

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

SCHOOLS FORUM – 14 OCTOBER 2013

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**2014-15 REVENUE FUNDING ARRANGEMENTS
– (Paper 2) Proposed Changes to School and Early Years Finance
Regulations**

This paper is to update each of the Tri-Borough Schools Forums on the second phase of changes being implemented by the Department for Education (DfE) in relation to the Schools Funding Reforms. The reforms must be in place for the funding period 2014/15 and build on the changes already implemented for 2013/14.

This is second of *three papers* updating the schools forum on 2014-15 Revenue Funding Arrangements for 2014/15 and focuses on the consultation paper “proposed changes to school and early years finance regulations”.

FOR INFORMATION

1. Introduction:

- 1.1 On 4 June, DfE announced a number of changes to the school funding system in 2014-15. DfE is now consulting on **regulations to give effect** to those changes, as well as some additional adjustments to the arrangements for schools and early years finance.
- 1.2 The draft School and Early Years Finance (England) Regulations 2013 are attached, together with additional grant conditions for the Dedicated Schools Grant (DSG). The regulations for the most part reflect the decisions announced in June (see paper 1). These are included in the attached summary of changes. The summary also shows DfE are proposing changes that were not previously announced. DfE is seeking LA views on these proposals.
- 1.3 The consultation period will run through to 11 October 2013. DfE intention is for the regulations to come into force by 1 January 2014.
- 1.4 The key purpose of this report is to update the schools forum on the total list of changes which are likely to become effective from January 2014 and regulate the operation of the DSG from 2014/15.

2 Key Changes

- 2.1 Department for Education has published two reports in August 2013. The reports titled
- a) 2014-15 Revenue Funding Arrangements – Additional information for Local Authorities
 - b) Schools and Early Years Finance - Summary of proposed changes to regulations and conditions of grant for 2014-15
- 2.2 Whilst the DfE is engaging in a consultation process which concludes on the 11th October 2013, in reality the changes are expected to be implemented as part of the The School and Early Years Finance (England) Regulations 2013. As such no formal response is expected to be made to the DfE.
- 2.3 The majority of changes have been discussed in detail in the report titled '2014-15 Revenue Funding Arrangements' Paper 1
- 2.4 In summary the proposed changes to the School and Early Years Finance (England) Regulations 2013 are listed below.
- Transfers responsibility for school meals to schools.
 - Require the election of a representative of providers of 16 to 19 education to the schools forum, and to remove the inclusion of a representative of the local authority's 14 to 19 partnership on the forum.
 - Require local authorities to make an initial determination of their 2014-15 schools budget, individual schools budget and the amount of each school's budget share by 28th February 2014 (except in relation to special schools, pupil referral units, etc). In the previous regulations the date for doing so was 15th March. The date for informing schools of their budget shares also moves from 15th March to 28th February.
 - Another change is that the determination of amounts included in budget shares in relation to sixth form funding is excluded from these determinations. Sixth form funding calculations will have to be done within a reasonable period after the Secretary of State has informed the authority of the allocation of Sixth Form Grant.
 - The deadline for informing special schools and pupil referral units of their budgets moves from 15th March to 31st March.
 - Unspent money from the 2013-14 growth and infant class size funds into the 2014-15 individual schools budget, so that it is recycled to schools. Local authorities can carry over to 2014-15 unspent de-delegated central expenditure to be used for the same purpose as it was used in 2013-14. In other words, it can be used for de-delegated services without having to allocate through the formula again. This responds to representations that money that maintained schools de-delegate should continue to be available for the use of maintained schools.
 - Requires local authorities, in identifying funding for SEN pupils in individual primary and secondary school budgets (the notional SEN budget), to calculate that sum with reference to a threshold of £6,000. Schools are expected to meet the costs of the additional support required by pupils with SEN up to that cost threshold.

- Prevents local authorities from redetermining a school's or early years provider's 2014-15 budget once it has been set, except in specific circumstances. This provision was introduced for 2013-14 but there has been some confusion about it so we are clarifying the position.
- The definition of "pupils" for **regulation 14 and elsewhere (other than regulation 17 on early years)** has been amended to clarify that pupils only count if they are single registered or dual main registered at the school.
- SEN places, whether filled or unfilled, do not count towards a school's pupil numbers for the purpose of calculating its budget through the mainstream local funding formula. For 2013-14 the regulation provided that pupils in SEN places did not count. The change is to avoid double funding.
- The basic per pupil amount (the age-weighted pupil unit) in a local authority's formula must be at least £2000 for primary and £3000 for secondary pupil and a flat rate will apply to all Primary pupils.
- Maintained special schools, the separate calculation of funding for sixth form places ceases with effect from 1st August 2014, and all places (including sixth form places) other than hospital education places will then attract £10,000 per annum
- The change to a flat rate £10,000 for all pre- and post-16 places will take effect from **1st August 2014**. The regulations will apply this to maintained special schools. The Education Funding Agency (EFA) will also apply this to the funding of special academies and free schools and of non-maintained special schools. We will keep under review whether to extend this to other specialist post-16 places in future
- Ability for local authorities to retain funding for CRC allowances for schools centrally has been deleted since schools will be excluded from the CRC scheme with effect from 1 April 2014. It has been replaced with a provision allowing authorities to retain funding for licences purchased centrally by the Secretary of State, following the introduction of the new Copyright Licensing Agency and Music Publishers Association licences in 2013-14.
- local authorities to set a lump sum of up to £175,000 and set a different lump sum for primary and secondary schools. For 2013-14 the lump sum limit was £200,000 and had to be the same for primary and secondary schools.
- Regulations reflect the use of data from the new early years foundation stage profile in deciding whether a pupil attracts prior attainment funding.
- Regulations allows pupils who did not achieve level 4 in mathematics or English to attract prior attainment funding. In 2013-14 the policy was that only those who did not achieve a level 4 in both English and mathematics attracted the funding.
- The allocation of funding through the mobility factors applies where more than 10% of pupils in a school are mobile. For 2013-14 the factors applied where a school had any number of mobile pupils.
- Where two or more schools merge in 2013-14, the local authority should pay the merged school a lump sum equal to 85% of the two lump sums that the schools would have received in 2014-15 if they had not merged. Local authorities can

apply to the Secretary of State to adjust the lump sum in more complex situations where schools have in effect replaced others.

- The sum to be determined for an excluded pupil in a sixth form is £4,000 on an annual basis. This sum has been brought into line with the base funding for a full-time pupil in the academic year 2013/14. Local authorities can retain a falling rolls fund for good or outstanding schools (including academies) if the schools' capacity is likely to be needed within the next three years to meet rising pupil numbers.
- Pupils who were being looked after on 31st March 2013, regardless of how long they had been looked after, can attract funding through the looked after children factor. In 2013-14 local authorities had a choice of whether to apply the factor to those who had been looked after for at least a day, at least six months or at least 12 months.
- Provides for the new sparsity factor. This is not relevant for LBHF
- Regulations have been expanded to include exempt early education providers. This reflects the revised Early Education and Childcare: Statutory Guidance to Local Authorities, which comes into effect in September 2013. Section A4 of this guidance makes clear that LAs should fund providers who have exemptions from the Early Years Foundation Stage Learning and Development requirements if a parent wants their child to attend that provider. The change to the draft finance regulations allows this funding to count as part of the individual schools budget.
- LAs to vary funding paid to providers of funded early education if the number of children admitted by a provider is in excess of any number agreed by the LA. This provision, by potentially reducing the funding paid for some children, risks constraining parental choice about where to access their funded early education.
- Schools that opened in the previous seven financial years and are still adding year groups will be exempt from the capping of budgets under regulation 19(4) to pay for the minimum funding guarantee. This is because the capping of budgets for schools in such circumstances on a per pupil basis can produce distorting effects.

2.5 **2014-15 DSG Additional conditions of grant**

2.5.1 In addition to the change to the Regulations there are changes to the conditions of grant which are listed below.

- (a) the authority must maintain a single formula for funding both maintained schools and Academies in its area;
- (b) in constructing the formula, the authority must take account of the circumstances of all Academies and maintained schools in its area;
- (c) the formula must allocate at least 80% of funding through pupil-led factors (single per pupil amount, social deprivation, prior attainment, English as an additional language, pupil mobility, looked after children, differential salaries of teachers near London);

- (d) any limiting or scaling back of the funding of schools and Academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee for schools and Academies entitled to the MFG;
- (e) in using funding held centrally within DSG, other than funding that has been delegated by maintained schools, the authority must treat maintained schools and Academies to which recoupment applies on an equivalent basis;
- (f) in making arrangements for funding young people with high needs, the authority must treat those placed in maintained provision, in Academies and Free Schools, in the FE sector, and in non-maintained and independent provision on a fair and equivalent basis;
- (g) in deciding on top-up funding rates for the pupils it will place in special schools maintained by the Authority and Special Academies formerly maintained by the authority, the authority must ensure that the rates for each school are set no lower than at such a rate or rates that, if all the pupils in the school or Academy were placed by the authority, and the total number and type of places remained the same in the two financial years, the school or Academy's budget would reduce by no more than 1.5% in cash between 2013-14 and 2014-15;
- (h) when a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the authority at 31 March 2014, the authority must continue the agreement with the institution to make such top-up payments until such time as the pupil has left the institution, or the contract is replaced by another. When such a pupil is placed by the authority in an institution at a later date, the authority must likewise enter into such an agreement;
- (i) when making top-up payments to institutions for high needs pupils, the authority must make the payments in a timely fashion on a basis agreed with the institution, which must be monthly unless otherwise agreed.

3 Recommendations

The Schools Forum is asked to note the content of this report for information.