



Executive
9 December 2013

**Report from the Director of Children
and Families**

Wards Affected: ALL

School Budget Proposals – 2014/15

1 Summary

- 1.1 Following the introduction of the changes to the local Schools Fair Funding formula in April 2013 this report sets out the proposals for the second year of the new formula for 2014/15. The only significant change from 2013/14 is the proposal to change the ratio of funding between primary and secondary schools so that it is much closer to the national average. This anticipates the introduction of a national funding formula and also helps address an unsustainably high level of protection for schools' budgets through Minimum Funding Guarantee (MFG).
- 1.2 Following work by a sub group of representatives from schools, the Schools Forum and individual schools have been consulted on the proposals with full exemplifications of the implications for each school's budget. Following some technical clarifications there was broad agreement to implement the proposed change in the ratio as described in this report.
- 1.3 The Executive has the statutory responsibility to approve and set the Fair Funding Formula following consultation with the Schools Forum and this report seeks the Executive's approval to the changes for 2014/15.

2 Recommendations

- 2.1 The Executive is recommended to:
 - 2.1.1 Approve the proposed change in the funding ratio between primary and secondary sectors from 1: 1.09 to 1: 1.27 for 2014/15 thereby also addressing the excessively high level of Minimum Funding Guarantee
 - 2.1.2 Approve the proposed schools budget for 2014/15

3 Background

3.1 The Executive meeting on 10th December 2012 received a report summarising the Government's proposed changes to the schools funding formula effective from April 2013 and the impact upon Brent schools. The DfE guidance for 2014/15 confirms the intention to continue to move towards a national fair funding formula during the course of the next spending review. The primary objectives behind the changes introduced for 2013/14 were to:

- Simplify local funding arrangements;
- Improve the way in which local areas are funded;
- Improve arrangements for funding pupils and students with high needs; and
- Simplify arrangements for the funding of early years provision.

3.2 The same very tight timescale that was a major challenge last year continues for 2014/15 and is summarised below.

Date	Action
3 October 2013	School Census Day
31 October 2013	Local Authorities submit provisional 2014/15 school budget proforma to the EFA
28 November 2013	School Census database closed
18 December 2013	EFA confirms DSG schools block for 2014/15 (prior to Academy recoupment)
21 January 2014	Local Authorities submit final 2014/15 school budget proforma to the EFA
28 February 2014	Local Authorities confirm budgets for their maintained schools. EFA confirms budgets for academies.

4 Proposals for Brent's Fair Funding Formula for 2014/15

4.1 Following last year's schools budget setting the funding ratio between primary and secondary sectors was 1:1.09 for 2013/14 compared to a national average for England of 1: 1.27. The DfE contacted the Council in May as the council had the lowest ratio in England and asked what our proposals were to increase the ratio. At the DfE's May National Fair Funding conference it was made clear that the Department is expecting local authorities to converge with and not further diverge from the national average. At the current ratio the council also had the highest value Minimum Funding Guarantee (MFG) in England in 2013/14, at £28m. It is not in the interests of any schools in Brent for the borough to be an outlier as when the government introduces a national funding formula (as they intend to do along with reducing the level of MFG), this would lead to some schools in Brent seeing their funding hit a cliff edge.

4.2 This issue was discussed with Schools' Forum representatives, initially through a sub-group, looking at benchmarking data on primary to secondary funding ratios and the

educational arguments relating to the relative funding of primary and secondary places. During those discussions where the following issues were raised:

- a. Whether to move in one step or a number of steps, for example, over the next two years;
- b. The level of change in the pupil-led factors to achieve the desired ratio;
- c. The relationship between the capping on gains and the scaling factor (the model set out below uses a 1.5% cap and 100% scaling factor);
- d. The impact on MFG;
- e. The opportunity to have different values for primary and secondary lump sums.

4.3 The Schools' Forum agreed to apply a ratio of 1:1.27, the national average, and consult schools on the impact. Appendix A includes the proposed 2014/15 ratio and schools budget totals by primary and secondary in comparison to 2013/14. It is important to note that the combined effect of the changes in ratio and the changes in MFG mean that primary schools, on average, gain rather than lose in 2014/15. A summary of the key outputs is shown below:

	2013/14				2014/15			
	Primary	Secondary	Total	Ratio	Primary	Secondary	Total	Ratio
Pupil Numbers	23,968	13,064	37,032		23,968	13,040	37,008	
	£'000	£'000	£'000		£'000	£'000	£'000	
Total Funding (Pre-MFG)	99,450	59,863	159,312		110,463	76,152	186,615	
MFG	9,018	19,348	28,365		-561	2,137	1,575	
Total Funding (Post-MFG)	108,467	79,210	187,678		109,901	78,289	188,190	
	£	£	£		£	£	£	
Per Pupil Funding (Pre-MFG)	4,149	4,582	4,302	1: 1.10	4,609	5,840	5,043	1: 1.27
Per Pupil Funding (Post-MFG)	4,526	6,063	5,068	1: 1.34	4,585	6,004	5,085	1: 1.31

4.4 The above summary illustrates:

- a. The significant reduction in the gap between pre and post MFG funding arising from the higher ratio.
- b. The narrowing of the gap between and pre and post MFG ratios in 2014/15.
- c. A more realistic budget in anticipation of the potential removal of MFG and the introduction of a national funding formula with minimum turbulence for all schools.
- d. The fact that the changes combine so that the per place funding for primaries goes up rather than down

4.5 The Schools' Forum was concerned with the possible removal of MFG beyond 2015/16 but felt it would be more acceptable to schools if the ratio was brought up to national average in one year. This offers less dependence on MFG to cushion year on year on changes should the MFG end in the future, as well as minimising any turbulence within the formula distribution. The proposal above shows a change in value of MFG from £28.4m to £1.6m.

5 Proposals for SEN Funding – High Needs Block

5.1 The following proposals agreed last year will remain for 2014/15:

5.1.1 The requirement for schools to fund the first £6k of every statement;

5.1.2 The schools that are most affected would receive a phased protection over a limited period of three years from 2013/14;

5.1.3 The transfer of £500k to the Early Years block from the Schools Block to support SEN in schools and PVI sector

6 Financial Implications

6.1 All the aspects of funding covered in this report relate to the Schools Budget which is funded via a specific ring-fenced grant called the Dedicated Schools Grant (DSG). The DSG funding is based on calculations within the proforma submission and there will therefore be no implications relating to the Council's General Fund resources arising from this report. All the detailed financial implications are covered in the body of this report.

7 Legal Implications

7.1 The School and Early Years Finance (England) Regulations 2012 are currently in force and the government has consulted on successor regulations. If these regulations are enacted they would require all local authorities to comply with them for determining school budget shares for the 2014/15 financial year.

7.2 The proposed regulations require the Executive to undertake the necessary consultations with the Schools Forum and schools and then decide upon the formula which they will use to determine the budget shares for schools maintained by them.

7.3 All proposals in this report have been considered by the Schools Forum as a statutory consultee and with all schools in accordance with the Regulations.

Background Paper

2014/15 Revenue Funding Arrangements: Operational Information for Local Authorities

Appendix A

Schools Forum Report (23rd October 2013): Consultation on Schools 2014/15 Provisional Budget

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