

Committee: **Lead Member for Learning and School Effectiveness**

Date: **9 December 2013**

By: **Interim Director of Children's Services**

Title of Report: **The East Sussex Schools Funding Formula**

Purpose of Report: **To seek approval for changes to the East Sussex Schools Funding Formula**

Recommendation:
The Lead Member is recommended to agree the changes to the East Sussex Schools Funding Formula.

1. Background

1.1 In 2013-14 the Department for Education (DfE) required local authorities to make major changes to the way in which funding was allocated to schools.

1.2 The Working Group, which had been appointed by the Schools Forum to review the new funding formula, was reconvened to consider whether further changes should be made for the 2014-15 financial year.

1.3 The Working Group considered concerns expressed by schools with regard to the distribution of funding through the new formula and the comparative data and operational guidance published by the DfE.

2. Changes to the funding formula

2.1 The only proposed change to the funding formula is the removal of the use of IDACI (Income Deprivation Affecting Children Index). The working group were concerned that the use of DfE's IDACI data set did not distribute funding effectively and should be replaced by other allowable distribution methodologies. The Working Group agreed to consult schools on changing the IDACI factor to 50% on prior attainment factors and 50% on Free School Meals.

2.2 Schools Forum met on 30 September 2013 and agreed to recommend this change to Lead Member.

3. Changes in distribution of funding

3.1 The Working Group also proposed a number of changes to the allocation of funding within the formula which they believe will deliver a more appropriate allocation.

3.2 The 2013-14 lump sum within the funding formula was set at £175,000, across both Primary and Secondary phases. National comparative data showed that the lump sum in East Sussex was in the top 20%. The impact of having a lump sum at this level restricted the funding available for the per pupil allocation which was therefore in the lowest 20% nationally. For 2014-15, the DfE has reduced the maximum allowable lump sum to £175,000 and the Working Group agreed to consult schools on changing the lump sum for secondary schools to £150,000 and for primary schools to £147,000 to increase our per pupil allocation and to improve the primary/secondary funding ratio.

3.3 The current 2013-14 primary/secondary ratio to 1:1.31 which is above the national average of 1:1.27. In order to move towards the national average, £650,000 has been moved from secondary to primary schools bringing the ratio down to 1:1.29.

3.4 The Working Group also considered a sparsity factor, a new allowable formula factor for 2014/15, but the group decided that this would not be helpful as it could not address the funding issues for the majority of small schools.

3.5 Schools Forum met on 30 September 2013 and agreed to recommend the change in lump sum to Lead Member.

4. New delegation

4.1 The new funding formula proposals require that the maximum amount of Dedicated Schools Grant (DSG) should be delegated to schools. This will mean that funding which has previously been retained centrally for a number of reasons will be delegated from 2014-15.

4.2 Redundancies. The Schools Forum set aside a sum of £200,000 per annum to be used to fund school redundancies.

4.3 Capital Expenditure from Revenue Account (CERA). This budget (£2,798,743) includes structural maintenance and can no longer be considered to be a historic commitment and must therefore be delegated

4.4 Carbon Reduction Commitments (CRC). It should be noted that since the consultation with schools, the DfE has now decided that this budget will be deducted from the Local Authority DSG allocation in 2014/15, and therefore this budget will now be centrally retained and not delegated to schools.

4.5 Schools Forum met on 30 September 2013 and agreed to recommend the new delegation to Lead Member.

5. Minimum Funding Guarantee and capping

5.1 The Minimum Funding Guarantee (MFG) will operate in 2014/15 at -1.5%.

5.2 Local Authorities can cap gains, but the DfE has advised that the cap must only recover enough to fund MFG. This means that at this stage it is not possible to be certain of the exact value of the cap, although it is envisaged that the cap will be 1.5% for 2014-15 based on the MFG base line.

6. Financial Appraisal

6.1 There is a financial requirement to delegate previously held centrally retained Dedicated Schools Budget to schools.

7. Conclusions

7.1 The Schools Forum and schools have been consulted on the proposed formula changes and a summary of the responses from schools is set out in Appendix A.

8. Recommendations

8.1 It is recommended that the changes to the East Sussex Schools Funding Formula are approved.

GED ROWNEY

Interim Director of Children's Services

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Local Members: All

Background documents: None

	Primary	Secondary	Total
Number of responses	33	5	38
Total number of schools/academies	152	26	178
% responses	21.71%	19.23%	21.35%

1. Do you agree that IDACI should no longer be used as a deprivation factor in the East Sussex Schools Funding Formula?

76% of primary schools agreed that IDACI should no longer be used.

80% of secondary schools agreed that IDACI should no longer be used.

The main points made by schools who disagreed were:

IDACI is a much better indication of deprivation than FSM and prior attainment

2. Do you agree that the funding currently allocated through IDACI should be redistributed 50% on prior attainment factors and 50% on Free School Meals?

Responses to this question were fairly mixed.

39% of primary schools agreed with this redistribution, but 49% disagreed and 12% were unsure.

60% of secondary schools agreed with this redistribution.

The main points made by schools were:

FSM require parents to apply, where IDACI does not, so not all deprived children will be taken into account.

FSM and prior attainment are more volatile than IDACI so budgeting will be made more difficult.

3. In view of the reduction by the DfE of the maximum allowable lump sum by £25,000, do you agree that the lump sum in East Sussex should be reduced from £175,000 to £150,000 for secondary schools and £147,000 for primary schools?

64% of primary schools and 100% of secondary schools agreed to the reduction in lump sum.

The main points made by schools who disagreed were:

Primary schools should not have such a large reduction to their lump sum

Small primary schools will suffer from this reduction and they have more concerns for the future.

4. Do you agree that the primary-secondary ratio should be moved back towards the national average of 1:1.27?

67% of primary schools and 80% of secondary schools agreed to the movement towards the national average.

No commentary was received from schools to give a reason why they disagreed with the proposal.

5. Do you agree with the distribution of funding proposed in Appendix D (Structural Maintenance, Carbon Credits & Redundancies)?

Responses to this question were fairly mixed.

55% of primary schools agreed with this distribution of funding, but 15% disagreed and 30% gave an unsure response.

40% of secondary schools agreed with the distribution of funding, but 60% disagreed.

The main points made by schools were:

A greater emphasis should be given to pupil numbers and the age of building when calculating the distribution.

Schools showed concern over being fully responsible for major structural issues (e.g. roof repairs, boiler replacements) and were worried about no longer having the LA support.

They also showed similar concerns regarding redundancy costs.

Schools showed interest in a SLA or 'buy-back' scheme for Structural Maintenance.

For those schools who gave an unsure response, they were against structural maintenance and redundancies being delegated.