

# Briefing Note – Review of 2013-14 School Funding Arrangements

## Introduction

1. The Department published the *Review of 2013–14 School Funding Arrangements* document on the 12<sup>th</sup> February 2012. This is available at: <http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00221523/review-of-2013–14-school-funding-arrangements>
2. The document 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, head teachers, principals, governors and locally elected members.
3. The review also considers whether small changes are needed in 2014-15 in order to address some of the issues raised. The Department are seeking views by the 26<sup>th</sup> March 2013 (6 weeks).
4. The Department is clear that as we move towards a pupil-led system, there will be changes to schools budgets and some degree of re-allocation between schools. That is a necessary and not an unintended consequence of reform. The Minimum Funding Guarantee (MFG) ensures that, in most cases, schools will not lose more than 1.5% of their funding per pupil in both 2013-14 and 2014-15. It has also been confirmed that an MFG will continue to operate after 2014-15 although the exact level is not known.

## National Consistency

5. The review is based on the October LA submissions as not all January pro formas had been received at the time the document was written.
6. 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. Central Bedfordshire's Primary rate as of October is £2,869 (£2,908 January 2013). The 15 local authorities with highest Primary AWPUs are all in London. The secondary AWPUs show a similar pattern and, again, the few outlier authorities with significantly higher secondary AWPUs are mostly in London.
7. 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%. **CBC's proportion is 85%.**
8. Authorities are allocating at least 77% of funding through a combination of the pupil-led factors (these are the AWPU, 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. **CBC's proportion is 87%.**
9. The Department are inclined to set a minimum threshold for all the pupil-led factors. If set at 85%, seven LA's would need to move money away from the lump sum, post 16 and premises factors.

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

10. 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%). **CBC proportion is 2%**. There could be a number of explanations for this variation.

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

11. 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. **CBC chose not to use this factor.**

12. There is also a significant degree of variation in the per-pupil which range from £125 to £8,300 for primary pupils and £158 to £10,688 for secondary pupils.

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

13. The lump sums chosen by local authorities varied significantly from £42,000 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. **CBCs lump sum is £120,000.**

14. Fewer than half of local authorities used the mobility indicator.

## **Areas of concern and possible changes**

15. In light of feedback received to date, the Department are seeking views on whether changes are needed to three of the 12 current allowable factors. They are prior attainment, pupil mobility and lump sum. **It is only the latter factor in use for 13/14 for CBC.**

## **Prior Attainment**

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

## **Pupil mobility**

**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?**

16. 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. Small schools benefit proportionately more from the lump sum and a single lump sum for all schools ensures that there can be no ambiguity over how much funding goes to one phase or type of school compared to another.

17. The current lump sum arrangements are causing concerns, particularly in relation to small schools in rural areas. It is not the Departments intention that any necessary small school should be forced to close as a result of reforms, and acknowledge the need to support schools in very

sparsely populated areas. The Department are considering the possibility of introducing an optional school-level sparsity factor for 2014-15.

18. The proposed sparsity factor could, for every school:

§ identify the pupils for whom it is their nearest school (this will not necessarily be the school the pupils actually attend); and

§ for those pupils only, measure the distance that they live from their *second nearest* suitable school. Where this distance is high, the Department assumes that it becomes difficult for the pupil to attend any school other than the nearest one, making the existence of that school necessary. Taking the average distance that relevant pupils live from their second nearest school would allow a sparsity factor to be applied based on set thresholds.

**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: The Department said in June that the level of the lump sum cap would be reviewed (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 they 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 a 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 the Department 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 be used to identify necessary small schools in rural areas?**

19. As with all schools, 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, it 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?**

## Targeting Funding 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

20. A number of schools with large numbers of service children have written to the Department to express concerns that they are set to lose funding as a result of the new arrangements. **This does not apply to CBC Schools.**

21. Service children sometimes require additional pastoral care because of their circumstances and this is reflected in the Service Premium (which currently allocates £250 to every service child and will rise to £300 in 2013-14).

**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.**

**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 Roles

22. If a school has falling rolls, it should consider its longer term viability. It may consider merging or federating with other schools in order to save money but also to improve its leadership capacity and quality. The Department are clear that, in times of economic austerity, money should be spent on pupils who are actually in schools and not spent on funding empty places.

23. 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. Schools should also consider more innovative use of their facilities, such as hiring out school halls or swimming pools.

**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?**

## Option for adjusting high needs funding in 2014-15 and beyond

24. As part of the 2013-14 reforms, a new framework was introduced for funding provision for children and young people with high level needs. Schools, colleges and other providers will be given funding within their formula sufficient to fund costs up to £10,000. The base funding is

calculated differently according to the type of provider and age of the pupil/student (Mainstream £6k, Special Schools £10k, AP £8k etc). Top up funding is for the commissioning authority to determine, by agreement with the providers.

25. Hospital education is being funded through transitional arrangements which essentially preserve the institution's funding in 2012-13. The Department are looking at options for a different funding approach in 2014-15.

## **Issues for 2014-15 and beyond**

### **Base funding for specialist providers**

26. Base funding for specialist providers is set, according to the number of planned places, at £10,000 per place for pre-16 SEN; a bit more, on average, for SEN and LDD in the 16-24 age group; and £8,000 for AP. The Department are not proposing to review at this stage whether these are broadly the right levels.

### **Notional SEN budget for mainstream schools**

27. Mainstream schools and academies receive a notional SEN budget, determined by the local authority using the permitted formula factors. Local authorities have 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.

28. The Department are 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?***

29. 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 (**CBC are in line with the Department's recommendation**). 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?***

## **Arrangements for Top Up Funding**

30. The Department are allowing local authorities flexibility in the top-up funding arrangements. In many cases these arrangements for 2013-14 will not have been finalised, particularly for pupils and students starting at schools and colleges in September. It is therefore too early to consider changing the national requirements on top-up funding. The Department are interested in receiving feedback on the issues that have been raised so far, and whether any changes should be considered for 2014-15.

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

## **Pre and Post 16 Arrangements**

31. It is acknowledged that the administrative process pre and post 16 have not been co-ordinated as helpful as they might have been.

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

## **School Forums**

32. The Department are not inclined to make any further changes for 2014-15 as more time is required to assess how the new arrangements are embedded and whether they are improving the operation of Forums.

***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?***