

Budget 2014 /15 update

1. Purpose of the Report

This report updates members on the changes announced by the Department for Education (DFE) to the schools funding system for next year (2015/16). It looks at the current notified level of the DSG following a number of changes made by the DFE for this current year and a final adjustment for last year. It also updates members on the budget returns received to date and the likely schools that will apply for a licensed deficit.

2 Recommendations

1. The Forum note the new funding proposals issued by the DFE
2. The Forum note the consultation on academy recoupable funding
3. The Forum note the new level of the Dedicated Schools Grant is £268.6m
4. The Forum note the latest position on the Universal Free Meals Grant
5. The Forum note the position on the school budget plans
6. The Forum note the schools that are likely to apply for a licensed deficit

3 School Funding Reforms

- 3.1** The DFE wrote to Local Authorities on 13 March 2014 with their planned changes to the schools funding system for 2015/16. This consultation sets out the Department for Education's proposal to allocate an additional £350m in 2015-16, to increase the per-pupil budgets for the least fairly funded local areas. The proposals would provide each local authority with a minimum level of funding for each of its pupils and schools. The DFE believe this will make the distribution of funding to local areas fairer whilst ensuring that no area receives a cut to its per-pupil budget. The consultation invites views on how to set these minimum funding levels, and how they will distribute the additional £350 million funding allocated. It builds on their belief that that the current school funding system is unfair and out of date.
- 3.2** The DFE plan to allocate the additional funding by setting minimum funding levels that a 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 in the funding received. If a local authority attracts less than these minimum funding levels for the

pupils and schools in its area, there will be an increase to its budget so that it meets those levels.

3.3 They propose to set a minimum funding level for five pupil characteristics:

- a per-pupil amount
- pupils who are from deprived backgrounds;
- pupils who have been looked after, for example in foster care;
- pupils with low attainment before starting at either their primary or secondary school;
- pupils who speak English as an additional language.

In addition they will set:

- a minimum funding level for each school on top of its per-pupil funding – the lump sum
- a minimum funding level for small schools that are essential to serving rural areas - the sparsity sum which is not applicable in Lewisham

3.4 The DFE then plan to raise the minimum funding levels for local authorities in areas with higher salaries in line with a 'hybrid area cost adjustment'. This takes account of both teacher salary and general labour market data

They are setting the minimum funding levels based on the average amounts from the 2013/14 budget figures. Of course with the area cost adjustment for London national averages they are lower than our own funding levels.

The levels suggested are as follows

- A basic per pupil amount – primary: £2,845; key stage 3: £3,951; key stage 4; £4,529
- Deprivation – between £893 and £1,974
- Looked after children – £1,009
- Low prior attainment – primary: £878; secondary: £1,961
- English as an additional language – primary: £505; secondary: £1,216
- A lump sum for every school – primary: £117,082; secondary: £128,189
- Additional sparsity sum for small schools vital to serving rural communities – up to £53,988
- An area cost adjustment to increase minimum funding levels in areas of higher cost

3.5 **Based on the above criteria Lewisham would not receive any extra funding. The Local Authorities that would receive extra funding are shown in Appendix A to this report.**

- 3.6** Disappointingly there is no consideration in the consultation of the pressures faced by the high needs block and how fairer funding can be achieved in this area. At the recent Fair Funding Conference the DFE acknowledged that this is an issue to be addressed in arrangements for 2016/17 onwards.
- 3.7** At the time of writing this report the DFE have not published the outcome of the consultation but indications are that it will be implemented very much in line with the consultation proposals.

4 Academy Recoupment Consultation

- 4.1** This is mainly a technical document that looks at converting non-recoupment academies to recoupment academies and amending the funding of local authorities for pupils in free schools from 2015-16. Currently recoupment only applies to any Academy which opened from 2008 and had an LA maintained predecessor school.
- 4.2** In short, recoupable academy schools funding is built into the DSG while other academies funding is not. The consultation brings all academies into line so that all the funding passes through the DSG.
- 4.3** Amending the funding of local authorities for pupils in free schools
- Local authorities receive their funding for a financial year (April to March) based on a lagged approach using the pupils who were on the previous October census. Most schools are also funded by local authorities on a lagged approach, but new and expanding schools can be funded on estimates in order to give them sufficient funding to operate while they are growing. Free schools are funded on this latter basis. In the future it is proposed that the expansion costs of free schools will be met from the growth fund established by Schools Forums.
- 4.4** Whilst the consultation looks sensible in simplifying the whole funding system appears to impose a free schools funding burden on the DSG without having provided any funding for it. Further details are needed on the operation of this proposal to ensure Local Authorities are not exposed to further financial burdens that are not funded.
- 4.5** If an school does become an academy whilst it would receive extra funding, this is to cover the extra duties that it will have to perform.

5. Dedicated Schools Grant 2014/15

Local Authorities received their final notification of the high needs block on 31 March 2014. The overall DSG settlement is as follows:

	Before Academy Recoupment	After Academy recoupment
	£M	£M
2014-15 schools block	201.464	182.563
2014-15 early years block	16.984	16.984
2014-15 high needs block	43.421	42.272
2014-15 total additions and deductions for non block funding	6.780	6.780
T 2014-15 total DSG allocation	268.648	248.598

This compares with the figure of £267.7m quoted at the last meeting. The extra funding relates to the High Needs block and covers some of the growth that we bid for.

There will be further adjustments to the level of the DSG during the year, particularly on the Early Year numbers, when the forecasts are revised to actual numbers.

An adjustment was notified on 22 May 2014 to last year's figures. The early year's block finally stood at £16,933k, a reduction of £51k. This will be accounted for in the new financial year as it was too late to adjust the previous years figures.

6. School Budget Plans

6.1 The date for schools to submit their budget plans to the Local Authority was the 31 May 2014. Currently we have received returns from 75% of the schools. Those schools that have not made a return will be written to shortly. The returns that have been received are being analysed.

6.2 It is expected that at least two primary schools will apply for a licensed deficit as well as one secondary school. Trinity had a licensed deficit in place from last year but good progress has been made and the financial position is better than expected at this stage of the their recovery plan.

There are a small number of schools where we still need to confirm their budget plans or we will seek clarification of the budget figures. .

6.3 Further details will be brought to the Forum once all returns have been received and checked.

7. Universal Infant Free School Meals (UIFSM)

7.1 The Government is providing a new grant to fund the universal infant free school meals (UIFSM) offer to provide free school meals to all pupils in reception, year 1 and year 2. Further details on how the grant will operate has now been received. The grant cannot be held centrally by local authorities. A school may agree to use their UIFSM grant allocation to contribute to a central local authority provision, but the grant must be allocated to each school first, in order for them to take that decision.

7.2 Each school has received a draft notification of their grant. This is based on an estimate which will be revised later. In accordance with DFE guidance a final allocation for academic year 2014 to 2015 will need to be calculated in May 2015 based on actual numbers. The funding will be passed to schools in July. This will only be for the first 7 months of the academic year. A second payment will be made in the new financial year. This will avoid schools having large amounts of income in advance which would inflate, artificially school balances.

7.3 The following table provides more details on how the central contract operates and how the charge to schools will be reduced.

7.4 In principal the operation of the account is simple, a payment is made to Chartwells for the cost of providing the meals. To offset this there are then three main income sources:

1. The income from parents through meals paid for
2. A charge to schools for free meals provided
3. A charge to schools for the balance.

7.5 The following provides an example of the account in operation

Income	Current Contract			New funding arrangements		
	Meal Numbers	Amount Per pupil	Total £'000	Meal Numbers £'000	Amount Per pupil	Total £'000
Paid Meals	1,100	£1.80	1,980	500	£1.80	900
Charge to schools						
Free Meals	900	£1.80	1,620	900	£1.80	1,620
Paid Meal	1,100	£1.50	1,650	500	£1.40	700
Government grant				1,000	£2.30	2,300
TOTAL	2,000		5,250	2,400		5,520

Expenditure					
Payment made to contractors - Reception and Year 1 and Year 2 children	900	£2.63	2,363	1,300	£2.30 2,990
Payment made to contractors Key stage 2 children	1,100	£2.63	2,888	1,100	£2.63 2,530
TOTAL	2,000		5,250	2,400	5,520
Balance			0		0

7.6 In some respects the actual mechanics are not so simple as the above example excludes some of the other items going through the account such a kitchen maintenance and secondary meals provision

7.7 The important change is that the charge to schools will reduce as a result of the receipt of government grant and paying a lower rate to the contractor for KS1 FSM. It is estimated that this will equate to 10p per meal.

8. Conclusion

While the consultation on fairer funding for school is disappointing locally, it is not unexpected that the government would seek to bring LAs up to average funding with limited available funding.

The level of the DSG is now more settled. The position of not receiving notification until the 31 March is not helpful for planning purposes and nationally a debate is being held to resolve this. More detailed monitoring will take place over the next few weeks and with a fuller update, concerning the high needs block, will be provided at the next meeting.

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