

# BRIEFING PAPER

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**SUBJECT:** Updates to School Funding Reform 2014-15  
**DATE:** 19<sup>th</sup> June 2013  
**RECIPIENT:** SCHOOLS' FORUM

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## SUMMARY:

- This paper reviews the Department for Education (DfE) findings from a review of 2013-14 school funding and the arrangements and changes for 2014-15.

## BACKGROUND and BRIEFING DETAILS:

1. The DfE began a review of funding arrangements for 2013-14 in February of this year. This sought to understand whether the changes put in place for 2013-14 are moving towards their goal of national consistency and greater transparency of school budgets. The review consisted of discussions with members of Schools Forums, governors, head teachers and local authority officers. Also the DfE published a short document requesting feedback on how any existing concerns could be addressed.
2. The review sought to identify any unintended consequences that have arisen as a result of the changes, however the DfE are keen to state that moving to a pupil-led system resulting in a reallocation of funds between schools was a necessary and not unintended consequence of reforms.
3. The majority of the arrangements the DfE put in place for 2013-14 will remain next year. There will however be a number of changes which will move closer to a national funding formula in the next spending review period.

## KEY FINDINGS:

### 4. Pupil-led Funding

The review of funding has identified that all but 2 local authorities have allocated 80% or more through their pupil-led factors in 2013-14. The DfE has made it clear that they wish to move towards a position where a much greater proportion of a school's funding is allocated on a per pupil basis. They therefore require in 2014-15 that a minimum of 80% of delegated schools block is allocated to pupil-led factors.

*In 2013-14 89% of Southampton school funding was allocated to schools under the pupil-led factors.*

5. The DfE has also carried out a review of the differential rates set for Age Weighted Pupil Units (AWPUs), the lowest primary rate set in 2013-14 was £2,122, the lowest secondary rate set was £3,178. In 2014-15 the DfE will require all local authorities to set an AWPU rate of at least £2,000 for primary and at least £3,000 for KS3 and KS4.

*In 2013-14 the primary rate for Southampton schools was £2,662 and £4,131 for Secondary schools.*

## 6. **Prior Attainment**

In 2013-14, local authorities were able to target funding to schools for pupils with low cost, high incidence SEN partly through the optional prior attainment factor. The DfE has confirmed that they will be retaining the EYFSP as the main indicator for prior attainment for primary aged pupils but for 2014-15 they will identify those pupils who have not achieved a good level of development moving into KS1.

The DfE has also confirmed that pupils will now qualify for the prior attainment factor if they fail to achieve a level 4 or higher in English or a level 4 or higher in maths.

## 7. **Deprivation**

Last year the DfE required all local authorities to ensure that deprived pupils attracted additional funding, in addition to the pupil premium. For 2014-15 the DfE are continuing to ask that School Forums and local authorities determine locally an appropriate proportion of their schools block funding to allocate to this factor. Authorities currently allocate between 1% and 25% of overall funding to deprivation factors.

*In 2013-14 Southampton allocated 12.2% of overall funding through the deprivation factor which contains both IDACI and FSM measures. This indicates that Southampton is a high funding authority for deprivation as only 21% of authorities have allocated in excess of 12%.*

## 8. **Look After Children**

Currently Local Authorities can use one of three measures with this factor, identifying children who have been looked after for:

- one day or more,
- six months or more or
- 12 months or more.

9. Evidence shows that children who have been looked after for one day are equally likely to under-perform at KS4 as those who have been looked after for 12 months or more. Therefore for 2014-15 for those local authorities which use this factor, the DfE will require a single one day or more measure be used for both primary and secondary.

*In 2013-14 Southampton funded children who had been looked after for six months or more.*

## 10. **Pupil Mobility**

In 2013-14 the DfE introduced an optional factor for pupil mobility in order to support schools with high levels of pupil starting or leaving at dates other than the start of the academic year, and which incur greater costs as a result. Review findings have provided evidence that where local authorities have used this factor, it has spread mobility funding thinly across a large number of schools in the area and has not consistently targeted funding to those schools which most needed additional support. Therefore starting in 2014-15, a 10% threshold will be applied by the DfE to the mobility factor, so that it will only support schools which experience a significant change in their pupil numbers.

*In 2013-14 all Southampton schools received funding under this factor. This will reduce to 18 primary schools and 4 schools in 2014-15.*

11. **Sparsity**

The DfE has received feedback that the funding reforms and in particular the lump sum arrangements were causing concerns in some rural authorities. As a result the DfE has now developed a sparsity factor which measures the distance pupils live from their second nearest school. The DfE feels that it is appropriate to enable local authorities to target additional funding to support small rural schools where per pupil funding may not be enough to ensure their viability.

*It is not envisaged that any Southampton schools will qualify for the sparsity factor in 2014-15.*

12. **Lump Sum Funding**

In 2013-14 local authorities were able to provide a single optional lump sum to all schools up to a maximum of £200,000. The average lump sum was £174,000. For 2014-15 the DfE has taken the decision to set a maximum lump sum of £175,000 to support their aim of moving to a more pupil-led funding system. However they are keen to provide additional flexibility so they will enable local authorities to differentiate the lump sum by phase, provided that for each phase the lump sum does not exceed £175,000.

*In 2013-14 the lump sum allocated to Southampton schools was £114,200.*

13. **Merging Schools**

The DfE do not believe that the funding system should act as a barrier to schools that wish to improve their efficiency and educational offer by merging. Whilst merging can enable greater efficiency savings, this may not be feasible to realise on day one. Therefore the DfE will enable two merging schools to keep 85% of the two lump sums for the next full financial year following the year in which they merge.

14. Depending on when a national funding formula is introduced, the DfE will consider whether further tapered protection should be provided for merged schools for up to two further years.

15. **Schools with Falling Rolls**

In fulfilling their place planning function, there may be instances where the Local Authority decides that a school with falling rolls will increase in the near future and therefore would want to ensure that the school remains open and viable in the short term. Therefore in 2014-15 the DfE will enable local authorities, to create a small contingency fund to support schools with falling rolls in exceptional circumstances. Allocations from the Falling Rolls Fund have to be restricted to schools that are considered by Ofsted to be good or outstanding only.

16. **Schools Forums**

The new Schools Forum regulations came into effect on 1<sup>st</sup> October 2012. The DfE are clear that Forums must operate transparently and fairly. They will continue to monitor Forums to ensure that they are implementing all aspects of the revised regulations. They will however be making one change in relation to the Schools Forums regulations in 2014-15, on which they will consult, which will be to require that all Forums include one elected representative from an institution (other than from a school or academy) providing education beyond the age of 16. This is to replace the current requirement for a representative from the 14-19 partnership.

17. Authorities and Schools Forum members should also consider whether communication to all the groups represented at the Forum can be improved.

18. **Notional SEN Budget**

Local authorities are required to ensure that the budget shares of schools and academies have an appropriate amount that enables them to contribute to the costs of additional SEN support arrangements, up to the cost threshold of £6,000 per pupil. This £6,000 threshold will be a requirement in 2014-15.

19. A wide range of factors were used to construct this notional SEN budget with most authorities using a combination of prior attainment, basic entitlement and deprivation. Nationally the notional SEN budget ranged from less than 5% to more than 15% of overall funding, with 70% of authorities allocating between 2% and 6%. Around one third of authorities allocated between 7.5% and 10%.

*In 2013-14 Southampton introduced the £6,000 threshold for pupils who require additional support. The notional SEN budget was 5.6% but only consisted of the prior attainment factor.*

20. **High Needs Funding (Pupils with Statements)**

Costs over the £6,000 threshold are currently funded from the High Needs Block. The DfE will not be introducing a new high needs formula factor in 2014-15, but will continue to consider the case for this in the future. However, the data used for targeting funding in 2014-15 should primarily be the data available locally on pupils for whom the school receives top-up funding in October 2013. The distribution criteria should be decided in advance on the basis of the local authorities' experience in 2013-14 and expressed as a formula that minimises the perverse financial incentive for schools to identify high needs pupils. In all cases the formula or criteria should be simple and transparent, and should be devised so that additional funds are targeted only to a minority of schools which have particular difficulties because of their disproportionate number of high needs pupils or their characteristics.

21. **Special Units, resourced provision and the PRU**

A review of the Special School formula is being undertaken, which will involve comparing benchmarking data on our neighbouring authorities and looking at any changes that need be made within each sector.

## **RECOMMENDATIONS**

22. The Forum are asked for their views on the following recommendations:

23. **Lump Sum** – The DfE are allowing authorities the option to set a different flat rate for each phase. However any changes to our existing lump sum of £114,200 could move funding between phases. This could result in an overall change to our Primary/Secondary funding ratio of 1:1.34, when compared to the national average across all local authorities of 1:1.27. For this reason, any changes to the lump sum are not recommended for 2014/15.

24. **Falling Rolls Fund** – It is recommended that a contingency to support good or outstanding schools with falling rolls, particularly in the secondary sector, is created for 2014/15. Proposals will be brought to the Forum at a later meeting.

25. **Post 16 Schools Forum Representative** – The DfE has indicated that they will require Schools Forums to have a post 16 representative from the further education sector. It is recommended that a nomination is sort from the sector.
26. **Pupils with Statements** – The DfE are recommending that authorities review their formula for allocating funds to mainstream schools and academies from the high needs block. Proposals will be brought to the Forum at a later meeting.

**Supporting Information:**

School Funding Reform – Findings from the review of 2013-14, arrangements and changes for 2014-15.

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