

Findings from the Review of 2013/14 School Funding Arrangements and Changes for 2014/15

5 June 2013

On 5 June 2013 the Minister for Schools, David Laws, announced the publication of DfE's [findings from the review of the 2013/14 arrangements and details of the changes that will be made to the 2014/15 settlement](#). DfE believe these changes "will move us closer to a national funding formula and will also address concerns that have been raised with [them] over recent months". This briefing aims to summarise these announcements and a consolidated list of changes can be found in Annex A.

Changes for 2014/15 to School Funding

Most of the changes applied to the 2013/14 settlement will continue in 2014/15. However a number of amendments will be applied to address "the unintended consequences which arose as a result of the 2013-14 reforms".

Pupil-Led Funding

A key element of the school funding reform is to move to a situation where a much greater proportion of funding is allocated on a per-pupil basis. A minimum threshold was not set for pupil-led factors in 2013/14, but the Department considered this as part of their review. The majority of responses to the review opposed its introduction calling on the need for local discretion.

DfE state that under the National Funding Formula it will not be possible to maintain the same level of local flexibility provided by local funding formulae. However, DfE believe that they have introduced in a number of changes to solve problems in relation to small schools and lump sums where local flexibility was legitimately needed (please see separate sections for details on these). In light of this they will be requiring all local authorities to allocate a minimum of 80% of their delegated schools block funding via pupil-led factors.

For small schools and large schools alike, the number of pupils on roll and the rate set for the basic entitlement will be the main determinant of their budget. To ensure changes set out by the review do not "compromise" these Age Weighted Pupil Units (AWPUs) DfE will require LAs to set an AWPU rate of at least £2,000 for primary and at least £3,000 for KS3 and KS4 in 2014/15.

Prior Attainment

In 2013/14, LAs were able to target funding to schools for pupils with low cost, high incidence special educational needs (SEN) partly through the optional prior attainment factor. DfE acknowledged that there was no perfect way of identifying pupils with low cost SEN but that prior attainment provided a reasonable proxy for some kinds of SEN. However, it would not identify all low cost SEN, so suggested LAs use other factors (such as deprivation) alongside it.

During the review, DfE asked whether the Early Years Foundation Stage Profile (EYFSP) data should continue to be used as an indicator of prior attainment. A number of alternatives were considered but DfE will be retaining the EYFSP as the main indicator for prior attainment for primary aged pupils. Due to a change in EYFSP, pupils will qualify for the prior attainment factor, where they have not achieved a good level of development.

DfE has looked again at the measure used for secondary-aged pupils to ensure it identifies pupils who are at risk of not attaining well at KS4. After reviewing attainment data, pupils will be identified as having low prior attainment, if they fail to achieve a level 4 or higher in English or a level 4 or higher in maths.

Deprivation

Consultation evidence suggested that the proportion or quantum of funding for deprivation was determined based on historic approaches or a combination of the historic approach and an approach which minimised turbulence. DfE will continue to ask that Schools Forums and LAs determine locally an appropriate proportion or quantum of their schools block funding to allocate through this factor.

DfE examined why some LAs were unable to use the allowable deprivation indicators to prevent significant losses to schools with a high number of deprived pupils. In light of responses to the review DfE are not changing the allowable indicators for use with this measure to avoid turbulence.

Looked After Children

LAs can use one of three measures for this factor, identifying children who have been looked after for one day or more, six months or more or 12 months or more. In the move to the National Funding Formula one single measure will be needed. Evidence shows that children who have been looked after for one day are equally likely to under-perform at KS4 as those who are looked after for 12 months or more and may have equally challenging backgrounds. Given the evidence DfE will require LAs which use the looked after children factor, to use a single one day or more measure for both primary and secondary.

Pupil Mobility and Service Children

The mobility factor is intended to address the administrative costs incurred by schools that experience high levels of pupils leaving and joining throughout the academic year. However, there is concern that the factor does not address the number of mobile pupils. In the review DfE suggested whether they should adjust the factor so that it enables authorities to target funding to schools only when mobility is a significant issue and whether they should set a threshold.

The review findings provide evidence that where local authorities have used this factor, it has spread mobility funding thinly across a large number of schools in the local authority area, and has not consistently targeted funding to those schools which most needed additional support.

DfE intend to revise this factor so that it targets funding to schools which experience the highest levels of mobility. A 10% threshold will therefore be applied to the mobility factor, so that it will only support schools which experience a significant change in their pupil numbers.

The Department also reviewed whether, once deprivation, mobility and pastoral care were accounted for through the pupil premium, there is any evidence that service children require additional funding in order to achieve as well as non-service children. A large proportion of those that had considered this issue in their response felt that the pupil premium (service premium) was sufficient to meet the needs of these children.

Sparsity

To enable local authorities to target additional funding to support schools where per-pupil funding alone may not be enough to ensure their viability, the Department has developed a sparsity factor which measures the distance pupils live from their second nearest school. A sparse school will be identified according to the following steps, using a hypothetical Sparse Primary School to illustrate:

1. Identify the pupils for whom Sparse Primary School is their nearest school. There are 100 pupils for whom this is true.
2. For each of those 100 pupils, measure the distance they live from their second nearest school. The second nearest school will include faith schools but will not include selective schools (such as grammar schools).
3. Take an average of these distances to derive the sparsity distance. For Sparse Primary School, the average is over two miles, making it eligible for sparsity funding.

The measure uses crow flies distances rather than actual travel distance as the DfE has been unable to secure a reliable travel distance measure that would work nationally. However, they are continuing to explore this for future years. To address concerns regarding this measure of distance DfE are allowing LAs to make exceptional applications for schools that have been excluded because the relevant road distance is significantly higher than the distance as the crow flies.

Lump Sums

In 2013/14 LAs were able to provide a single optional lump sum to all schools up to a maximum of £200,000. The Department's 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. The sparsity factor the Department are introducing in 2014/15 will enable local authorities to target funding more accurately to small schools in sparse rural areas.

DfE has decided that in 2014/15 the maximum lump sum will be £175,000. Reducing the size of the lump sum supports DfE's aim of moving towards a more pupil-led funding system, but also ensures that small rural schools have sufficient funding to remain viable.

However, to provide LAs with additional flexibility DfE will enable them to differentiate the lump sum by phase, provided that for each phase the lump sum level does not exceed the £175,000 cap

DfE do not intend to allow LAs to vary the lump sum value according to the size of the school because they do not want lump sum funding to offer additional funding to schools which have fewer pupils on roll because they are unpopular.

To afford merging schools some funding protection, while all efficiency savings resulting from the merger accrue, two merging schools will be able to keep 85% of the two lump sums for the next full financial year following the year in which they merge. The Department will consider also whether further tapered protection should be provided for merged schools for up to two further years.

Falling Rolls

During the review, DfE examined what is preventing good and necessary schools staying open in cases where a population increase is imminent. It would be inefficient for example to make redundancies because of short term falling rolls, only to need to employ staff again when rolls increase. To allow some additional support for schools in this situation LAs will be able to create a small fund to support schools with falling rolls in exceptional circumstances, using top-sliced DSG.

Schools Forums

The review considered whether Schools Forums were now operating more democratically and transparently. In light of responses the Department will re-issue the good practice guide and continue to monitor Forums.

A change will also be made to regulations (on which DfE will consult) requiring that all Forums include one elected representative from an institution (other than from a school or academy) providing education beyond age 16 (but may also be providing education for 14-16 year olds). This will replace the current requirement for a representative from the 14-19 partnership.

High Needs Funding

Notional SEN

In 2013/14 DfE allowed LAs to use their high needs budget to make additional allocations outside the formula to schools that have a disproportionate population of pupils with high needs. Although a majority of respondees considered it important to include a factor in the formula to reflect the incidence of high needs in a school, the Department has concluded that more time is needed to consider how such a factor would work. LAs will continue to be able to target funds from their high

needs budget, in cases where the notional SEN budget produced by the formula is comparatively low.

For the introduction of the new high needs funding arrangements in 2013/14, DfE strongly recommended that LAs should delegate funding for schools to be able to pay for costs of additional support, up to a threshold of £6,000. In light of responses DfE intend to make the £6,000 threshold a requirement through the finance regulations.

The continuation of the flexibility available to all LAs to apply additional funding from their high needs budget should mean that any adverse impact is minimal. Nevertheless, officials from the Department will be available to help local authorities make the necessary adjustments and explain them to their schools.

Minimum Funding Guarantee

The Minimum Funding Guarantee will continue to apply at -1.5% (excluding the lump sum, post-16 funding, allocations from the High Needs Block, including those for named pupils with SEN, allocations made through the early years single funding formula and rates from the calculations).

Annex A Summary of 2014/15 Changes

School Funding

Pupil-Led Funding

- LAs will be required to allocate a minimum of 80% of their delegated schools block funding via pupil-led factors.
- LAs will be required to set an AWPU rate of at least £2,000 for primary and at least £3,000 for KS3 and KS4.

Prior Attainment

- EYFSP will be retained the as the main indicator for prior attainment for primary aged pupils,
- Pupils will qualify for the prior attainment factor, where they have not achieved a good level of development.
- Pupils will be identified as having low prior attainment, if they fail to achieve a level 4 or higher in English or a level 4 or higher in maths.

Deprivation

- DfE will continue to ask that Schools Forums and local authorities determine locally an appropriate proportion or quantum of their schools block funding to allocate through this factor.
- The allowable indicators for use with the deprivation measure will not be changed.

Looked After Children

- LAs, which use the looked after children factor, will be required to use a single one day or more measure for both primary and secondary.

Pupil Mobility and Service Children

- A 10% threshold will be applied to the mobility factor, so that it will only support schools which experience a significant change in their pupil numbers.

Sparsity

- An optional sparsity based factor, which measures the distance pupils live from their second nearest school, will be introduced.
- LAs will be allowed to make exceptional applications for schools that have been excluded because the relevant road distance is significantly higher than the distance as the crow flies.

Lump Sum Funding

- The maximum lump sum will be £175,000.
- LAs will be able to differentiate the lump sum by phase for 2014/15, provided that for each phase the lump sum level does not exceed the £175,000 cap.
- Two merging schools will be able to keep 85% of the two lump sums for the next full financial year following the year in which they merge.

Schools with Falling Rolls

- LAs will be allowed to create a small fund (using top-sliced DSG funding) to support schools with falling rolls in exceptional circumstances.

Schools Forums

- All Forums will be required to include one elected representative from an institution (other than from a school or academy) providing education beyond age 16 (but may also be providing education for 14-16 year olds). This will replace the current requirement for a representative from the 14-19 partnership.

High Needs Funding

Notional SEN

- A new high needs formula factor will not be introduced, but DfE will continue to consider the case for this in the future.
- DfE intend that the £6,000 threshold will be made a requirement through the finance regulations.
- Officials from the Department will be available to help LAs make the necessary adjustments and explain them to their schools.

Pre- and Post-16 Arrangements and Dissemination of Good Practice

- Operational guidance from the EFA will explain how improvements to the high needs allocations process will be implemented over the next 12 months.