



REGULATORY AND OTHER COMMITTEE REPORT

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| NAME OF COMMITTEE: | Schools Forum |
| DATE OF MEETING: | 26 June 2013 |
| SUBJECT: | School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15 |
| REPORT BY: | Tony Warnock (Head of Finance – Children’s and Specialist Services) |
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| IS REPORT CONFIDENTIAL? | No |

SUMMARY

The purposes of this report are to:

- brief the Schools Forum on recent Government announcements for school funding reform;
- outline the principles that the Local Authority (LA) is minded to adopt when responding to the reforms;
- seek the Schools Forum’s views on provisional ideas for dealing with the DfE’s latest proposals; and
- outline the proposed next steps for taking this work forward.

The DfE’s latest proposals for school funding reform follow the radical changes introduced in April 2013. The impact of the latest proposals upon most Lincolnshire schools is likely to be quite modest in comparison. The LA will have to follow a similar process to last year, i.e. consult with various bodies, including all schools, prior to submission of a proforma to the Education Funding Agency (EFA) by 31 October 2013. The proforma will show how the LA plans to fund county schools from 2014/15.

DISCUSSION

Background

The government plans to introduce a national funding formula in the next spending period and as a step towards that, it brought in a number of significant reforms in 2013/14 to simplify the way in which schools are funded. Some of the key features included:

- Only twelve specified formula factors were permissible.
- Age weighted pupil unit funding (awpu) and deprivation factors were compulsory.
- The same block allocation had to apply to both primary and secondary schools and an upper limit of £0.2m was set by the DfE.
- To ensure stability in funding, the Minimum Funding Guarantee (MFG) was set at minus 1.5% per pupil for both 2013/14 and 2014/15.
- LAs were required to delegate more services and budgets to schools.
- Relevant members of the Schools Forum could elect, on behalf of all maintained schools, for certain budgets to be retained by the LA (this is known as 'de-delegation').
- Radical changes were made to the way in which special educational needs is funded.

The LA consulted all schools in September 2012. The results were considered by a working group comprising Schools Forum members, prior to consideration by the Schools Forum and then the Children and Young People's Scrutiny Committee in October. On the 31 October 2012, the LA submitted a proforma to the EFA outlining how it planned to fund schools from April 2013. The proforma was re-submitted in mid January, to reflect minor modifications to the original proforma, and the latest data from the October 2012 schools census. The new funding formula was introduced in April 2013 and transitional arrangements were applied through operation of the MFG, as outlined above.

As reported to the meeting of the Schools Forum in April 2013, in February 2013 the government conducted a five week consultation on the 2013/14 reforms. Its purpose was to consider whether the government needed to make 'small changes' in 2014/15 to address some of the issues raised in the lead up to the 2013/14 reforms.

Government proposals for 2014/15

On 5 June 2013, the government published 'School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15'. A copy is available from the following link:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00221523/review-of-2013-14-school-funding-arrangements>

The Minister of State for Schools stated that a number of improvements to the initial arrangements were necessary. He re-iterated the intention to move to a national funding formula; stressed the need to ensure that more money is targeted to pupils, and; acknowledged the need for LAs to be able to support small schools in rural areas.

The key changes announced by the Minister are:

- LAs will be able to introduce a sparsity factor to target funds to avoid necessary small schools becoming unviable.
- LAs will have greater flexibility to target the right level of lump sum to primary and secondary schools.
- LAs will be able to provide funding to support good and outstanding maintained schools and academies through short periods of falling rolls.
- LAs will be required to allocate a minimum of 80% of their delegated Schools block funding on the basis of pupil characteristics and will have to ensure that a minimum amount is funded for each pupil (£2,000 for primary, and £3,000 for KS3 and KS4). As Lincolnshire already meets these targets, this is not expected to cause difficulties locally.

- LAs will provide notional SEN budgets to their schools on the basis that the school will meet the first £6,000 of additional support required by a pupil with SEN.
- The prior attainment factor will be amended so that instead of pupils qualifying if they fail to achieve level 4 or higher in English *and* maths, funding will be provided if they fail to achieve a level 4 or higher in English *or* maths.
- Where they choose to operate a mobility factor, LAs will be required to apply a 10% threshold so that it will only support schools which experience significant mid-year changes in their pupil numbers.
- LAs will be permitted to allow two merging schools to keep 85% of the two lump sums for the next full financial year following the year in which they merge.
- The government will require Schools Forums to include one representative from an institution (other than from a school or academy) providing education beyond age 16 (the institution may also be providing education for 14 to 16 year olds). This is to replace the current requirement for a representative from the 14-19 partnership.

The LA's planned approach to the latest changes

When developing its response to the radical reforms for 2013/14, the LA had regard to:

- a) The funding arrangements already in place in Lincolnshire;
- b) Children's Services priorities;
- c) Lincolnshire's key performance measures;
- d) The Government's vision of future school funding arrangements;
- e) The principles that ought to underpin a new funding formula;
- f) Other issues, including how statistical neighbours fund schools and how school funding was expected to change over the following three years due to the Pupil Premium.

Most of these have changed little during the last year.

Before consideration is given to further formula changes, it is worth considering how the LA's new funding formula for 2013/14 compares with other LAs. An analysis is presented in Appendix 1. The overall conclusion is that Lincolnshire's funding of schools from 2013/14 is very similar in most regards to many other LAs. In particular, it is noteworthy that:

- The percentage of school funding that the LA distributes through 'basic entitlement' or the age weighted pupil unit (awpu) is similar to the majority of LAs.
- The monetary amounts put through the awpus in primary and secondary schools are lower than most LAs, but that is not unexpected and is a consequence of the government's relatively low funding of Lincolnshire through the Dedicated Schools Grant (DSG).
- Lincolnshire's directs a slightly greater percentage of funding through deprivation factors than the average LA. This is to be expected in those LAs where there is greater variation in the levels of deprivation across the area.
- Lincolnshire has a relatively high percentage of school funding allocated for low cost, high incidence special educational needs. This is for historical reasons and probably reflects the significant growth in the number of statements between 2000 and 2010.
- Lincolnshire does not operate a Looked After Children factor and only 81 LAs do.
- Although the amount per pupil allocated for English as an additional language is a little higher than most LAs, only 0.6% of the schools' funding is distributed through this factor.
- Lincolnshire does not operate a mobility factor and only 62 LAs do.
- The LA distributes quite a high percentage of funding through pupil-led factors despite the fact that it has a large number of schools and many small schools. These issues create the need for a larger percentage of the budget to be distributed via the lump sum.
- The LA's lump sum is slightly below the LA median.
- Lincolnshire's relative funding of the primary and secondary sectors remains in line with the national average.

Overall, Lincolnshire's new funding formula is broadly in line with the majority of other LAs. The LA has chosen not to introduce certain formula factors and whilst those decisions could be reconsidered, there does not appear to be an overwhelming case for doing so since decisions were only made last October.

Before changes to the formula are considered, it is worth re-affirming the principles that have and will continue to underpin the LA's approach. The school funding system should be:

- Equitable - and reflect the relative needs of pupils in each school.
- Transparent – to increase understanding and confidence in the system.
- Effective - in helping raise pupil achievement and narrow the gap in attainment levels between children.
- Simple - so that it is easily understood by all interested parties.
- Responsive - to changes in local needs.
- Objective - to reduce the risk of undue influence.
- Stable - to offer a significant degree of confidence in future funding and assist schools' financial planning.
- Predictable - to aid schools' planning.
- Affordable - within current funding constraints and sustainable in the future.
- Efficient – by helping secure value for money through efficient distribution and use of resource.

There has been very little time between the government's announcement on the 5th June 2013 and the drafting of this report for the LA to give detailed consideration to the changes, or to develop detailed proposals. Nevertheless, some initial thoughts on the key issues are captured in Appendix 2. They should provide Schools Forum members with an initial opportunity to add their comments, ahead of the LA developing more detailed proposals over the next two months. Please note that these initial thoughts and ideas may change as: officers' understanding of the DfE's proposals develop; modelling work is undertaken; the DfE provides further clarification on the proposals, and; feedback from Schools Forum, individual schools and other groups is received.

Next steps

The LA proposes to repeat the same steps taken last year, as this appeared to work reasonably well. Once again, a critical milestone will be the submission of a proforma to the EFA by 31 October 2013, setting out the LA's proposals for the future funding of schools. The time available is therefore once again quite limited.

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| 16 July 2013 | The DMT considers the views from the meeting of the Schools Forum on 26 June 2013 and confirms the general direction for the development of detailed proposals. |
| 17 July 2013 to 31 August 2013 | Detailed proposals are developed. |
| 5 September 2013 to 19 September 2013 | Individual Governing bodies are consulted on outline proposals. |
| 6 September 2013 | The Children and Young People's Scrutiny Committee is consulted. |
| 20 September 2013 | The responses from schools are collated and analysed. |
| 24 September 2013 | A working party of school representatives considers key issues and the feedback from schools. |
| 26 September 2013 | The feedback from schools and the working group is considered by the Executive DMT. |
| 30 September 2013 | A report outlining the LA's proposals is drafted for the Schools Forum. |
| 9 October 2013 | The report and the proposals are considered by the Schools Forum. |
| 10 October 2013 | The Executive DMT considers feedback from schools, the working group and Schools Forum. |

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| 14 October 2013 | A formal report for the Executive member to approve is drafted and published. |
| 18 October 2013 | The Children and Young People's Scrutiny Committee is consulted. |
| 25 October 2013 | A formal decision is made by the Executive member. |
| 31 October 2013 | The LA submits its proposal for the future funding of schools to the EFA for approval. |

Consideration will also be given to discussing these issues at the area headteacher meetings in the autumn of 2013.

Conclusions

Further work is necessary before firm conclusions can be made and proposals can be drafted. However, the DfE's further reforms appear unlikely to address fully the LA's central concern for 2013/14, i.e. in relation to the significant reduction to the lump sum allocation for secondary schools. The decision to allow a separate and greater £175k lump sum for secondary schools will help. However, until modelling work is undertaken, it is impossible to gauge whether the rurality factor will deliver sufficient and fair funding to all schools.

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the contents of the report;
- b. Consider and comment upon the contents of Appendix 1 and 2, to provide some initial feedback on the changes to school funding that might need to be made in 2014/15.
- c. Provide nominations for the working group meeting planned for 24 September 2013.

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

Appendix 1 - Lincolnshire's school funding formula 2013/14 and the national position

Appendix 2 - Initial thoughts for dealing with the DfE's latest announcement

BACKGROUND PAPERS

| PAPER TYPE | TITLE | DATE | ACCESSIBILITY |
|---------------------|--|---------------|---|
| Minutes | Schools Forum meeting | 24 April 2013 | County Offices, Newland, Lincoln, LN1 1YQ |
| Letter from the EFA | 'School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15' | 5 June 2013 | http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsvenuefunding/a00221523/review-of-2013-14-school-funding-arrangements |
| DfE review | Schools Block Funding formulae 2013/14 – Analysis of local authorities' Schools Block funding formulae | 9 April 2013 | http://media.education.gov.uk/assets/files/pdf/a/january%20proforma%20analysis%20vfinal.pdf |

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