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DFE CONSULTATION ON FAIRER SCHOOLS FUNDING IN 2015/16

Report of the Director of Education and Early Intervention

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1. Purpose

- 1.1. To update the Forum on the recent DFE consultation entitled "Fairer Schools Funding in 2015/16".

2. Summary

- 2.1. This paper describes the key elements of the DfE consultation which proposes the introduction of minimum funding levels for the Schools Block element of Dedicated Schools Grant in 2015/16.

3. Recommendations

- 3.1. The Forum is asked to note the consultation and the issues outlined in this paper.

4. Background

- 4.1. Ever since the announcement in 2012 of the major school funding reforms, that were introduced in April 2013, the DFE has indicated that it intended to introduce a National Funding Formula (NFF) for schools from April 2015. It has been unclear whether this NFF would be at school level, determining the budget share of every primary and secondary school and academy in the country or only at the level of the Dedicated Schools Grant (DSG), determining the amount of resource available for the Schools Budget in each local authority area.

There have been several delays to the expected announcement of the NFF and the DfE finally announced in mid March that there would not be a NFF

in 2015/16. The introduction of a NFF has now been postponed until after the General Election. However, the DfE is consulting on introducing a national minimum funding level for the Schools Block element of DSG in 2015/16. This consultation is called "Fairer Schools Funding in 2015/16".

5. The Introduction of a Minimum Funding Level for the DSG

- 5.1. Each authority area has a different level of DSG per pupil based originally on spending levels in 2005/06, adjusted for the various DfE initiatives since then, including the mainstreaming of the former separate grants (such as the Standards Fund) in 2011/12. It has been widely acknowledged that this system of determining the level of DSG lacks transparency and logic. However, a move to a new distribution formula risks high levels of turbulence.
- 5.2. In 2013/14 the overall DSG for each authority was divided into three to create the Schools, Early Years and High Needs blocks, according to the split of spending in each authority area in 2012/13. The Schools and Early Years blocks are both expressed as amounts per pupil, which vary between authorities. The High Needs block is expressed as a lump sum, again varying between each authority.
- 5.3. The DfE is consulting on the introduction of a national Minimum Funding Level (MFL) per pupil for the Schools Block of the DSG. A national formula will be used to calculate this MFL for each authority and authorities which are below it will be topped up to the MFL. Authorities above the MFL will not have any cut in funding but will not receive any extra resource. £350m of additional resource has been allocated to fund the introduction of the MFL in 2015/16.
- 5.4. Indicative data published by the DfE shows that 62 authorities (out of 150) have Schools Block DSG levels below the MFL and would receive extra funding. The largest cash increase is to Surrey with £24.8m extra DSG. However, some South East Counties, including Essex, Kent and Hampshire receive no extra funding.
- 5.5. The consultation on the MFL only relates to the calculation of DSG in 2015/16 and not to the calculation of school budget shares. The DfE notes that "the size of the indicative minimum funding levels for 2015/16 is not intended to reflect our view of the minimum amount of funding any individual school needs or deserves over the long term." Therefore there is no change from currently in the arrangements for setting the unit funding rates for the primary and secondary funding formula and authorities will not be required to alter their funding factors to reflect the MFL values. The DfE is considering minor changes to the sparsity factor and feedback on the sparsity factor is requested in consultation responses.

- 5.6. The formula for calculating the MFL is based on seven on the permitted formula factors, plus an area cost adjustment. The seven factors are:
- Per pupil allocation (AWPU);
 - Deprivation factor;
 - Looked after children factor;
 - Prior attainment factor;
 - English as an additional language factor;
 - Lump sum;
 - Sparsity factor.
- 5.7. The MFL rate for each factor is derived from the average of the amounts that local authorities allocate to that factor in their local funding formulae at present. The MFL rates for each factor are then multiplied by the budget share data for each authority to calculate the MFL for that authority.

6. Impact on Hertfordshire

- 6.1. The indicative figures accompanying the consultation show that Hertfordshire would receive an extra £6.9m of DSG in 2015/16 under the consultation proposals. This is a product not just of the overall level of Hertfordshire's DSG but also of the way it is notionally split between the Schools, Early Years and High Needs blocks. Hertfordshire's School Block DSG is £4,320 per pupil and the MFL for Hertfordshire is £4,365 per pupil, 1% higher.
- 6.2. However, the consultation figures are only indicative, based on 2013/14 data and the final MFL for 2015/16 will be calculated based on 2014/15 data. This has the potential to alter the figures significantly because most of the inputs to the calculation will change. For example:
- The Hertfordshire pupil data will be updated to 2014/15 rather than 2013/14 numbers;
 - The national average figure for each formula factor will be recalculated based on authorities' 2014/15 formulae – including the impact of the national changes to both the primary and secondary elements of the prior attainment factor;
 - The calculation may be scaled in order to fit the additional allocations within the envelope of funding available.
- 6.3. The additional funding for Hertfordshire shown in the indicative figures results from the fact that the indicative MFL calculated for Hertfordshire is 1% higher than the Schools Block DSG. Thus even a marginal change in the calculation of the MFL will have a disproportionate impact on the amount of additional DSG.

7. Conclusion

- 7.1. The consultation closes on 30 April. The DfE will then finalise both the methodology and the data for allocating the extra DSG in 2015/16. The final MFL will be announced in the Summer. As described above, Hertfordshire's final allocation is likely to differ from the indicative figure released by the DfE.