

Report to: Schools Forum

Date: 8th March 2013

Report of: Director of Childrens Services
Director of Corporate Resources

**Report
No:**

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Report Title: **Review of 2013-14 Funding Arrangements**

**Confidential /
Non Confidential:** This report does **not** contain information which warrants its
consideration in the absence of the press or members of the public

Purpose: The report outlines the Department for Education response to how
the 2013-14 reforms have been implemented and considers
changes in 2014-15

Recommendations: The Schools Forum is asked to comment on the consultation
questions within the report.

Decision:

**Background
Doc(s):**

1. Introduction

The Department for Education has issued a Review of 2013–14 School Funding Arrangements document. This gives a summary of how the 2013-14 reforms have been implemented and considers some specific issues that have been raised. It seeks views from a range of interested parties including local authorities, headteachers, principals and governors.

The review also considers whether there is a need to make small changes in 2014-15 in order to address some of the issues raised.

2. Background

The aim is for a funding system which:-

- is **up-to-date** and reflects the current demographics of pupils across the country;
- targets **additional money to pupils who need extra support** to achieve;
- is **consistent and pupil-led** so that, wherever a pupil goes to school, he or she will attract similar levels of funding;
- is **transparent** so that parents, head teachers, governors and tax-payers can see clearly how funding has been distributed and why;
- gives pupils (supported by their parents and carers) **genuine choice** about which school they attend.

The changes so far are steps towards a national funding formula which will be introduced in the next spending review period.

3. Changes

The Department for Education have set out a summary of changes made to the funding formula, they have included:-

- **greater consistency** across local areas.
- **simplification and rationalised the formula factors** that local authorities can use when allocating funding to schools
- ensuring that the **maximum amount of money is passed on to schools** to spend as they see fit.
- a more **transparent and comparable process for funding academies** by reducing the time-lag in their funding from 17 months to just 5.
- Reforming the funding arrangements for pupils with **high needs** by introducing the 'place-plus' system. This ensures that schools have clearly identifiable budgets for pupils with special educational needs (SEN) and that local authorities take a consistent approach to funding needs over and above those budgets.
- Strengthening the local decision-making process by **ensuring that Schools Forums operate more transparently**, and that school and academy representatives have a greater say about how money is distributed.

4. Minimum Funding Guarantee

The Minimum Funding Guarantee (MFG) ensures that schools will not lose more than 1.5% of their funding per pupil in both 2013-14 and 2014-15. The DfE have confirmed that an MFG will continue to operate after 2014-15 although cannot confirm the exact level.

5. National Consistency

The DfE report was written before all the January pro-forma's had been received, therefore the analysis within the report is based upon the October returns.

While the funding reforms have enabled local authorities to allocate funding to schools on a much more consistent and comparable basis, the data shows that there is still variation in how local authorities have distributed their Dedicated Schools Grant within the constraints. This is to be expected given that per-pupil funding allocations vary across the country, making each local authority's starting point different from its neighbours.

The majority of primary **Age Weighted Pupil Units** (AWPUs) are in the range of £2,250 to £3,250, although there are a few significant outliers of over £4,000. The 15 local authorities with highest primary AWPUs are all in London. (*Bolton £2,874*)

The secondary AWPUs show a similar pattern and, again, the few outlier authorities with significantly higher secondary AWPUS are mostly in London.

Overall, the proportion of funding being spent on the AWPUs varies between 60% and 87%, with half of local authorities allocating between 75% and 80%. (*Bolton 75%*)

The data shows good progress towards the aims of moving to a more **pupil-led** system. Authorities are allocating at least 77% of funding through a combination of the pupil-led factors (these are the AWPUs, deprivation, prior attainment, EAL, looked after children and pupil mobility) and around 49% of authorities are allocating between 90% and 95% of funding in this way. (*Bolton 89%*)

In the document published in June 2012, *School funding reform: Arrangements for 2013-14*, the DfE considered whether to set a minimum threshold for either the AWPUs or a combination of all the pupil-led factors.

Setting a minimum threshold for the AWPUs alone may not be meaningful given that the variation in deprivation across the country requires some local authorities to target more funding to deprived pupils than others. The DfE is therefore inclined to set a minimum threshold for all the pupil-led factors. A requirement of this nature would have an impact on the level of the lump sum and DfE are seeking views on this. If, for example, it was set at 85% then seven local authorities would need to move money away from the lump sum, post-16 and premises factors and put it into the pupil-led factors.

Q1: Should we set a minimum threshold for the pupil-led factors and, if so, at what level?

There is considerable variation in the proportion of funding allocated through the **deprivation** factors – ranging from 2% to 25%, with 83% of local authorities allocating

between 2% and 12%. (Bolton 6.7%) There could be a number of explanations for this variation and DfE are interested in learning more.

Q2: On what basis did local authorities decide on the quantum or proportion of funding to target to deprived pupils?

Another finding from the pro formas relates to the **prior attainment** indicators. Six local authorities chose not to use this formula factor at all and an additional four only used it for pupils in secondary schools.

There is also a significant degree of variation in the per-pupil allocations for the prior attainment factors. They range from £125 to £8,300 for primary pupils (Bolton £461) and £158 to £10,688 for secondary pupils (Bolton £1,619). In both cases there are one or two local authorities with markedly higher per-pupil amounts than the rest, but even disregarding this, the variation is still significant.

Q3: On what basis did local authorities decide on the per-pupil amounts for the prior attainment factors?

Fewer than half of local authorities used the **mobility indicator**. This may be because it was only introduced in June 2012 in response to the representations a result of the March 2012 consultation. Nonetheless, the per-pupil allocations vary in both primary and secondary phases from £10 to £2,000 (although there is a significant outlier of £5,012 for secondary pupils). Bolton did not use.

The **lump sums** chosen by local authorities varied significantly from £42,000 right up to the maximum cap of £200,000. The most common choice was £150,000 (used by 26 authorities) but, overall, there is no consistency in the values set. (Bolton £150,000)

6. Areas of Concern and possible changes for 2014-15

So far, reactions to the 2013-14 arrangements have been limited to a few issues and have come from a small minority of mainly rural local authorities.

In October 2012, in response to those concerns, the DfE wrote to all Directors of Children's Services and Members of Parliament to provide reassurance that they will review the 2013-14 arrangements. The DfE also confirmed that, if they find any unacceptable consequences for schools, they will make further changes in 2014-15 in order to prevent those consequences.

In light of the feedback received to date, the DfE are seeking specific views on whether changes are needed to three of the factors:-

- prior attainment;
- pupil mobility;
- lump sum.

Prior Attainment - The formula uses the Early Years Foundation Stage Profile as a proxy indicator for primary pupils and Key Stage 2 results as a proxy indicator for Primary pupils. In June, the current EYFSP comes to an end this year and the new framework is being updated and will come in to effect from this autumn

The DfE are currently looking at pilot data from the new EYFSP framework to create a new proxy indicator to identify low cost SEN related to attainment and will provide more information this summer. In the interim, as local authorities already have data for all of their EYFS pupils and KS1 pupils (apart from those entering the system this year) we expect local authorities to continue with the current proxy until analysis is completed on the new framework.

Q4: Do you agree that local authorities should continue to use EYFSP data as an attainment-related proxy or should we consider use of a different indicator to identify low cost SEN in primary schools? If so, what indicator?

For secondary schools it is proposed to continue with the attainment-related proxy for KS2 whereby all pupils who fail to achieve Level 4 or above in both English and mathematics at Key Stage 2 will be eligible for low cost SEN support

Pupil Mobility - The mobility factor is intended to address the administrative costs incurred by schools that experience high levels of pupils leaving and joining throughout the academic year.

There are concerns that the factor, as currently designed, does not differentiate between a school that has few mobile pupils (and therefore incurs significantly lower administrative costs) and a school that has significantly larger numbers of mobile pupils (and therefore incurs higher costs).

Q5: Would it help to allow an additional weighting to be given if a school experiences in-year changes to pupil numbers above a certain threshold? If so, where should this threshold be set?

Lump Sum - The single lump sum was introduced predominantly to provide sufficient funding for those necessary small schools, particularly in rural areas, that may not be able to operate on the basis of their per-pupil funding alone.

It has, however, become apparent that the current lump sum arrangements are causing concerns, particularly in relation to small schools in rural areas, it is not the intention that any necessary small school should be forced to close as a result of the reforms, and it is acknowledged that there is a need to support unavoidably small but necessary schools, for example in very sparsely populated areas. In seeking to achieve this, the DfE are considering the possibility of introducing an optional school-level sparsity factor for 2014-15, specifically to target funding at necessary small schools in rural areas.

Q6: In areas with large numbers of small schools, could the problem of having a fixed lump sum be overcome by reducing the relevant AWPU?

Q7: Would having the ability to apply a separate primary and secondary lump sum avoid necessary small schools becoming unviable? If so, how should we deal with middle and all-through schools?

Q8: We said in June that we would review the level of the lump sum cap (currently £200,000) for 2014-15 in order to establish whether it is the minimum cap needed to ensure the sustainability of necessary small schools. If we continued with one lump sum for both primary and secondary, what would be the minimum level of cap needed to ensure the sustainability of necessary small schools? If we had separate

lump sums for primary and secondary, what would be the minimum cap needed for each in order to ensure the sustainability of necessary small schools?

Q9: Would using a school-level sparsity measure to target a single lump sum, based on distance between pupils and their second nearest school, avoid necessary small rural schools becoming unviable?

Q10: What average distance threshold would be appropriate?

Q11: If we had a sparsity measure, would it still be necessary to have a lump sum in order to ensure that necessary schools remain viable? Why? What is the interaction between the two?

Q12: What alternative sparsity measures could we use to identify necessary small schools in rural areas?

As with all schools though, small schools may have to make savings and efficiencies in order to live within their means. This may include merging formally with other small schools in the area to reduce fixed costs. However, in some cases the lump sum can be a disincentive to schools from merging where it is rational to do so, because it results in the loss of one of the lump sums.

Q13: Would the ability for both schools to retain their lump sums for one or two years after amalgamation create a greater incentive to merge?

Deprivation - There have been concerns from some local authorities that the 2013-14 arrangements have resulted in funding moving away from schools with high numbers of deprived pupils. The DfE believe it is very important that deprived pupils are allocated more funding than non-deprived pupils, however recognise that the removal of certain factors (such as floor space and other premises-related issues) and a greater focus on pupil-led factors may cause some schools to experience changes to their budgets.

It is not acceptable that deprived pupils are penalised as a consequence of local authorities seeking to maintain the status quo in their area and not exploring the full range of options open to them to target money to deprivation. By using an appropriate combination of the permitted deprivation indicators (FSM, Ever6 and IDACI) with an optimum per-pupil rate, local authorities should be able to target money more adequately to deprived pupils.

Q14: If you think local authorities will be unable to use the allowable deprivation indicators in order to prevent significant losses to schools with a high proportion of deprived pupils, why do you think that is the case?

Service Children - A number of schools with large numbers of service children have written to express concerns that they are set to lose funding as a result of the new arrangements. This is largely because some local authorities were targeting extra funding to schools with service children through other factors.

The allowable factors in the formula are intended to support pupils that do not achieve as well as their peers, for example those from deprived backgrounds and those with low prior attainment. The DfE has no evidence that this is the case for service children as a group.

Q15: Do you have any evidence that service children (once we account for deprivation, mobility and pastoral care through the Pupil Premium) require additional funding in order to achieve as well as non-service children?

Other Groups of Pupils – evidence indicates that local authorities have enough flexibility to target funding to low-achieving pupils. This, however, remains an important area for the DfE and so they want to ensure that vulnerable groups of pupils are not overlooked.

Q16: Have the 2013-14 reforms prevented local authorities from targeting funding to groups of pupils that need additional support? If so, which?

Schools with falling rolls – In some areas, the demographic trend has meant that secondary school pupil numbers have reduced but a bulge is imminent as more primary pupils move up. In such cases, local authorities can retain a small fund for schools in financial difficulty (this would need to be de-delegated by maintained schools). This can be used to help bridge the gap between the falling rolls and the imminent bulge.

Q17: In cases where a population bulge is imminent, what is preventing good and necessary schools from staying open?

Q18: Are there any other circumstances in which falling rolls are unavoidable in the short term?

7. Options for Adjusting High Needs Funding in 2014-15 and beyond

Mainstream schools and academies receive a notional SEN budget, determined by the local authority using the permitted formula factors. Some local authorities have told us that limitations on the formula factors they can use do not allow them to target funds to those pupils with particular needs or where schools attract a higher number of pupils with high needs because they have a good reputation for meeting those needs. We have therefore allowed local authorities flexibility to use their high needs block to make additional allocations outside the formula to schools that have a disproportionate population of pupils with high needs, after consulting the Schools Forum.

The DfE is planning to introduce to the schools census, from 2014, a marker that will indicate those pupils who receive top-up funding. This high needs marker could be used to target extra funding to schools that have a disproportionate number of high needs pupils, but cannot be introduced before 2015-16 because the census data will not be available.

Q19: Would a formula factor that indicates those pupils who receive top-up funding be a useful addition to help deal with the funding of high needs?

Despite the strong recommendation that local authorities should construct their schools' **notional SEN** budgets so that schools are required to contribute up to £6,000 towards the additional support costs of their pupils with SEN, some have adopted a different threshold as a transitional arrangement. This creates differences in the base funding between neighbouring local authorities, and therefore in the top-up funding levels they are implementing. Commissioning authorities, however, are likely to be dealing with schools in more than one authority area.

Q20: To address the variation in base funding between neighbouring local authorities, how fast should local authorities be required to move towards the £6,000 threshold? Should it be made a requirement from 2014-15?

Top Up Funding - some stakeholders have suggested that the new arrangements would create additional administrative processes for negotiating and paying top-up funding. The DfE are interested in good practice in this area that can be shared more widely.

Q21: Should the Department play an active role in spreading good practice and model contracts/service level agreements?

Pre and Post 16 arrangements – The DfE is aware that the administrative processes pre- and post-16, in the run-up to 2013-14, has not been co-ordinated as helpfully as might have been. The separate data collection exercises and implementation timetables for pre- and post-16 have been confusing. They will be looking to improve this substantially for 2014-15. But also wish to look at how arrangements can be brought closer together so that they are easier to understand and use for local authorities, colleges, schools and Academies.

Q22: Do you have ideas about how the pre and post-16 high needs systems might be brought closer together?

8. Schools Forums

The DfE have heard concerns that Schools Forums were not always operating fairly or transparently. Examples include meeting papers and agendas not being published and voting rights being spread too widely across a range of members. In response to these concerns, they made a number of changes which came into effect on 1 October 2012. They have:

- removed the requirement to have a minimum of 15 people on a Forum;
- limited the number of local authority attendees from participating in meetings unless they are a Lead Member, DCS, DCS representative or are providing specific financial or technical advice (including presenting a paper to the Forum);
- restricted the voting arrangements by allowing only schools members and the PVI members to vote on the funding formula;
- required local authorities to publish Forum papers, minutes and decisions promptly on their websites;

Q23: Do you think that Schools Forums are operating more democratically and transparently? If not, what further measures could the Department take in order to improve this?

9. Recommendations

The Schools Forum is asked to comment on the consultation questions within the report.

Review of 2013-14 School Funding Arrangements

Response Form

The closing date for responding is 26 March 2013.

Your comments must reach us by that date.

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential. ☐

Name:

Organisation (if applicable):

Address:

If you have an enquiry related to the policy content of the review document you can email Funding.REVIEW2013-14@education.gsi.gov.uk

Section 1: Are we moving towards national consistency?

Question 1: Should we set a minimum threshold for the pupil-led factors and, if so, at what level?

Question 2: On what basis did local authorities decide on the quantum or proportion of funding to target to deprived pupils?

Question 3: On what basis did local authorities decide on the per-pupil amounts for the prior attainment factors?

Section 2: Areas of concern and possible changes for 2014-15

Prior Attainment

Question 4: Do you agree that local authorities should continue to use EYFSP data as an attainment-related proxy or should we consider use of a different indicator to identify low cost SEN in primary schools? If so, what indicator?

Pupil mobility

Question 5: Would it help to allow an additional weighting to be given if a school experiences in-year changes to pupil numbers above a certain threshold? If so, where should this threshold be set?

The lump sum

Question 6: In areas with large numbers of small schools, could the problem of having a fixed lump sum be overcome by reducing the relevant AWPU?

Question 7: Would having the ability to apply a separate primary and secondary lump sum avoid necessary small schools becoming unviable? If so, how should we deal with middle and all-through schools?

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Question 12: What alternative sparsity measures could we use to identify necessary small schools in rural areas?

Question 13: Would the ability for both schools to retain their lump sums for one or two years after amalgamation create a greater incentive to merge?

Targeting funding to deprived pupils

Question 14: If you think local authorities will be unable to use the allowable deprivation indicators in order to prevent significant losses to schools with a high proportion of deprived pupils, why do you think that is the case?

Service Children

Question 15: Do you have any evidence that service children (once we account for deprivation, mobility and pastoral care through the Pupil Premium) require additional funding in order to achieve as well as non-service children?

Other groups of pupils

Question 16: Have the 2013-14 reforms prevented local authorities from targeting funding to groups of pupils that need additional support? If so, which?

Schools with falling rolls

Question 17: In cases where a population bulge is imminent, what is preventing good and necessary schools from staying open?

Question 18: Are there any other circumstances in which falling rolls are unavoidable in the short term?

Section 3: Options for adjusting high needs funding in 2014-15 and beyond

Question 19: Would a formula factor that indicates those pupils who receive top-up funding be a useful addition to help deal with the funding of high needs?

Question 20: To address the variation in base funding between neighbouring local authorities, how fast should local authorities be required to move towards the £6,000 threshold? Should it be made a requirement from 2014-15?

Question 21: Should the Department play an active role in spreading good practice and model contracts/service level agreements?

Question 22: Do you have ideas about how the pre and post-16 high needs systems might be brought closer together?

Section 4: Schools Forums

Question 23: Do you think that Schools Forums are operating more democratically and transparently? If not, what further measures could the Department take in order to improve this?

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Thank you for taking the time to let us have your views.

Completed questionnaires and other responses should be sent to the address shown below by 26 March 2013.

Send by e-mail to: Funding.REVIEW2013-14@education.gsi.gov.uk

Send by post to:

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