

**TELFORD & WREKIN COUNCIL**

**CABINET – 14 NOVEMBER 2013**

**REVISED SCHOOL FUNDING FORMULA 2014/15**

**REPORT OF THE ASSISTANT DIRECTOR EDUCATION & CORPORATE PARENTING**

**LEAD CABINET MEMBER – COUNCILLOR PAUL WATLING**

**PART A) – SUMMARY REPORT**

**1. SUMMARY OF MAIN PROPOSALS**

- 1.1 From April 2013, a new funding formula has been in place for Telford & Wrekin mainstream schools, which meets the requirements of revised Department for Education (DfE) regulations. The DfE has consulted on the impact of the new arrangements and following this has made some changes to the regulations for 2014/15. It has also published details of the funding formulas of all English education authorities.
- 1.2 Following consultations and discussions with the Schools Forum and schools generally it is proposed to make some changes to the local funding formula for schools in 2014/15 in order to:
- Move the local secondary to primary funding ratio closer to the national average ratio;
  - Offer some short term protection to schools with significant reductions in pupil numbers;
  - Introduce different lump sums for secondary and primary schools;
  - Include an additional factor to offer some budget protection to small rural schools;
  - Include an additional factor to provide more funding to schools with higher than average levels of pupil mobility.
- 1.3 The revised funding formula has to be submitted to the Education Funding Agency (a DfE agency) by 31 October 2013. Telford & Wrekin's formula will be submitted (as is allowed) subject to cabinet approval on 14 November.
- 1.4 This report seeks Cabinet approval for the proposed revisions to the funding formula for Telford & Wrekin mainstream schools.

**2. RECOMMENDATION**

- 2.1 **That the revisions to the funding formula for Telford & Wrekin mainstream schools be approved.**

### 3. SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Co-Operative Council priority objective(s)?	
	Yes	By ensuring that as far as is possible schools receive fair funding for their pupils, this supports the objective to Improve local people's prospects through education and skills training.
	Will the proposals impact on specific groups of people?	
	Yes	Children, young people, parents and the wider community served by schools
<b>TARGET COMPLETION/DELIVERY DATE</b>	The revised funding formula will take effect from 1 April 2014 for maintained schools and from 1 September 2014 for academies. Details of the formula have to be provided to the Education Funding Agency by 31 October, but ours will be submitted (as is allowed) on the basis of being 'subject to Cabinet approval.'	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	The revised funding formula redistributes funds between schools as described in the report below. It does not affect the amount of money allocated to T&W by the DfE. The changes lead to redistribution between schools, for example from secondary to primary, but the impact of this in the short-term is mitigated by the national Minimum Funding Guarantee for schools which means that no school's funding can reduce by more than 1.5% per pupil..
<b>LEGAL ISSUES</b>	Yes	The revised arrangements have to comply with the new School Finance Regulations.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough.

## **PART B) – ADDITIONAL INFORMATION**

### **4. NATIONAL CONTEXT AND CHANGES TO DFE REGULATIONS**

- 4.1 The DfE required Local Authorities to implement a simpler funding formula for schools from April 2013. These changes are the first stage towards a planned national funding formula for schools, to be implemented in the next spending review period (i.e. at some point in the period from 2015/16). The local funding formula for schools determines how much of the total funding received by T&W is allocated to each individual school.
- 4.2 Following a review of the 2013/14 formulas implemented by authorities, the DfE has made some changes to regulations for 2014/15. The most significant of these for T&W are as follows:
- If the Schools Forum agrees, additional funding can be allocated to schools with reductions in pupil numbers, but only where the additional places will be required in 2-3 years and the school is classified by Ofsted as 'good' or 'outstanding'.
  - Additional funding can be allocated to small schools (less than 150 pupils for primaries, less than 600 for secondaries) if the average distance to catchment pupils second nearest primary school is more than two miles, and three miles for secondary schools.
  - It is permissible to have a different lump sum for primary schools compared to secondary schools.
  - Mobility funding (i.e. where pupils move schools within the school year) can now be allocated only to schools with mobility above a 10% threshold.
- 4.3 The DfE has also published details of all English authorities local schools funding formulas. The most significant feature of our funding formula compared to other authorities is our extremely high secondary to primary funding ratio. The national average is 1.28 whereas in Telford & Wrekin it is 1.48. Only 2 of 152 local authorities have a higher ratio than Telford & Wrekin.

### **5 LOCAL CONTEXT AND PROPOSED FORMULA CHANGES**

#### **Pupil number trends and short term protection against reductions of Income caused by falling pupil numbers**

- 5.1 An important feature of the local context for the proposed funding formula is a continuing disparity between pupil number trends in the primary sector (increasing pupils) and the secondary sector (decreasing pupils). In the secondary sector the decrease is concentrated almost entirely within a sub-set of half a dozen schools.

- 5.2 In the medium term, a reduction in the number of secondary schools (by one) once Telford Co-operative Academy opens and the rise in the secondary population once the increase in primary pupil numbers, particularly in KS1, feeds through, will lead to the situation stabilising. However for 2014/15 there will be local secondary schools that are both small and experiencing significant reductions in pupil numbers.
- 5.3 In 2013/14 the DfE regulations did not allow us to target additional funding at schools with falling numbers. The regulations are now to be changed to allow this to take place, but only for schools classified by Ofsted as 'good' or 'outstanding' and where places are expected to be needed within the next 2-3 years.
- 5.4 Any such funding has to be agreed by the local Schools Forum as a 'top-slice' from overall school funding. T&W's forum has agreed a £500,000 top slice for this purpose for 2014/15, to be allocated to schools with a decrease of more than 3% in pupil numbers.

### **Secondary to primary funding ratio**

- 5.5 In the context of this additional support for schools with falling pupil numbers (in practice secondary schools), it is possible to consider changing the balance of funding between T&W's secondary and primary schools (see paragraph 4.3 above) so that it is nearer the national average.
- 5.6 Three options were developed and discussed with the Schools Forum and schools generally. These would move T&W's secondary to primary ratio either to:

- |          |                                    |
|----------|------------------------------------|
| Option 1 | the national average (around 1.30) |
| Option 2 | to around 1.35                     |
| Option 3 | to around 1.40                     |

The ratios reported above reflect the 'raw' unprotected formula. In practice the immediate impact of any changes will be limited by the requirements of the national Minimum Funding Guarantee (MFG) which prevents the funding for any school being reduced by more than 1.5% per pupil per year.

- 5.7 There was a consensus from schools that we should move towards the national average but differing opinions on how far towards it we should move. A vote at September's Schools Forum produced seven votes in favour of version 2, six in favour of version 3, with one abstention. In response to this vote a further option has been modelled, resulting in a ratio of around 1.38 which is the option which is being recommended for approval – see Appendix A to this report. The figures shown for 2014/15 are based on estimated October 2013 census pupil numbers.
- 5.8 The most significant change to the funding formula is the proposed change in the balance of funding between the secondary and primary sectors, but in addition to this several other changes are proposed, as described below. The decision on the funding formula rests with the Cabinet, but for Members information, the results of the September Schools Forum vote on each proposal is recorded.

### **Different lump sums for secondary and primary schools**

- 5.9 In 2013/14 DfE regulations required the same lump sum for both primary and secondary schools. In 2014/15 there can be different lump sums for each sector (which had been the position in T&W prior to 2013/14). It is proposed to have a lump

sum of £150,000 for secondary schools and £100,000 for primary schools, reflecting the higher de-minimus costs of secondary schools. *Forum members abstained on voting on this change*, as they considered that it formed an integral part of the overall formula ratio options discussed above and on which they had expressed their views.

### **Pupil mobility**

- 5.10 It is proposed to introduce a formula factor that allocates additional funding to schools with in-year movement of pupils exceeding 10%. This measure excludes pupils arriving as they enter the first year of the school or leaving when finishing their last year. The amounts proposed are an additional £300 per pupil for each pupil above the 10% threshold in primary schools and an additional £500 for secondary schools. This assists schools to cope with the disruption inherent in dealing with fluctuating pupil populations. *The Forum voted unanimously in favour of this proposal.*

### **Sparsity**

- 5.11 A new allowable factor has been introduced by the DfE in 2014/15 such that additional resources can be allocated to schools below 150 pupils (primary) and 600 pupils (secondary) where the average distance to the next nearest school for its catchment pupils exceeds 2 miles (primary) or 3 miles (secondary).
- 5.12 Three T&W schools meet these criteria: Crudgington Primary, High Ercall Primary and Tibberton Primary. It is proposed that an additional £667 for each pupil below 150 is allocated to these schools, i.e. such that smaller schools receive larger allocations. It should be noted that the 3 smallest schools in T&W by pupil numbers do not qualify for this additional support as they fail to pass the sparsity test for their catchment pupils described in 5.11 above. The additional allocation is recommended as it enables support to be provided to some of our smaller schools, but it does thereby create a disparity in funding between small rural and small urban schools.
- 5.13 *The Forum voted unanimously in favour of the sparsity proposal.*

## **6. IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 6.1 Any change to the funding formula for schools leads to some schools being allocated more funding and some schools less funding compared to the existing formula. In the short term the impact of the changes per pupil is cushioned by the MFG. In addition, the top-slice described above mitigates for one year the reduction in income for some secondary schools associated with significant declines in pupil numbers. However, changing the secondary to primary ratio as proposed is a significant strategic decision. The impact of the change will increase in future years as secondary schools income is allowed to decrease in accordance with the MFG year on year.
- 6.2 Under current regulations, the formula can be reviewed and if desirable amended each year. I will be kept under review in the context of local circumstances and further changes in government regulations.

## **7. PREVIOUS MINUTES**

Minutes of the meeting of the Cabinet held on Thursday, 8th November, 2012 (concerning the 2013/14 funding formula for schools).

**8. BACKGROUND PAPERS**

“School Funding reform: Findings from the review of 2013/14 arrangements and changes for 2014/15” DfE, June 2013

“2014/15 revenue funding arrangements: operational guidance for local authorities”.  
DfE, June 2013

“2014-15 Revenue Funding Arrangements: Additional information for local authorities”  
DfE, October 2013

T&W Schools Forum, Minutes and accompanying papers of meetings held on 12 July  
2013 and 25 September 2013

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