



### Schools Forum

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Paper

# B

Public

## School Funding Reforms 2015-16

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### Summary

Following significant reforms to school funding arrangements from April 2013 and further reforms from April 2014, the Government confirmed in July 2014 the next stage of reforms as it continues to move towards a national fair funding formula. The full detail of the latest reforms is available at

[www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016](http://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016)

From April 2015 the least funded local authorities in England will receive additional Dedicated Schools Grant (DSG) funding up to a nationally prescribed minimum funding level. As one of the lowest funded local authorities, Shropshire will benefit from this additional funding.

The Schools Forum Task & Finish Group on Sustainability has modelled and considered various options for allocating the additional funding to Shropshire schools from April 2015 and their recommendation is included within this report.

These latest reforms also include other changes to DSG funding arrangements which are included within this report.

As a reminder, whilst Schools Forum can recommend changes to the funding formula, including redistributions, decisions are made by the local authority.

### Recommendation

Schools Forum is requested to:

1. note the confirmation of additional funding for Shropshire schools from April 2015 and other changes required to DSG funding arrangements.
2. agree the recommendations proposed by the Task & Finish Group on the allocation of the additional funding through the local funding formula, as detailed in paragraphs 28, 30, 31 and 33.

## REPORT

### Background

1. In March 2014 the Government launched a consultation document setting out the next phase of school funding reforms for 5 to 16 year olds, aiming to begin to address the unfairness of the current funding system. The consultation document 'Fairer Schools Funding in 2015-16' proposed allocating an additional £350m to schools in the least fairly funded local authorities in England in the 2015-16 financial year.
2. Shropshire Schools Forum submitted a response to the consultation which ran until 30 April 2014.
3. On 17 July 2014 the Government confirmed additional funding to the lowest funded local authorities in England and at the same time announced a number of further reforms to the schools funding system for 2015-16.

### Fairer Funding for Schools from April 2015

4. Following consultation, the Government confirmed the allocation of an additional £390m from April 2015. **Shropshire will receive an additional £297 per pupil in schools block funding within the DSG. Based on October 2013 census data this equates to an additional £10.37m, a 7.2% increase to the schools block.** Shropshire is the 4<sup>th</sup> highest gainer out of 69 local authorities in England receiving additional funding.
5. Through the additional £390m funding available, every local authority's allocation of funding will reflect a minimum basic per pupil amount and minimum amounts reflecting other pupil and school characteristics. The 2015-16 minimum funding levels (MFLs) are based on the average amounts that local authorities allocated to these characteristics in their local funding formulae in 2014-15.
6. The Fairer Schools Funding documentation makes it clear that local authorities will not be obliged to use all these factors in their local formulae in 2015-16 (with the exception of the basic per pupil amount and the deprivation factor, which are mandatory). Nor will a local authority that chooses to use any of these seven factors be obliged to set that factor at or above the MFL. Individual schools should not therefore expect that their funding will necessarily be at or above the minimum funding levels.

### Long Term Reform of High Needs and Early Years Funding

7. The Government acknowledges the concerns of many local authorities that the application of the MFL is only to the schools block unit of funding, rather than across the entire DSG, which also includes funding for high needs and early years pupils. However they have concluded that it would be wrong to alter the allocation of high needs and early years funding without sufficient evidence on how the need for funding varies between different areas.
8. To enable future reforms to the High Needs funding block within the DSG, the Government will begin research in the autumn with a view to consulting on the

way that high needs funding should be distributed, both from central government to local authorities and from local authorities to institutions.

9. It remains the Government's intention to achieve a fair distribution of early years funding through a national early years funding formula. Further work is required before a formulaic approach can be introduced. For 2015-16 additional funding for early years will be provided through a new early years' pupil premium.

### **Refinements to the Sparsity Factor**

10. From April 2014 a new sparsity factor was introduced in local funding formulae. The purpose of this factor is to enable local authorities to provide an additional sum to small schools serving sparsely populated areas where those schools may not be able to operate on the basis of per pupil funding alone.
11. Currently a sparsity distance is calculated for every school in England using the average distance (as the crow flies), for each pupil for whom the school is the closest, from their postcode to their second nearest school.
12. Current regulations allow sparsity funding to be allocated where a school has:
  - 150 or fewer pupils in primary or 600 or fewer pupils in secondary and all-through schools; and
  - a sparsity distance of 2 miles or more for primary and all-through schools and 3 miles or more for secondary schools.
13. Sparsity funding can be allocated on a fixed sum (up to a maximum of £100,000) or on a tapered basis.
14. From April 2015, local authorities will be required to use new average year group size thresholds in place of the number on roll criteria. For example the average year group threshold for primary schools will be 21.4 pupils (150 / 7 year groups). An infant school will therefore only be eligible for sparsity funding if it has less than 86 pupils (21.4 x 4 year groups).
15. As in 2014-15, these size and distance thresholds are maximum thresholds and a local authority will be free to choose to set lower thresholds. Lower thresholds were used in Shropshire's local formula in 2014-15.
16. From April 2015 local authorities will be able to make an application to the Education Funding Agency (EFA) to include an exceptional sparsity factor to allocate up to an additional £50,000 to small secondary schools where they have 350 pupils or fewer and a sparsity distance of 5 miles or more. Currently no Shropshire secondary school would qualify for this exceptional sparsity factor.

### **Simplifying the Administration of Academies Funding**

17. To simplify the funding system and to ensure all schools and academies will be funded on the same basis, from April 2015 funding for all schools including non-recoupment academies and free schools will be included in local authority DSG allocations. Local authorities will calculate funding for all academies and free schools through their local funding formula which will be recouped by the EFA

which has responsibility for funding academies and free schools. Any central DSG funding must be made available to all schools in the area on an equal basis, including former non-recoupment academies and free schools.

18. Shropshire has no non-recoupment academies and one free school.

### **Carbon Reduction Commitment**

19. The carbon reduction commitment (CRC) scheme is designed to reduce emissions in the public and private sectors by incentivising the uptake of cost-effective energy efficiency opportunities. In 2014-15 the Government removed schools from the main scheme and instead reduced each local authority's DSG in order to pay for schools' contribution to the CRC scheme. The deduction to each local authority's DSG was calculated on the basis of their spending in 2013-14 on CRC allowances for schools as declared on section 251 returns.
20. For 2015-16 the Government will revise this method and the deduction from the DSG will be made on a simple per pupil basis. Each local authority's DSG will be reduced by £7.51 per pupil. Based on October 2013 census data, this will result in a reduction of £262,242 (34,919 pupils x £7.51) from Shropshire's DSG. The reduction in 2014-15 based on 2013-14 spend was £267,000.

### **Changes to High Needs Funding for 2015-16**

21. The latest funding reforms include three changes to high needs funding arrangements for 2015-16.
22. Firstly, the high needs place numbers used for the academic year 2015/16 will be the published numbers for 2014/15. Local authorities and institutions will be able to identify significant changes in SEN places that require more place funding and submit an exceptional case application to the EFA for an increase to an institution's 2015/16 academic year place numbers. The template for applications must be submitted by 17 October 2014.
23. Secondly, from 2015/16 changes to the scale and nature of alternative provision will be met by local authorities, schools and academies within their existing funding. This will mean that local authorities and their schools bear the cost of any increase in alternative provision places for pupils who would otherwise be in mainstream schools but for the placement decisions they have made.
24. Thirdly, the Government is currently consulting on draft School and Early Years Finance Regulations that include an increase in the funding of alternative provision places from £8,000 to £10,000 per place per annum from September 2015. It will be expected that corresponding reductions in the top-up funding for alternative provision will take place so that the adjustment is cost neutral for local authorities and schools.

### **Recommendations from the Schools Forum Task & Finish Group**

25. The Shropshire Schools Forum Sustainability Task & Finish Group, advised and supported by Shropshire Council's administration Task & Finish Group, considered various models over the summer for distributing the additional funding fairly to Shropshire schools. As the confirmed additional DSG per pupil

funding level of £297 was not announced until the 17 July all modelling considered by the group was based on the originally proposed additional DSG per pupil funding value of £255. All modelling has been carried out based on October 2013 census data. Actual school funding allocations for 2015-16 will be based on October 2014 census data.

26. Further to the detailed consideration of various funding models, the Task & Finish Group agreed on 26 June 2014 to recommend to Schools Forum an increase to the current sparsity funding delivered to schools through the funding formula to a level that demonstrated a fair and appropriate allocation and to distribute remaining funding on a flat rate per pupil basis across all schools.

### **Sparsity Funding**

27. The group considered the Government's maximum sparsity threshold levels and concluded that the Government's distance thresholds of 2 or more miles for primary schools and 3 or more miles for secondary and all-through schools did not define a school as being sparse.
28. To ensure sparsity funding is targeted at Shropshire's sparse schools the Task & Finish Group **recommend that Shropshire's primary school sparsity distance measure remain at 3 or more miles and that Shropshire's secondary school sparsity distance measure remain at 9 or more miles.** This delivers sparsity funding to 10 primary schools based on October 2013 census data and one secondary school.
29. In 2013-14 the local authority successfully applied to the EFA to include an additional 4 Shropshire primary schools where the actual road travel distances significantly exceeded their sparsity distance using the crow flies measure and would not otherwise have been eligible. It is expected that these 4 primary schools will remain eligible for sparsity funding in 2015-16.
30. To achieve a fair and appropriate sparsity funding allocation level the group considered minimum school expenditure levels of small primary schools and the additional targeted sparsity funding that would be required to ensure sparse schools received funding to meet at least these minimum expenditure levels. On this basis the group **recommend increasing the funding to £50,000 on a tapered approach, from £30,000 in 2014-15, for relevant sparse primary schools.**
31. Based on analysis of current funding levels and expenditure requirements of the individual secondary school the group **recommend increasing sparsity funding to £100,000 on a flat rate approach, from £40,000 in 2014-15, for secondary schools.**
32. Based on October 2013 census data this increase to sparsity funding in secondary and primary schools costs an additional £198,800.

### **Age Weighted Pupil Unit (AWPU) Funding**

33. For fairness the Task & Finish Group **recommend that the remaining additional funding be distributed on a flat rate per pupil basis across all schools.** Any increase to the age weighted pupil unit (AWPU) funding within the

funding formula to schools will have a corresponding impact on the level of minimum funding guarantee (MFG) that a school attracts. As the AWPU increases, the MFG reduces. The release of MFG allows for more funding to be allocated through the AWPU.

34. The modelling considered by the Task & Finish Group based on the proposed additional DSG funding of £255 per pupil resulted in, after the changes to sparsity funding and recycling of MFG, an increase of £289.86 per pupil across all primary, secondary and all-through schools in Shropshire.
35. Based on the confirmed additional DSG funding of £297 per pupil the resulting AWPU increase would be £333.39.
36. There are two important points to note:
  - For many Shropshire schools new additional funding may either all, or in part, be offset by a corresponding reduction to their MFG protection funding initially;
  - the final AWPU value within schools 2015-16 budget share allocations will be determined after all 2015-16 DSG pressures, including high needs places and provision costs, are taken into account.