

CABINET 19 February 2014: Shropshire Schools Funding Formula 2014-15
APPENDIX B



Schools Forum

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Venue: Shrewsbury
Training and Development
Centre

Paper

B

Public

School Funding Update

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Summary

Following the Government's announcement of the school funding arrangements for 2014-15, Schools Forum recommended changes to Shropshire's local funding formula for 2014-15 at its meeting on 12 September 2013. Shropshire maintained schools and academies were consulted on these recommendations and their responses have been considered by the Task and Finish Group. This report details the Task and Finish groups recommendations to Schools Forum following the consultation feedback from schools.

The Task and Finish Group also considered the use of the High Needs contingency budget in the current financial year in light of concerns raised by a few schools in relation to the level of funding provided through the notional SEN budget and the actual pupils at the school requiring SEN provision. This report details how additional support from the High Needs contingency budget in 2013-14 could be targeted at schools where the data evidences these concerns.

Recommendation

- That Schools Forum consider and agree the recommendations for the school funding formula for 2014-15 proposed by the Task and Finish Group as detailed within this report following consultation with all Shropshire maintained schools and academies.
- That Schools Forum consider and agree the recommendation proposed by the Task and Finish Group to use the High Needs contingency budget to target funding at a few individual schools where data evidences a need for additional financial support in the current financial year, 2013-14.

REPORT

Background

1. Following significant reforms to school funding arrangements from April 2013 the Government published further reforms on 4 June 2013 for implementation from April 2014. The changes continue the Government's move towards a national funding formula for schools from 2015-16.
2. On 20 June 2013 Shropshire Schools Forum established a Task and Finish Group to work with local authority officers to consider the implications of these latest reforms and propose recommendations for Schools Forum to consider. While Schools Forum can recommend changes, the local authority has responsibility for making formula change decisions.
3. Schools Forum considered and agreed the Task and Finish Group's recommendations at a meeting on 12 September 2013. These recommendations were consulted upon with all Shropshire maintained schools and academies. Responses to the consultation were considered by the Task and Finish Group and their subsequent recommendations are detailed within this report.
4. The local authority submitted the provisional 2014-15 Schools Budget pro forma to the Education Funding Agency (EFA) by the required deadline of 31 October 2013. The Task and Finish Group's recommendations, following consideration of the consultation responses from schools, formed the basis of this submission. A final submission is required to be made to the EFA by 31 January 2014.
5. The Task and Finish Group also considered concerns raised by a small number of schools in relation to the funding delivered through the notional SEN budget in the current financial year and the cost of actual pupils requiring SEN provision in the school. Details of the Task and Finish Group's recommendation are included within this report.
6. Notes of the Task and Finish Group meeting held on 24 October 2013 are attached at Appendix A to this report.

School Funding Arrangements 2014-15

7. Following the Government's announcement of the school funding arrangements for 2014-15 in June, Schools Forum recommended changes to Shropshire's local funding formula for 2014-15 at its meeting of 12 September 2013. These recommendations were included in a consultation document sent to all Shropshire maintained schools and academies on 23 September 2013 inviting responses to each area of the recommended changes. As part of the consultation process a meeting was held at the Lord Hill on 15 October 2013 where headteachers and chairs of governors/chairs of finance were invited to discuss the recommendations in more detail before the consultation response deadline of 18 October 2013. Some 70 (50%) schools and academies were represented at the event.

8. A total of 34 responses (23%) were received from primary and secondary maintained schools and academies. The Schools Forum Task and Finish Group, set up to review the Government's schools funding reforms in detail and make recommendations to the Schools Forum, met again on 24 October 2013 to consider each of the individual responses received and the points raised at the consultation meeting.
9. Overall the majority of responses received from schools to the consultation were in favour of the recommendations proposed by Schools Forum.

Prior Attainment

10. The Government's change to the low prior attainment measure in the secondary sector to include pupils not achieving a level 4 in English *or* maths rather than English *and* maths is estimated to more than double the number of pupils captured by this measure in Shropshire.
11. Consultation responses indicated there was general agreement that without additional DSG the unit value of funding should be reduced to retain the same quantum of funding allocated on this factor as in the current financial year. None of the schools responding 'no' to reducing the unit value gave an alternative option for funding this increase in pupils captured by the new measure.
12. The Task and Finish Group concluded that the Schools Forum recommendation to reduce the low prior attainment unit value as agreed on the 12 September 2013 should remain unchanged.

Sparsity

13. The introduction of a new sparsity factor in the funding formula from April 2014 was a particularly important issue to schools, reflected in the consultation responses and the discussion at the consultation meeting at the Lord Hill.
14. Responses were strongly in agreement with the recommendation to include a sparsity factor within the funding formula for both primary and secondary schools. The majority of schools responding agreed the need to limit the funding allocated through this new sparsity factor given that there is no additional DSG to fund this, although there were several responses from schools who did not agree with this and felt that the formula should include funding based on the Government's maximum thresholds for number on roll and average crow flies distance. However, given that this option would cost £2.5m in primary afforded by a £127.56 per pupil reduction to all primary schools age weighted pupil unit (AWPU) funding, the Task and Finish Group concluded that it was not an option at this time whilst there is no additional DSG available.
15. The majority of responses did not agree with narrowing the sparsity criteria in line with the Schools Forum recommendation. Some responses suggested retaining the primary distance threshold at 2 miles but reducing the number on

roll threshold to 100 on roll. This model costs £1.4m and would result in an AWPU reduction of £72.57 per primary pupil, agreed by the Task and Finish Group as unaffordable without additional DSG funding.

16. A few responses in relation to sparsity funding in primary schools reflected a comment made by a headteacher at the consultation meeting which suggested limiting the funding allocated through the sparsity factor to that recommended by Schools Forum in the consultation document but allocating it on a flat rate basis to all 54 primary schools identified within the Government's maximum threshold number on roll and average distance measures. This would allocate around £3,000 of sparsity funding to each primary school below 150 on roll with an average distance as the crow flies of over 2 miles.
17. Schools in favour of this option stated they were concerned with the message it gave to Government if Shropshire limited the number of schools receiving sparsity funding through the formula to 10 as proposed. The Task and Finish Group considered this in detail but concluded that the funding formula should not be used to make a political point and that, although not an ideal solution, until additional DSG funding is available, the 10 most sparse primary schools in Shropshire should receive appropriate levels of sparsity funding in line with Schools Forum's recommendation agreed on 12 September 2013.
18. Schools Forum's recommendation in relation to secondary school sparsity funding as detailed within the consultation document was subsequently found to be contrary to the Government's regulations. The regulations require the tapering approach to be based on a maximum of £100,000 per school with zero on roll. This was explained at the consultation meeting with schools and figures presented at the meeting demonstrated that this approach severely restricted the amount of funding that could be allocated to Shropshire's most sparse secondary schools.
19. The Task and Finish Group considered several options for delivering sparsity funding to secondary schools within the Government's regulations and concluded that to deliver appropriate levels of funding to the most sparse secondary school the flat rate basis would need to be used.
20. The Task and Finish Group recommend that, for affordability purposes, the flat rate is set at £40,000 with the threshold measures narrowed to less than 450 on roll and an average distance of greater than or equal to 9 miles. This identifies one secondary school in Shropshire.
21. The Task and Finish Group recommend Schools Forum write to the Department for Education (DfE) explaining the reason for limiting the funding allocated on sparsity factors to 10 primary schools and one secondary school whilst making it clear that 54 primary schools and 6 secondary schools in Shropshire fall within the Government's thresholds for sparsity.

Lump Sum

22. The majority of responses in relation to the lump sum agreed it should be phase specific. However only half of the responses received agreed with the level of the lump sums proposed for each phase - £59,500 primary and £111,000 secondary.
23. The majority of 'no' responses did not agree with the reduction in the primary lump sum without the full implementation of the sparsity funding. The Task and Finish Group considered the responses and concluded that there was no evidence presented which persuaded the group that the recommended lump sum values, which best reflected the variable funding each school received on the old factors of floor area, operational subsidy, broadband etc., were not the most appropriate.
24. The Task and Finish Group concluded that the lump sum values should remain at the levels recommended by Schools Forum on 12 September 2013.

Schools with Falling Rolls

25. There was strong agreement with Schools Forum's recommendation not to top-slice DSG to support schools, considered by Ofsted to be good or outstanding, experiencing short term falling rolls.
26. The Task and Finish Group propose the Schools Forum recommendation remains unchanged.

High Needs Funding

27. A strong majority of responses agreed with Schools Forum's recommendation to target high needs funding at pupils with statements of SEN at Band 3 and above from April 2014. There was also strong agreement with funding this from funding currently allocated on free school meals and low prior attainment data as detailed in the consultation document. Of the handful of responses that did not agree with funding it in this way, none gave an alternative option. The Task and Finish Group therefore propose that high needs funding be allocated in line with Schools Forum's recommendation as agreed on 12 September 2013.

Summary of Task and Finish Group's Recommendations

28. In summary, the Task and Finish Group recommend that the original recommendations agreed by Schools Forum on 12 September 2013 remain unchanged other than those in relation to secondary schools' sparsity funding. The Task and Finish Group recommend that the secondary schools sparsity funding should be allocated on a flat rate basis of £40,000 to secondary schools below 450 on roll with an average distance of greater than or equal to 9 miles.

High Needs Contingency Budget 2013-14

29. The implementation of the Government's school funding reforms in the current financial year saw significant change to the way funding was delivered through the funding formula for special educational needs. The reforms required schools to receive within their budget share a notional SEN budget based on proxy indicators of free school meals, low prior attainment, the Income Deprivation Affecting Children Index (IDACI) and a contribution from AWPU. From this notional SEN budget schools are required to fund the first £6,000 of a high needs (Band 5 – 8) pupil's costs. In addition to the notional SEN budget, schools receive top-up funding based on the cost of provision for high needs pupils over and above the £6,000.
30. This change in SEN funding has created significant issues for a small number of schools where there is little or no correlation between the proxy indicators used within the notional SEN budget and the actual pupils with statements of SEN in the school. Shropshire introduced a process which targets high needs block funding at schools that do not have enough £6,000s within its notional SEN budget for each of its high needs pupils (Band 5 – 8), but this still leaves a few schools with little or no funding available for pupils with statements at Band 3 and 4 in the current financial year.
31. With the support of Schools Forum the local authority set aside a high needs contingency budget in 2013-14 from within the high needs block of the DSG to fund the movement of high needs pupils into Shropshire schools during the financial year. This contingency budget was set at £496,000 and tight protocols were written around its use. Latest monitoring of this contingency budget identifies a potential surplus of around £50,000 for the year.
32. The Task and Finish Group considered the issues raised by the schools and developed a proposal for utilising the potential £50,000 high needs contingency underspend in the current year to target support to schools where data demonstrates that the notional SEN budget does not provide sufficient funding to contribute to the costs of actual Band 3 and Band 4 pupils in the school.
33. The data identifies 13 primary schools and no secondary schools where there is evidence to demonstrate the need for additional SEN funding in the current financial year. Targeting £50,000 would deliver individual allocations ranging from £275 to £9,000 per school.
34. The Task and Finish Group recommend this additional funding is made available to the relevant schools now to enable its effective use, even though the actual position in relation to the balance on the high needs contingency budget will not be known until the end of the financial year.
35. The change in approach to funding high needs pupils with statements of SEN at Band 3 and above from April 2014 will address this issue in future years however the Task and Finish group will continue to review the need to target funds from the high needs block in cases where the notional SEN budget produced by the formula is comparatively low.

Appendix A

Schools Block Task & Finish Group

Notes of key points raised at the meeting held on 24 October 2013

1. In attendance

Bill Dowell (Chair of Schools Forum) [WD], Chris Endacott (Governor, Coleham Primary) [CE], Mark Rogers (Headteacher, Oxon CE Primary) [MR], Chris Davies (Headteacher, Severndale Specialist School) [CD], Peter Neale (School Business Manager, Thomas Adams School) [PN], James Sparkes (Governor CCBC) [JS], Phil Adams (Headteacher, Corbet School Technology College) [PA], Chris Huss (Headteacher, Wilfred Owen School) [CH].

Local authority officers:

Gwyneth Evans [GE], Rob Carlyle [RC] and Phil Wilson [PW].

2. Apologies

Phil Poulton (Headteacher, Ludlow CE School)

Kay Miller (Headteacher, St George's Primary, Clun)

3. Consultation

GE circulated the individual responses received from 34 Shropshire schools. In summary the responses were as follows:

	Yes	No	Neither
Question 1	19	8	7

Generally in agreement. Responses from secondaries indicated yes.

	Yes	No	Neither
Question 2	33	1	0

Strong agreement

	Yes	No	Neither
Question 3	31	2	1

Strong agreement

	Yes	No	Neither
Question 4	19	13	2

Majority agree, though low.
 Difficulty understanding what sparsity means. Small does not mean sparse.
 Unanimous decision at Schools Forum in September.

No convincing evidence that 54 schools are sparse
 Not clear what is happening with government policy in respect of sparsity. We have no idea how policy makers are developing their thinking. Schools Forum need to write to DfE advising that the size of Shropshire's network of schools is an issue that requires additional DSG funding.
 Concern raised about using the formula to make political gestures and try to steer government policy. We do not require a sparsity factor but a rurality factor.
 Agreement that there will always be a need for schools in some remote communities.
 General feeling that this sparsity factor will be in the national funding formula.
 DfE recognises that this is a clumsy factor that will need refining.
 Difficult to compare Shropshire's approach with other LAs – our budget is limited – we are trying to be fair with a very limited budget.
 Shropshire's formula should not be making a political point given the uncertainty of government policy direction. We need to write to the DfE and explain our decision and seek policy changes to make this fairer.
 Sparsity differs in each LA.
 Not just about supporting small schools. It is about sparse schools. Small schools are different from sparse schools.
 Top 10-20 most sparse schools must be better funded.
 The lump sum factor is important, sparsity should not be looked at in isolation.

Group agreement that the recommendation as detailed in the consultation document provides the minimum disruption/turbulence ahead of the move to a national funding formula. In summary the group understands the concerns of small schools, however, on balance, there is a need to do the best for the most sparse schools. While accepted as not the best solution the group agreed the need to commission further work to get a better understanding of what sparsity actually means.
 A nationally set lump sum for all schools, if it emerges, will change the whole debate.

	Yes	No	Neither
Question 5	13	19	2

'No' responses offered alternative approaches. These were modelled by the group at the meeting and evaluated for affordability given there is no additional DSG to fund sparsity. A few responses suggested allocating the amount recommended by Schools Forum for 10 schools over the 54 schools identified by the DfE maximum thresholds. The group agreed that the formula should not be used to make political gestures and try to steer government policy. Agreement by the group that sparsity funding should be provided to the most sparse in line with Schools Forum's recommendation until additional DSG funding to reflect sparsity is available.

	Yes	No	Neither
Question 6	30	4	0

The group were reminded that the tapering approach in secondary schools using a value of £250,000 as per the consultation document could not be used. It was agreed that to deliver appropriate levels of funding to secondary schools the 'flat rate' was the better option although not an ideal approach.

The group debated at length the various options available in the modelling. It was acknowledged that one secondary school in particular required funding given its sparsity.

It was agreed that we cannot deliver what schools were consulted on and so are seeking to replicate the spirit of the original recommendation.

As the 'flat rate' approach is now the group's preferred option, given that Schools Forum's original recommendation was not allowed, for affordability purposes it was decided to reduce the NOR threshold for secondary and all through schools to 450 on roll and increase the secondary school mileage to 9 miles. This targets funding at one secondary school. It was agreed by the group to set the 'flat rate' at £40,000.

The group was concerned about having to do this and not being able to consult with all schools.

	Yes	No	Neither
Question 7	24	8	2

Strong majority in favour and a strong steer from Schools Forum.

	Yes	No	Neither
Question 8	17	16	1

The group considered how to best prepare for the national funding formula and to avoid moving significant monies around.

Nothing in the responses persuaded the group that there was a need to amend the recommendation. The lump sum can't be considered in isolation.

It was agreed that this was fairer than the current lump sum allocation. It is what Schools Forum would have wanted to implement in 2013-14 had phase specific lump sums been allowed. Modelling data evidences that the recommended phase specific lump sums mirror the previous variable funding allocations closest. If the national funding formula funds the lump sum at a higher level Shropshire schools will be better off.

	Yes	No	Neither
Question 9	23	9	2

Strong agreement

	Yes	No	Neither
Question 10	33	0	1

Strong agreement

	Yes	No	Neither
Question 11	21	5	8

Strong agreement and no alternative proposals given.

4. High Needs Contingency 2013-14

GE briefed the group on issues raised by a few schools in relation to funding for High Needs pupils in 2013-14. In particular the impact in the current financial year of the lack of correlation between pupils attracting funding on the SEN proxy indicators of free school meals and low prior attainment and actual pupils with lower level statements. Although Shropshire currently targets additional High Needs funding at schools to ensure the notional SEN budget can afford the required number of £6000s for band 5 to band 8 pupils, for some this leaves very little or no funding within the notional SEN budget for pupils with lower levels of need.

Whilst the DSG has been committed within 2013-14, current monitoring of the High Needs contingency budget, which funds movements of high needs pupils in year, is indicating potential for a £50k underspend (on a £496k budget). GE sought the views of the group on using this potential £50k underspend to target funding at schools identified as not receiving enough notional SEN funding on the proxy indicators to afford £6,000 for each of their bands 3 and band 4 pupils. Changes to the funding arrangements recommended by Schools Forum from April 2014 will address this issue in next financial year.

RC presented the group with detailed figures identifying the schools where their current notional SEN funding does not cover the first £6,000 cost of band 3 and band 4 pupils in the school. The data identified 13 primary schools and no secondary schools where this was the case. The total shortfall identified totalled £95k.

It was recommended by the group to target funding from the High Needs contingency budget in 13-14 at the 13 primary schools identified, but to scale back the allocations to the £50k total identified as a potential underspend.

The group also agreed to review, for 2014-15, the basis for targeting funds from the High Needs budget in cases where the notional SEN budget produced by the formula is comparatively low.

5. Task and Finish Group on School Sustainability

The group considered and agreed the Terms of Reference for this Task and Finish group on school sustainability.