

Sparsity in a National Funding Formula for Schools – a discussion paper from f40

November 2013

1. Lump sum and sparsity

The purpose of the lump sum and sparsity need to be clear. In the F40 submission on the development of a national funding formula we suggested the NFF should feature:

- a lump sum to reflect 50% of fixed costs (some leadership time, premises costs and fixed support staff costs)
- and, for schools that meet the criteria for necessary small schools:
 - the remaining 50% of fixed costs
 - and
 - an allowance for the additional classroom/curriculum organisation problems such schools face e.g. for primary schools, teaching a number of year groups together and, for secondary schools, covering the full range of national curriculum subjects at Key Stage 3 and 4 without mixing Key Stage Groups

Is this how DfE views the lump sum and sparsity?

2. Alternative Approaches

Some outline thoughts of alternative are suggested in appendix A. Can we discuss with the DfE any of these thoughts - or elements of them further?

3. LA intentions for 2014/15

The majority of f40 authorities are not intending to introduce a sparsity factor for 2014/15. Three reasons are cited:

- The LA does not have schools in sparsely populated areas
- The available model does not target funding effectively
- It would be prudent to await the DfE's intentions for the NFF

In general LAs that are implementing a sparsity factor have created the funding by reducing the lump sum i.e. they are using sparsity to target funding for small schools.

4. Concerns about the current sparsity model - Impact on planning and provision of school places

Targeting funding from the lump sum 'pool' risks some schools becoming uneconomic. The places they provide are critical to meeting demand either now or in the foreseeable future in the area as a whole. This leaves the prospect of LAs facing 3 problems:

- potential deficits
- concerns about standards in declining schools
- providing alternative places at short notice

Some of the affected schools will be in sparsely populated rural areas – e.g. where two schools together serve a rural area.

Any move towards a more efficient school structure, either through planned reorganisation or schools closing increases transport costs or capital costs for LAs. Having separate funding sources for schools and transport is unhelpful.

5. Concerns about the current sparsity model - The mechanics of the sparsity factor

The problems:

- ‘as the crow flies’ – DfE has evidence of strong correlation with road distance but still issues with credibility and the cost of dealing with exceptional cases/appeals
- Thresholds – an example from Gloucestershire illustrates the problem: Meysey Hampton primary school has an average distance to the next nearest school of 2.01 miles and would potentially qualify for a £100,000 additional lump sum. Tredington primary has an average distance of £1.99 miles and would not qualify. Data will inevitably change from one census to the next – in year 2 Tredington might qualify and Meysey Hampton not. To make matters worse, if we were starting from scratch we would not build a school at Tredington! This makes for an unstable formula factor and one where there are significant changes in funding from minimal changes in data
- Faith schools – places may not be available in practice at the ‘next nearest’ school
- Very small schools – any school can potentially qualify for the sparsity factor; it would be helpful to declare a *de minimis* number on roll below e.g. 30 pupils for primary schools and 300 for secondary
- Schools in LA areas bordering Scotland or Wales where a school over the border does not qualify as next nearest

6. The f40 position

We suggest two potential approaches:

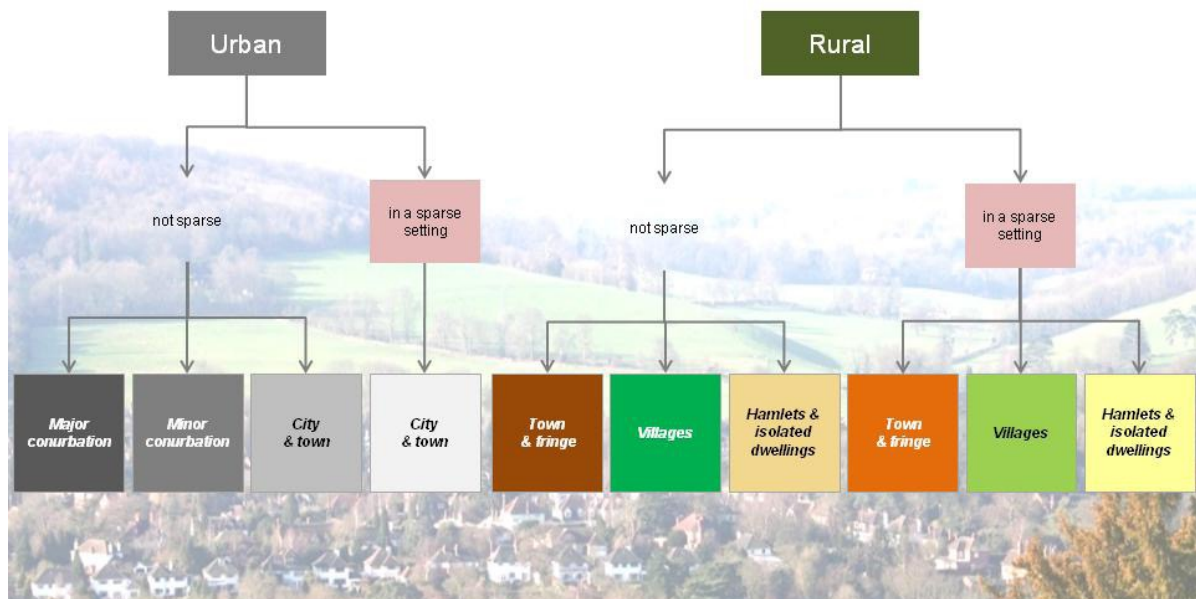
- Refinement of the current sparsity model that addresses the ‘mechanics’ problems set out in paragraph 5 above. Frankly we do not know whether this is possible. But we would welcome the discussion outlined in 2 above
- A simplistic approach as now as a means of dividing the national pot between LA areas and permitting a wide range of discretion for LAs and Schools Forums to devise a local sparsity arrangement that suits local circumstances. That may be appropriate given the variation in approaches LAs have taken for 2014/15.

Appendix A:

Proposal 1:

Using the ONS classifications of LSOAs as shown in the diagram below, take the post code of each child attending a school and classify it as rural or urban. Calculate the percentage of children at the school that are rural and use that as a multiplier for the sparsity taper (i.e. replace this percentage with the next nearest school data). The advantage of this is that as populations change and towns expand the classification will change, also by using the percentage as a multiplier, there is no cliff edge and year on year changes are phased.

According to the ONS data the rural areas account for around 17% of the population, and this method also fits with the rural schools designation order data which requires the closure of small rural schools to be more considered and are much more difficult to achieve.



Taken from the Rural Urban Classification Leaflet which is found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248666/Rural-Urban_Classification_leaflet_Sept_2013_.pdf

Proposal 2:

Take the capacity for each school and divide it by the number of year groups the school is expected to teach, if the answer is less than 25 for a primary school, less than 100 for a middle school and less than 125 for a secondary school, then the school would be sparse. Funding could be via a lump sum or taper, but the maximum any school could receive on a per pupil basis would be something between 60-75% of an AWPU so as to encourage the increasing of pupil numbers over the use of sparsity. The school may need to be defined as rural (as in option 1) as a starting point so as to remove small urban schools from the

distribution. Both proposals 1 and 2 may also need a minimum school size to be applied before funding can be accessed.

Proposal 3:

Provide each LA with an amount of say £1,000 per square kilometre of the LA (or an amount above a threshold of, say, 250 sq km), and then allow the LA with its forum the discretion to distribute this to the schools they choose, using criteria they set? This distribution method would be a formula factor and therefore automatically applied to academies too.

This funding needs to be sufficient to cover the necessary additional costs of operating small settings. There may be an expectation that one of the criteria would include hard federation for schools below a certain size to minimise fixed costs and would see any additional funding being mainly to offset the additional costs of small class sizes and of operating split sites.

This would support the Central Government perspective of being seen to have made a suitable provision for sparsity.