

Budget Setting for 2014/15

1. Purpose of this Report

The purpose of this report is to set the scene for the Dedicated Schools Grant budget for next year and to agree whether any formula changes are desirable. This will then allow the funding rates to be set for the draft allocations for individual school budgets. It then looks at possible avenues to be explored to make savings to ensure the Dedicated Schools Grant will balance for next year.

2. Recommendations

- i) The funding rates for the Individual Schools Budget for 2014/15 be set provisionally at the levels of the funding rates for 2013/14.
- ii) The lump sum for primary and secondary schools remain at the same level.
- iii) Mobility is allocated partly on the basis of those schools whose mobility exceeds 10% and pupils numbers as described in option 3.
- iv) That an application be made to the DFE to allow estimated pupil numbers to be used for expanding school's.
- v) Officers bring proposals to the December meeting on savings to the early years block and the central budgets within the DSG.
- vi) The high needs sub group in their draft December report show how the estimated growth of £500k can be met from the High Needs Block.

3. Background

The DFE wrote to Local Authorities on 4 June 2013 with their planned changes to the schools funding system for 2014/15. In this letter they reiterated their desire to introduce a new national funding formula during the next spending review. The current planned changes followed their review of the changes made at the start of this year (April 2013). They believe taken together these new changes will further strengthen the funding reforms and help them move towards their ultimate aim of ensuring that pupils attract a more consistent amount of funding wherever they go to school in the country.

3.1 Timetable

The proposals include changes to the timetable Local Authorities and Schools Forum have traditionally operated and hence it is now necessary to start considering next year's budget. The new timetable is described below:

Date	Action
By 30 September 2013	Submission of any changes to lump sum variables to the DFE, so that they can be excluded from the Minimum Funding Guarantee.
	Requests to the DFE for exceptional premises factors
By mid October 2013	Schools Forum to approve provisional funding formula
	Local Authority political approval for provisional allocations
By 31 October 2013	Submission of provisional budgets to the DFE

The next meeting of the Forum takes place on the 12 December and at that meeting will need to consider the budget further in order to meet the further requirements of the DFE.

Date	Action
By mid January 2014	Schools Forum to agree final schools allocation
	Local Authority political approval for final allocation
By 21 January 2014	Final schools budgets to be submitted to the DFE
By 28 February 2014	Deadline for notification of maintained schools budget
BY 31 March 2014	Deadline for the education funding agency to notify academies of their school budgets

3.2 Regulatory changes affecting the ISB Formula and mutual funds held by Schools Forum

The following changes have been proposed by the DFE:

- Lump Sum - There is the possibility to have one amount for Primary Schools and a different amount for Secondary Schools.
- Amalgamating Schools - Schools that amalgamate will be allowed to retain the equivalent of 85% of their two former lump sums but for only one financial year following the merger.
- Primary Prior Attainment – The coming year's data will change as a result of changes to Early Years Foundation Stage(EYFS) assessment.
- Secondary Prior Attainment – The coming year's data will change from pupils achieving below Level 4 in English **and** Maths to those achieving below Level 4 in English **or** Maths. Except for those

pupils assessed in 2012 as the KS2 English assessment methodology was changed and now includes a reading test, a new grammar, punctuation and spelling test and teacher assessed writing - for these pupils this data will be used.

- Mobility – Funding will only be provided where mobility exceeds 10% and only for the amount by which it exceeds 10%

The detailed consideration of these are shown later in this report.

3.3 Applications to DfE for variations in the operation of the ISB Formula and the Minimum Funding Guarantee

- Changes In Age Range – The DfE expects LA's to apply to use pupil number estimates where a school is expanding its age range, rather than meeting the funding needs solely from the Growth Fund.

Details are shown later in this report.

4. Budget Setting

4.1 Headroom Projects

4.1.1 Over the past few years the Forum have considered requests to use the Dedicated Schools Grant to fund specific high profile projects. It was always intended that they should be reviewed regularly. The funding is built into the DSG budget and agreement of the Forum is needed to allow them to continue for next year. It is intended that at the meeting in December a more detailed discussion will take place on these projects.

4.1.2 At the December meeting it is possible that any new activities could be considered. In the light of the budget pressures detailed later in this report, funds to support new bids will either have to be found from existing projects or alternatively savings or funds delegated to schools.

4.1.3 The current activities funded from the central element of the DSG are as follows

Approvals from 2007/08	£k
Management support for capital builds	410

New Woodlands Outreach	160
Total	570

Approvals from 2008/09	£k
Teenage Mothers	30
Tutors for Primary LAC	100
Social Workers at New Woodlands / Abbey Manor College	90
Partnership Development	115
Total 2008/09	335

Approvals from 2009/10	£k
Tutors and Support for Key Stage 3 LAC	100
Social Workers - Support Services in schools	100
Mental Health Support Services in schools	100
Total	300

Approvals from 2011/12	£k
LENS Group / Pupil ambassadors	150

4.2. Budget pressures and sources of funding

There are a number of areas which will cause difficulties next year but there are possibilities to offset some of these

Pressures	£'000	
Independent school fees	1,000	
Growth in high needs pupils school places	500	
Early Years protection	800	
One off funding support from carry forward	500	This is the sum under pinning the current years budget
TOTAL	2,800	
Funding Sources	£'000	

Carry Forward	1,200
Increase in pupil numbers	200
Savings on central budgets	300
2013/14 contingency	500
TOTAL	2,200

4.3 Budget Pressures

4.3.1 Independent school fees

Since the start of the financial year there have been 9 new cases entering the independent sector. This will cost £1,000k.

4.3.2 Growth in High Needs Pupils

The pupil population stills continues to grow. However under the new funding regulations, the high needs block no longer grows in line with pupil growth. There will instead be a bidding process to the DFE. According to the latest documentation the High Needs Block will be capped and if one authority receives extra funding there will be less for others. The population growth is a burden across London and at the moment only broad assumptions can be made. Last year we received growth of £400k. It is anticipated that there will be a similar level next year. Of course there will be the financial impact of the children entering into high needs provisions that will not be met by this growth allocation. It is estimated that there will be an additional 53 high needs pupils (excluding children with statements in mainstream settings) next year. At average cost this is estimated to be £900k which will be offset by any growth, leaving a shortfall of £500k.

4.3.3 Early Years Protection

The DSG was adjusted in 2013/14 for the withdrawal of the top up for 3 to 4 year olds being received. Half was withdrawn in 2013/14 and in 2014/15 there will be no protection. This top-up ensured Local Authorities are funded for at least 90% of their 3 year olds regardless of the number of children taking up the entitlement. The withdrawal of this protection will mean there will be a shortfall next year of £800K.

4.3.4 One off support

Last year when the budget was set there was a shortfall in funding. A sum of £500k was taken from the carry forward and used to balance the budget.

4.4 Funding Sources

4.4.1 Pupil numbers

The DFE last have funded the growth in pupil number albeit at a lower level than in previous years. The growth is only now allocated to the schools block within the DSG. Most of the funding within this block is delegated to schools and will of course be allocated out. There is a small element that covers some of the central budgets and this is now available assuming that the central budgets in the DSG are cash frozen.

4.4.2 One off support

Over the past few years the schools Forum have been putting aside funding as it was known that the problem above was about to materialise. There is still £1,200k available to support the budget.

4.4.3 Savings in central budgets

As part of last year's budget process officers have been considering the effectiveness and delivery of the service level agreements funded out of the DSG. This includes the agreements with Abbey Manor College and Clyde Nursery School. Some of the discussions are at more advanced stages than others. While it is anticipated some savings will be made, the final outcome of discussions will be brought to the Forum in December. It is assumed for budget purposes that any savings will be from September 2014 and that they will be about £300k. A robust review will take place of all other central services to see if savings can be achieved.

4.4.4 Contingency

The budget monitoring papers shows that only £89k has been allocated from it although the growth fund is overspent. In reality it may be better to offset the one against the other so that we did not end up giving money back to schools and then charging them for the overspend on the growth fund. Overall there is currently a balance on the funds of £1,000K. Some of this will of course be allocated to schools over the coming months but on current trends there is likely to be at least a surplus in the region of £500k.

4.5 Addressing the remaining Shortfall in funding

The remaining shortfall is £600k and Officers will bring back to the December meeting proposals for the Forum to consider on how this can be contained and consideration will be given to the following.

4.5.1 Early Years Block

As part of the funding shortfall is due to the loss of the early years protection, officers will consider whether savings can be made from this funding block and assess the impact.

4.5.2 The High Needs Block

The Schools Forum sub group on High Need pupils was originally set up to consider savings in this areas. They were requested to report back to the Forum in December on how savings could be made. It is proposed that they be asked to initially draw up plans to save £500k next year.

4.6 Schools Funding rates

If the Forum agree to the above, the proposed funding rates for the school formula can be at the same level as last year. Of course there will be a still an opportunity to revise these if needed at the December meeting.

The draft school funding rates for next year can be seen in Appendix A.

5. Regulatory changes affecting the ISB Formula and mutual funds held by Schools Forum

The following changes require consideration by the Forum for 2014/15

5.1 Lump Sum

- 5.1.1** The DfE are proposing to amend the regulations such that it will be possible to use two different lump sum amounts; one for primary schools and one for secondary schools.
- 5.1.2** When the Lewisham lump-sum was calculated (£131k) the amount previously delegated for “overhead” costs (non-teaching staff) was protected and distributed partly as the lump-sum and partly on the basis of pupil numbers (within the Basic Entitlement). The rates were “anchored” at the previous level for the smallest schools to protect the funding for those schools.
- 5.1.3** If we were to increase the lump-sum for secondary schools in order to reflect the size differential between primary and secondary to a greater degree, the additional funding would have to be found.
- 5.1.4** The modelling in Appendix B looks at two options; essentially they fund the increase from primary phase funding or fund the increase within the

secondary phase. Funding an increase of the secondary lump-sum to the maximum level of £175k from within the primary sector, would result in a transfer of funding from primaries of more than £450k. Funding an increase of the secondary lump-sum to the maximum level of £175k from the secondary sector Basic Entitlement would result in a transfer of funding from larger to smaller secondaries. The largest loss would be £18k and the largest gain would be £15k.

- 5.1.5** Given that the first model would result in an excessively large transfer of funding from primaries and the second would move funding to schools that have already been protected, it is recommended that the current single lump-sum be retained.

5.2 Primary Prior Attainment

Changes to the assessment of the EYFS mean that the coming year's data will consist of the number of pupils failing to attain a good level of development in the latest cohort and the number failing to achieve a score of 78 in the previous 5 years. The new data format will replace the old by one cohort each year.

It is recommended that the total funding available through this measure be maintained from 2013/14 to 2014/15 to protect schools from this change.

5.3 Secondary Prior Attainment

The coming year's data will change from pupils achieving below Level 4 in English and Maths to those achieving below Level 4 in English or Maths. Except for those pupils assessed in 2012 as the KS2 English assessment methodology was changed and now includes a reading test, a new grammar, punctuation and spelling test and teacher assessed writing. For these pupils this data will be used.

The DfE reports that this change is necessary as the number of pupils failing to achieve in both English and Maths has significantly reduced in recent years. It is recommended that the total funding available through this measure be maintained from 2013/14 to 2014/15 to protect schools from this change.

5.4 Mobility

From 2014/15, the data on mobility will exclude the first 10% of qualifying pupils. This means that schools with 9% and 11% mobility will be shown as having 0% and 1% mobility respectively. Funding will therefore only be provided where mobility exceeds 10% and only for the amount by which it exceeds 10%.

Modelling of three options is shown in appendix C. Option 3 is recommended as it avoids the turbulence of Option 1 and does not

result in a focussing of losses on those schools most in need, as Option 2 does.

5.5 Schools Forum Membership

A requirement for a representative from 16-19 providers replaces the need for a representative from the 14-19 partnership. The DfE lists the FE sector and SEN/LDD providers as eligible.

6. Other changes

The following changes are required by the DfE but do not need a decision by the Forum but they are described here for completeness.

6.1 Amalgamating Schools

Schools that amalgamate will retain the equivalent of 85% of their two former lump sums for one financial year following the merger. The DfE views this as removing the financial disincentive for schools to amalgamate.

6.2 First £6,000 Of SEN Needs

The requirement for schools to meet the first £6,000 of SEN needs has now been included in the regulations.

6.3 Post 16 Place-Led SEN Funding

Currently the place-led funding for SEN Units/Resource Bases/ Resourced Places and Special Schools is £10k per place for pre-16 and £10,977 for post-16. This is an unnecessary complication (with two place-led rates and two top-ups, but all adding up to the same total) and will come to an end in August 2014 when the place-led funding rate will become £10k at all ages.

6.3.1 Place Led Funding For SEN Units/Resource Bases/ Resourced Places

The £10k place-led funding represents the £6k low needs SEN element plus the £4k standard funding element. As this amount is paid in the form of the place-led funding, it should not be paid via the funding formula (in order to avoid double funding). In 2013/14 the number of pupils in units/bases/places was deducted from each school's roll before the formula funding was calculated. In 2014/15 it is the number of places that will be removed. This will have implications for units that carry vacancies as they will experience greater reductions in 2014/15.

6.4 Formula Notification Dates

The dates by which school budgets must be notified are changing from March 15th to February 28th for mainstream schools and March 28th for Special Schools and PRU's. 6th form funding is excluded from this requirement; the EFA normally notify schools and LAs of this at the very end of March. The deadline for notification of budgets to Academies has been confirmed by the Education Funding Agency as 31 March.

6.5 Unspent Balances On Growth Fund And De-Delegated Funds

Unspent balances on the Growth Fund should be recycled to schools and unspent de-delegated amounts can be carried forward to subsequent years.

6.6 Formula Requirements

Local Authorities are required to distribute 80% of their formula using pupil-led factors and to have primary and secondary Basic Entitlement rates in excess of £2,000 and £3,000 respectively.

Lewisham exceeds all of these requirements with over 90% of the formula based on pupil-led factors and primary and secondary Basic Entitlement rates of £3,595 and £4,952 respectively.

7. Applications to DfE for variations in the operation of the ISB Formula and the Minimum Funding Guarantee

Each year the DfE will provide a window during which LA's can apply for variations and exceptions in the operation of the ISB funding formula and the Minimum Funding Guarantee.

The DfE has made it clear that where a school is expanding its age range (Vale College, Trinity and Ladywell Fields), LA's should apply to use estimated numbers in the formula rather than channelling all the funding for the expansion through the Growth Fund.

8. Conclusion

As we know over the last few years there has been an increasing cost pressure for high needs pupils. This is proving difficult to manage and we are now seeing for the first time, the need to make savings to balance the Dedicated Schools Grants as the funding put aside over the last few years runs out. This one off funding is to a certain extent camouflaging the extent of the problem. Projecting figures forward, there is likely to be a shortfall in the order of £2m next year and this was behind the setting up of the high needs sub-group. It is essential

that their proposals are sufficient to meet this level of deficit in the future.