

TO: SCHOOLS FORUM
DATE 14 MARCH 2013

**DEPARTMENT FOR EDUCATION (DFE) REVIEW OF
2013-14 SCHOOL FUNDING ARRANGEMENTS
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 This report sets out the details of a DfE review of 2013-14 school funding arrangements. This reflects on the changes to be implemented from April 2013 and whether they are simplifying the system and securing greater consistency between local areas before the introduction of a national funding formula during the course of the next spending review period that commences in April 2014. It also seeks to identify what changes, if any, need to be introduced from April 2014.

2 RECOMMENDATIONS

- 2.1 **To NOTE the proposals from the DfE on the review of 2013-14 school funding arrangements.**
- 2.2 **To CONSIDER what response if any the Forum should make to the review.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **To ensure that the Forum is aware of the review and in a position to make a response if required.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not applicable.

5 SUPPORTING INFORMATION

Introduction

- 5.1 On 12 February 2013, the DfE published a document titled a *Review of 2013-14 School Funding Arrangements*. This is intended to gather views from interested parties on 23 questions posed, taking account of the decisions that LAs have now made in respect of implementing the requirements from the School Funding reforms that come into force from April 2013. Responses are required by 26 March, which is before the reforms come into effect.

Background

- 5.2 The DfE review document confirms that the purpose of the school funding reforms is to ensure the system:
- 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.
- 5.3 It also reaffirms that these reforms are an initial set of changes to make some improvements in advance of a national funding formula which will be introduced during the next spending review period, which will therefore be some time after April 2014.
- 5.4 The review is divided into 4 sections; Are we moving towards national consistency?; Areas of concern and possible changes for 2014-15; Options for adjusting high needs funding in 2014-15 and beyond; and Schools Forums. The DfE review document is reproduced in full at Appendix 1.
- 5.5 The following paragraphs highlight the key elements from the DfE review document and add commentary in respect of the BFC position. The Council's draft response to the review is attached at Appendix 2.

Section 1: Are we moving towards national consistency?

- 5.6 This section analyses data derived from the October 2012 pro formas that LAs were required to submit to the DfE containing information on the simplified funding formula they expected to use in 2013-14. Due to the timing of the publication of this review, it has not been possible to use the data submitted by LAs on their January 2013 returns, so will not be completely up to date.
- 5.7 A series of graphs present the analysis of the pro formas in an easy to view format, and these are set out in the Annex of the attached Appendix 1. The Annex has been annotated to identify where the BF Formula sits within the analysis, but again using the October 2012 provisional 2013-14 Funding Formula, so is not necessarily the final position.
- 5.8 From this analysis, the DfE are seeking views on three areas. The first questions asks whether there should be a minimum threshold for allocating funds to schools through pupil-led factors of the Age Weighted Pupil Unit (AWPU), deprivation, prior attainment, English as an additional language (EAL), looked after children (LAC) and pupil mobility? LA returns indicate that around 49% of authorities allocate between 90% and 95% of funding in this way. The rate for BFC at October was 88%, so below the average of all LAs. However, in terms of funding allocated through the "basic element" or AWPU, the BFC rate is 81%, which is in the top 17% of LAs, indicating a relatively high distribution via AWPU mainly at the expense of deprivation and prior attainment factors.

- 5.9 The other two questions in this section attempt to gain information to understand the wide range in distribution of funding to schools through deprivation and prior attainment factors. Deprivation funding accounted for between 2% and 25% of all funds (3% in BFC). This relatively low figure for BFC is not unexpected for an authority assessed by the government as having low levels of deprivation. For prior attainment, per pupil funding ranged from £125 to £8,300 in primary schools (£533 in BFC, which is in the lowest 27% of LAs) and £158 to £10,688 in secondary schools (£2,133 in BFC which is in the highest 47% of LAs). Overall, BFC is in the middle range in terms of proportion of funding allocated to schools through low prior attainment measures.
- 5.10 The BFC position on relative importance of these factors for the distribution of funds to schools is directly related to the outcomes from the summer 2012 financial consultation with schools. This agreed that the current operation of the Funding Formula was generally in line with what schools wanted and that an incremental approach to change should be adopted to ensure compliance with the new framework, moving money to the most appropriate allowable factor from those that would no longer be permitted.
- 5.11 Resources distributed through the BFC Funding Formula for LAC and EAL are generally in the lowest bar of the graphs. For pupil mobility, around 40% of LAs include this factor, which includes BFC. No LA distributes more than 2% of funds through this mechanism, with BFC allocating 0.03%.

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

- 5.12 This section is prefaced by the comment that “moving towards a more consistent and transparent system will inevitably lead to shifts in school budgets.” It goes on to say that “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.” This is a somewhat surprising comment considering the length of FAQ the DfE posted on their website (over 100 pages) and the number of regional and national briefings and seminars that the DfE have sent representatives to to explain the changes and hear the concerns and comments from those in attendance.
- 5.13 The following list represents the 12 factors that can be used in a Funding Formula. The BF Funding Formula uses numbers 1 – 8. We do not meet the qualifying criteria for factors 9 – 12.
1. Age Weighted Pupil Unit
 2. Deprivation
 3. Looked after children
 4. SEN / prior attainment
 5. English as an additional language
 6. Pupil mobility
 7. Lump sum payments
 8. Rates
 9. Post-16 provision
 10. Split sites
 11. Private Finance Initiative
 12. London Fringe

- 5.14 Further to this list, the DfE allow additional factors to be used in exceptional circumstances. This mainly relates to premises expenses where they are relatively high and relate to only a small number of schools, and agreement has been received for an additional factor to fund the £0.085m cost to Sandhurst and Edgbarrow secondary schools in the hiring of sports facilities.
- 5.15 The DfE are considering changes to prior attainment; pupil mobility; and the lump sum. Furthermore, comments are also sought on other areas of concern in funding schools; targeting funding to deprived pupils; children from service families; other groups of pupils; and supporting schools with falling rolls.
- 5.16 For the allowable factors, in respect of prior attainment, the current Early Years Foundation Stage Profile (EYFSP) comes to an end this year and until a new measure is available, the DfE are seeking views on continuing with this year's data or using a different measure, although no alternative suggestions have been offered. For pupil mobility, there is concern that having to fund all non-routine admissions at the same value does not allow sufficient targeting of funds to schools experiencing significant turnover, and therefore the most disruption and cost impact, and views are therefore being sought on whether additional weighting could be added to funds at schools that experience in-year changes to pupil numbers above a certain threshold. This is similar to how the BF Funding Formula is operating in 2013-14.
- 5.17 The review indicates that the lump sum factor has the most issues, which mainly centre around providing adequate funding protection to very small schools, particularly in rural areas where there is often limited parental choice of school. The DfE is also seeking views on whether the lump sum should continue to be limited to £200,000, whether there should be differential primary and secondary school values, should a sparsity and or distance measure be included to protect small rural schools and whether amalgamating schools should retain lump sums for one or two years after amalgamation to create a greater incentive to merge. For BFC, the lump sum has been set at £150,000 which is within the £140,001 to £150,000 range most commonly used by LAs. Around 38% of LAs allocate from £140,001 to £200,000 through the lump sum factor, which means BFC allocates a higher than average amount. Most of the other issues raised in respect of the lump sum are not significant matters in Bracknell.
- 5.18 For other concerns, the DfE is seeking comments on why some views have been expressed that current deprivation factors do not allow sufficient targeting of funds with some schools experiencing significant losses in budget. There are two main reasons why there has been a redistribution in funding in Bracknell. Firstly, when using Free School Meals (FSM) eligibility data, the DfE only permits the use of one value of per pupil funding. The BF Funding Formula currently operates on a scaled basis, with additional funding allocated to relevant pupils when the proportion of pupils on roll eligible to a FSM crosses certain thresholds. This allows for targeting additional resources to schools with the highest concentration of FSM pupils. The second main reason for change in funding arises from using a new measure of deprivation which is the Income Deprivation Affecting Children Index. This index measures deprivation by the likelihood of a child coming from a family in receipt of income benefits by reference to their post code. It has different outcomes compared to FSM data and has been introduced into the BF Funding Formula as a result of school responses to the summer 2012 financial consultation.
- 5.19 There are similar questions in relation to children from service families and other groups of pupils that may need additional support. In particular, is there any evidence

to suggest that service children (once account is taken of deprivation, mobility and pastoral funding from the Pupil Premium are taken into account) require additional funding in order to achieve as well as non-service children or are there any other groups that cannot have funds targeted towards them? In terms of protecting schools with falling rolls, the DfE is seeking views on whether there are any circumstances that the funding framework does not allow schools with falling rolls to receive adequate funding protection. The Council has not considered these matters and does not hold any relevant data to form an evidence based judgement.

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

- 5.20 This section of the document sets out areas of high needs funding that may be amended from 2014-15. It confirms that there is no proposal to change the base funding to be paid to specialist providers at £10,000 per place and Alternative Providers at £8,000 per place. It also seeks views on whether an indicator should be added to the school census for pupils receiving high needs top up funding and that this could then be used to target extra funds to schools with a disproportionate number of high needs pupils, but this data would not be available for use in budgets until 2015-16. It would also only identify pupils with needs above the £6,000 threshold, so may not properly identify schools with high numbers of pupils with high needs below this threshold. However, any additional data on high needs pupils would help in making funding decisions, so is welcomed.
- 5.21 Views are also sought on whether all LAs that have not implemented the target threshold for high needs funding at £6,000 should be required to do so by 2014-15. The rate in BF has been set at £6,080 to match the closest value in the current SEN funding model, the Needs Weighted Pupil Unit (NWPU), so may require a change. Another area where views are being sought relates to whether the DfE should play an active role in spreading good practice and model contracts / service level agreements to provide a level of consistency across the country and to reduce administrative burdens around commissioning and billing. This would be a welcome intervention as progress towards a local agreement has been slow and has yet to conclude. The DfE are also asking for ways to make pre and post-16 funding arrangements more consistent as the current system has differences in funding arrangements.
- 5.22 The area of most concern to the Council from these reforms relates to raising the threshold to £6,000 for the level of additional support needs that a school should cover from its general funding before receiving a "top up". The new arrangements do not allow for any in-year adjustment to funding to reflect changes in numbers and needs of high needs pupils, which could cause financial difficulties, especially to small schools. However, this has not been included on the review, and unusually for these documents, the DfE has not included an area to make "any other comments".

Section 4: Schools Forums

- 5.23 The funding reforms introduced minimum requirements for Schools Forums that were intended to ensure fair and transparent operations. With arrangements in BF already fully compliant with the new framework, no changes were required. Whilst no further changes are proposed by the DfE for 2014-15 as the new framework beds in, views are being sought as to whether the reforms have resulted in Forums operating more democratically and transparently.

Conclusion

- 5.24 Whilst BF schools have received provisional budgets for 2013-14, and some have made comments to the LA, many schools are still formulating their spending plans to the 31 May deadline and have probably not yet fully considered the financial and organisational implications. More time is therefore needed for the full extent of the reforms to be evaluated, and any responses to the consultation are likely to be based on an incomplete picture.
- 5.25 Therefore, whilst the Council welcomes the review being undertaken by the DfE on school funding changes, there is concern that it is taking place too early and before full consideration of the initial impacts have been established. There are also issues to consider outside those identified by the DfE, in particular relating to SEN.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal issues are addressed within the main body of the report.

Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that no significant financial implications arise at this stage from the DfE review.

Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

- 6.4 Not applicable at this stage.

7 CONSULTATION

- 7.1 Not applicable.

Background Papers

None:

Contact for further information

David Watkins, Chief Officer: SR&EI (01344 354061)
david.watkins@bracknell-forest.gov.uk

Paul Clark, Head of Departmental Finance (01344 354054)
paul.clark@bracknell-forest.gov.uk