

## **Schools Forum**

**7<sup>th</sup> March 2013**

### **Review of 2013-14 School Funding Arrangements – Consultation Response**

This report relates to both maintained and academy schools

#### **Recommendation**

The Schools Forum is recommended to:

- 1) Note the response to the Department for Education (DfE) included in the body of this report regarding the recent schools funding reforms, and
- 2) Offer recommendations for additions or amendments to the response.

#### **1.0 Introduction**

1.1 As part of the national schools funding reforms, to be implemented in April 2013, the DfE had noted that a review of the impact of the changes would take place during the first year with the intention that if minor changes were required, these would be considered for 2014/15 onwards.

1.1 A consultation paper was issued on February 14th and this report suggests a joint response from the Local Authority and Schools Forum.

#### **2.0 Background**

2.1 The consultation document reiterates that the reforms are a move towards a national funding formula but that the DfE is aware that there are certain areas of concern and that there is perhaps an opportunity to make small changes in 2014/15 in order to address these issues and to prevent unacceptable consequences. However it notes that the shift in funding between schools is not an unintended consequence of the changes. It reiterates also that the MFG will stay at minus 1.5% for 2 years but that the rate has not been agreed thereafter.

2.2 The consultation is open to local authorities, head teachers, principals, governors and locally elected members and responses need to be submitted to the DfE by March 26th 2013.

2.3 The document also gives a picture of how local authorities have interpreted the reforms, understanding that there will be differences as each local authority is starting from a different point having differing initial funding levels. It says it is inclined to set a minimum threshold for all the pupil led factors. However it is recognised that this has an impact on the lump sum that can then be funded.

2.4 The full consultation paper can be found at the following link:  
[http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools\\_revenuefunding/a00221523/review-of-2013-14-school-funding-arrangements](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools_revenuefunding/a00221523/review-of-2013-14-school-funding-arrangements)

### **3.0 Response**

3.1 The consultation includes 23 questions.

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

3.3 The essence of the funding reforms is that funding should follow the pupil and such a principle is not one that has been questioned by the head teachers and governors in Warwickshire during the development of the local approach to these recent reforms.

3.4 Pupil led funding includes the basic entitlement, deprivation and low level SEN allocations. Warwickshire has 90% of its funding allocated through these factors; a percentage which is in line with most other Local Authorities.

3.5 Having this level of pupil funding has allowed the formula to include a lump sum of £95,000. If a threshold was set any higher than 90%, then the LA would need to reduce this level, a position that would not be favourable with small schools in the county. If we wanted to increase the lump sum in the foreseeable future in Warwickshire, we would need to reduce one of the pupil led headings. As such, a minimum threshold would need to be lower than 90%.

3.6 *Suggested response: It is a reasonable principle to have a threshold of pupil led factors but to allow for flexibility in setting lump sum levels, the minimum should be set at 85%.*

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

3.8 The paper notes the wide variation in the funding for deprived pupils.

3.9 During the development of the proposed formula in Warwickshire, the process of financial modelling started with the lump sum and then considered a “typical” historical spend per pupil in order to determine the basic entitlement values. As the overall funding envelope was finite, funding based on Free School Meals Ever 6

years (FSM 6) and prior attainment then became, in effect, a balancing figure. As each local authority is funded at differing levels and others may have gone through a similar process, then this would explain the variations in funding allocated to deprivation and SEN.

*3.10 Suggested response: An approach looking initially at the level of lump sum required and then the basic entitlement meant that any funding allocated to deprivation and/or SEN would need to be a balancing figure to remain within the overall DSG allocation for the Local Authority. This was the case in Warwickshire.*

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

3.12 In Warwickshire, the allocation considerations of deprivation funding using FSM Ever 6 years was carried out in conjunction with that of low level SEN using prior attainment. Therefore, the response to this question will be the same as the previous answer.

*3.13 Suggested response: This is the same as for question two.*

3.14 The consultation paper moves on to their main areas of concern and those which may result in possible changes for 2014/15. It notes that there are a few issues that have been raised with the DfE which have come from mainly rural authorities. The paper is therefore seeking views on whether changes are needed on three of these factors; prior attainment, pupil mobility, and the lump sum.

### **3.15 Question 4 - Do you agree that local authorities should continue to use Early Years Foundation Stage (EYFS) data as attainment related proxy or should we consider use of a different indicator to identify low cost SEN in primary schools? If so, what indicator?**

3.16 There has been criticism nationally of the use of the EYFS data to assess the prior attainment for the primary sector based on the fact that the assessment process is not moderated externally and is also subject to a change in EYFS policy in 2013.

3.17 Whilst the use of the indicator has been questioned, any alternative would need to be robust, relevant, easy to quantify and be a proxy to identifying pupils with additional needs.

3.18 Whilst in Warwickshire, these concerns are mirrored, it was suggested during the review process that the score of 73 is too high and that such pupils would not

necessarily all need additional support in order to achieve at the expected level by key Stage 2. It was therefore suggested that a lower score was used; thereby allowing the funding to be more focused at those pupils who would most likely need the extra support.

*3.19 Suggested response: In the light of few alternatives to indicate prior attainment in the primary sector, an EYFS assessment score may be used but that the point at which pupils trigger additional funding should be reduced so that it targets those with the lowest scores.*

3.20 The consultation paper notes that secondary prior attainment will still be based on KS2 results.

**3.21 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?**

3.22 Warwickshire chose not to use the pupil mobility factor within its formula for 2013/14 as it was considered that the 3,500 pupils identified within the DfE data would increase the pupil numbers too much as so water down the basic entitlement. Whilst the data shows the number of pupils entering a school outside of the usual entry periods, it does not record where pupils have left the school and therefore the costs of the school may have reduced.

3.23 However, as a principle, there may be merit in determining those schools with a higher pupil movement to reflect the administrative burden. If this was set at 10%, then a small school of 100 would receive recognition for 10 new pupils and a large school with say 900 pupils would get recognition for 90 new pupils. The rate at which these pupils are funded can be a separate unit value to either the basic entitlement or deprivation/SEN rates.

3.24 In Warwickshire, the introduction of such a factor may offset the reduced ability of the Local Authority to fund in year pupil changes through the Pupil Growth fund as noted elsewhere on this agenda.

*3.25 Suggested response: There seems merit in having a threshold over which mobile pupils are funded to avoid over funding for small pupil movements. It is suggested that this threshold level is set at 10%.*

**3.26 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?**

3.27 The lump sum, particularly in rural small schools has been flagged as an

issue nationally. It is noted that it is not the intention that small schools should be forced to close as a result of the funding reforms. With those schools that are small and rural (but necessary to prevent pupils from having to travel too great a distance to school) it is being considered whether there is merit in having an optional school-level sparsity factor to protect such schools. The thinking behind this would be to protect schools were their closure would mean that pupils had much further to travel to an alternative school. This factor would work by establishing an average distance that pupils would need to travel to the second nearest school and having a threshold over which additional funding would be triggered. There would need to be a different threshold for primary and secondary schools.

3.28 As noted above, as 90% of funding is pupil led, 8% relates to the current lump sum and 2% to premises related allocations, if the lump sum was to increase, the only viable option would be to reduce the pupil led funding. On the basis that the lump sum is not related to additional needs of pupils, the only option would be that the basic entitlement is reduced to accommodate this increase.

3.29 *Suggested response: Yes, one option could be for Local Authorities with a large number of small schools to reduce the AWPU to increase the lump sum. In fact, in most cases, this would seem to be the only option.*

### **3.30 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?**

3.31 It seems logical that if a lump sum is to cover head teacher, and administration and caretaking costs (as noted in the guidance last summer), then inevitably the secondary sector lump should be greater.

3.32 The issue in Warwickshire has been regarding the ratio between the primary and secondary sector. As Warwickshire's ratio was considered to be average (before these reforms), a decision was made locally to retain the same level of funding in each sector. Having too high a lump sum rate that might meet the basic costs of the secondary sector and having to use this in the primary sector would have reduced the amount available for pupil led factors. Allowing a differential rate between the 2 sectors would enable separate decisions regarding the level of lump sum, perhaps more applicable to the sectors core costs.

3.33 That said, in Warwickshire, if the lump sum was increased to £140,000 as is the most popular rate used nationally, in the primary sector, this would mean that the AWPU would need to be reduced by £216. This would take the AWPU from £2,663 to £2,447; a level lower than the most other Local Authorities.

3.34 *Suggested response: Basic costs that the lump sum is intended to fund will*

*inevitably vary between sector and have a differential rate will allow this to be taken into account. There could then be a factoring applied to middle or all through schools, such as 50% primary lump plus 50% secondary lump sum.*

**3.35 Question 8 - If there was still one lump sum for both the primary and secondary sector, what would be the minimum level of cap needed to ensure the sustainability of necessary small schools? If there was a separate lump sum for primary and secondary schools, what would the minimum cap be needed for each in order to ensure the sustainability of necessary small schools?**

3.36 Again, going back to the intention of the lump sum to cover head teacher, administration and caretaking costs as noted in the guidance last summer, then this should offer guidance to the cap required.

*3.37 Suggested response: If there was one lump sum, then the minimum amount should be £90,000. If there are 2 lump sums, then the minimum amount for the primary sector should be £90,000 and £160,000 for the secondary sector.*

**3.38 Question 9 - 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?**

3.39 From a national point of view, where schools are in significant rural locations and offer the most sensible viable option for educational provision, then it would seem relevant to include a sparsity measure where pupil numbers are inevitably low and schools have few realistic options to increase pupil numbers.

3.40 The issue is the suitable distance of the child from the schools and the time that it takes to get to and from school. A 30 minute school bus ride for a secondary pupil may be more acceptable than a 30 minute school bus ride for a primary pupil.

*3.41 Suggested response: It seems reasonable that children should not be forced to travel unnecessarily lengthy long distances to school. As such, a factor to protect very rural schools may allow them to remain viable but only if pupil numbers are low, perhaps below 100.*

**3.42 Question 10: What average distance threshold would be appropriate?**

*3.41 Suggested response: Taking into account the distance and time that pupils would need to travel to school, it is suggested that an average distance might be between 7 and 10 miles for primary schools and 20 miles for secondary schools.*

**3.45 Question 11: 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?**

3.46 If the basis of the lump sum to all schools is to cover basic, non-pupil related costs, and there is an assumption that some fixed costs are covered in the basic entitlement (such as heating and lighting), then the sparsity measure could provide extra funding to a few schools who basic entitlement funding would not offer enough scope (due to the low pupils numbers and the reduced ability to attract more pupils) to cover some of these fixed costs. Therefore the sparsity factor would provide additional funding to the lump sum and basic entitlement.

*3.47 Suggested response: the sparsity factor would be in addition to the lump sum as it would be contributing to other fixed costs (such as heating and lighting) that are assumed to be in the basic entitlement. These small schools with low pupil numbers and limited options to increase pupil numbers, may need extra financial support to remain viable.*

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

*3.49 Suggested response: None*

**3.50 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?**

3.51 In Warwickshire we have had a policy for some time now whereby schools retain their lump sum for 2 years following amalgamation. The intention of this is that whilst a single school will achieve economies of scale, these may take a while to emerge and there may be one off costs such as staff re-organisations that may need to be funded in the short term.

3.52 Amalgamated schools offer the best long term option for efficiency savings but the immediate loss of a lump sum may be a disincentive. On the other hand, federated schools, not such a long term arrangement, benefit from retaining 2 lump sums as they are still classified as separate schools. That said, the Local Authority is allowed, under the regulations to retain funding centrally to assist schools that are undergoing structural changes and Warwickshire has retained £100,000 for 2013/14.

*3.53 Suggested response: Amalgamated schools are the most long term option for smaller schools to become more cost effective. To incentive this, the Local Authority should retain its flexibility to fund an amount similar to the lump sum over a period of time. This could be part of the factor currently allowable under the new regulations.*

3.54 The consultation document also talks about concerns expressed by some Local Authorities regarding the movement of deprivation funding from areas of high deprivation. It notes that the significant change in the methodology involved in

allocating schools funding may alter the funding a school receives but is of the view that the options to use data that will target these pupils is sufficient for the impact to be minimal.

**3.55 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?**

3.56 In recent years, Warwickshire has either used FSM or FSM ever 3 years to allocate deprivation funding. In the new formula, FSM ever 6 years and prior attainment has been used. The former retains some consistency with the allocation of funding to schools whilst the latter was included on the basis that all additional needs funding is not necessarily related to deprivation. The intention in Warwickshire was to have a rounded approach to allocating funding to pupils on these 2 sets of criteria.

3.57 *Suggested response: none*

3.58 There is also some concern nationally regarding the fact that service children are not an allowable factor in the new formula; however the DfE response to this is that the Service Children Pupil Premium recognises this issue.

**3.59 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?**

3.60 *Suggested response: none*

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

3.62 *Suggested response: none*

3.63 The consultation notes that as more funding follow the pupil, some schools may see dips in pupil numbers which are expected to reverse as demographics change. This may be the case currently with secondary schools in anticipation of the primary school bulge to feed through.

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

3.65 *Suggested response: The lump sum should allow some stability in the funding of all schools. However, there are instances, especially perhaps in secondary schools, where there are significant reductions in pupils and, due to the higher basic entitlement rates, results in a high level loss in funding. This is not always in line with the corresponding reduction in costs.*

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



3.67 *Suggested response: none*

**3.68 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?**

3.69 The inclusion of a marker on the census in 2014/15 (as noted in the report) would indicate the number and location of these children but it would not offer information regarding the level of top up.

3.70 *Suggested response: It may be useful for trend analysis which could be used to assess the potential demand on the HNB, rather than as a formula factor in the schools budget.*

**3.71 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?**

3.72 *Suggested response: This should be a requirement from 2014/15. If there is to be regional agreement, there needs to be a consistent base position from which top up is funded.*

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

3.74 *Suggested response: Yes, a central collation of good practice would be useful as a reference to assist regional practices developing in line with the national agenda.*

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

3.76 The inclusion of both pre and post 16 funding in the DSG is encouraging Local Authorities to have a consistent approach, a position that may not have been the case in the past with separate funding streams. However, there is some inconsistency in the national approach to top up funding matrices.

3.77 *Suggested response: There may be a role for the DfE to facilitate and develop consistent approaches nationally to both pre and post 16 top up frameworks with a recognised link between the 2 areas, based on national professional evidence and advice.*

**3.78 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?**

3.79 The new regulations regarding the inclusion of academy representation is useful in ensuring a representative decision making body. In addition the role of the

Education Funding Agency to monitor Forum meetings and for meeting papers to be published timely encourages greater transparency. However, the level of true transparency may be subject to the approach taken by the Local Authority in terms of report writing and communication to all schools regarding agenda items and decisions made.

*3.80 Suggested response: The recent Schools Forum reforms have increased the democracy and transparency of the Forum. Further measures probably best lie with the Local Authority in terms of ensuring clear reports and information along with open communication with all stakeholders regarding agenda items and decisions made.*

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