

REPORT REFERENCE: **7.0**
REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	10 October 2012
SUBJECT:	School Funding Reform: Next steps towards a fairer system
REPORT BY:	Tony Warnock (Head of Finance – Children's and Specialist Services)
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IS REPORT CONFIDENTIAL?	No
IS REPORT EXEMPT?	No

SUMMARY

The purpose of this report is to consult the Schools' Forum on the Local Authority's (LA) proposals for the funding of schools from April 2013. In June 2012, the Government announced the arrangements for school funding reforms. The LA outlined details of that announcement in a report to the Schools Forum on 10 July 2012 and, since then, consultations have taken place with various groups. Having considered the responses, the LA is now in a position to present its latest proposals for the funding of schools from next year, for the Schools Forum's consideration.

DISCUSSION

Background

Following a long consultation period, the DfE published a document entitled 'School Funding reform: Arrangements for 2013/14' on 29 June 2012. A report to the Schools Forum on 10 July explained the background to the reforms; outlined the principles that the LA was minded to adopt, and; asked for the Schools' Forum's views on the LA's provisional ideas for dealing with: existing core formula

factors, in-year adjustments to school budgets, centrally held budgets, higher needs, and early years. The report also outlined the next steps that the LA proposed to take to move this work forward.

Recent work

Since the meeting of the Schools' Forum on 10 July the LA has:

- Consulted all schools (5 September to 20 September);
- Consulted the Children and Young People's Scrutiny Committee (7 September);
- Held briefings for schools at three different venues (17, 18 & 19 September);
- Consulted a working group of school representatives¹ (24 September).

Owing to the DfE's tight timescales for the completion of this work, the consultation with schools had to be conducted in a relatively short period of time. However, in anticipation of that, the LA forewarned schools on the 13 July that the consultation would take place from the 5 September. The response rate to the consultation was disappointing (17% of primary and secondary schools responded) although not unexpected.²

The LA set out 23 questions in the consultation document issued to schools and these are shown in Appendix 2. Also shown is the percentage of schools in favour, against or not sure, together with an outline of the key comments that emerged. All of this information was considered by the working group on 24 September and their conclusions are also shown. Taking in to account all of this feedback, Appendix 2 sets out the LA's current proposals for consideration by the Schools Forum.

It is clear from this recent work and Appendix 2, that the majority of schools that responded support the LA's proposals (they also understand the difficulties that the DfE's reforms are creating). Furthermore, having reviewed the schools' responses and considered the issues again, each proposal was also supported by a large majority of the working group. The only change that the LA plans to make to its original proposals, is to create a budget for 'schools in financial difficulties', to help maintained schools deal with any adverse financial consequences that may arise from redundancies (the original proposal was to offer an insurance / buy back service).

The government's requirement for LAs to have a single block allocation rate for both primary and secondary schools remains the greatest concern over the medium term. The LA will continue to lobby the government for that to be changed, and will press for a higher limit to apply to secondary schools, to reflect their greater fixed costs.

Although LAs are not required to submit their proformas to the DfE until 31 October 2012, it is noteworthy that initial indications from a short, unscientific survey at a national funding conference held on 26 September indicate that Lincolnshire will be in a similar position to many other LAs because approximately:

- 60% plan to retain two key stage weightings in the secondary sector.
- 80% plan to retain an SEN prior attainment factor.
- 80% plan to use both free school meals and IDACI for funding deprivation.
- 65% plan to set a block allocation of between £0.101m and £0.150m.
- 90% plan to propose de-delegation for some activities.

¹ Members of the Working Group are shown at Appendix 1.

² 43 (16%) primaries and 14 (25%) secondary schools responded. The 21 special schools were not expected to reply, as a separate meeting had been held to develop solutions to the complex system that the Government is introducing for higher needs. It is worth noting that more than a decade ago, the response rate to consultations was typically below 30%. Furthermore, since its creation in 2003, the Schools Forum has been responsible for considering school funding arrangements on behalf of schools, and so individual schools have not routinely been consulted on detailed aspects of the school funding formula. Also, the DfE's spreadsheet showing the future budgets for schools is rather complex and some schools may have found this difficult to understand.

- 90% plan to set a cap on gains to finance the costs of the protection required under the Minimum Funding Guarantee.³

The LA also expects the funding ratio between the primary and secondary sectors to be close to the national average. Furthermore, the LA anticipates the proportion of funding being distributed through pupil led factors to be greater than the lower limits that the DfE was at one time considering introducing.

Next steps

As reported previously, a critical milestone in this process is the submission, to the EFA on 31 October 2012, of a proforma setting out the LA's proposals for the future funding of schools.

The views of the Schools Forum will be considered by Children's Services Directorate Management Team and the Portfolio Holder, Cllr Mrs Bradwell. A report will then be drafted for Cllr Mrs Bradwell to approve formally the LA's proposals for the future funding of schools. That report will be considered by the Children and Young People's Scrutiny Committee on 19 October. The LA should then be in a position to meet the DfE' requirement to submit the proforma by the 31 October.

Thereafter, the data from the October schools census will be cleansed. The DfE should then publish the Dedicated Schools Grant for 2013/14 by December 2012. The LA will then re-determine the values to be allocated to each formula factor for next year and a revised proforma will be issued to the DfE in mid January. From that point in time, the LA will be able to begin calculating the budget shares for individual schools for the 2013/14 financial year. The LA should be in a position to report verbally those values, and provide an update on related matters, at the Schools Forum meeting scheduled for 23 January 2013.

RECOMMENDATIONS

The Schools' Forum is asked to:

- Note the contents of the report;
- Consider the feedback from the consultation with schools and the working group;
- Approve the LA's proposals for the future funding of schools.

The representatives of the maintained primary schools are asked to approve the LA's proposals relating to:

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| Question 19 | - exceptional unforeseen circumstances |
| Question 22 | - 'Schools in financial difficulties' to help deal with redundancies in schools. |

The representatives of the maintained primary schools and maintained secondary schools are asked, as two distinct groups, to approve the LA's proposals relating to:

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|-----------------|---|
| Question 20 | - Equality for Minority Communities service |
| Question 21(1) | - Criminal Records Bureau |
| Question 21 (2) | - Union activities |

³ Modelling suggests that the additional cost of protection from the LA's proposed changes to school funding could be £5m. This has to be financed from the DSG and, in the illustrative figures issued to schools as part of the consultation exercise, it was assumed that a cap on gains would have to be set at 0.5% in the first year. The level at which the cap will actually be set in 2013/14 cannot be determined until the October census data is available. Affordability will be the primary consideration. Over time, the capping level should be relaxed as the MFG releases more funds.

APPENDICES (if applicable) - these are listed below and attached at the back of the report.

Appendix A – Members of the working group held on the 24 September 2012

Appendix B – Consultation questions and responses

BACKGROUND PAPERS

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	School Funding Reform: Next steps towards a fairer system	10 July 2012	County Offices, Newland, Lincoln, LN1 1YQ

MEMBERS OF THE WORKING GROUP HELD ON THE 24 SEPTEMBER 2012

The LA would like to thank the following for their contribution to the development of the proposals set out in this report.

Name	Organisation	Role	Notes
Adrian Reed	Boston Haven High TC, etc	Headteacher	2
Bill Bush	Grantham The Phoenix special school	Headteacher	3
Dominic Loyd	Boston Tower Road primary school	Headteacher	2, 3
Ellenor Beighton	Market Rasen De Aston secondary school	Headteacher	2, 3
Roger Hale	Caistor Grammar school	Headteacher	2, 3
Prof. Ken Durrands	Grantham Kings Grammar school	Governor	2, 3
Michael Follows MBE	Boston John Fielding special school	Governor	3
John Beswick	Stickney CoE primary school	Governor	3
Paul Snook	CfBT	Assistant Director	
Keith Batty	CfBT	Assistant Director	
Tony Warnock	LCC	Head of Finance	1
Michelle Grady	LCC	Assistant Head of Finance	1
Mark Popplewell	LCC	Assistant Head of Finance	1
Julie Hulme	Mouchel	Senior Accountant – Schools Finance team	1

Notes

1. Non voting
2. Academy
3. Previous member of the Schools Forum

CONSULTATION QUESTIONS AND RESPONSES

MAIN FORMULA FACTORS: PRIMARY AND SECONDARY SCHOOLS

Consultation question	School responses	Schools' comments	Working group response	The LA's latest proposal
Q1 Do you agree that the LA should retain separate Key Stage 3 and Key Stage 4 weightings?	<p>Primary: Yes – 51% No – 12% Not sure – 37%</p> <p>Secondary: Yes – 86% No – 0% Not sure – 14%</p> <p>This question is more relevant to the secondary sector.</p>	There were few comments, but one acknowledged the importance of continuing to recognise the differences in costs between the two key stages.	<p>The need to be able to continue to offer breadth in the curriculum was noted.</p> <p>The working group supported the LA's proposal.</p>	The Key Stage 1 and Key Stage 2 awpus will be combined, as required by the DfE. The Stage 3 and Key Stage 4 weightings for secondary schools will not be combined.
Q2 Do you agree that uncommitted DSG should be used to finance the removal of post-16 non-awpu deductions?	<p>Primary: Yes – 42% No – 2% Not sure – 56%</p> <p>Secondary: Yes – 78% No – 0% Not sure – 22%</p>	There were a few, mixed comments. The general view seemed to be that this approach would be fair.	The main view of the group was that there was no realistic alternative. 89% of the working group supported the LA's proposal; 11% were against.	Deal with the loss of the c.£1m funding as part of the budget setting process by using uncommitted Dedicated Schools Grant base funding to finance this from 2013/14.
Q3 Do you agree that the funding for Extraordinary Social Requirements should be distributed using	<p>Primary: Yes – 70% No – 14% Not sure – 16%</p> <p>Secondary: Yes – 86%</p>	Comments were mainly received from those against the proposal. The principal concern was over the longstanding issues with free school meals data, including parents not claiming them, or	The working group supported the LA's proposal.	Direct the funding using free schools meals data. Although the problems with using free school meals as a measure are well known, this approach will ensure less turbulence and greater stability in school funding (when compared to IDACI).

free school meals data?	No – 14% Not sure – 0%	pupils just missing out on qualifying for them.		
Q4 Do you agree that the 20% element of funding currently distributed via deprivation should continue to be distributed through deprivation measures, rather than all of the funding being distributed on the basis of prior attainment?	Primary: Yes – 86% No – 9% Not sure – 5% Secondary: Yes – 79% No – 21% Not sure – 0%	There were few comments on this and no common concerns were cited.	The working group's view was that there was no reason to alter the current arrangements and so it supported the LA's proposal.	Amalgamate all three of the current SEN funding streams and continue to separate out the 20% element for deprivation and direct that through the free school meals and IDACI factors (using the seven graduated bands permitted by the DfE) to mirror as far as possible the current distribution and retain stability. Use the DfE's proposed foundation stage points score of 73, instead of the 78 score used now by the LA.
Q5 Do you agree that the funding provided for Band 6 to 8 statements should be reviewed and updated in light of current TA costs?	Primary: Yes – 86% No – 7% Not sure – 7% Secondary: Yes – 86% No – 7% Not sure – 7%	The comments received tended to express opposing views. Most supported the proposal to update funding in light of current TA costs. Others pointed out that salaries have not risen recently and this funding is not always spent on staffing.	The working group discussed a number of related issues but fully supported the LA's proposal.	The current system will be retained. The sums paid will be reviewed to establish whether they are commensurate with the current average cost of Teaching Assistants (TAs). Although there have been no pay rises in the last two years, the funding may not have kept pace with the rise in TA costs over a longer period.
Q6 Do you agree that the pupil mobility factor should be removed?	Primary: Yes – 56% No – 40% Not sure – 4% Secondary: Yes – 64% No – 22% Not sure – 14%	Several schools suggested that mobility was a significant issue for some schools.	The working group had mixed views. 70% of the working group supported the LA's proposal; 30% were against.	Remove this factor, ring-fence the funding by sector and distribute the sums involved to all schools via the awpus. The concerns raised by schools were noted. However, important points to note include the fact that the sums distributed in recent years have been small; very small sums have been allocated to individual schools; no threshold will be permitted in future, and; the majority of schools supported this proposal.

<p>Q7 Do you agree that the block allocation should be set at c.£0.115m and, if not, please indicate the level at which you believe it should be set and explain why?</p>	<p>Primary: Yes – 84% No – 7% Not sure – 9%</p> <p>Secondary: Yes – 43% No – 50% Not sure – 7%</p>	<p>Schools accepted that the LA had been placed in a very difficult position as a result of the DfE' requirement for a single block rate for both primary and secondary schools. However, very strong views were expressed by small secondary schools about the impact. Some asked for the block to be increased and others asked for the LA to continue to lobby the government on this critical issue.</p>	<p>The working group also felt that the LA had little choice over this matter and concluded that the proposed block was reasonable in the circumstances.</p>	<p>Set the block allocation at approximately £0.115m and create a rates factor. Ring-fence the funding from the reduction in the secondary school block allocations to that sector, and re-distribute it through a new rates factor and the Key Stage 3 and Key Stage 4 awpus.</p>
<p>Q8 Do you agree that the primary schools' block allocation should be adjusted upwards to try to compensate for the loss of small schools protection?</p>	<p>Primary: Yes – 86% No – 2% Not sure – 12%</p> <p>Secondary: Yes – 57% No – 29% Not sure – 14%</p>	<p>There were a few comments, but no strong views were expressed and there was no common theme.</p>	<p>There was very little debate on this question and the working party supported the LA's proposal.</p>	<p>Remove this factor, ring-fence the funding by sector and increase the primary block allocation to try to compensate (as far as possible) small primary schools for this loss in funding.</p>
<p>Q9 Do you agree the free school meals should continue to be funded on an annual count rather than the Ever 6 approach?</p>	<p>Primary: Yes – 67% No – 26% Not sure – 7%</p> <p>Secondary: Yes – 72% No – 21% Not sure – 7%</p>	<p>There were few comments. The problem of pupils just missing out on qualifying for free school meals was referred to and two schools proposed using Ever 6 instead.</p>	<p>The working group outlined the need for reliable data, but supported the LA's proposal.</p>	<p>Remove the factor, ring-fence the funding by sector and distribute it through the free school meals element of the deprivation factor (not IDACI).</p>
<p>Q10 Do you agree that a rates factor should be introduced to</p>	<p>Primary: Yes – 79% No – 12% Not sure – 9%</p>	<p>The majority of comments were supportive.</p>	<p>There was very little debate on this question and the working party</p>	<p>Introduce greater fairness by creating a rates factor and thereby also remove the potential problem of being unable to remove the financial advantage to some schools from MRR, by funding the actual</p>

<p>ensure that schools do not gain a financial advantage from being eligible for Mandatory Rate Relief (MRR), and to remove the current inequalities in the value of rates paid by different schools?</p>	<p>Secondary: Yes – 93% No – 7% Not sure – 0%</p>		<p>supported the LA's proposal.</p>	<p>rates bill payable by each school.</p>
<p>Q11 Do you agree that attempts should be made to try to replicate as far as possible the current distribution mechanism for personalised learning through the IDACI bands?</p>	<p>Primary: Yes – 86% No – 5% Not sure – 9%</p> <p>Secondary: Yes – 93% No – 0% Not sure – 7%</p>	<p>Only a few, mixed comments were received.</p>	<p>There was very little debate on this question and the working party supported the LA's proposal.</p>	<p>Remove this factor, ring-fence the funding by sector and use IDACI (and the seven graduated bands permitted by the DfE) to mirror as closely as possible the current allocations.</p>
<p>Q12 Do you agree that a factor for Looked After Children (LAC) should not be introduced?</p>	<p>Primary: Yes – 65% No – 28% Not sure – 7%</p> <p>Secondary: Yes – 72% No – 21% Not sure – 7%</p>	<p>Some of the comments were supportive, but a few suggested that the costs of LAC were greater than the pupil premium provides.</p>	<p>A member of the working group explained the work required to support LAC. However, the LA's proposal was unanimously supported.</p>	<p>Not to introduce such a factor.</p>

SCHOOLS CONTINGENCY BUDGETS: PRIMARY AND SECONDARY

Consultation question	School responses	Schools' comments	Working group comments	The LA's latest proposal
Q13 Do you agree that a factor for in-year pupil growth (similar to the current September Trigger) should not be retained?	Primary: Yes – 58% No – 35% Not sure – 7% Secondary: Yes – 64% No – 14% Not sure – 22%	There were a few comments, with several schools saying that pupil growth can be a significant issue for some schools.	There was very little debate on this question and the working party supported the LA's proposal.	Remove this factor and allocate the funding across all awpus.
Q14 Do you agree that a factor for English as an Additional Language (EAL) should be retained and that the funding rate of £333 per term should continue to apply?	Primary: Yes – 86% No – 7% Not sure – 7% Secondary: Yes – 86% No – 7% Not sure – 7%	The comments from schools were largely supportive.	There was very little debate on this question and the working party supported the LA's proposal.	Include this as a factor within school budgets at the start of the financial year. Retain the current funding rates of £333 per term. Reduce the awpu in each sector to finance the increase in allocations which will arise as a result of removal of the qualifying threshold.
Q15 Do you agree that we should continue to fund EAL pupils for a fixed period of 2 years?	Primary: Yes – 79% No – 14% Not sure – 7% Secondary: Yes – 79% No – 14% Not sure – 7%	There were several comments which supported the view that funding should be extended to three years.	The working group expressed concerns about the affordability of funding for three years. In view of that, and the fact that the majority of schools backed it, the LA's proposal was supported.	Apply the EAL factor for the first two years of a child being in an English school, not three.

<p>Q16 Do you agree that the LA should seek to retain central funding to support maintained schools and academies that have planned pupil growth (i.e. the additional costs relating to new, reorganised or closing schools)?</p>	<p>Primary: Yes – 74% No – 16% Not sure – 10%</p> <p>Secondary: Yes – 36% No – 50% Not sure – 14%</p>	<p>The main thrust of several comments was that this should not apply to academies. However, there were no suggestions as to how the LA could secure a budget (other than from maintained schools) to meet its statutory duty to provide sufficient places.</p>	<p>The working group, including academy members that had seen first hand the problem of securing sufficient places, supported the need for funding to be secured from all schools and hence supported the LA's proposal.</p>	<p>Retain funding to support school closures, re-organisations and planned growth, but only where these are brokered by the LA. As now, funding will be allocated where growth arises and that could be in maintained schools or academies.</p>
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HIGHER NEEDS

Consultation question	School responses	Schools' comments	Working group's comments	The LA's latest proposal
Q17 Do you agree with the proposed funding arrangements for special schools?	This is really a matter for special schools. The LA met with special school representatives to discuss the challenges and outline two possible options. Further work will be undertaken to develop these options, which will then need to be ratified by the DfE.	The special schools did not respond via the main consultation. Their views were collated following a specific meeting. Several headteachers are concerned about the reduced predictability of future funding and a loss of flexibility to respond to increasing numbers.	Not applicable. The working group focussed mainly on the issues affecting the primary and secondary sectors.	Use the new funding system introduced in April 2011 as a basis for funding, including the calculation of top-up fees. The LA will negotiate the marginal costs payable with each school. Unless there are exceptional circumstances (e.g. a strategic plan to increase or decrease the number of places) the LA proposes to use the latest census as the starting point for determining the number of places to purchase in each school. The LA will use the variable costs recognised by the current five bands as the basis for determining the top-up rates. The current arrangements for responding to pupil movements will be adapted. With regard to the number of places to purchase each year, the LA will work with special schools to develop the DfE' model (which 54% of special schools prefer), and an alternative model (which 14% prefer) that would set the number of places to cover each school's fixed costs.
Q18 Do you agree with the proposed funding arrangements for Alternative Provision and Pupil Referral Units (PRUs)?	Primary: Yes – 74% No – 0% Not sure – 26% Secondary: Yes – 64% No – 0% Not sure – 36%	The few comments received emphasised the need for continued strong partnership working and for there to be sufficient places available	This matter was not discussed by the working group.	The LA will channel funding through the Teaching and Learning Centre, which will help to minimise the administration and complexity of the new arrangements.

CENTRALLY HELD BUDGETS

Consultation question	School responses	Schools' comments	Working group's comments	The LA's latest proposal`
Q19 Do you agree that the LA should retain funding for these exceptional unforeseen costs in primary schools (i.e. school intervention and provision of interim head-teachers)?	<p>Primary: Yes – 93% No – 5% Not sure – 2%</p> <p>Secondary: Yes – 50% No – 36% Not sure – 14%</p>	The comments were supportive, but questioned why this didn't apply to secondary schools and asked for greater transparency over the allocations.	The working group supported the LA's proposal.	That the existing funding is delegated to the primary sector and members of the Schools Forum representing maintained primary schools are asked to support retention of the current budget for these purposes.
Q20 Do you agree that the LA should retain funding for the Equality for Minority Communities service (EMC)	<p>Primary: Yes – 65% No – 23% Not sure – 12%</p> <p>Secondary: Yes – 57% No – 29% Not sure – 14%</p>	Few comments were received but they included: suggestions for a buy-back service instead; difficulties in accessing the service, and; the need to target the resource.	The working group expressed the need for greater clarity on what this service provides.	That the existing funding is delegated to schools and that members of the Schools Forum representing maintained schools are asked to support the retention of the amount of the current budget that will be permitted under DfE' regulations.
Q21(1) Do you agree that the LA should retain funding for Criminal Records Bureau (CRB) checks?	<p>Primary: Yes – 88% No – 2% Not sure – 10%</p> <p>Secondary: Yes – 57% No – 29% Not sure – 14%</p>	There were only a few comments and these varied in nature.	The working group supported the LA's proposal.	That members of the Schools Forum representing maintained schools are asked to support retention of the current budgets for these purposes.
Q21(2) Do you agree that the LA should retain funding for Union activities?	<p>Primary: Yes – 63% No – 21% Not sure – 16%</p>	There were a few comments and these were mainly supportive.	The working group supported the LA's proposal by 5 to 1.	That members of the Schools Forum representing maintained schools are asked to support retention of the current budgets for these purposes.

	<p>Secondary: Yes – 29% No – 50% Not sure – 21%</p>			
<p>Q22 For redundancies, would you prefer: a) a buy-back arrangement; b) a 'no redundancy' type policy; or c) the creation of a budget for 'schools in financial difficulties' to help deal with redundancies in schools?</p>	<p>This would mainly apply to maintained primary schools. 47% favoured a), 9% b) and 44% c). This would apply to few secondary schools and only one maintained school supported option c). The respondents included academies and 70% favoured a) and 21% favoured b).</p>	<p>There were a variety of comments from schools, but there was no common theme.</p>	<p>The working group recognised the danger of only higher risk schools buying in to an insurance scheme. 14% voted in favour of a); 14% in favour of b) and 72% in favour of c).</p>	<p>That the LA uses the DfE' regulations to develop legitimate plans for retaining sufficient funds for 'schools in financial difficulties', to help deal with financial problems caused by redundancy costs arising in maintained primary schools.</p>
<p>Q23 Would you support a buy-back arrangement for short audit inspections to support the Schools Financial Value Standard?</p>	<p>Primary: Yes – 65% No – 23% Not sure – 12% Secondary: Yes – 57% No – 21% Not sure – 22%</p>	<p>There were very few comments from schools.</p>	<p>The working group supported the LA's proposal</p>	<p>Seek to develop a buy-back arrangement with schools.</p>

Note: no questions were posed in relation to Early Years.