

**Report to Hartlepool Schools' Forum 18th September 2014
From Dean Jackson Assistant Director – Education (Child and Adult
Services)**

Agenda Item 8 – Review of School Funding Formula & Changes for 2015/16

1. Introduction

1.1 This report provides an analysis of Hartlepool's 2014/15 funding formula for schools, including national comparisons with other LA's.

1.2 In addition, the DfE issued in July 2014 details of the revised Schools Funding formula framework to be used in 2015/16. This Report highlights the fundamental move to a formula based funding regime and the issues affecting Hartlepool and seeks Forum recommendations for reviewing and implementing the formula for 2015/16.

2. Background

2.2 This report is focused on the consultation for the formula to allocate the Schools blocks. Updates on the Early Years and High Needs budgets for 2015/16 will be reported to Forum at a later date.

2.3 During March 2014 the DfE announced the "Fairer funding for Schools" consultation exercise. The consultation results have been reflected in the latest guidance issued in July 2014 for the preparation of the 2015/16 budget

2.4 Over the past three years, a number of changes have led to a more transparent funding system with more money being allocated based on the needs of pupils. For 2014/15, local authorities have allocated around 90% of schools funding based on the needs of pupils, compared with 71% in 2012/13.

2.5 Under these new funding arrangements, schools have been protected from unmanageable changes to their budgets through the minimum funding guarantee (MFG). This protection remains in place for 2015/16.

2.6 For the first time in a decade the DfE have allocated funding based upon pupil characteristics rather than historic levels of spending.

2.7 This Report reviews this data and revised guidance and seeks Members views on how Hartlepool's funding formula should be further reviewed and possibly amended ahead of the 2015/16 budget being finalised.

3. Changes to Funding Schools Block 2015/16

- 3.1 Following the consultation 69 (45%) local authorities received £390m of additional funding. Based upon the DfEs minimum funding levels Hartlepool are deemed to be over funded by £120 per pupil c.£1.58m. The DfE's guidance confirms that there will not be a reduction in funding in 2015/16. However there is no indication at this stage whether this funding guarantee will continue beyond 2015/16. Appendix A details the DfEs minimum funding level per pupil/school by each factor.
- 3.2 The DfE have chosen 6 factors to calculate the minimum funding levels and these are detailed below in section 4.
- 3.3 Local Authorities are not obliged to use these factors in their formulae, with the exception of the basic per pupil amount and the deprivation factor which are mandatory. The Local Authority in conjunction with schools forum will decide how best to design the local formulae to meet local circumstances.
- 3.4 Hartlepool will receive the same cash level of funding in 2015/16 as in 2014/15 other than a minor reduction in the carbon reduction commitment and the adjustment for any change in the census data in October 2014.

4. 2014/15 Funding Formula – National Comparisons & 2015/16 impact

4.1 The minimum funding levels

These have been based on the national average amounts applied by LA's in 2014/15. Appendix B provides graphs showing the comparisons for the three main funding factors (note the figures published by the DfE include de-delegated funding) :

4.2 Basic Entitlement per Pupil

Funding is allocated according to an age-weighted pupil unit (AWPU). A single rate for primary age pupils, which must be at least £2,000. There may be different rates for key stage 3 and key stage 4, with a minimum of £3,000 for each. There is no change for 2015/16

- In 2014/15 58% of Primary schools nationally had set AWPU rates between £2,500-£3,000. Hartlepool's primary AWPU is £2708.97 Minimum funding levels have been calculated at £2,880.41.
- Hartlepool's secondary AWPU was set at £4155.31 the national data shows that 42% of LAs have KS3 rates of between £3,750 - £4,250 and 46% KS4 of between £4,250-£4,750. The minimum funding level is £3949.51 and £4501.80 respectively.

- 64% of LA's in 14/15 allocated 75% - 85% of their funding based upon basic entitlement, compared to 50% in 2013/14. Hartlepool's total proportion of funding driven through AWPU was 71% in 14/15 compared to 67% in the previous year.

4.3 Deprivation

There are no changes for 2015/16 budget setting. Local authorities may choose to use free school meals and/or the Income Deprivation Affecting Children Index (IDACI). Free meals can be measured either at the previous October census or "ever 6" – the number of pupils entitled to free meals at any time in the last 6 years – but not both. The IDACI measure uses 6 bands and different values can be used for each band.

- In 2014/15 there was a split vote on the deprivation factor. In December 2013 Children's Services Committee approved a factor of 15% to be applied to the formula, a reduction from 17.9% in 13/14.
- The national average deprivation factor for 14/15 is 8.4%, the minimum funding level for 15/16 is calculated at 14.2% for Hartlepool.

4.4 Lump-Sum

There is no change to the 2015/16 formula; the maximum allocation is £175,000.

- 100% of LA's have used this factor in 2014/15 although it is not compulsory
- The most common lump sum for primary schools is £150,000 (37% of LAs) and £175,000 for secondary schools (50% of LAs). The minimum funding level is £115,797 and £125,155 respectively.

4.5 Primary: Secondary Funding Ratios

The overall national ratio is 1:1.27 (Hartlepool 1:1.26) the DfE have not prescribed any constraints in relation to this ratio, but have not ruled this out for future years.

4.6 Prior Attainment

There has been no change in the funding guidance in respect of prior attainment. Although this is an optional factor nearly all LAs applied this pupil led factor.

- In 2014/15 the funding allocation quantum was retained at £1.3m even though a greater number of pupils were eligible for this funding.

- Primary rate for 14/15 was £422.41 per pupil and £338.84 for secondary.

4.7 Looked After Children (LAC)

A single unit value may be applied for any child who has been looked after for one day or more as recorded on the local authority SSDA903 return at 31 March 2014. This data is mapped to schools using the January school census, enabling identification of the number of looked-after children in each school/academy.

- The rate was agreed at £777.00 in 2014/15, the minimum funding level has been set at a rate of £1,004.

4.8 Pupil Mobility

This was an optional factor calculated using the school start date for each pupil from the October Census and including pupils who started in each of the last three Academic years but did not start in August or September (or January for reception year).

The DfE have now targeted funding within this factor so that only those schools experiencing pupil mobility above a 10% threshold is provided (and only for the excess between actual mobility and the 10% threshold).

This was an optional factor in 2014/15, Hartlepool's rate was set at £642 per pupil. 10 schools were eligible and received funding of £33k. 62% of LAs nationally used mobility as a factor. The DfE have not used this in their calculation for minimum funding levels.

4.9 Sparsity

This was a new factor introduced in 2014/15 mainly to help alleviate funding issues raised by rural authorities with a large number of small schools. This is the only area where there has been a change for 2015/16

For 2015/16, the average size of year groups within the school will determine eligibility. Schools will only qualify if total pupils divided by the number of year groups are below the threshold for the phase, which are:

Primary: 21.4 pupils

Secondary: 120 pupils

Different sparsity amounts (up to the £100,000 maximum) can be specified for primary, middle, all-through and secondary schools.

In exceptional circumstances, local authorities can apply to the Secretary of State to target up to an additional £50,000 of sparsity funding at very small secondary schools where the total number on roll is 350 or less, where the

sparsity distance is 5 miles or more, and where pupils in years 10 and 11 are present.

No Hartlepool schools qualify under the new eligibility tests

4.10 Minimum Funding Guarantee

This will continue for pupils in age ranges 5 – 16 at minus 1.5% per pupil in 2015/16. But there is no indication at this stage of any further commitment in future funding periods.

5. De-delegated & Centrally Retained Budgets

You will recall that the Task & Finish Group completed a full review of de-delegated services and centrally retained budgets. For the purposes of budget modelling we will assume that the Forum will continue to support these budgets. Please refer to the separate report regarding de-delegation on this agenda.

5.1 Centrally Retained

Centrally Retained	£m
Admissions	0.131
Servicing Schools Forum	0.035
Capital Expenditure Funded from Revenue	0.628
Termination of Employment Costs (Brierton)	0.031
Combined Budgets:	0.606
Total	1.431

Note the deduction of the Carbon reduction commitment budget £95k, which the DfE will adjust our funding allocation for.

6. Next Stages and Timescales

6.1 Similar to last year, LA's are required to submit a provisional Schools Budget pro-forma to the EFA by 31st October 2014.

6.2 Before this date it will be necessary to review and in some cases re-work the formula for 2015/16, working with the Schools Forum and consulting all schools and academies in the town.

6.3 In order to ensure all of this is done by 31st October 2014 leaves very little time to actually review and change the formula.

6.4 Ultimately it is for the LA to propose the formula, however, Schools Forum approval will be sought.

6.5 It is hoped be that the Forum can determine today those factors that they wish to further review and those that they feel are currently acceptable. This 'focus' may enable a more effective and efficient review.

6.6 The guiding principle of the previous formula review was to maintain the Primary: Secondary funding ratio (1:1.26) which is in line with the national average of 1:1.27

The main areas that Forum may want to review are:-

- a. Review of the level of the lump sums in line with the national average and whether there should be different rates for primary and secondary sector
- b. Should the AWPU's be a higher proportion of funding?
- c. Should there be a different higher KS4 than KS3 funding rate?
- d. Should the quantum for Prior Attainment be maintained?
- e. Should the LAC rate remain at £777?
- f. Should Mobility factor remain at £642?
- g. Should capping remain as the preferred method of limiting gains or scaling ?
- h. The proportion of funding allocated to deprivation
- i. The use of Income Deprivation Affecting Children Index (IDACI) alongside FSM6 as a measure of deprivation

7. Recommendations

7.1 Forum Members are asked to Note the Report and Appendices A & B showing the minimum funding levels used by the DfE to allocate DSG to schools block and how Hartlepool's 2014/15 Funding Formula compares nationally.

7.2 Forum Members are asked to consider how they would like to undertake a further review of the funding formula ahead of setting the 2015/16 Schools Budgets.

7.3 It is recommended that Forum identify the areas of the formula that they wish to be reviewed further (and by definition the elements that they wish to remain unchanged).

7.4 Forum is also asked to confirm the parameters in which the review should be undertaken i.e. retention of the current Primary:Secondary funding ratio which at 1:1.26 is in line with the national average.

7.5 These decisions will enable a more 'focussed' analysis.

Areas that Forum may wish to be considered are:-

- a. Review of the level of the lump sums in line with the national average and whether there should be different rates for primary and secondary sector. (this can only be achieved by reducing the level of funding in other factors)**
- b. Should the AWPU's be a higher proportion of funding?**
- c. Should there be a different higher KS4 than KS3 funding rate?**
- d. Should the quantum for Prior Attainment be maintained?**
- e. Should the LAC rate remain at £777?**
- f. Should Mobility factor remain at £642?**
- g. Should capping remain as the preferred method of limiting gains or scaling ?**
- h. The proportion of funding allocated to deprivation**
- i. The use of Income Deprivation Affecting Children Index (IDACI) alongside FSM6 as a measure of deprivation**

Appendix A

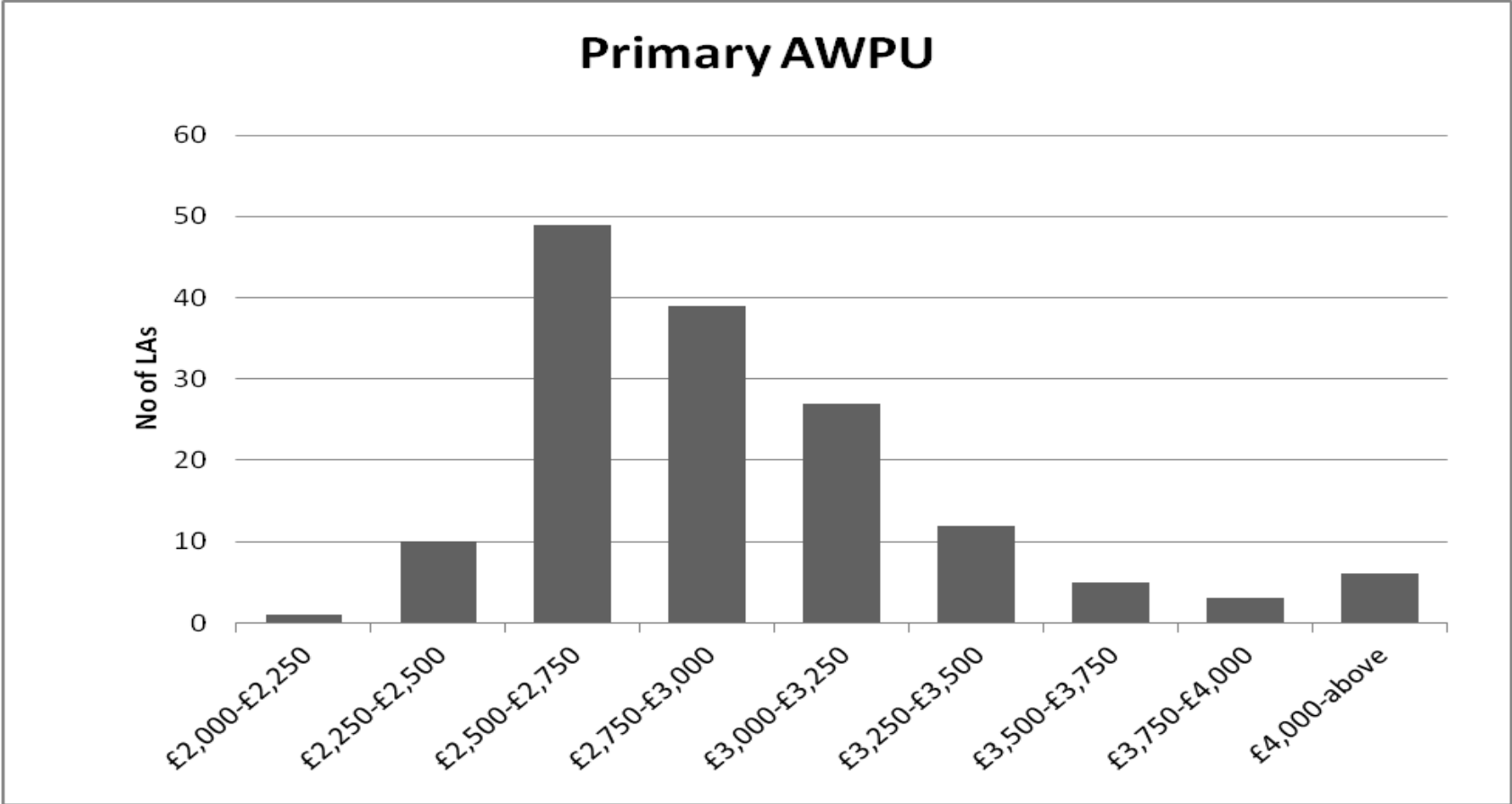
**Calculation of Schools Block Units of Funding for
Hartlepool 2015/16**

Factor	Unit value	Pupil numbers (Note 1) or number of schools	Funding before area cost adjustment (ACA)	Funding Allocation 15/16	Hartlepool 14/15 Factor Values	Diff between minimum funding level
Age-weighted pupil unit (AWPU) - primary	£2,880.41	7,810	£22,495,967.97		£2,708.97	-£171.44
AWPU - key stage 3	£3,949.51	3,070	£12,124,989.76		£4,155.31	£205.80
AWPU - key stage 4	£4,501.80	2,171	£9,773,405.14		£4,155.31	-£346.49
FSM 6 - primary	£882.39	3,196	£2,819,801.44		£1,483.76	£601.37
FSM 6 - secondary	£1,051.70	1,985	£2,087,321.14		£2,265.31	£1,213.61
IDACI 1 - primary	£209.14	239	£49,966.14		n/a	-£209.14
IDACI 2 - primary	£260.19	212	£55,171.80		n/a	-£260.19
IDACI 3 - primary	£346.79	744	£257,958.61		n/a	-£346.79
IDACI 4 - primary	£421.67	1,272	£536,410.83		n/a	-£421.67
IDACI 5 - primary	£476.84	1,453	£693,015.41		n/a	-£476.84
IDACI 6 - primary	£691.15	569	£392,936.90		n/a	-£691.15
IDACI 1 - secondary	£289.06	178	£51,512.20		n/a	-£289.06
IDACI 2 - secondary	£378.88	155	£58,750.97		n/a	-£378.88
IDACI 3 - secondary	£470.32	478	£225,039.80		n/a	-£470.32
IDACI 4 - secondary	£554.08	809	£448,260.32		n/a	-£554.08
IDACI 5 - secondary	£614.08	864	£530,307.55		n/a	-£614.08
IDACI 6 - secondary	£818.79	362	£296,558.89		n/a	-£818.79
Looked-after children	£1,003.80	98	£97,870.88		£777.00	-£226.80
Low prior attainment - primary 78	£669.38	2,346	£1,570,473.05		£422.41	-£246.97
Low prior attainment - secondary	£940.07	1,070	£1,005,598.78		£338.84	-£601.23
English as an additional language 3 - primary	£465.70	169	£78,862.95		£721.98	£256.28
English as an additional language 3 - secondary	£1,129.65	43	£48,575.13		£721.98	£407.67
Lump sum - primary	£115,797.02	30	£3,473,910.67		£175,000.00	£59,202.98
Lump sum - secondary	£125,155.40	5	£625,776.98		£175,000.00	£49,844.60
Lump sum - middle schools		0	£0.00		n/a	£0.00

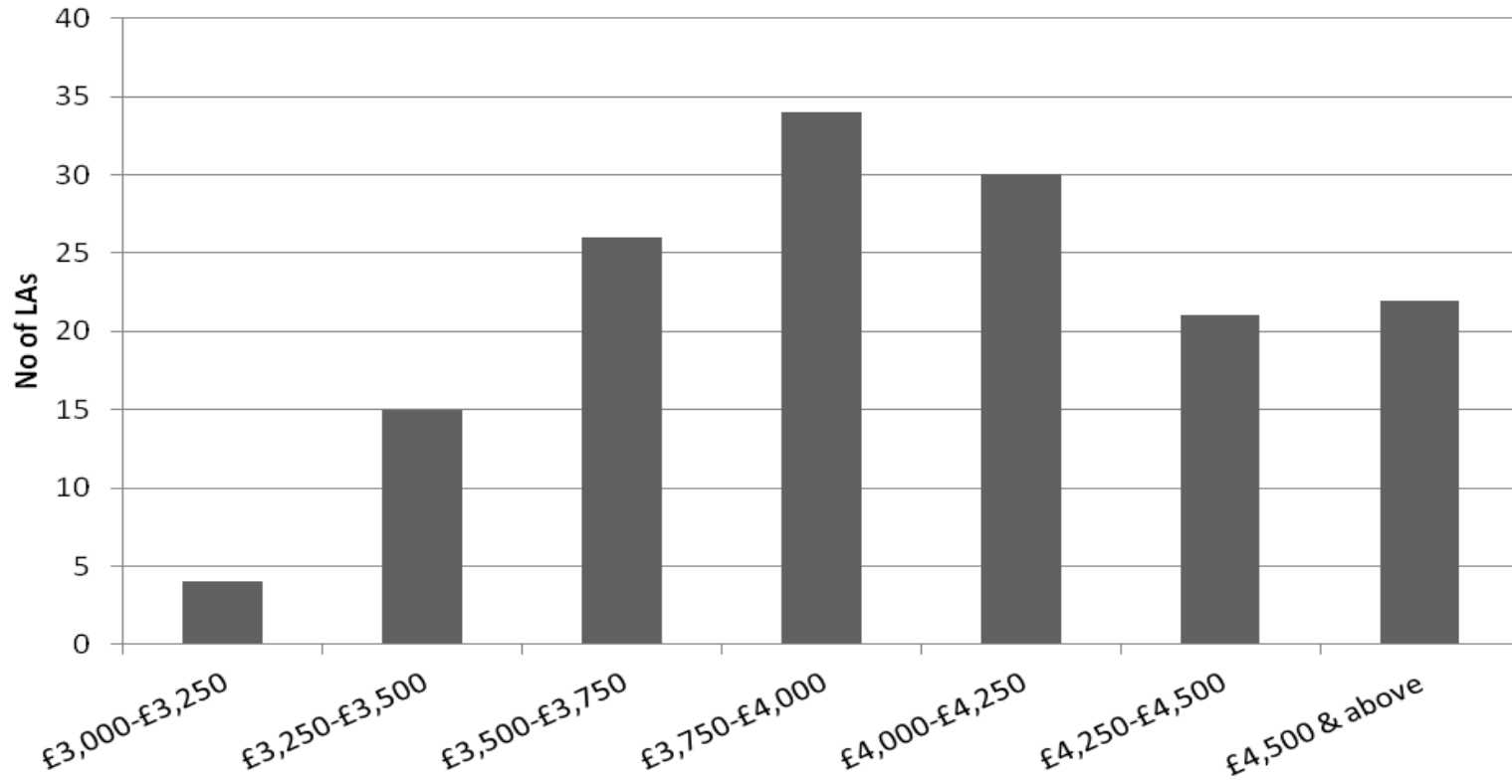
Sparsity - primary	£44,635.47	0	£0.00		n/a	£0.00
Sparsity - secondary	£66,656.37	0	£0.00		n/a	£0.00
Mobility	£0.00	0	£0.00		£641.84	£641.84
Total before area cost adjustment (ACA)			£59,798,443.30	£59,798,443.30		
ACA				1.000000		
Funding including ACA (using 2014-15 pupil numbers) (Note 1)				£59,798,443.30		
Total number of 2014-15 pupils (Note 1)				13,051		
A. Per-pupil amount after applying minimum funding levels				£4,581.91		
B. Actual 2014-15 schools block unit of funding under dedicated schools grant				£4,702.90		
2015-16 funding per pupil (the greater of A and B above) (Notes 2 and 3)				£4,702.90		

Notes

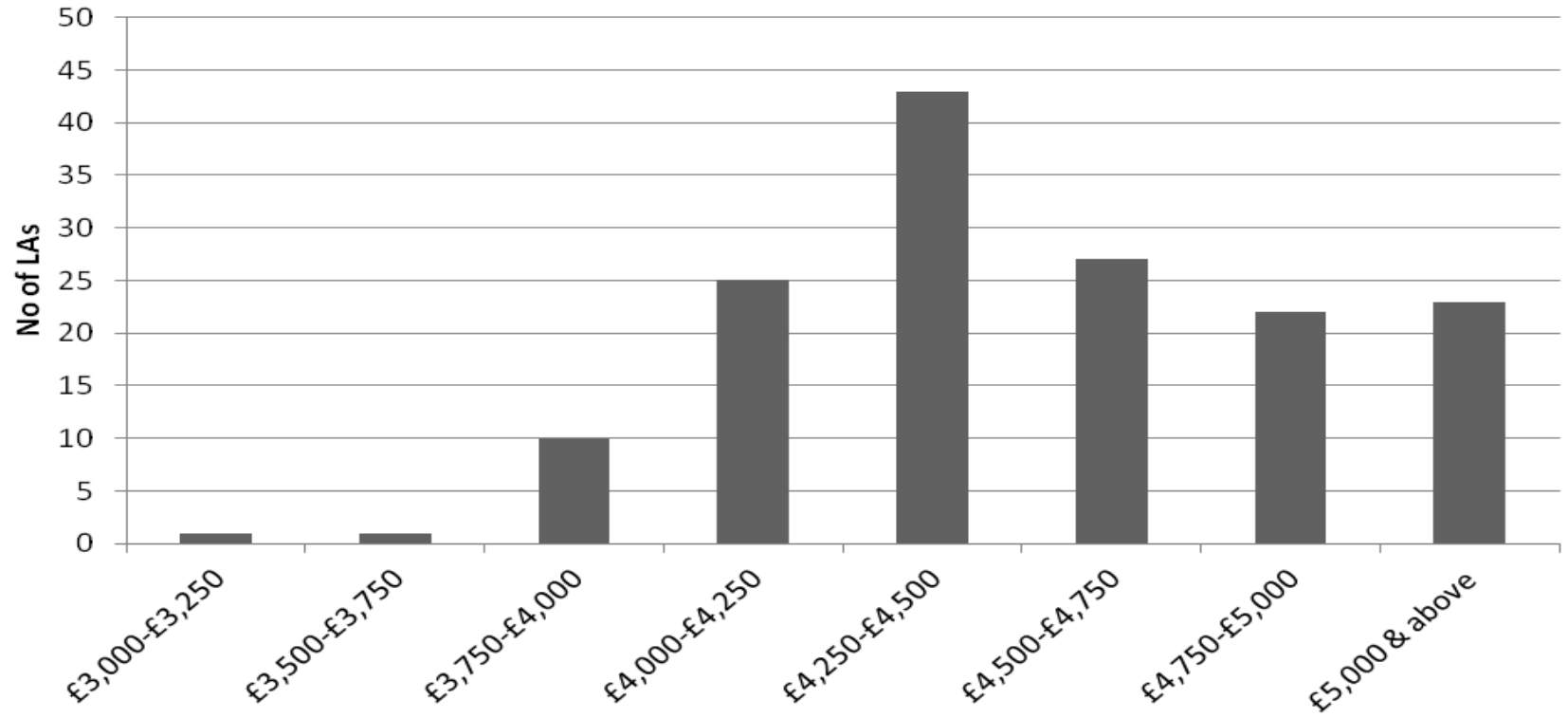
1. 2014-15 pupil numbers are taken from the October 2013 school census and were included in the prepopulated authority proforma tool (APT) sent to local authorities.
2. This is before adjustment for carbon reduction commitment.
3. This is the final 2015-16 schools block funding per pupil. It will not be amended when 2015-16 pupil numbers are published.



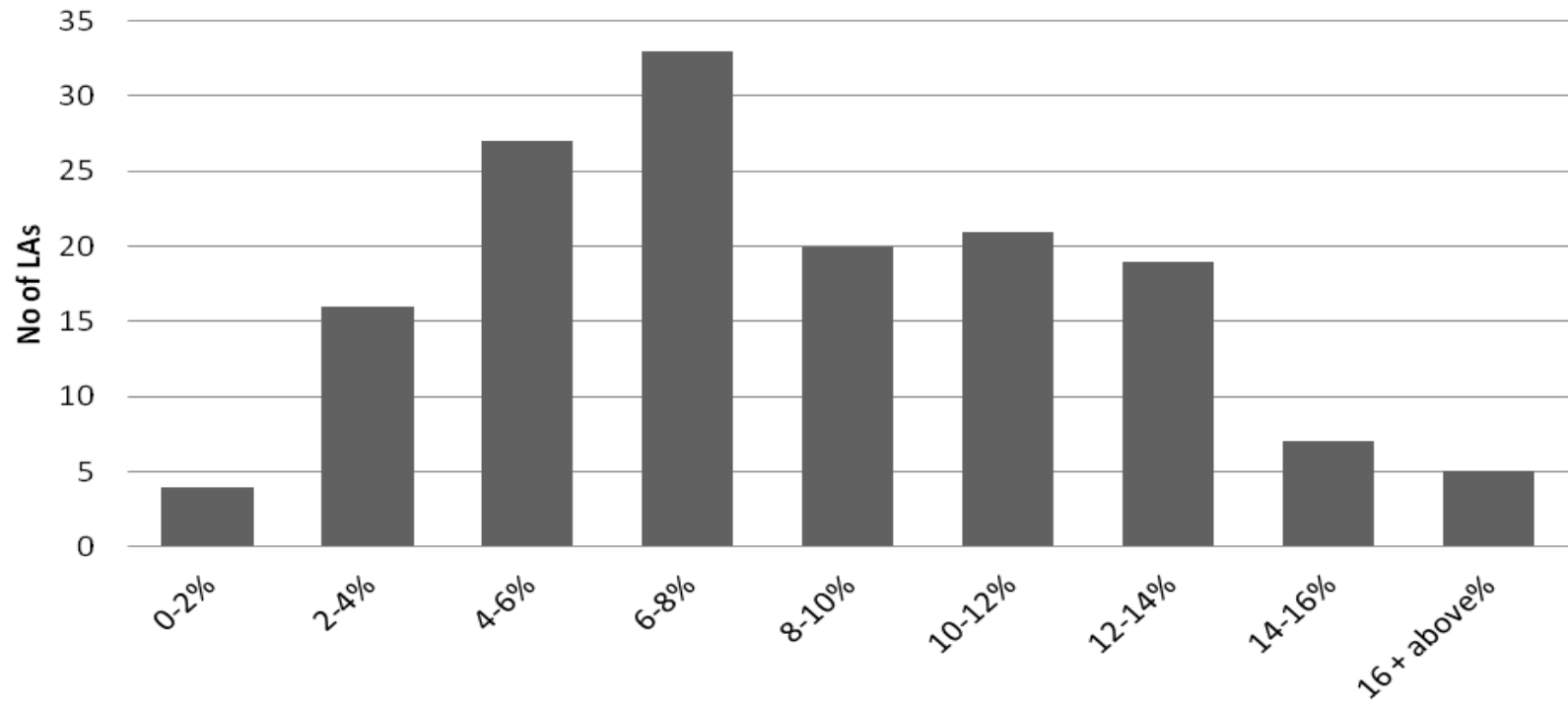
KS3 AWPU



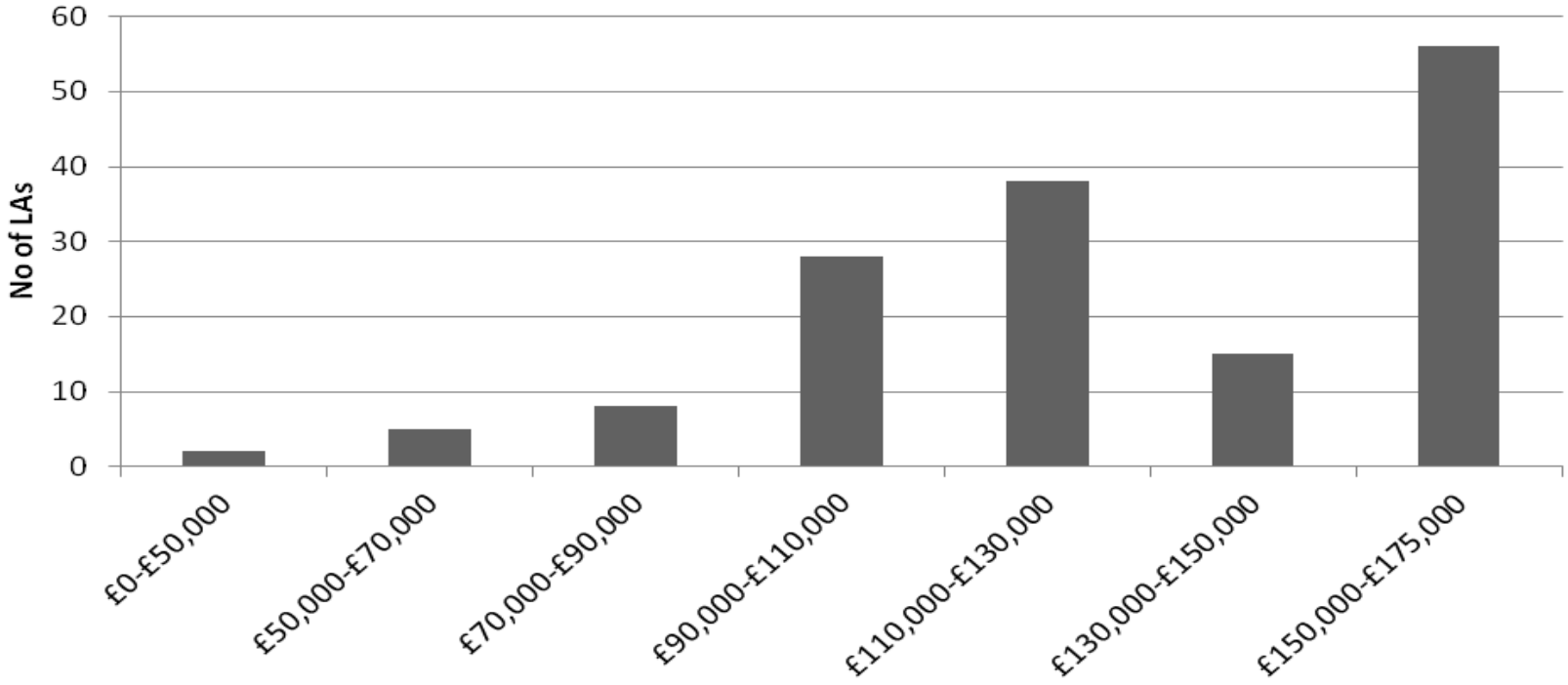
KS4 AWP



Deprivation %



Primary Lumpsum



Secondary Lumpsum

