

Open Report on behalf of Debbie Barnes, Director of Children's Services

Report to:	Children's & Young People Scrutiny Committee
Date:	6 September 2013
Subject:	School funding reforms 2014/15

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 reforms for 2014/15 are less radical than those for 2013/14 but when taken together, they will have significant implications for the funding of many Lincolnshire schools, especially small secondaries. Looking ahead, a key date is the 31st October 2013 when the LA will again be required to submit to the Education Funding Agency (EFA) proposals for the funding of the county's schools from 2014/15.

Actions Required:

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

1. Background

As reported to the Scrutiny Committee in September and October of last year, the government plans to introduce a national funding formula in the next spending period. As a step towards that, it introduced 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 lump sum 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 aspects of special educational needs is funded.

The LA undertook an extensive consultation exercise with all schools, a working group comprising Schools Forum members, the Schools Forum and the Children and Young People's Scrutiny Committee, before final decisions were made. The new funding formula for schools was introduced on 1 April 2013.

2. Lincolnshire's position for 2013/14

The government has recently published some analysis of the new funding formulae that each LA introduced. The main conclusion from it is that Lincolnshire's current funding formula for schools is very similar in many regards to most other LAs. It is noteworthy that Lincolnshire:

- distributes a similar percentage of funding through 'basic entitlement' or the age weighted pupil unit as most LAs.
- directs a slightly greater percentage of funding through deprivation factors than the average LA.
- has a relatively high percentage of school funding allocated for low cost, high incidence special educational needs.
- does not operate a Looked After Children factor (81 out of 152 LAs operate one).
- allocates a little more funding than most LAs for English as an additional language, although only 0.6% of the schools' funding is distributed through this factor.
- does not operate a mobility factor (62 out of 152 LAs operate one).
- distributes quite a high percentage of funding through 'pupil-led' factors rather than the lump sum.
- has a lump sum slightly below the LA median.
- sets the relative funding of the primary and secondary sectors close to the national average.

3. Lincolnshire's proposals for 2014/15

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

On 5th June 2013, the government published 'School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15'. The Minister of State for Schools stated that a number of improvements to the initial arrangements were necessary. The key changes 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). Lincolnshire already meets these targets.
- 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.

These changes therefore offer the LA the opportunity to reconsider the current formula and a number of decisions taken last year. The LA's proposals were being finalised at the time of writing this report. Once again, they 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 (e.g. stability, simplicity and fairness). Taking account of feedback from the School Forum on 26th June 2013, the main proposals that the LA is minded to make are set out in Appendix 1.

4. Next steps

The LA is required to follow a similar process to last year. It is required to consult all schools and the Schools Forum, prior to submission of a proforma to the EFA on 31st October 2013. The proforma will set out how the LA plans to fund local schools from 2014/15. Once again, the timescale to develop, consult upon and formally approve a revised funding formula is extremely limited. The key dates in the process are set out in the table below.

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 the Schools Forum.
18 October 2013	The Children and Young People's Scrutiny Committee is consulted.
22 October 2013	A formal report for the Executive member to approve is drafted and published.
30 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.

5. Conclusion

The government's proposals for changes to school funding arrangements in 2014/15 are less radical than those introduced in 2013/14. The changes allow the LA to partially address its fundamental concern for the current year, i.e. the government's insistence that the lump sum allocation for primary and secondary schools had to be the same, and be set below £0.2m. However, the changes don't fully address those concerns, and small secondary schools will continue to be less well funded compared to 2012/13. Nevertheless, the government's proposals allow the LA to reflect on the current formula and, in light of the changes made by the government, the LA proposes to make modest changes to the funding of county schools from 2014/15. Significant transitional protection will apply for the next two years, so there should be no material impact upon local schools in the short term.

6. Consultation

As indicated above, the Schools Forum was consulted on 26th June 2013. 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 9th October and the Scrutiny Committee will receive a further report on 18th October. The LA is required to submit its proposals for the funding of schools to the EFA by 31st October 2013.

a) Policy Proofing Actions Required

n/a

7. Appendices

These are listed below and attached at the back of the report	
Appendix 1	The LA's draft proposals for school funding in 2014/15

8. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Letter from the DfE	'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/schoolsrevenuefunding/a00221523/review-of-2013-14-school-funding-arrangements
Report to Schools Forum	School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15	26 June 2013	Committee Services, LCC

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