

## APPENDIX

<b>Hampshire County Council</b>	
<b>Schools Forum</b>	<b>Item</b>
<b>24 October 2013</b>	
<b>School Funding Formula Review 2014/15</b>	
<b>Report of the Director of Corporate Resources- Corporate Services and Director of Children's Services</b>	

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### 1 Summary

- 1.1 This paper sets out proposals for changes to the school revenue funding formula for 2014/15 for consideration by school, academy and early years representatives of Schools Forum, arising from the recent consultation.
- 1.2 These formula changes will be submitted for approval to the Executive Lead Member for Childrens Services on 24 October 2013.
- 1.3 The proposals include budgets for de-delegation for primary and secondary school representatives to decide for their respective phases.

### 2 Background and Consultation

- 2.1 The new national approach to school revenue funding that was introduced in 2013/14 meant that Hampshire's school funding formula needed to be fundamentally altered.
- 2.2 The Department for Education (DfE) has reviewed the impact of these arrangements and has some further changes to the funding arrangements for 2014/15. A copy of the full review can be found on the [DfE website](#).
- 2.3 Since this announcement considerable modelling has taken place by the finance team, the outcomes of which were presented to [Schools Forum on 10 July](#) in order to meet the DfE's deadline of setting the formula by the end of October.
- 2.4 At the July 2013 meeting Schools Forum representatives were presented with several options and detailed modelling relating to :
  - Principles relating to distribution of funds and phases
  - Size of the lump sum
  - Use of the sparsity factor

- Changes in mobility funding
- Preferred model for distributing surplus funds

2.5 Members of Schools Forum provisionally approved the proposals relating to the above and requested further modelling of some options to inform the consultation with schools.

2.6 A consultation exercise was carried out with schools in September. Documents went to all 426 primary and 70 secondary maintained schools and academies on 2 September, with a closing date of 20 September. This was supported by guidance documents, Frequently Asked Questions and a dedicated email account for queries.

2.7 The [consultation](#) sought views on the following areas :

- Principles agreed at Schools Forum (including lump sum, sparsity factor and mobility changes)
- Preferred model for distributing surplus funds
- Preferred method for restricting gains
- De-delegation
- Removal of Free School Meals factor
- Use of additional funds
- Applying a cap on the spend of statement pupils

2.8 Due to the scale of changes one briefing was held during September to assist schools with the consultation including a presentation and question and answer session. This briefing was well attended with 286 (58%) schools having at least 1 attendee. Of the schools who attended the briefing, 97 submitted a response.

2.9 A total of 119 schools responded to the consultation (24%). There were 21 replies from secondary schools (30%) and 98 replies from primary schools (23%).

2.10 The responses were mainly from head teachers (56%) and school finance staff (34%). Other responses were from governors (7%) and other (3%).

### 3 Consultation responses

Question 5i) asked “**Do you agree with the following principles: “Previously agreed by Schools Forum in 2013/14”**”

3.1 Results	Yes	117	(98.3%)
	No	2	(1.7%)

3.2 The overwhelming majority of responses agreed that the principles agreed by Schools Forum and Resource Groups should be adopted. The principles are as follows:

- Distribution of overall funds between the primary, secondary and special phases to remain unchanged from 2013/14 (i.e. no redistribution of funds)
- The total amounts allocated overall to each factor remain broadly in line with those in the current formula before any redistribution between schools determined by the application of the new formula.
- The size of the lump sum should be set to minimise the impact of the funding reform on smaller schools.

Question 5ii) asked “Do you agree with the following principles: “Values **set for the lump sum of £175,000**”

3.3 Results:	Yes	112	(94.1%)
	No	7	(5.9%)

3.4 Although the majority agreed with the size of the lump sum, some schools believe that the value of the lump sum should be reduced to £150,000 in order to prepare for the expected lump sum rate when a National Funding Formula is implemented. Some schools felt it would be better in the long term to reduce the lump sum at a more rapid pace.

3.5 Some schools felt it would be a fairer system if a different size lump sum could be applied to each school type, especially in the Infant, Junior and Primary phase. Other schools also felt the lump sum should vary according to school size.

Question 5iii) asked “Do you agree with the following principles: “Changes to mobility values”

3.6 Results:	Yes	111	(94.1%)
	No	7	(5.9%)

3.7 The majority of responses agreed with the principle of reducing the budget available for mobility funding due to disproportionate levels of funding currently being targeted at a small number of schools.

Question 5iv) asked “Do you agree with the following principles: “Sparsity funding fixed sum of £15,000”

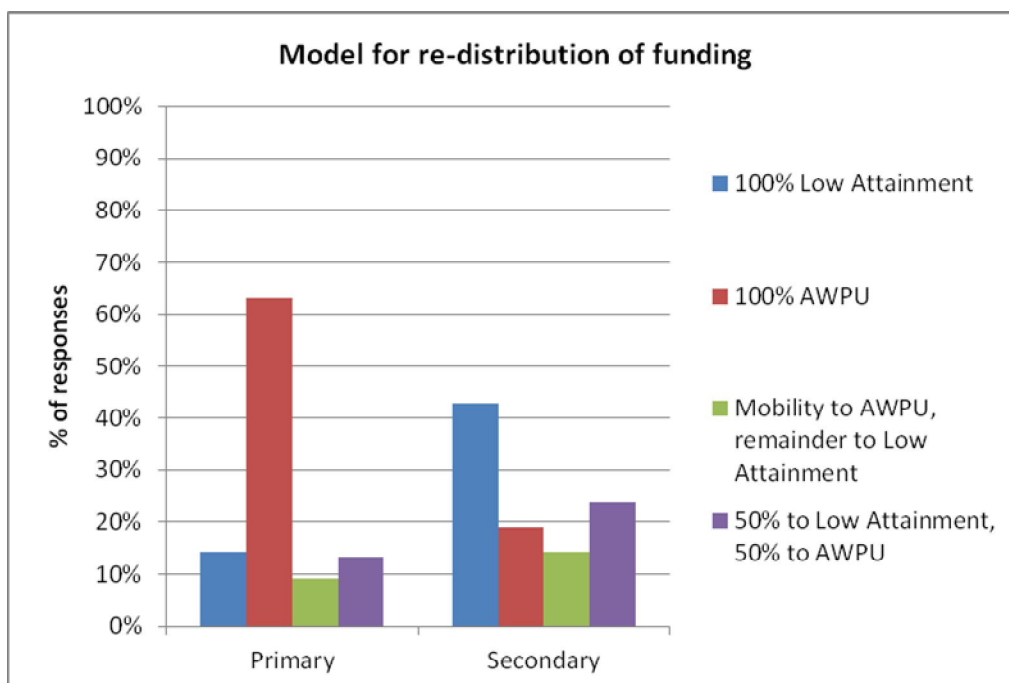
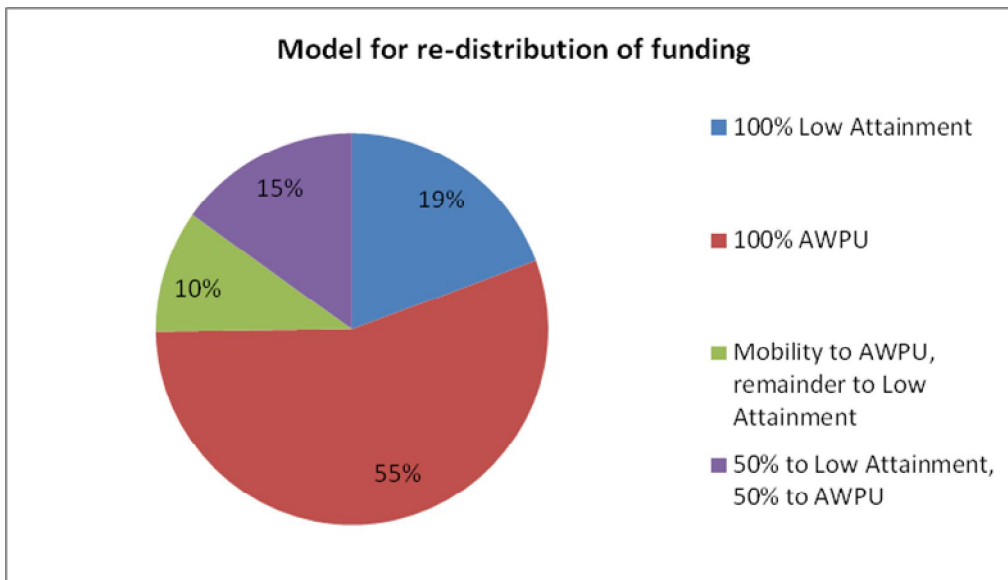
3.8 Results:	Yes	116	(97.5%)
	No	3	(2.5%)

- 3.9 The vast majority of responses agreed with setting a fixed sum of £15,000 to be given to all schools eligible for sparsity funding in order to protect small schools from the reduction in the value of the lump sum.
- 3.10 Several comments were received regarding the sparsity formula, with some schools suggesting that the criteria needed to be looked at in the future to make it more fair.
- 3.11 One school disagreed with the use of the crows fly as children cannot travel by crow. They suggested crossing water on a route should also be taken into account when calculating distances.
- 3.12 Several schools felt the sparsity funding is unfair to small schools as it only take into account small rural schools and suggests small schools don't have the same issues.

Question 6 asked “**Which model for the re-distribution of funding would you prefer?**”

### 3.13 Results

	Primary		Secondary	
Option 1 – Low attainment	14	14%	9	43%
Option 2 – 100% AWPU	62	64%	4	19%
Option 3 – Mobility funding to AWPU, remainder to Low attainment	9	9%	3	14%
Option 4 - 50% Low attainment and 50% AWPU	13	13%	5	24%
<b>Total</b>	<b>98</b>	<b>100%</b>	<b>21</b>	<b>100%</b>



- 3.14 The majority of responses (55%) supported the view of distributing the additional funds relating to changes in the lump sum & mobility factors through the Age Weighted Pupil Unit (AWPU).
- 3.15 Although the vast majority of primary schools voted for this option (63%), the majority of secondary schools (43%) voted for the additional funds to be allocated via low attainment.
- 3.16 Comments received pointed to the AWPU factor being the fairest system for all schools.

3.17 There were mixed views on redistributing the funding to the low attainment factor. Some schools felt this increase in funding was needed to continue to provide high level support to low attainers while others felt that the pupil premium already helps schools tackle issues regarding low attainment.

Question 7 asked “**Do you agree to the cap being applied again in 2014/15?**”

3.18 Results	Yes	107	(89.9%)
	No	12	(10.1%)

3.19 The majority of responses would prefer to continue to apply a cap to any gains generated from the new formula.

3.20 In the comments section, several schools regard the cap as being unfairly targeted at small schools or schools who have been underfunded for years but are now being funding at the correct level.

3.21 A comment from one school said the cap severely disadvantages schools who are currently trying to manage falling rolls whilst trying to manage staff stability. The school said the implementation of a cap will mean further redundancies will need to be made which will cost money in severance payments.

3.22 One school suggested both the MFG and CAP should be reduced over the next 1-3 years.

Question 8 asked “**Do you agree to the following items being de-delegated for 2013/14?**”

3.23 Results (only maintained primary and secondary schools 115) :

Service	Primary		Secondary	
	Yes	No	Yes	No
Contingency	95 (96.9%)	3 (3.1%)	17 (100%)	0 (0%)
Licenses and subscriptions	98 (100%)	0 (0%)	17 (100%)	0 (0%)
Staff Costs	97 (99.0%)	1 (1.0%)	17 (100%)	0 (0%)
Behaviour Support Services	90 (91.8%)	8 (8.2%)	13 (81.3%)	3 (18.7%)
Ethnic minority and traveller achievement service (EMTAS)	93 (94.9%)	5 (5.1%)	16 (94.1%)	1 (5.9%)

3.24 The overwhelming majority of responses agreed that the services listed below should continue to be de-delegated:

- Contingencies (this includes schools in financial difficulties)
- Licences/subscriptions;
- Staff costs - supply cover (long-term sickness, maternity, trade union and public duties);
- Support for minority ethnic pupils or underachieving groups;
- Behaviour support services;

3.25 Additional comments focused on behaviour support services. Many schools agreed to de-delegate for a further year on the basis that the service will continue to improve and that another year is required to see if plans can be met.

3.26 Academies felt it was inappropriate for them to express a view on de-delegation however the consultation didn't allow them to skip this question. Please note the table in section 3.30 is maintained school, only.

Question 9 asked **“Do you agree to the removal of the Free School Meals (FSM) factor in 2014/15?”**

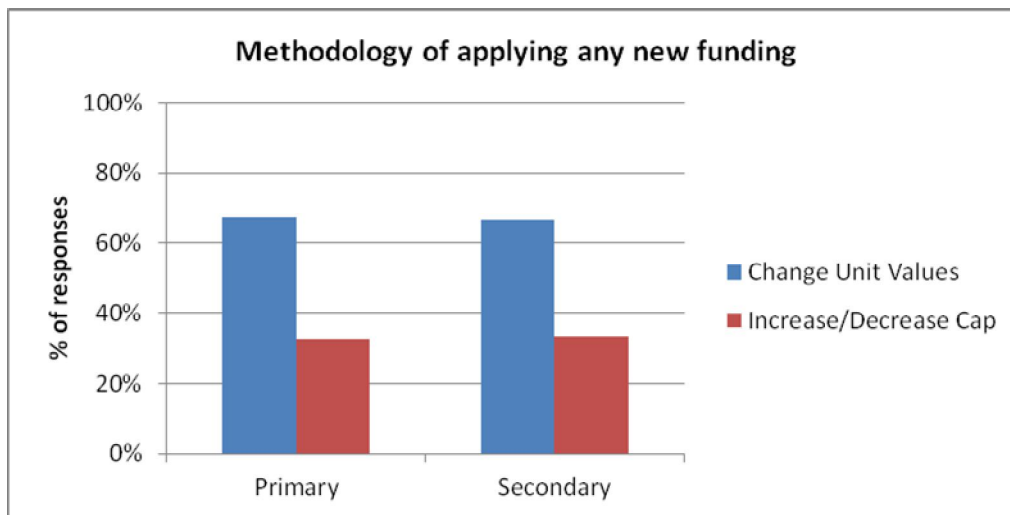
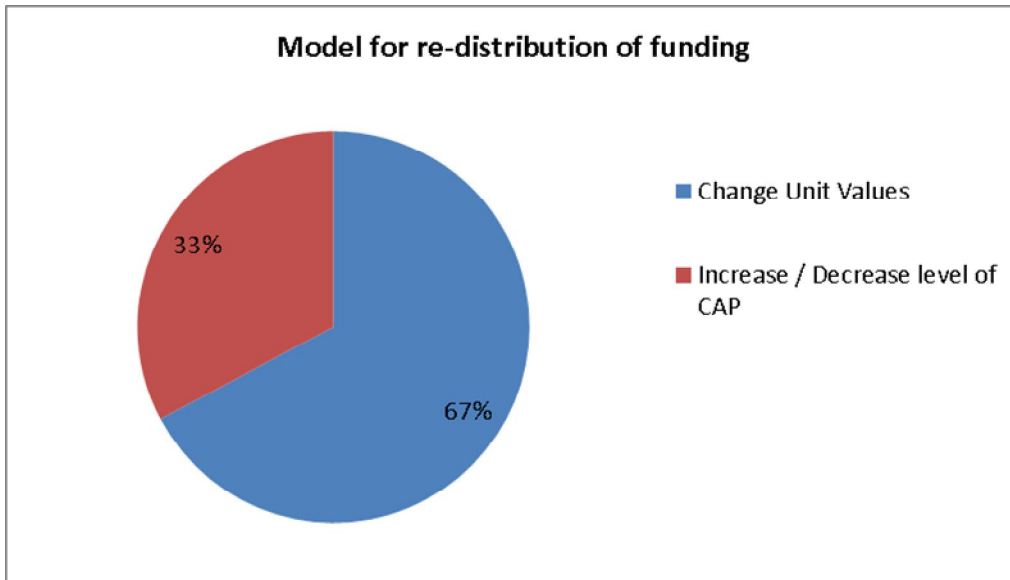
3.27 Results	Yes	96	(80.7%)
	No	23	(19.3%)

3.28 The majority of schools that responded agreed to the removal of the Free School Meal (FSM) factor, as a result of the uncertainty over FSM with the introduction of Universal Credits.

Question 10 asked **“If there are changes to the overall funding amount available to schools in 2014/15, what methodology would you prefer to apply?”**

3.29 Results:

<b>Methodology</b>	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
Change unit values	66 (67.3%)	14 (66.7%)	80 (67.2%)
Increase/Decrease level of cap	32 (32.7%)	7 (33.3%)	39 (32.8%)



3.30 With 67.2% of schools voting for an increase in unit values this option is clearly the preferred method for distributing additional funding.

3.31 Many schools commented that increasing the unit values would be a fairer system as all schools would benefit.

3.32 Other schools were minded to changes in the CAP so that schools who have been previously underfunded will now be able to receive the correct level of funding.

Question 11 asked **“Do you agree to a 3% budget share cap on the spend of statemented pupils in mainstream schools?”**

3.33 Results	Yes	108	(90.8%)
	No	11	(9.2%)

- 3.34 Nearly 91% of those schools who responded voted for a 3% budget cap on the spend of statemented pupils in mainstream schools. However, this will need to be agreed by Schools Forum in December 2013.
- 3.35 Many schools still felt even with this cap they are still disproportionately disadvantaged. One school felt that statements should attract full funding.

#### **4 Overall comments**

- 4.1 The final part of the consultation allowed schools to make any general comments regarding the entire consultation.
- 4.2 There were mixed comments from the schools. Several were positive and praised the finance team for providing clear and concise information believing Hampshire has the best interests for all schools at heart. Many commented on how clear and helpful the presented briefing was, however, one school felt the cost of all schools travelling to the briefing was not a good use of funds and media tools should be used next year.
- 4.3 Others commented on the short timescales of the consultation and the time of year it takes place, with some feeling that an early-September consultation period was not the best time. Others felt the consultation was complicated and assumed extensive knowledge of finance in local authority education.
- 4.4 Please see appendix 1 for full set of comments.

#### **5 Funding formula – schools block**

- 5.1 Schools (including academies) and early years representatives of Schools Forum are asked to approve the formula factors for the Schools Block for 2014/15, which are listed below. This will then need to be agreed by the Executive Lead Member for Childrens Services so that the pro-forma can then be returned to the Education Funding Agency by the 31 October 2013 deadline.
- 5.2 The values on the pro-forma cannot be completed until the final settlement for the Dedicated School Grant (DSG) has been agreed by the DfE. The final values will need to be agreed and finalised by Schools Forum as part of the budget setting process.

Factor	Indicator
1. Basic Entitlement Age Weighted Pupil Unit (AWPU)	There will be a single value for primary aged pupils and a separate value for Key Stage 3 and Key Stage 4
2. Deprivation	Income Deprivation Affecting Children Index (IDACI). Separate values for primary and secondary
3. Looked after Children (LAC)	Number of LAC children – based on March 2013 SSAD093 return
4. Low cost, High Incidence SEN	Primary – Score of below 73 on the Early Years Foundation Stage Profile (EYFSP) for assessments up to 2012. From 2013 assessment, non-achievement of any of the 12 prime areas of learning  Secondary – Level 3 or lower in KS2 in either Maths OR English (from 2013 failure to achieve L4 in reading or teacher assessed writing)
5. English as another language (EAL)	Any children who have English as another language for a maximum of 3 years after the pupil enters statutory school age
6. Mobility	Calculated using the school start date for each pupil from the October School census. It includes pupils who started in the last 3 academic years but did not start in August or September. 10% threshold applied.
7. Sparsity	Fixed sum of £15,000. Based on DfE set criteria.
7. Lump sum	Fixed rate of £175,000
8. Split sites	Based on actual costs
9. Rates	Based on actual costs
10. Exceptional circumstances	As agreed by the Education Funding Agency on a year by year basis. For 2014/15 this only included rents over 1% of total budget share

## 6 High Needs block 2014/15

- 6.1 There is minimal change proposed for funding of high needs pupils in 2014/15. Minor changes have been made locally through consultation with headteachers and an update provided to special schools in September. The DfE has made it mandatory that, from April 2014, schools must fund the first £6,000 for a statemented pupil. As Hampshire chose to adopt the £6,000 threshold from 2013/14 there will be no change.
- 6.2 The unit of place funding for all places in special schools (including post 16 places) and resourced provisions will be £10,000 for 2014/15.
- 6.3 The additional place funding that has been available in 2013/14 for post 16 pupils will be included in the top-up framework from 2014/15 onwards
- 6.4 The MFG will continue for special schools and resourced provisions at - 1.5% in 2014/15. This will however only be for protection in pupil characteristics and values and does not protect schools against reductions in place numbers.
- 6.5 Place funding for Education Centres will continue at £8,000 per place in 2014/15.

## **7 Recommendations**

- 7.1 It is recommended that all schools (including academy) and early years provider representatives of Schools Forum agree the proposed funding formula for 2014/15 as set out in the table at paragraph 5.3 for approval by the Executive Lead Member for Childrens Services. This will incorporate the following:
  - That all principles in section 3.2 are adopted within the 2014/15 school funding formula.
  - The lump sum is set at £175,000 for both primary and secondary phases (section 3.3 – 3.5)
  - The changes to mobility values (section 3.6 - 3.7)
  - A fixed lump sum of £15,000 for schools eligible for sparsity funding (section 3.8 – 3.12)
  - Primary Phase - The 100% funds to AWPU model (option 2) is used for re-distributing surplus funds within the Primary phase for 2014/15 school funding formula. (section 3.13 – 3.17)
  - Secondary Phase - The 100% funds to low attainment model (option 1) is used for re-distributing surplus funds within the Secondary phase for 2014/15 school funding formula.
  - A per pupil cap be applied to any school that gains from the new funding formula in 2014/15. (section 3.18 – 3.22)
  - the removal of the Free School Meal (FSM) factor from 2014/15 onwards (section 3.27 – 3.28)
  - any changes in the level of funding arises the unit values would be altered to reflect the change. (section 3.29 – 3.32)

- 7.2 It is recommended that relevant Schools Forum members (Primary and Secondary representatives voting separately) agree that all items listed in section 3.24 are to be de-delegated in 2014/15, subject to final approval as part of the budget setting process in January 2014.
- 7.3 It is recommended that all school (including academy) and early years provider representatives of Schools Forum agree that the 3% cap on budget shares for spend on statement pupils be applied in 2014/15.