

**Open Report on behalf of the Executive Director of Children's Services**

Report to:	<b>Children and Young People Scrutiny Committee</b>
Date:	<b>7 September 2012</b>
Subject:	<b>School funding reforms</b>

**Summary:**

This report summarises the Government's recent announcements on school funding reforms. It highlights the Local Authority's (LA) provisional response and sets out the next steps for taking this work forward. The Scrutiny Committee's views are sought at this early stage of the process.

The government's proposals for school funding reform are quite radical and may, in time, have very significant implications for the funding of many Lincolnshire schools. Looking ahead, a key date is the 31 October 2012 when the LA will be required to submit to the Education Funding Agency (EFA) proposals for the funding of the county's schools from 2013/14.

**Actions Required:**

The Children and Young People Scrutiny Committee is asked to receive and consider this report and provide feedback on the key issues identified within it.

**1. Background**

There have been a number of significant, locally driven developments of the funding formula for Lincolnshire schools in recent years. These include the introduction of new funding formulae for lower level SEN, Early Years and special schools. Those changes, and the amendments arising from the recent mainstreaming of £67m of grants, have enabled the LA to simplify school funding arrangements and make them fairer. The LA is therefore well placed to respond to the government's school funding reforms.

The government has been consulting on school funding reforms since the spring of 2011. On 29 June 2012, the DfE published a document entitled 'School Funding reform: Arrangements for 2013/14'. The key points to note from the proposals are:

- There will be no move towards a new national funding formula until the next spending period.
- The way that LAs distribute funds to schools will be simplified from 2013/14.
- Regulations will be amended to allow funding to be distributed through twelve formula factors only.

- An upper limit of £0.2m will be set for the block allocation that is allocated to all schools irrespective of size.
- The Minimum Funding Guarantee will continue to apply. This has been set at minus 1.5% for both 2013/14 and 2014/15 and will provide stability in school funding.
- LAs will be required to delegate as many services and as much funding as possible to schools.
- The mechanism for funding academies' additional responsibilities will change with a new government grant being introduced to fund relevant central education services.
- The funding for academies will otherwise continue to be based on the LA's funding formula.
- A new methodology will be used to fund higher needs pupils.

The LA's response to the reforms is currently being developed. It will have regard to: the government's vision, the current funding arrangements already in place in Lincolnshire, Children's Services priorities and key performance measures, and a set of core funding principles (most notably, these will include: stability, simplicity and fairness).

It is important to note that the government's reforms are being introduced at a time when public finances are tightly constrained. The funding of schools was protected by government through the Comprehensive Spending Review of 2010 and, over the four year period, the increase in school funding is expected to be £4bn, with £1.5bn being earmarked for demographic growth and £2.5bn for the pupil premium. However, no provision was made for pay awards or inflation.

Since publication of the government's proposed reforms on 29 June 2012, officers have been working conscientiously to help develop the LA's response. Speed is necessary because the government requires LAs to consult all schools and the Schools Forum, prior to submission of a proforma to the EFA on 31 October 2012 which will set out how the LA will fund local schools from 2013/14. The timescales are therefore incredibly tight.

At the time of drafting this report, all of the financial modelling work that is needed to assess the implications of some of the government's proposals has not been fully completed. However, the main issues to emerge from the work undertaken so far are:

- The government's requirement that a single block allocation of up to £0.2m operates for both primary and secondary schools is the greatest concern. Currently, small secondary schools receive a block allocation of £0.39m, whilst primaries receive £0.09m. If the lump sum is set higher than £0.09m, primary schools with less than 30 pupils could be sustained financially, but this may not be desirable from an educational, social or value for money perspective. Also, the inevitable reduction in the block allocation for secondary schools will have a significant financial impact upon smaller secondary schools.
- It will be difficult for the LA to continue to fund small primary school collaborations. This is a new initiative that was considered and supported by the Scrutiny Committee earlier this year. The government's new

proposals will not permit separate funding arrangements that will encourage and sustain small school collaborations. The LA still considers these to be necessary to help small schools face the challenges ahead.

- Although the government reforms will allow LAs to fund English as an Additional Language (EAL) as one of the twelve formula factors, it will not permit Lincolnshire to continue to operate a threshold. The funding currently distributed to a number of schools is likely to be distributed much more widely, thereby diluting the funds available to those schools with greatest need.
- The reforms enable the LA to introduce a rates factor for schools and as there is currently quite a wide variation in cost per pupil, it may be an opportune moment to introduce such a factor.
- The government wishes LAs to delegate as much funding as possible to all schools. This means that it will no longer be possible to retain certain central budgets (these include: school redundancies, support for schools causing concern, and support for interim headteachers), without representatives of maintained schools on the Schools Forum agreeing to that.
- It is likely that fewer budgets will be held centrally to continue to finance in-year adjustments to school budgets as their circumstances change.
- The funding for specialist SEN provision will change significantly. Special schools and PRUs, etc, will be funded using a fixed sum per place and top-up funding calculated by the LA.

### Next steps

The most critical milestone in the next three months is the submission of a proforma to the EFA by 31 October 2012. This will set out the LA's proposals for the future funding of schools. The time available to develop, consult upon and formally approve a new funding system is extremely limited. The key dates are set out in the table below.

10 July 2012	Schools Forum consulted.
11 July 2012 to 31 August 2012	Detailed proposals are developed for the future funding of schools.
5 September 2012 to 19 September 2012	Individual Governing bodies are consulted on outline proposals.
7 September 2012	Scrutiny Committee consulted.
20 September 2012	Meeting held to advise Special school headteachers.
24 September 2012	Working party of school representatives meets to consider and comment upon feedback from schools.
10 October 2012	The Schools Forum considers the LA's proposals.
12 October 2012	A formal report for the Executive member to approve is published.
19 October 2012	That report is also considered by the Scrutiny Committee.
26 October 2012	A formal decision is made by Executive member.
31 October 2012	The LA submits its proposal for the future funding of schools to the EFA for approval.
1 April 2013	The new funding formula is introduced.

## 2. Conclusion

Whilst the government will ensure that significant transitional protection will apply for at least the first two years, the proposed changes to school funding next year are likely to have significant financial implications for many county schools in the medium term.

## 3. Consultation

As indicated above, the Schools Forum was consulted on 10 July 2012. The DfE requires all schools to be consulted on the LA's proposals and that will take place in September. The Schools Forum will be consulted again on 10 October and the Scrutiny Committee will receive a further report on 19 October. The LA is required to submit its proposals for the funding of schools to the EFA by 31 October 2012.

### a) Policy Proofing Actions Required

n/a

## 4. Background Papers

The following background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report: -

<b>BACKGROUND PAPERS</b>			
<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
Letter from the EFA	School Funding reform: Arrangements for 2013/14	29 June 2012	<a href="http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-final-arrangements-for-2013-14">http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-final-arrangements-for-2013-14</a>
Report to Schools Forum	School Funding Reform: Next steps towards a fairer system	10 July 2012	Democratic Services, LCC

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