

## SCHOOLS' FUNDING FORUM

<b>SUBJECT:</b>	DfE Review of 2013/14 School Funding Reforms and Implications for 2014/15
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<b>DATE:</b>	12 July 2013
<p><b>SUMMARY OF REPORT:</b></p> <p>This report provides Forum members with information of the DfE's review of the 2013/14 School Funding Reforms and the implications (changes) for the 2014-15 financial year. The body of this report has intentionally grouped these changes into those that are mandatory and those which are optional to assist the reader. The LA's recommendation on each change is clearly stated.</p> <p>The LA is seeking the views of the Forum as to whether the LA should consider changing its local funding formula for schools in 2014/15.</p> <p>If the Forum thinks that we should introduce some of the optional changes then the LA must (DfE requirement) conduct an all school (inc academies) consultation.</p>	
<b>FOR:</b>	Opinion

### 1. Introduction and Background

- 1.1 The DfE conducted a review of the 2013-14 School Funding Reforms, which included a sector wide consultation, in February and March 2013. They announced the outcome of their review and the implications for 2014-15 on the 4 June 2013. Full details of the review, the consultation findings and funding reform changes to be implemented in 2014-15 are disclosed in two documents;
  - School Funding Reform: Findings from the Review of 2013-14
  - Arrangements and Changes for 2014-15 and Funding Arrangements: Operational Guidance for Local Authorities
 You can access both of these documents via the following link: [2014-15 Funding arrangements](#).
- 1.2 In summary the changes can best be described overall as minor tweaks to the major changes that were introduced in 2013-14. Some of the tweaks (changes) are mandatory whilst some are optional. Section 2 of this paper deals with the mandatory changes, whilst section 3 deals with the optional changes.

- 1.3 Since the announcement on the implications for 2014/15, the Chancellor announced on 26 June 2013 that the government will be implementing a national funding formula for schools in 2015/16. This is relevant in the context of some of the optional changes that are considered later in this paper.
- 1.4 We expect the National Funding Formula to look very similar to our current funding formula in terms of the number of factors. What may change is that the government may set limits or allowed ranges to the funding rates of each factor which LAs will have to comply with.
- 1.5 We also expect that the National Funding Formula will consider the level of Dedicated Schools Grant each Local Authority receives as the current methodology was frozen at 2005/06 levels and therefore is now out of date and increasingly unfair as it does not reflect current LA area pressures and circumstances.

## 2. Funding Reforms – Mandatory Changes for 2014-15

- 2.1 **Pupil Led Factors** - In 2014-15 the DfE requires that all LAs allocate a minimum of 80% of the delegated schools block through an appropriate and locally determined combination of pupil led factors. *Kent already fully complies with this as 89% of delegated school block funding is allocated through pupil led factors.*
- 2.2 **Minimum Threshold for allocating funding through the Age Weighted Pupil Unit (AWPU)** - In 2014-15 LAs are required to set the AWPU at a minimum of £2,000 for a primary aged pupil and at a minimum of £3,000 for a secondary age pupil (Key Stage 3 and 4 only). *Kent already fully complies with this as the AWPU rates for 2013-14 are Primary £2,727, KS3 £3,788 and KS4 £4,157.*
- 2.3 **Single Measure for allocating Looked After Children (LAC) funding** - Currently LAs can use one of three measures to distribute funding for LAC. The 3 measures are if the child has been looked after for one day or more, for at least six months or at least 12 months. The DfE now require that all LAs use a single measure of one day or more. *This is Kent's preferred preference of distribution and therefore we already fully comply with this condition.*
- 2.4 **Prior Attainment (PA) Early Years Foundation Stage Profile (EYFSP) and Key Stage 2 (KS2)** - PA scores are used as a Low Cost High Incidence Special Education Needs factor. For Primary School aged pupils the EYFSP is used and for Secondary aged pupils KS 2 results are used.
- 2.5 Currently the Kent funding formula distributes an amount of £1,309 per pupil for any primary aged pupil that has a EYFSP score of 78 and below. From the academic school year 2012-13 a new method of reporting outcomes for EYFSP has been introduced and the score has been replaced with a judgement. All pupils that are classified as **have not achieved a good level of development** will be eligible for funding. The number of funded pupils in 2014-15 will be made up of a combination of the new judgement **have not achieved** and old numeric score where relevant. At the moment we do not know whether the total population of eligible pupils will

increase or reduce, but we will keep the total pot the same for this data change and therefore the rate per eligible pupil will change accordingly.

- 2.6 Currently pupils qualify for the PA factor at KS2 if they fail to achieve a level 4 or higher in English and Maths. This measure currently picks up around 10% of pupils nationally. The DfE want to ensure that the PA measure identifies pupils who are less likely to go on and attain well at KS4. The DfE have reviewed attainment data, which shows that currently only 20% of pupils who achieved a level 4 in English or Maths at KS2 went on to achieve the 5 (A\*-C) GCSEs including English and Maths. In light of this, the DfE will be changing this measure so that in 2014-15, pupils will be identified as having low prior attainment, if they fail to achieve a level 4 or higher in English **or** Maths. The DfE expect such a change to mean that this revised measure would identify around 21% of pupils. As such the total number of eligible pupils will increase and therefore the funding rate per eligible pupil will reduce. The total amount of funding allocated via this factor will remain the same.
- 2.7 **New Post 16 Representative on the Schools' Funding Forum** - The DfE require Schools' Forum to include one representative from an institution (other than from a school or academy) providing education to 16-19 year olds. This will replace the current requirement for a representative from the 14-19 partnership. *It is our expectation that this representative will come from the FE sector in Kent.*
- 2.8 **Amalgamations** Where schools amalgamate, they will retain the equivalent of 85% of two lump sums for the financial year following the year in which they merge. Authorities can apply to the EFA to lower this in exceptional circumstances. *This is a welcome change, all be it only for one year, as one of the barriers to amalgamation is the reduction in lump sum funding (£120k per annum).*

### 3. Funding Reforms - Optional Changes

- 3.1 **Mobility** - The DfE added a factor for pupil mobility to its initial list of allowable factors for 2013-14. Pupil mobility is calculated using the school start date for each pupil from the October school census. It will include pupils who started in the last three academic years, but did not start in September (or January for year R).
- 3.2 If a LA chose to use the mobility factor in 2013-14 it would have to target funding to all schools that had mobility, even those with what could be considered very minor mobility. The factor did not have a threshold and therefore did not allow LAs to target funding to the schools with the greatest need. Where LAs historically used a mobility factor it was generally included in the formula as a method of targeting deprivation funding as there is a strong link between deprivation and mobility.
- 3.3 We briefly considered this factor as part of our discussions last year on changes to the Kent formula and chose not to introduce it for the following reasons:
- we did not previously have a mobility factor in our formula
  - we already target a significant amount of funding to social needs. This includes around £30m using a deprivation indicator and £9.4m using English as an Additional Language (EAL) indicator.

- 3.4 From 2014-15 the DfE are continuing with the option of having a mobility factor in the formula and will be using the same method to provide a mobility factor i.e. over three years and not starting at the beginning of the academic year. The difference now is that funding can only be targeted where a schools pupil mobility is over 10%. A school would firstly need to have mobility of over 10% and secondly funding could only be targeted at the number of pupils over the 10%.
- 3.5 The LAs recommendation is not to introduce this factor into the schools formula for 2014-15 for the following reasons.
- Prior to the funding reforms Kent did not have a mobility factor in its formula. Other factors have been used to provide funding for social need in the allocation of school budgets. There is no evidence to suggest that we should move away from our current method of distribution.
  - We have no spare DSG to fund a Mobility factor, and would therefore have to reduce the funding of an existing factor to fund it. As school budgets are protected by the Minimum Funding Guarantee (MFG) we would have to reduce the existing factor by a greater amount than the cost of introducing a mobility factor as MFG protection would apply to some schools.
  - There is no compelling evidence that the prescriptive formulaic method adopted by the DfE will effectively target funding to those schools that have real additional cost pressures in respect of pupil mobility.
  - We don't know whether pupil mobility will exist as a factor in 2015-16 with the introduction of the national funding formula. It may depend on how many LAs introduce it in 2014-15.
- 3.6 **Lump Sum** - The DfEs view is that the main purpose of the lump sum is to provide sufficient funding to necessarily small schools which could not operate on the basis of per-pupil funding alone.
- 3.7 In 2012-13 we had different value lump sums in primary and secondary phases. As part of the funding reforms for 2013-14 the DfE required all LAs to have a single lump sum factor which applied to both the Primary and Secondary phases and it could not exceed £200,000.
- 3.8 Following the presentation last year by the LA of its work modelling the effects of different lump sums on different types of schools, the SFF recommended that the lump was set at £120,000. Appendix 1 provides details of the modelling carried out. As you can see 89% of primary schools with less than 200 pupils saw an increase in comparable factors due to the lump sum being set at £120,000.
- 3.9 At the time of the funding reforms for 2013-14 LAs strongly recommended that the DfE allow LAs flexibility in respect of setting a separate value of lump sum for the primary and secondary phase. The new funding arrangements for 2014-15 now allow different rate to be set for each phase and the cap of £200,000 has been lowered to £175,000.

- 3.10 Appendix 2 is an analysis used for the 2013-14 review of lump sums and shows the impact of different value lump sums on secondary schools only. The table details the number of secondary schools that would see a movement in comparable premises funding using a lump sum within the range of -3 to 3 %. In total, 96% of secondary school will be within this range if the lump sum is set £120,000 and 97% if it set at £175,000.
- 3.11 The LAs recommendation is to retain the current level of the lump sum at £120,000 in 2014-15 for both primary and secondary schools the following reasons.
- For the primary phase schools the optimum level for the setting the lump sum was determined to be £120,000, and no new evidence is available that contradicts this view. Moving beyond this level will have a disproportionate and detrimental impact on larger primary schools.
  - For the Secondary phase, minimal impact will be achieved if the lump sum is increased from £120,000 to £175,000. However if the lump sum rate for secondary schools was increased, the secondary age AWPU rates would have to be reduced to fund this.
  - Consideration should be given to the recommendation of any changes in the context of the pending move to a National Funding formula in 2015-16.
- 3.12 **Sparsity Factor** - Since the DfE announced the changes for 2013-14, they have received feedback that the funding reforms and particularly the lump sum arrangements are causing concerns for some LAs in some rural areas and as a result of this they are introducing a sparsity factor.
- 3.13 The sparsity factor is calculated by first measuring the distance between a pupils home and its nearest school and secondly the distance between the pupils home and its second nearest school. Eligibility will exist where the average distance between the nearest school and second nearest school is greater than 2 miles for a primary school and 3 miles for secondary school.

#### Full Criteria for Sparsity Funding

	Primary	Secondary
Second School must be more than	2 miles	3 miles
School must have less than	150 pupils	600 pupils
Amount of funding that can be allocated through this factor	Up to £100,000	Up to £100,000

- 3.14 Appendix 3 provides details of schools that would be eligible for funding if Kent chose to introduce a Sparsity factor. In total there are 20 eligible schools (approx 4%), 17 primary and 3 secondary.
- 3.15 The LAs recommendation is not to introduce a Sparsity factor into the schools formula for 2014-15 for the following reasons.
- Last year the DfE's view was that the lump sum should be set at a level that offered sufficient funding to necessarily small schools which could not operate on the basis of per pupil funding along. In Kent we deliberately increased the

lump sum for primary schools to £120,000 to comply with this view. The majority of small primary schools (under 200 pupils) in Kent (89 %) have already benefitted from the increased lump sum. Specifically, 16 of the 17 primary schools who currently qualify for this factor benefited from increasing the lump sum to £120,000.

- This factor explicitly refers to 'necessary small schools' and so implicitly unnecessary small schools who will not receive the funding. A situation would inevitably arise where two schools in similar circumstances would receive significantly different budgets because one qualified for sparsity and one didn't. Many would see the distinction as arbitrary and unfair.
- Our view is that this is a complicated factor which is difficult for schools to predict whether they are eligible from one year to the next. It also appears out of kilter with the new look simplified formula in terms of its complexity in calculation.
- Same issue as Mobility factor, we have no spare DSG to fund a Sparsity factor, and would therefore have to reduce the funding of an existing factor to fund it.
- For secondary schools/academies two out of the three schools that would qualify for sparsity funding have actually seen an increase in overall funding per pupil between 2012-13 and 2013-14. This would indicate that the funding reforms in 2013-14 have not had a detrimental impact on small secondary schools in Kent. The other school is a non-recoupment academy (pre April '08)
- We don't know whether this optional factor will exist as a factor in 2015-16 with the introduction of the national funding formula. It may depend on how many LAs introduce it in 2014-15.

- 3.16 **Schools With Falling Rolls** - The changes that the DfE have made in 2013-14 are intentionally centred on the number and characteristics of pupils rather than the circumstances of schools. This is in keeping with the DfE's aim to give pupils greater choice about where they go to school and to allow successful, popular schools to expand as the demand from pupils and parents increase.
- 3.17 In fulfilling their place planning function LAs may find that some schools in their area are no longer required. But in some cases, they will identify that the number of places required will increase in the near future and therefore they may want to ensure that required schools remain open and viable in the short term. The DfE recognise however that a pupil-led system can cause difficulties in such circumstances and the head teachers will want to avoid the need to make expensive redundancies, only to need to recruit again in the near future.
- 3.18 For 2014-15, LAs may top slice DSG in order to create a small fund to support good schools with falling rolls where local planning data show that the surplus places will be needed in the near future. The DfE have indicated that an acceptable methodology would generally contain some of the features set out below:
- Support is available only for schools judged Good or Outstanding at their last Ofsted inspection (this is a mandatory requirement).
  - Surplus capacity exceeds X pupils or X% of the published admission number.
  - Local planning data shows a requirement for at least X% of the surplus places within the next X years

- Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort
- The school will need to make redundancies in order to contain spending within its formula budget.

3.19 The LAs recommendation is not to introduce a Falling Roll contingency fund in 2014-15 for the following reasons.

- Same issue as Mobility and Sparsity factors, we have no spare DSG to fund a Falling Roll contingency fund, and would therefore have to reduce the funding of an existing factor to fund it.
- Some of the items on the DfE's acceptable eligibility list in 3.18 above are very subjective by nature
- We already have a "schools in financial difficulty" contingency fund and an agreed process via DFFG for maintained schools who are in or heading into deficit.

#### **4. Recommendations**

4.1 The Forum is asked to give their opinion on whether the LA should or should not consider introducing the following changes to its formula budget in 2014-15:

- Introduce a Pupil Mobility factor
- Amend the lump sum for Primary Schools
- Amend the lump sum for Secondary Schools
- Introduce a Sparsity factor
- Introduce a Schools with Falling Roll Contingency Fund