMMENDATIONS

1. At the current time a national funding formula for schools has been postponed. In the interim proposals have been consulted on regarding the setting of minimum funding levels to ensure that all local authorities should attract for it's pupils and schools in 2015/16. It will be necessary to review the current SCC funding levels and consider where those funding levels should be reviewed to align to the 2015/16 national minimum funding levels.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The current SCC funding levels could remain unchanged for 2015/16 however it would be prudent to review these now and consider where issues may arise in the future when the national funding formula is implemented.

BACKGROUND and BRIEFING DETAILS:

3. The Department for Education originally proposed to introduce a national funding formula from 2015/16 to ensure that minimum funding levels are applied across all local authorities. Although it is the intention to work towards a national funding formula, this will be done at a later date once the Government has set spending plans over a longer period of time. It is envisaged that this will allow more certainty about how the national funding formula will affect schools and local authorities over a number of years.
4. Changes implemented in 2013/14 to the funding formula will continue into 2014/15. These changes have made a significant move towards funding being allocated based on the needs of pupils. In 2013/14 approximately 90% of funding nationally was allocated based on the needs of pupils (89% SCC).

5. The Government has made a commitment to fund all local authorities at the same cash level per pupil in 2015/16 as provided in 2014/15. In addition to this it also proposes to allocate a further £350m to fund schools in the least fairly funded authorities. It is important to note that no local authority or school will receive less funding as a result of this proposal. The proposal only relates to 2015/16.
6. The DfE issued a consultation document in March 2014 seeking views on the following:
 - how to set these minimum funding levels;
 - how to distribute the additional £350 million funding;
 - whether small changes to the operation of the sparsity factor would be helpful.
7. The DfE proposes to allocate the additional funding by setting minimum funding levels that each local authority should attract for its pupils and schools in 2015/16. If a local authority already attracts at least these minimum funding levels, then there will be no change to the amount of funding per pupil that it receives. For those local authorities that attract less than these minimum funding levels, their budget will be increased to meet those levels.
8. It should be noted that a calculation has been undertaken by the DfE for each local authority to give an indicative Minimum Funding Level (MFL) calculation. This calculation applies to each of the minimum funding factors to SCC pupil information. SCC currently receives £888,438 more in DSG funding than the new minimum funding levels. This sum will not be recovered by the DfE.
9. The proposal is to set a minimum funding level for 5 pupil characteristics:
 - A per pupil amount (age weighted pupil unit);
 - Pupils who are from deprived backgrounds;
 - Pupils who are looked after;
 - Pupils who have low attainment prior to starting at either their primary or secondary school; and
 - Pupils who speak English as an additional language.
10. It is also proposed to set minimum funding level for 2 school characteristics:
 - A lump sum payment per school; and
 - Sparsity sum for small schools that are essential to serving rural areas.
11. These characteristics already form part of the available 'factors' that local authorities can include in setting their local funding formula. SCC applies all these factors with the exception of a Sparsity Factor which is not relevant to city based schools.
12. The proposal is to set the funding levels based on the average rate per pupil that local authorities allocate to these characteristics in the local formulae at present. 75% of the £350m will be needed to meet the average per pupil amount with the remaining 25% being used to support the other factors.
13. It should be noted that for some local authorities who are in areas with higher salaries, the minimum funding levels will be increased using a hybrid area cost adjustment (ACA). The calculation has two elements; a teachers' pay element and a non-teaching staff element.

14. Southampton falls within the Rest of England banding and therefore receives no adjustment for the teachers' pay element however does have a calculated adjustment of 1.0512 for the Non Teaching Staff element. This gives a Hybrid ACA of 1.0140.
15. SCC issued a formal response to the proposals. This is detailed below:

How to set these minimum funding levels?

The current proposal is to use the average of all local authorities for each of the characteristics suggested. However, this is not reflective of how local authorities choose to weight rates applied to local priorities i.e. SCC applies significant amounts via deprivation rates and adopts a lower per pupil amount. Should there be some analysis/weighting to look at proportion of overall funding for each local authority applied to each of the factors?

How to distribute the additional £350 million funding?

It would seem appropriate to allocate the £350m to move the current allocation of funding towards a national funding formula. However, further clarification on the general principles of any future national funding formula are required before a view can be given on whether this is a reasonable allocation of funding. For example, how will local priorities be addressed and managed through a national funding formula? Although it is clearly stated that this proposal is for 2015/16 only, any mechanism adopted to allocating the £350m should be a step towards the ultimate funding mechanism.

Whether small changes to the operation of the sparsity factor would be helpful?

Not relevant – No view.

16. Initial feedback on the consultation process has shown that:
 - 90% agreed that the current school funding system is unfair;
 - 48% agreed the proposed choice of characteristics was correct; and
 - 40 – 50% agreed the minimum funding level proposed for each characteristic was correct.
17. A full review of all feedback is currently being considered by the DfE and further guidance will be issued over the summer period which will include the final minimum funding levels that will be applied for 2015/16.
18. Table 1 in Appendix 1 shows that the indicative minimum funding levels compared to the SCC current funding levels. It can be seen from the table that there are a number of variances between the proposed national minimum funding levels and those applied locally by SCC in 2013/14.

19. At the current time no indication has been given as to whether the proposed minimum funding levels will form the basis of any resultant national funding formula. If this was the case, further work needs to be undertaken to move the SCC current rates applied per factor, within the local funding formula, to those applied at the proposed minimum funding levels. Further consultation will need to be undertaken with the Schools Forum to explore possible funding options. Initial issues that could be considered include the following:

- The final proposed minimum funding levels for 2015/16 are yet to be issued however, should the SCC current funding levels be reviewed with a view to aligning them to the minimum funding levels;
- In particular the lump sum payment made to schools by SCC is currently below the proposed minimum funding levels. A decision will need to be made on whether this should be increased in advance of a national funding formula and if so the funding options within the formula to achieve this;
- Forming a small working group to review the above in order to report findings back to the schools forum for discussion and approval.

Appendices/Supporting Information:

Appendix 1 Indicative minimum funding levels compared to SCC current funding levels.

Further Information Available From:

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Appendix 1

Table 1 - Indicative Minimum Funding Levels V SCC Funding Levels

Characteristic		National proposed minimum funding level			SCC current funding level		
		Primary	KS3	KS4	Primary	KS3	KS4
Per Pupil		£2,845	£3,951	£4,529	£2,742	£4,208	
FSM		£893	£1,080		£471	£679	
Deprivation	IDACI 1	£237	£321		£0	£0	
	IDACI 2	£290	£423		£0	£0	
	IDACI 3	£387	£530		£500	£500	
	IDACI 4	£453	£596		£800	£800	
	IDACI 5	£511	£659		£1,200	£1,200	
	IDACI 6	£741	£894		£1,500	£1,500	
Looked After Children (1 day or more)		£1,009	£1,009		£679	£679	
Pupils with Low Attainment		£878	£1,961		£847	£1,076	
English as an additional Language (EAL)		£505	£1,216		£703	£703	
Lump Sum		£117,082	£128,189		£114,200		
Sparsity		£53,988	£53,988		N/A		
Mobility		Not included			£1,028	£1,988	