

**SCHOOLS' FUNDING FORUM (SFF) - WORKING GROUP**

<b>SUBJECT:</b>	Funding for Vulnerable Schools
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<b>AUTHOR:</b>	Ian Hamilton (Manager, Schools, High Needs and Early Years Budgets) and Robin Goldsmith (Accountant, Schools, High Needs and Early Years Budgets)
<b>DATE:</b>	5 November 2018

**SUMMARY OF REPORT:**

The purpose of this paper is to seek a series of recommendations in respect of whether additional funding from the Schools Block (SB) Dedicated Schools Grant should be allocated to vulnerable primary schools and secondary schools

<b>FOR:</b>	Working group to make recommendations to the SFF
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**Structure of Paper**

Section 1 - Introduction

Section 2 - Sparsity Factor

Section 3 - Falling Rolls Fund

Section 4 - Final Recommendations

**1. Introduction**

1.1 On the 28 September 2018 Keith Abbott took a paper to the Schools' Funding Forum (SFF) on funding for vulnerable schools, to access this paper click on this link [Item 5 Vulnerable Schools and Appendix 1 Item 5.](#)

The paper requested members of the SFF to make two recommendations:

- 1) Whether additional support in the form of funding should be given to vulnerable secondary schools, the additional support being made up of the following:
  - Falling Rolls Fund (FRF)
  - Changes to the Sparsity Factor, that would increase the amount allocated
  - A combination of the above
- 2) Whether consideration should also be given to vulnerable primary schools to provide additional support under the same headings as 1)

1.2 The recommendation made by members of the SFF was to set up a working group to review in more detail whether the Local Authority (LA) should make changes to the existing Sparsity Factor, have an FRF and widen the scope of support to include vulnerable primary schools.

1.3 The layout of this paper has been organised in such a way that it provides members on the working group with a structure that will help them to make recommendations. It will be used as the format of the meeting on the 5 November and therefore parts of this paper will be raising questions (highlighted in red) that will be answered at the meeting on that date.

1.4 Before the Final Recommendations (section 4) can be made by the working group, the group needs to understand the underlying criteria. Initially the working group will work through the detail of each criterion and then make overall recommendations in the final section of this paper. It could be that the options for criteria influence the final recommendations.

1.5 Any recommendation by the working group will be subject to affordability and that will need to be considered in the context of the overall schools' budget for 2019-20, which will be determined at the next SFF meeting on the 30 November 2018.

## **2. Sparsity Factor**

2.1 For the Sparsity Factor to be included in the Local Funding Formula (LFF) both schools and the SFF should be consulted, however, the final decision on its inclusion is made by the Cabinet Member for Education (CMfE).

2.2 In 2018-19 the Education Skills Funding Agency (ESFA) introduced a Soft National Funding Formula (NFF)<sup>1</sup> with the long-term intention of moving to a Hard NFF<sup>2</sup>. In the Autumn of 2017 an all-schools consultation was held on the composition of the LFF for 2018-19 and 2019-20. The overriding principle followed in the consultation was, that where possible, the direction of travel would be to replicate the NFF, whilst taking into consideration local circumstances. Based on this principle, the LA introduced a Sparsity Factor into its LFF in 2018-19.

### **Sparsity Criteria**

#### **National and Local**

2.3 Schools that are eligible for sparsity funding must meet two criteria:

- they are located in areas where pupils are a significant distance from an alternative should the school close

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<sup>1</sup> A Soft National Funding Formula (NFF) is where initially the calculation for each individual school is passed to the LA and then LA allocates the funding to its schools using an LFF. The LFF works within a framework of 15 factors determined by the ESFA. The LA determines the combination of factors and the funding rates.

<sup>2</sup> A Hard-National Funding Formula (NFF) is where the calculation made centrally is then passed direct to the School

- they are small schools

2.4 For the pupils for whom the school is their closest compatible school, the factor measures the distance (as the crow flies) from their home to their second nearest compatible school and the mean distance for all pupils is then calculated. Since the pupil population changes each year, it is possible for a school to be eligible for sparsity funding in one year but not in the next.

2.5 The school eligibility criteria for sparsity funding are as follows:

School phase	Maximum average number of pupils per year group	Minimum average distance to second nearest compatible school
Primary	21.4	2 miles
Secondary	120	3 miles
Middle	69.2	2 miles
All-through	62.5	2 miles

### Local Only

2.6 LAs can also make an application to ESFA to include an exceptional factor of up to £50,000 for very small sparse secondary schools which would otherwise be unable to attract sufficient funding to remain viable. LAs can only apply for an exceptional factor where schools have:

- pupils in years 10 and 11
- 350 pupils or fewer
- a sparsity distance of 5 miles or more

### Sparsity Values

2.7 The table below summarises national and local sparsity rates

	LFF	National
Primary	<p>Maximum £100,000 - can set limit at any level below threshold</p> <p>Funding is tapered</p> <p>11.7 (21.4 / 2) pupils = maximum amount</p>	<p>Maximum £25,000 + Area Cost Adjustment (ACA) = £25,173 - can set limit at any level below threshold</p> <p>Funding is tapered</p> <p>11.7 (21.4 / 2) pupils = maximum amount</p>

	21.4 pupils - £0	21.4 pupils - £0
Secondary	<p>Maximum £100,000 - can set limit at any level below threshold</p> <p>Funding is tapered</p> <p>11.7 (21.4 / 2) pupils = maximum amount</p> <p>21.4 pupils - £0</p>	<p>Maximum £65,000 + Area Cost Adjustment (ACA) = £65,449 - can set limit at any level below threshold</p> <p>Funding is tapered</p> <p>11.7 (21.4 / 2) pupils = maximum amount</p> <p>21.4 pupils - £0</p>
Small Secondary Exceptional Factor	£50,000 on application to ESFA	

2.8 Based on the principle that where possible Kent's LFF would replicate the rates of the Hard NFF, Kent has set its sparsity thresholds at £25,173 for primary schools and £65,449 for secondary schools.

### Provisional Working Group Recommendation (PWGR)

#### PWGR - 1

2.9 Secondary schools - Should Kent move away from its current sparsity threshold of £65,449 based on the Hard NFF, to an allowable LFF rate within the ESFAs formula framework where the threshold is set at £100,000?

The working group recommended that the current threshold based on the NFF should be retained.

The recommendation was based on the overriding principle followed in the schools funding consultation for 2018-19, which was that where possible, the direction of travel would be to replicate the NFF, whilst taking into consideration local circumstances.

By moving to a threshold of £100,000, Kent's LFF would be moving away from the NFF.

#### PWGR - 2

2.10 Secondary schools - Should Kent introduce a small secondary school exceptional factor?

The working group recommended that a small secondary school exceptional factor should not be introduced to the LFF. The rationale for not doing this was the same as in 2.9 in the respect that it would be moving away from the desired direction of travel which is that where possible the NFF should be replicated.

### PWGR - 3

2.11 Primary schools - Should Kent move away from its current sparsity threshold of £25,173 based on the Hard NFF to an allowable LFF rate within the ESFAs formula framework where the threshold is set at £100,000?

The working group recommended that the current threshold based on the NFF should be retained. The basis for the recommendation was the same as that stated in 2.9.

### PWGR - 4

2.12 Secondary schools - If the answer is yes to 1 or 2 or both, then at what level (various combinations) should the new rates be set? In order to assist with this piece of work an interactive tool will be presented to the work grouping so that the cost can be quantified, and a recommendation made.

The answers to questions 1 and 2 were 'No', therefore no recommendation was needed by the working group.

### PWGR - 5

2.13 Primary Schools - If the answer to 3 is yes, then at what level should the new threshold be set? In order to assist with this piece of work an interactive tool will be presented to the work grouping so that the cost can be quantified, and a recommendation made.

The answer to question 3 was 'No', therefore no recommendation was needed by the working group.

## **3. Falling Rolls Fund**

3.1 LAs may set aside SB funding to create a small fund (see appendix 1 ESFA guidance) to support good schools with falling rolls, where local planning data shows that the surplus places will be needed within the next three financial years.

3.2 The SFF should agree both the value of the fund and the criteria for allocation. The criteria are then subject to ESFA scrutiny for full ratification, note it is the SFF that decides and not CMfE.

3.3 The criteria for allocating falling rolls funding should contain clear objective trigger points for qualification, and a clear formula for calculating allocations. Differences in allocation methodology are permitted between phases.

### **Recommendation of Criterion**

3.4 This section of the paper looks at possible criteria that may be used to determine eligibility and seeks the views of the working group on their suitability. Possible criterion in paragraphs 3.6, 3.10, 3.14, 3.18 and 3.24 are taken from the ESFA operational guidance

3.5 Process for considering criterion: each criterion is listed in bold print this is followed by a narrative on the criterion and the views of the working group are requested on the suitability of the criterion.

**3.6 Support is available only for schools judged good or outstanding at their last Ofsted inspection (this is a mandatory requirement)**

**Narrative**

3.7 This is the only heading that is mandatory, however a disapplication on an individual school basis can be submitted to the ESFA. If the ESFA agree the case for the disapplication the school will be eligible to receive funding for falling rolls if it does not meet the good or outstanding criteria.

**PWGR - 6**

3.8 Primary schools - If a FRF is introduced for primary schools, would the working group recommend that where a school is not judged as good or outstanding, the LA on a case by case basis submit a disapplication to the ESFA requesting eligibility for falling roll funding, if the remaining eligibility criteria were met?

The working group recommended that if a school was not judged as good or outstanding by Ofsted but that the school met the other local eligibility criteria for FRF, then a disapplication should be submitted to the ESFA.

3.9 Secondary schools - If a FRF is introduced for secondary schools, would the working group recommend that where a school is not judged as good or outstanding, the LA on a case by case basis submit a disapplication to the ESFA requesting eligibility for falling roll funding, if the remaining eligibility criteria were met?

The working group recommended that if a school was not judged as good or outstanding by Ofsted but that the school met the other local eligibility criteria for FRF, then a disapplication should be submitted to the ESFA.

**3.10 Surplus capacity exceeds a minimum number of pupils, or a percentage of the Published Admission Number (PAN)**

**Narrative**

3.11 The rationale for this criterion is that the school's financial viability is based on the PAN for the school, if actual numbers are below the PAN then additional funding should be provided. When considering if this should be a factor, the size of the school and a school's flexibility on setting its own PAN should be taken into consideration. Data on PANs will be provided for consideration at the meeting. Appendix 2 is a statement from the LAs Head of Fair Access in respect of the robustness of the criterion.

## PWGR - 7

3.12 Primary schools - If an FRF was introduced for primary schools, would surplus capacity exceeding PAN be a recommended criterion - yes or no?

The working group agreed not to use this measure as a criterion. This recommendation was based on the contents of appendix 2, which identified several weaknesses in the measure. The most obvious problem identified was that the law enables a school to raise its PAN at any time even if it is not full. Consequently, any school could, without consultation, simply choose to increase its PAN by any number of forms of entry it wishes, and in the absence of actual pupils, collect additional funding for its empty places.

If the answer is yes, then what threshold or methodology should be used to measure eligibility?

N/A as measure not supported

3.13 Secondary schools - If an FRF was introduced for secondary schools, would surplus capacity exceeding PAN be a recommended criterion - yes or no?

Same response as 3.12 – factor not a suitable measure.

If the answer is yes, then what threshold or methodology should be used to measure eligibility?

Same response as 3.12 – factor not a suitable measure.

**3.14 Local planning data shows a requirement for a minimum percentage of surplus places within the next three years**

## Narrative

3.15 The rationale for this criterion is whether there is pupil number demand in the longer term, with the school's low numbers only being a temporary position. At a minimum local planning should forecast that pupil numbers will be increasing and therefore current unfilled capacity will be utilised in the future. When considering this as a criterion consideration should be given to the ability to manage school PANs. Data on local planning will be provided for consideration at the meeting.

## PWGR - 8

3.16 Primary schools - If an FRF was introduced for primary schools, should the use of local planning data be a recommended criterion - yes or no?

Planning data by district and phase was provided to the working group. The working group felt that this was not a suitable measure for the following reasons:

- The minimum percentage of surplus places was a subjective judgement
- As in 3.12 and 3.13 PANs were open to manipulation
- Even if the planning data showed that capacity would be utilised in future years, there was no guarantee that another school in the area would not admit the pupils
- Forecasting future numbers is not an exact science and therefore the data is not robust enough to be used to allocate funding

If the answer is yes, then what threshold or methodology should be used?

N/A as measure not supported

3.17 Secondary schools - If an FRF was introduced for secondary schools, should the use of local planning data be a recommended criterion - yes or no?

Same response as 3.16

If the answer is yes, then what threshold or methodology should be used?

Same response as 3.16

**3.18 Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort**

### **Narrative**

3.19 The rationale for this criterion is that a school will have an optimum number of pupils that will make the curriculum delivery financially viable. For secondary schools a commonly quoted threshold is 600 pupils, therefore a school with less than 600 pupils would receive some form of protection to deliver the curriculum. The challenge faced is if a threshold can be identified, then on what basis is the additional funding calculated to support the curriculum? Further information will be provided on this at the meeting to aid our discussion.

3.20 The rationale for the criterion for primary schools is the same, however setting a minimum pupil threshold to deliver the curriculum will be more complex due to the



different pupil size of primary schools. Further information will be provided on this at the meeting to aid our discussion.

3.21 Something that should be considered when setting a threshold is whether the school has chosen to be small, for example one secondary school in Kent has set its PAN at 345 pupils, therefore any threshold should be linked to the schools PAN.

#### PWGR - 9

3.22 Primary schools - If an FRF was introduced for primary schools, should a criterion be included that is based on supporting an appropriate curriculum for the existing cohort - yes or no?

The working group felt this was the key criterion if an FRF was going to be introduced: a threshold (number of pupils) at which the curriculum is not viable would need to be established and once this was identified, the level of funding needed to support the curriculum and make the finances in the school sustainable would need to be agreed.

There are 455 primary schools in Kent which range in size from 51 pupils to 730 pupils. Primary schools have a range of flexible curriculum models that can be tailored to the size of the school and delivered within the funding allocated through the LFF.

The working group felt the point at which a primary school would become unsustainable was not clearly identifiable, if at all, and they felt there was enough flexibility to tailor the curriculum based on the funding generated by the number of pupils in the school.

The working group's recommendation is therefore, not to introduce this factor for the above reason.

If the answer is yes, then what threshold or methodology should be applied?

N/A as measure not supported

3.23 Secondary schools - If an FRF was introduced for secondary schools, should a criterion be included that is based on supporting an appropriate curriculum for the existing cohort - yes or no?

The working group felt this was the key criterion if an FRF was going to be introduced: a threshold (number of pupils) at which the curriculum is not viable would need to be established and once this was identified, the level of funding needed to support the curriculum and make the finances in the school sustainable would need to be agreed.

A frequently quoted minimum number of pupils needed to generate enough funding to deliver a secondary school curriculum is 600 pupils. Although empirical evidence

was not provided to support this (some secondary schools run a curriculum with significantly less pupils) the discussion took place around this number.

It was acknowledged that a formulaic approach had to be adopted, however as part of the process to determine a formula the following information would need to be defined or provided:

- a) Each individual school would need to present evidence that demonstrated they did not have enough funding to deliver the basic curriculum
- b) Which elements of the LFF should be included when assessing an appropriate funding contribution to deliver a basic curriculum i.e. additional need funding
- c) The definition of a basic curriculum- this is likely to vary from school to school
- d) Local decision making- are the right number staff employed at the right cost?

The working group felt that to apply consistent criteria to a, b, c and d would be very difficult and in addition to this it was also felt that:

- An NFF should be sensitive enough to address the individual circumstances of the school and the FRF was a way of addressing a system that did not work
- The frailties' around the current school place planning system was in some cases the cause of schools becoming financially unviable. These frailties in the current system nationally should be addressed and FRF was a diversion to the real cause of the problem
- Was an FRF affordable?

The working group concluded that it was not possible to set an objective, consistent criteria that was fair to all schools to determine the level of funding to be allocated to sustain a basic curriculum. It was also felt that the FRF was potentially unaffordable and masked the deficiencies in the NFF and school planning regulations. On this basis the working group's recommendation is not to introduce this factor.

**If the answer is yes, then what threshold or methodology should be applied?**

N/A as measure not supported

### **3.24 The school will need to make redundancies to contain spending within its formula budget**

#### **Narrative**

3.25 The rationale for this is that a school having to make redundancies to remain within their formula budget could find themselves unable to deliver the curriculum.

Should funding therefore be provided so that redundancies do not need to be made?  
Any criterion on this basis would not need to be supported by evidence from the school

#### PWGR - 10

3.26 Primary schools - If an FRF was introduced for primary schools, should a criterion be included that provides financial support to a school to fund staff salaries so that redundancies are not necessary - yes or no?

The working group felt this was an area that was subjective and would be difficult to quantify and therefore would not be a valid factor.

If the answer is yes, then what threshold or methodology should be applied?

N/A as measure not supported

3.27 Secondary schools - If an FRF was introduced for secondary schools, should a criterion be included that provides financial support to a school to fund staff salaries so that redundancies are not necessary - yes or no?

The working group felt this was an area that was subjective and would be difficult to quantify and therefore would not be a valid factor.

If the answer is yes then, then what threshold or methodology should be applied?

N/A as measure not supported

### 3.28 Falling Roll Pupil Numbers

#### Narrative

3.29 The ESFA guidance does not specifically suggest a criterion defining what a falling roll is. Ultimately at some point a school will have had a drop-in pupil numbers, however this may plateau and may not be an annual event. Further information will be provided on this at the meeting to aid our discussion.

#### PWGR - 11

3.30 Primary schools - If an FRF was introduced for primary schools, should a criterion be included that defines falling roll numbers - yes or no?

It is important to note that the FRF title defined by the ESFA is misleading. A better title description of the fund is a sustainability fund for schools with falling rolls. As point 3.22 was not recommended this point is now obsolete.

If the answer is yes, then what threshold or methodology should be used?

N/A as measure not supported

**3.31 Secondary schools - If an FRF was introduced for secondary schools, should a criterion be included that defines falling roll numbers - yes or no?**

As stated in point 3.30, the FRF title defined by the ESFA is misleading. A better title description of the fund is a sustainability fund schools fund for schools with falling rolls. As point 3.23 was not recommended this point is now obsolete.

If the answer is yes, then what threshold or methodology should be used?

N/A as measure not supported

## **Any Other Criteria**

### **Narrative**

3.32 Members of the working group are invited to put forward suitable criterion that has not been considered in paragraphs 3.6 to 3.31.

**PWGR - 12**

**3.33 Recommendations for other criteria that could be used to determine eligibility to the FRF.**

No other criteria were put forward by the group.

## **Methodologies for Distributing Funding**

3.34 The ESFA require a formula for distribution and not an allocation based on individual application, the following are suggested methods by the ESFA for targeting falling roll funding:

- a rate per vacant place, up to a specified maximum number of places (place value likely to be based on AWPU)
- a lump sum payment with clear parameters for calculation (for example, the estimated cost of providing an appropriate curriculum, or estimated salary costs equivalent to the number of staff who would otherwise be made redundant)

## PWGR - 13

3.35 Primary schools - Which methodology should be used to allocate funding to primary schools that meet the FRF criteria?

As the working group's recommendation was not to introduce 3.22, the methodology recommendation is now obsolete.

3.36 Secondary schools - Which methodology should be used to allocate funding to secondary schools that meet the FRF criteria?

As the working group's recommendation was not to introduce 3.23, the methodology recommendation is now obsolete.

## 4. Final Recommendations

4.1 Members of the working group are requested to make the following recommendations:

- a) Should the level of the funding allocated through the Sparsity Factor for primary schools in Kent be increased? No - see point 2.11
- b) Should the level of the funding allocated through the Sparsity Factor for secondary schools in Kent be increased? No - see points 2.9 and 2.10
- c) Should an FRF be introduced for primary schools in Kent? No - see point 3.22
- d) Should an FRF be introduced for secondary schools Kent? No - see point 3.23
- e) If the answer to a) is yes, what level of funding should the Sparsity Factor for primary schools be increased to?
- f) If the answer to b) is yes, what level of funding should the Sparsity Factor for secondary schools be increased to?
- g) If the answer to c) is yes, what criteria should be used to determine eligibility to access the FRF for primary schools and what funding methodology should be used to allocate the funding?
- h) If the answer to d) is yes, what criteria should be used to determine eligibility to access the FRF for secondary schools and what funding methodology should be used to allocate the funding?