

To all Directors of Children's Services in England

13 March 2014

Dear Colleague,

Reforms to the school funding system

I am writing to you because we have made an important announcement today about the next phase of school funding reform for 5 to 16 year olds. This will begin to address the unfairness of the current funding system and provide some help to authorities that are the least fairly funded.

For 2015-16, the Government's first priority for schools funding is stability. The Department will fund all local authorities at least at the same cash level per pupil as in 2014-15 – continuing the protection that we have given since 2011. Once this commitment is met we plan to allocate an additional £350m to schools in 2015-16.

The document we have published today sets out proposals to distribute this funding to local areas most in need. To do so, we will ensure that every local authority attracts a minimum funding level for every pupil and every school. Where there is a gap between a local authority's budget and what it needs to meet our new minimum funding levels, the Department for Education will give the local authority additional funding to close that gap. Where a local authority's budget already exceeds those minimum funding levels, no change will be made to the amount of per pupil funding that it receives from DfE. **This means that no local authority's and no school's level of funding per pupil will fall as a result of this proposal.**

We are also proposing to continue the minimum funding guarantee, which means that for most schools, their funding per pupil cannot drop by more than 1.5% per year.

We do not plan to make any further changes to the way in which local authorities can distribute funding in 2015-16 – although we will carry out a review of the sparsity factor that we introduced in 2013, to understand if any small changes to its operation would be helpful.

You can participate online in the public consultation by filling in the form that is available at www.education.gov.uk. The consultation will close on 30 April 2014. I look forward to hearing your views on our proposals during the public consultation period.



Andrew McCully,
Director General –Infrastructure and Funding Directorate



Department
for Education

Launch date 13 March 2014
Respond by 30 April 2014
Ref: Department for Education

Fairer schools funding in 2015-16

Fairer schools funding in 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. Our proposal will mean that in 2015-16, every local area will attract a minimum level of funding for each of its pupils and schools, making the distribution of funding to local areas fairer whilst ensuring that no area receives a cut to its per-pupil budget. This consultation invites views on how to set these minimum funding levels, and how we will distribute the additional £350 million funding.

We are inviting views on whether small changes to the operation of the sparsity factor would be helpful.

To Maintained schools; academies; local authorities; governors; bursars; parents; schools forums; trade union organisations

Issued 13 March 2014

Enquiries To If your enquiry is related to the policy content of the consultation you can contact the Department on 0370 000 2288

e-mail: SchoolFunding.CONULTATION@education.gsi.gov.uk

Contact Details

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Ministerial and Public Communications Division by e-mail: consultation.unit@education.gsi.gov.uk or by telephone: 0370 000 2288 or via the Department's '[Contact Us](#)' page.

1 Introduction

1.1 Making school funding fairer

There is widespread recognition that the current school funding system is unfair and out of date. We are committed to addressing this so that, across the country, schools have a fair funding allocation that equips them to provide a world-class education.

Since we first consulted in 2011 on how to improve the school funding system, we have introduced a number of important changes to how local authorities distribute funding to schools. These changes have already led to a more transparent funding system with more money being allocated based on the needs of pupils. In 2013-14, local authorities allocated almost 90% of funding based on the needs of pupils, compared with 71% in 2012-13.

We are now determined to provide additional funding to the least fairly funded local authorities in 2015-16. After we have met our commitment to fund all local authorities at the same cash level per pupil as in 2014-15, we have decided to add a further £350m to fund schools in the least fairly funded authorities. This will be the first time in a decade that funding has been allocated to local areas on the basis of the actual characteristics of their pupils and schools, rather than simply their historic levels of spending. **No local authority or school will receive less funding as a result of this proposal.**

Although these proposals do not represent implementation of a national funding formula, this is the biggest step towards fairer funding for schools in a decade. The proposals we are announcing today put us in a much better position to implement a national funding formula when the time is right. This will be when the government has set spending plans over a longer period of time, allowing us to give schools and local authorities more certainty about how the formula will affect them over a number of years.

This proposal relates to 2015-16. Beyond 2015-16, the allocation of funding between local authorities will be a matter for the next spending review.

1.2 Allocating the additional funding fairly

1.2.1 We have carefully considered how we can allocate the £350m as fairly as possible – in a way that reflects the needs of pupils and schools. We are determined to avoid allocating it in a way that could perpetuate the flaws and inconsistencies of the current system, which we have been progressively reforming.

We propose 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 we will not make any change to the amount of funding per pupil that it receives. If a local authority attracts less than these minimum funding levels for the pupils and schools in its area, we will increase its budget so that it meets those levels.

We propose setting a minimum funding level for five pupil characteristics:

- a per-pupil amount ('age weighted pupil unit');
- pupils who are from deprived backgrounds;
- pupils who have been looked after¹, 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, we propose setting a minimum funding level for two school characteristics currently used by local authorities to allocate money to schools:

- a minimum funding level for each school on top of its per-pupil funding ('lump sum'); and
- a minimum funding level for small schools that are essential to serving rural areas ('sparsity sum')².

¹ For 2015-16, a single indicator will be provided, covering all pupils who have been looked after for one day or more on the 31 March 2014. This is the same measure as was set out in the operational guidance for 2014-15.

² The sparsity factor is one of a number of permitted factors that local authorities can use in their local funding formula. This formula factor allows local authorities to allocate additional funding to small schools that are essential to serving small rural communities.

We propose setting our minimum funding levels based on the average amounts³ that local authorities allocate to these characteristics in their local formulae at present. We propose to apply the minimum funding level for the basic per-pupil amount ('age-weighted pupil unit') at the average that local authorities currently allocate through this factor. In doing this, we will use roughly 75% of the £350m of additional funding⁴. We then propose to apply the minimum funding levels for the other characteristics using the rest of the additional funding (roughly 25%). This will mean that we can set each of the other minimum funding levels close to the level of its current local authority average⁵.

We propose 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. We set out this approach in detail at Annex C.

Indicative minimum funding levels, based on the data currently available, are as follows. These are subject to revision when we have final confirmation of local authorities' local funding formulae for 2014-15.

Indicative minimum funding levels

- A basic per pupil amount – primary: £2,845; key stage 3: £3,951; key stage 4; £4,529
- Deprivation – between £893 and £1,974 – full breakdown in Annex A
- 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

³ In order to calculate the indicative minimum funding levels shown in this document, we have used the published final 2013-14 pro forma data to calculate the average per pupil amounts – with the exception of the lump sum and sparsity sum, where we have used provisional 2014-15 school funding data. To calculate the average per pupil amounts for a particular characteristic, we have only included local authorities that allocated funding for the characteristic in question and the average amounts are calculated as a pupil-weighted average. When final 2014-15 pro forma data is available, we will review the minimum funding levels.

⁴ In using the final 2014-15 data this proportion may change. For example, if the average age weighted pupil unit is higher in 2014-15 than in 2013-14, this proportion will increase.

⁵ Each of the indicative minimum funding levels, with the exception of the minimum funding level for the basic per pupil amount, has been scaled back from the current local authority average proportionately to use the remaining share of the total available funding (roughly 25%). October 2014 census data will be used to calculate each of the minimum funding levels before Dedicated Schools Grant (DSG) funding is confirmed for 2015-16.

with higher labour market costs.

In order to calculate whether a local authority will attract additional funding to reach the minimum funding levels, we will first look at the amount each local authority would be due to receive in 2015-16, given our commitment to fund all local authorities at the same cash level per pupil as in 2014-15. We will then apply the minimum funding levels to calculate a new total. This will be done by:

- i. multiplying each of the minimum funding levels by the relevant number of eligible pupils or schools in the local authority⁶;
- ii. summing each of the totals in (i) to create a new funding amount for the local authority;
- iii. applying the area cost adjustment to the total in (ii);
- iv. if this total is more than the original total set out in paragraph 12, we will increase the local authority's funding to reach this new level;
- v. if not, the level of funding remains the same.

⁶ At the time DSG allocations are confirmed, the department will use October 2014 census data. The exemplification in this document uses October 2013 data.

A worked example of our proposed approach is set out below.

Worked Example: Authority X

The following example demonstrates how the minimum funding levels would be applied in imaginary authority X, which has 100,000 pupils. This authority only has KS3 pupils and every deprived pupil also lives in an IDACI 6 area.

i. Total funding 2014-15 £400,000,000

There are 100,000 pupils in authority X and in 2014-15 this authority will receive £400m with each pupil attracting £4,000.

ii. Apply each of the minimum funding levels:

- KS3 AWPU MFL x [100,000 pupils in LA] =£3,951 x 100,000 =£395,100,000
- Deprivation MFL x [5,000 deprived pupils] =£1,974 x 5,000 =£9,870,000
- LAC MFL x [250 LAC pupils] =£1,009 x 250 =£252,250
- LPA MFL x [5000 LPA pupils] =£1,961 x 5,000 =£9,805,000
- EAL MFL x [250 EAL pupils] =£1,216 x 250 =£304,000
- Lump sum MFL x [100 schools] =£128,189 x 100 schools =£12,818,900
- Sparsity MFL⁷ x [10 schools with 300 pupils] =£26,994 x 10 =£269,940

iii. New MFL total

- The sum of each MFL calculation above is =£428,420,090.
- Authority x attracts an ACA adjustment factor of 1.1.
- The adjusted MFL total would be £428,420,090 x 1.1 =£471,262,099
- Divided by the number of pupils in the local authority =£4,713 per pupil

Authority X would receive the higher total budget of £471,262,099 and the higher per pupil amount of £4,713, because their current funding and per pupil amount is less than these new totals.

⁷ In this example, each school attracts 50% of the sparsity MFL. This is because the sparsity amount is a tapered sum. With 300 pupils, the secondary schools attract 50% of the MFL. More information on how the tapering works can be found in the operational guidance for 2014-15.

The table at Annex B lists the 62 local authorities that currently attract less than the indicative minimum funding levels for their pupils and schools. The table indicates the new level of funding per pupil for 2015-16⁸ that would result from these indicative minimum funding levels. **Every other local authority will see its per pupil funding maintained in cash terms, consistent with funding decisions since the start of this Parliament. No school or local authority will lose money as a result of this proposal.**

Note that in most cases, we have used published 2013-14 local authority pro-forma data to calculate the indicative minimum funding levels shown in this document. When final 2014-15 data is available we will review the minimum funding levels and **it is possible some local allocations may vary in order to fit within the envelope of funding we have available.** For example, if the average AWPU turns out to be higher in 2014-15, a greater proportion of the £350m funding would be allocated through the AWPU minimum funding level, meaning a smaller proportion of the overall pot would be allocated through the remaining factors.

1.3 The role of local authority in 2015-16

1.3.1 Our proposal uses seven of the characteristics used in local formulae, but we are not proposing that local authorities should be required to use those seven factors in their local formulae in 2015-16 (with the exception of the basic per pupil amount and the deprivation factor, which are mandatory). Nor are we proposing that local authorities choosing to use any of these seven factors should be required to weight that factor at or above the minimum funding level. It will remain for the local authority to decide how best to apply its local formulae to meet its circumstances.

We are not proposing any changes for 2015-16 to the way in which local authorities can allocate funding to schools – except, possibly, minor changes to the sparsity factor. When we introduced the sparsity factor for 2014-15, we said that we would review how useful local authorities had found this factor. We would like to seek views on this through this consultation, particularly to understand if any changes would be helpful for 2015-16. We have set out a number of questions on the sparsity factor as part of the consultation response

⁸ Any additional funding allocated would be applied only to the schools block within local authorities' DSG allocations. Local authorities will continue to be free to move funding between their schools, high needs and early years blocks in 2015-16 provided they comply with the requirements of our Minimum Funding Guarantee (MFG).

form provided alongside this document.

We will retain the Minimum Funding Guarantee, which has been in place over many years and which dictates that for the vast majority of schools, funding per pupil cannot drop by more than 1.5% per year⁹.

2 Annex A: Indicative minimum funding levels for 2015-16

- 2.1 Please click [here](#) to download Annex A, the Indicative minimum funding levels for 2015-16.

3 Annex B: Indicative changes to local authority funding in 2015-16

- 3.1 Please click [here](#) to download Annex B, the Indicative changes to local authority funding in 2015-16.

4 Annex C: Area Cost Adjustment (ACA)

- 4.1 Please click [here](#) to download Annex C, the Area Cost Adjustment (ACA)

5 Consultation

- 5.1 To respond to our proposals go to www.education.gov.uk/consultations. The consultation closes on 30 April 2014.

⁹ Some funding is excluded from the calculation of the Minimum Funding Guarantee. Details of this are in '2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities.

6 How To Respond

6.1 Consultation responses can be completed online
www.education.gov.uk/consultations.

by emailing: SchoolFunding.CONULTATION@education.gsi.gov.uk

or send by post to:

Ministerial and Public Communication Division, Level 2, Department for
Education, Mowden Hall, Staindrop Road, Darlington, DL3 9BG

7 Additional Copies

7.1 Additional copies are available electronically and can be downloaded from the
Department for Education e-consultation website at:
www.education.gov.uk/consultations

8 Plans for making results public

8.1 The results of the consultation and the department's response will be published
on the DfE e-consultation website in summer 2014.

INDICATIVE MINIMUM FUNDING LEVELS FOR LOCAL AUTHORITY DSG FUNDING FOR 2015-16

The EFA has used the minimum factor funding values below to identify those local authorities which are "least fairly funded" as a way of targeting support funding (£350m nationally) to an estimated 62 local authorities. [Kirklees is not on the list]

Funding Factor	Minimum funding levels	Kirklees' 2014-15 factors	
	Primary	Primary	
Age-weighted pupil unit: Primary Age-weighted pupil unit: KS3 Age-weighted pupil unit: KS4	£2,845	£2,745.23	
Pupil who have been eligible for free school meals in the past six years	£893	£553.01	
Pupils who live in an area that is in one of the income deprivation affecting children index (IDACI) bands	IDACI 1	£237	£198.63
	IDACI 2	£290	£436.98
	IDACI 3	£387	£536.30
	IDACI 4	£453	£794.52
	IDACI 5	£511	£794.52
	IDACI 6	£741	£794.52
Looked after children	£1,009	£1,500.00	
Pupils with low prior attainment	£878	£1,703.15	
English as an additional language	£505	£974.00	
Lump sum	£117,082	£130,000.00	
Sparsity sum	£53,988	Not used	

Minimum funding levels	Kirklees' 2014-15 factors
Secondary	Secondary
£3,951	£3,909.25
£4,529	£4,825.88
£1,080	£553.01
£321	£252.66
£423	£341.09
£530	£821.15
£596	£884.31
£659	£1,010.64
£894	£1,010.64
£1,009	£1,500.00
£1,961	£1,210.48
£1,216	£974.00
£128,189	£130,000.00
£53,988	Not used

Kirklees' funding value is lower than the indicative minimum figure