



To Head Teachers and Chairs of Governors
of all Havering Schools and Academies

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Date: 26th November 2013

Dear Colleague

Changes to Schools Funding 2014-15

I am writing to consult with you on arrangements for the funding of schools for financial year 2014-15.

The issues set out in the attached document have already been discussed at School Funding Forum meetings but do require wider consultation with schools before final decisions are made.

This consultation paper is being sent to Head Teachers and Chairs of Governors of maintained schools and also of academies as the same formula factors are used to calculate their General Annual Grant. For maintained schools the funding changes will apply to the financial year April 2014 to March 2015 and for academies, the financial year September 2014 to August 2015.

I will be attending the Lead Member's consultative meeting with Chairs of Governors on 28th November to present the paper. The School's Funding Forum meets again on 5th December and on 16th January before the final calculation of school budgets for 2014-15.

If you have any comments please send them to me at the above address (email or postal) by 20th December 2013.

Yours sincerely

David Allen
Finance Manager

SCHOOLS FUNDING

CONSULTATION ON CHANGES FOR 2014-15

2013-14 funding arrangements

In 2013-14 the Government implemented its School Funding Reforms as a first step towards a national funding formula which is planned for 2015-16. Among other changes this restricted the funding that LAs could hold centrally and limited the number of factors through which funding could be distributed to schools.

The factors for distribution of funding to schools were prescribed by the DFE although the values attached to these factors could be determined locally by LAs in consultation with their Schools Funding Forums.

In applying this new formula to school data in Havering there were significant differences for some schools to the funding they received in 2012-13. These were moderated through use of the Government's Minimum Funding Guarantee (MFG) and the locally agreed Gains Cap. The MFG ensured that no school had a budget reduction of more than -1.5% per pupil and the Gains Cap restricted increases in funding to 2% + a scaling factor of 12.5% of the difference between the funding allocated at the 2% cap and the funding that would have been funded without the cap.

2014-15 changes

Although relatively minor compared to 2013-14 there are some changes for 2014-15 that will impact on school funding. Some of these are from the DFE and some are proposals from the LA that have been agreed by the Schools Funding Forum.

This consultation is to seek views on these changes before they are finally implemented in 2014-15.

1. Centrally Held Budgets

Before the formula is applied to distribute funding to schools and academies, some funding is held centrally in support of schools and school related provision against a limited number of budget headings. These are shown below along with the budgets that have been agreed with the Schools Funding Forum.

- i. Pupil Growth Fund and Infant Class Size Funding £2,400,000

In 2014-15 the need to expand capacity in the primary sector continues and there are ongoing commitments to fund the permanent expansions from September 2013 and earlier years in the primary and secondary sectors as the cohorts progress through the school. This pupil growth contingency funds schools for additional revenue costs for the remaining period in the financial year in which funding for the additional pupil numbers is not reflected in the schools' budget allocations. It also funds schools that have admitted more than 31 into a KS1 class.

- ii. Contribution to Combined Budgets £249,536

This budget holds £196,000 of funding to support the 'schools supporting schools' programme and £40,000 for the LA to support schools causing concern. It is proposed to retain both sums.

This budget also holds a small sum of £13,526 for the LA to maintain redundant premises.

- iii. School admissions and appeals £454,980

The LA retains statutory responsibility for the coordination of school admissions for all schools and academies and the allocation of places for maintained schools.

- iv. Servicing of Schools Forums £42,410

The LA retains responsibility for servicing and providing support to the Schools Funding Forum.

- v. Termination of employment costs £46,010

A small fund to support maintained schools in meeting the costs of ill health retirement

- vi. Capital expenditure from revenue £87,490

A long running commitment following the provision of major energy reduction schemes several years ago at three secondary schools. The agreement was that the schools and the LA all make a contribution towards the overall costs and the schools receive the benefit of reduced energy costs.

vii. Falling Rolls Support Fund £500,000

One of the DFE changes for 2014-15 allows Local Authorities to create a fund to support good or outstanding schools and academies with falling rolls where local planning data shows that the surplus places will be needed in the near future.

The Schools Funding Forum has agreed the criteria for this and a budget of £500,000. This will support secondary schools and secondary academies with low intakes where numbers are expected to increase in future years.

The DFE also agreed that the administrative charge to LAs for the national contract with the Copyright Licensing Agency could be held as a central cost without the approval of the Schools Funding Forum.

Estimated cost £75,000

Total central retention £3,855,426

2. De-Delegation of Funding

From 2013-14, a range of budgets that were previously held centrally were delegated into school budget shares. The Schools Funding Forum decides on behalf of maintained primary and secondary schools whether or not to de-delegate i.e. allow the funding to continue to be held centrally. De-delegation is not permitted for academies or special schools.

This Schools Funding Forum has made the following decisions for 2014-15 on behalf of maintained schools.

	De-delegated	
	Primary schools	Secondary schools
Newly delegated funding		
Attendance & Behaviour Service	Yes	No
Support to underperforming ethnic minority groups and bilingual learners (EAL Service)	Yes	No
Free school meals eligibility checking	Yes	Yes
Insurance	Yes	Yes
Licences/subscriptions	Yes	Yes
Staff costs - maternity cover & T.U. facility time	Yes	Yes
Support for schools in financial difficulty	Yes	Yes

The decisions made for the Attendance and Behaviour Service and EAL Service followed a wider consultation with schools. There was a 49% response rate and 85% were in favour of de-delegation for the Attendance & Behaviour Service and 89% in favour for the EAL Service.

De-delegation of the budget for trade union facility time is subject to any changes following the recent DFE review.

3. The Schools Funding Formula

3.1 Unit Values

Part of the DFE's process for LAs setting their budgets for 2014-15 is to begin to calculate funding allocations based on October 2012 data. The new data based on the October 2013 census is due to be received from the DFE in December along with the DSG settlement for 2014-15. At that stage the funding will be recalculated.

In modelling the formula at this initial stage based on October 2012 data, it is clear that there will be a shortfall in the amount required to maintain the current values that are applied to the funding factors.

Funding requirement based on October 2012 data	£158,524,577
Available funding based on October 2012 data	£157,371,505
Shortfall	£1,153,072

This was discussed with the Schools Funding Forum at their meeting in October and it was agreed that funding factor values would be reduced by 1% and a gains cap of 0% would be applied restricting any increases to the current funding per pupil.

Once the new data and DSG settlement are received it may be possible to reinstate some of the reductions that are required to balance this initial modelling of school funding.

On this basis the reductions would be as follows:

	Factor	Unit Values (rounded)		Difference
		2013-14	2014-15	
Basic Entitlement	AWPU Primary)	3,105	3,074	-31
	AWPU (KS3)	4,552	4,542	-10
	AWPU (KS4)	4,750	4,740	-10
Deprivation	Free School Meals (P)	1,252	1,240	-13
	Free School Meals	2,786	2,238	-548

	(S)			
	IDACI_1_PRI	0	0	0
	IDACI_2_PRI	70	26	-44
	IDACI_3_PRI	135	135	0
	IDACI_4_PRI	600	594	-6
	IDACI_5_PRI	615	609	-6
	IDACI_6_PRI	630	624	-6
	IDACI_1_SEC	0	0	0
	IDACI_2_SEC	26	26	0
	IDACI_3_SEC	197	135	-62
	IDACI_4_SEC	600	594	-6
	IDACI_5_SEC	615	609	-6
	IDACI_6_SEC	630	624	-6
LAC	LAC	0	1,000	1,000
Low cost, high incidence SEN	Attainment (P)	489	489	0
	Attainment (S)	2,117	803	-1,314
English as an Additional Language	EAL (P)	233	230	-2
	EAL (S)	735	727	-7
Pupil Mobility	Mobility (P)	243	241	-2
	Mobility (S)	535	530	-5
Lump Sum	Lump Sum Pri	150,000	150,000	0
	Lump Sum Sec	150,000	175,000	25,000
	Rates (NNDR)		At cost	

Note: IDACI is Income Deprivation Affecting Children Index. The numbering relates to the likelihood of a pupil coming from an area of high deprivation e.g. a pupil in the IDACI_6 banding has a 60 % chance of coming from an area of high deprivation.

There have been some changes to some of the above factors that have influenced the differences in the values above. These are explained in the following sections.

3.2 Secondary AWPU

It can be seen from the above table that the reduction to the secondary AWPU value at KS3 and KS4 is not 10%. This is because some funding has been transferred from the free school meal factor to the AWPU factor. See section 3.3 below.

3.3 Free School Meals

The impact of the funding changes set out in this document impact unevenly on some secondary schools and after modelling some alternative options it was found that there was a more even spread by redirecting some of the funding allocated through the Free School Meals factor into the secondary AWPU.

The proposal is to reduce the Secondary School Free School Meal factor from £2,786 to £2,238 and increase the KS3 and KS4 AWPU by £35 and £37 respectively. This also has the affect of bringing the Free School Meal value closer to the value used for primary schools.

3.4 IDACI (Income Deprivation Affecting Children Index)

IDACI is a method of identifying deprivation that depends on the area in which children live. For example the highest banding of IDACI_6 is used to allocate funding for children with a 60% chance of coming from an area of high deprivation.

Most of the values used in Havering's funding formula are similar for primary and secondary schools except for IDACI 2 and 3.

For 2014-15 it is proposed to equalise the value of the factors between the primary and secondary sectors. This will reduce the primary IDACI_2 rate from £70 to £26 to match the secondary rate and reduce the secondary IDACI_3 rate from £197 to £135 to match the primary rate.

3.5 Looked After Children

For 2013-14 it was decided not to have a LAC factor in Havering's funding formula. This was because there was already an allocation of £900 per pupil through the Pupil Premium Grant and the basis of the data to be used was not straightforward.

Analysis of 2013-14 funding shows that 81 local authorities had a LAC factor, with 62 allocating below £1,250 per pupil in both primary and secondary phases.

The DFE has also changed the definition of the factor to apply to any child who has been in care for at least one day on 31st March 2013 (previously the factor was applied to children looked after for 6 or 12 months).

For 2014-15 it is proposed to introduce a factor to reflect the schools' role in significantly improving the quality of life and the educational experiences of looked after children and the responsibilities and training of the designated teacher. The value to be set at £1,000 per LAC pupil.

3.6 Attainment Factor

The DFE has changed the attainment factor in its measurement at Early Years Foundation Stage and at Key Stage 2. For EYFS it will be 'not achieving a good level of development' for the 2013 cohort; for KS2 will be 'not achieving level 4 in English **or** Maths' for all cohorts (previously it was English **and** Maths). **The change in the secondary data will reduce the unit value applied to the factor.**

3.7 Low Cost, High Incidence SEN

The funding formula must ensure it delivers £6,000 for each pupil with SEN to support the school in meeting the needs of the pupil. In 2013-14 the attainment factor alone was used in the allocation of SEN funding. Where this factor did not deliver £6,000 per pupil, it was topped up from a central contingency as SEN headroom.

e.g. 10 pupils with SEN x £6,000	= £60,000 funding requirement
Formula funding through attainment factor	= £50,000
Shortfall funded as SEN Headroom	= £10,000

32 schools received additional funding through SEN headroom at a cost of £755k.

The DFE has made it clear that for 2014-15 arrangements for topping up SEN funding outside the main funding formula should only be used for a minority of schools where the number of their high needs pupils cannot be reflected adequately in their formula funding. Similarly, additional funding can also be provided where there is a disproportionate number of pupils with a particular type of SEN. For example, a primary school may have developed a reputation for meeting the needs of high achieving pupils with autistic spectrum disorder, or pupils with physical disabilities, where it is not possible to target additional funding to the school through the attainment or other factors. The criteria to be used must be clear and transparent.

The proposal is to increase the number of factors through which SEN funding is considered to be delivered. Based on DFE guidelines this will be as follows:

Attainment	100%
Deprivation	16.5%
Basic Entitlement	1.2%

This will result in the required £6,000 for SEN being reached by more schools through the funding formula which will mean fewer schools will receive additional SEN headroom. On current data seven schools will be allocated headroom at a cost of £170,000. £585,000 previously allocated through this factor will be recycled from the High Needs Block into the overall Schools Budget for re-allocation.

3.8 Pupil Mobility Factor

The 2013-14 formula was based on the number of pupils being admitted other than in September (or January for Year R) over a 3 year period. For 2014-15 this changes to admissions other than in September (or January for year R) above a threshold of 10% of the pupil roll.

This is a DFE change which will result in 10 primary and no secondary schools receiving funding through the mobility factor in 2014-15 compared to all schools in 2013-14.

In 2013-14 the allocations in primary schools range from £243 (1 pupil) to £19,050 (78 pupils) and in secondary schools from £1,070 (2 pupils) to £41,186 (77 pupils).

On current data this would reduce the range of funding to primary schools to £393 (2 pupils) to £9,427 (39 pupils) with no pupils qualifying for funding in the secondary sector. The funding previously used for this factor is recycled into the overall Schools Budget for re-allocation.

3.9 Lump Sum

In 2013-14 LAs were required to set the same lump sum for both the primary and secondary schools up to a maximum value of £200,000. In the previous (pre 2013-14) formula, secondary schools had received £350,000 as a lump sum, infant and junior schools £80,500 and primary schools £91,500. There were also some additional allocations for smaller schools through a curriculum protection factor and additional lump sums. For 2013-14 the value was set at £150,000.

The proposal for 2014-15 is to revise the lump sums for 2014-05 as follows:

Secondary:	£175,000 (the new maximum permitted)
Primary:	£150,000

This will reduce the impact that a smaller lump sum had on smaller secondary schools while maintaining the current sum for primary schools to reduce the impact of the new formula on smaller schools.

4. Early Years

Early Years providers are funded through a single funding formula from the Early Years Block. There are some changes in the factors used that have been prompted by a change in the Statutory Guidance to LAs on Early Years and Childcare. This requires LAs to base their decision on whether to fund a provider solely on the provider's Ofsted inspection judgement, and not undertake a separate assessment of the quality of the provider. Currently Havering uses a local RAG rating for its PVI (Private Voluntary and Independent) settings. The LA has also reconsidered the current quality supplement that allocates funding to settings that are judged "satisfactory" or "requires improvement".

Following consultation with the Early Years Provider Reference Group and the Schools Funding Forum from 2014-15, quality supplements will be changed as follows:

	2013-14	2014-15	Difference
	£	£	£
Outstanding	0.33	0.39	0.06
Good	0.17	0.29	0.12
Requires Improvement	0.03	0.00	-0.03

5. High Needs

The High Needs Block funds special schools at £10,000 per place, pupil referral units at £8,000 per place, top ups above the place funding and allocations to mainstream schools. This block also funds SEN support services and post 16 provision including independent specialist provision.

There is increasing pressures on special school places and it is proposed to increase the place number at Corbets Tey School by 2 from 108 to 110 from September 2014 and at Dycorts by 10 places from 70 to 80 from April 2014. These additional places will form part of the LA data return to the DFE for additional funding through the High Needs Block.

No funding changes are proposed for special schools or pupil referral units as they are funded entirely from the High Needs Block and the provider/commissioner model is still being developed.

Responding to the Consultation

Comments on the proposals for 2014-15 are welcome and will be considered by the Schools Funding Forum at its meeting on 16 January 2014 prior to final submittal to the DFE on 21st January.

By e-mail to:

andrea.stephenson@haverling.gov.uk

By post to:

Schools Finance Team
Children, Adults and Housing
London Borough of Havering
Mercury House
Mercury Gardens
Romford
Essex RM1 3DW

All responses should be returned by 20th December 2013.

Further Information

If you require any further information about any item included in the consultation paper please contact:

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 01708 433851
david.allen@haverling.gov.uk