

## Education Scrutiny Committee

Meeting to be held on 6 November 2012

Electoral Division affected: All
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### School Funding Reform

Appendix 'A' refers

Contact for further information:

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#### Executive Summary

Over the last two years the Government has consulted extensively on proposals to bring a greater consistency to the arrangements for funding schools and early years settings across England. In May 2012, the Department for Education (DfE) set out the details for the implementation of new school funding arrangements from 1<sup>st</sup> April 2013.

This report provides information on the implementation arrangements for Lancashire.

#### Recommendation

The Education Scrutiny Committee is asked to note the report.

#### Background and Advice

Over the last two years the Government has consulted extensively on proposals to bring a greater consistency to the arrangements for funding schools and early years settings across England. In May 2012, the Department for Education (DfE) set out the details for the implementation of new school funding arrangements from 1<sup>st</sup> April 2013. The documentation outlined the steps that all Authorities will need to take to ensure that the School and Early Years Funding arrangements are consistent with the national requirements for 2013/14 and beyond. Local authorities will continue to be allocated amounts for each pupil through the Dedicated Schools Grant (DSG) based on previous funding levels, but from April 2013 DSG funding will be allocated in three notional blocks:

- Schools Block;
- Early Years Block, and;
- High Needs Block.

The notional blocks will not be ring-fenced and they will be based on planned spend by local authorities in 2012-13. The Schools Block will be based on October pupil numbers which will mean that school budgets can be issued earlier.

## School Block

This is the main source of funding for the Individual Schools Budget and is distributed to schools through the LAs formula. Lancashire's current formula has 27 factors, the Government's simplified formula will only allow us to use 12 factors:

- A basic per-pupil (formally AWPU);
- Deprivation, measured by Free School Meals (FSM) and/or Income Deprivation Affecting Children Index (IDACI);
- Looked after children;
- Prior attainment as a proxy measure for SEN;
- English as an additional language, for a maximum of 3 years;
- Pupil Mobility;
- A standard lump sum for each school;
- Split sites;
- Rates;
- Sixth form;
- Private finance initiative (PFI) contracts.
- An exceptional rents factor approved by DfE

### Consultations with Schools

On 21 June 2012, the Cabinet Member for Children and Schools approved a consultation with schools, aimed at Primary and Secondary Schools and Academies to set out the Authority's proposals to reshape School Funding to meet the new national requirements from April 2013. A total of 511 consultation responses were received by the closing date (89% of those eligible) which is the highest response rate to a funding consultation ever received.

### Refined Funding Model

Considerable work was undertaken to refine the funding model in Lancashire to reflect the consultation responses, the latest guidance from DfE and the County Council's objectives. Over 2,000 iterations of the funding model were produced in seeking one that best balances the needs of all Lancashire Schools and provide equitable result across all schools.

In this refined model roughly 2/3rds of pupils attending Lancashire Schools gain from the new formula, and the numbers of schools receiving MFG funding is reduced by over 100 to 209 compared to the initial model. Details are shown in the table below:

	Primary	Secondary	Total
Winners			
Schools	303	49	352
	63%	59%	62%
Pupils	60,122	43,439	103,561
	68%	69%	68%
Losses greater than 10%	17	4	

Gains greater than 10%	1	0	
Max Gain	11.1%	9.9%	
Max loss	-41.1%	-22.4%	
Schools in MFG	178	31	209
Cost of MFG	£8.6m	£4.6m	£13.2m

Following consideration of the refined model by the Schools Forum on 16 October 2012 the Cabinet Member for Children and Schools approved the submission of Lancashire's proposals to the Education Funding Agency (EFA) by the 31 October deadline. A copy of the Cabinet Member report is attached at Appendix 'A'.

### Key Outstanding Issues

Whilst the Cabinet Member for Children and Schools and Schools Forum agree that school funding proposals submitted to the EFA represent the most equitable result across all Lancashire schools, there is still concern that there remains a higher level of turbulence in individual school budgets than we would ideally like. Some of the key strategic issues causing the most significant fluctuations include:

#### Service Children

Our current formula provides targeted funding to schools and academies based on the numbers of pupils on roll who are identified as service children and the factor was also used to uplift Lancashire's Narrowing the Gap and deprivation funding. The new national formula does not have a service children factor. This can cause significant turbulence on schools that educate a large number of service children, our current formula funds 392 pupils of which 100 are in a single primary school, representing over 90% of that schools population.

#### Pupil mobility

Lancashire's current mobility formula factor was introduced to reflect the additional pressures placed on schools with a large turnover of pupils in year, those schools who serve "transient" communities, e.g. Seaside towns, Migrant Communities. Using this definition, the DfE data will not target funding to the schools identified in our current formula. In fact, the DfE data will target funding to 559 of the 567 primary and secondary schools and their academy equivalents with very limited differentiation based on the needs of schools.

#### English as an Additional Language

Our current formula provides targeted funding to schools based on the numbers of pupils on roll drawn from identified Minority Ethnic Communities whose attainment is overall below average, Pakistani, Bangladesh, Gypsy Roma and Irish traveller heritage groups. The new national formula provides funding based on identified pupils with English as an Additional Language who have been in the School system for three years or less. Clearly this targets funding at a different group of children and young people. The issue is particularly acute in the secondary sector with some schools in East Lancashire seeing their number of eligible pupils reduce from over 500 to less than 40.

## Smaller Schools

Our current formula provides additional support for small schools through a small school formula factor and lump sum which reduces as a school increases in size. Many small schools lose funding because of the removal of targeted size funding. However any increase in the lump sum beyond £150k becomes unaffordable.

## Pupils with high needs

Currently, additional funding is provided to schools and academies that have pupils with statements and this is based on the actual number of statemented pupils they have. Under the DfE's proposals, high needs pupils will be funded under a new Place Plus system whereby the school is expected to meet the first £10k of cost of a pupil with high needs, the commissioner (the Authority) will provide top up funding for any costs in excess of £10k. The place plus system means that in Lancashire we will have to delegate to all schools funding currently targeted to statements bands A to D and the bands A to D element of statements band E and above. Some schools and academies have a significantly higher than average number of statements, particularly in bands A to D and they will lose funding as a result of these arrangements. Schools and academies with below average statements or no statements will gain as a result of these proposals.

The Cabinet Member for Children and Schools and Schools Forum have submitted representations to the DfE on these key issues affecting Lancashire.

## **High Needs Block**

The DfE timetable for the submission of High Needs Block funding details did not require a 31 October submission as was necessary for Schools Block funding. However, the authority has begun some modelling of the new funding arrangements in special schools. The proposed reforms of funding for high needs pupils will significantly change the way that special schools and short stay school are funded.

Special schools will receive base funding covering Elements 1 and 2 provided on the number of planned places. In addition they will also receive an Element 3 top up based on the needs of the individual pupil. The DfE have set base (or place) funding at £10,000 for special schools. A figure of £8,000 is to be applied as base funding for Short Stay Schools.

## **Early Years Block**

Under the government's proposals there is no requirement to change the Early Years Single Funding Formula (EYSFF), which funds nursery education in maintained nursery schools, nursery classes in primary schools and private, voluntary and independent providers of early education. However the DfE have advised authorities that they may wish to take this opportunity to look at their existing EYSFF.

In Lancashire, some minor changes to EYSFF are proposed due to the realignment of early years funding that currently resides in the Schools Block and possible alterations to use Income Deprivation Affecting Children Index (IDACI) data rather than the current Index of Multiple Deprivation (IMD).

We are continuing to model EYSFF changes to minimise turbulence that may be caused.

## Consultations

Consultations about the implementation of the government's new funding framework in Lancashire were held with all schools, academies and Early Years providers and with the Lancashire Schools Forum.

## Implications:

This item has the following implications, as indicated:

## Financial

These proposals do not change the amount of funding that will come to Lancashire for our Dedicated Schools Grant. The main risk at a school level is the turbulence that the new formula may cause. From an Authority point of view, the main risks are around the impact of schools not agreeing to de-delegate funding and the recovery of corporate overheads on budgets delegated to schools. The potential impact of this on the Authority is being considered as part of the latest financial strategy.

## Legal

This report reflects arrangements required by the School and Early Years Finance (England) Regulations 2013, which will not be laid before Parliament until the New Year. DfE have indicated that any changes to the final Regulations should only be cosmetic, and decisions around the submission of the EFA proforma for 31 October 2012 should be taken on the draft regulations, however, a small risk remains there may be edits to draft regulations that would impact on the budget process.

## Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Directorate/Tel
DfE consultation document	March 2012	<a href="http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools/revenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14">http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools/revenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14</a>
• School Funding Reform: Next steps to a fairer system		
• Operational Guidance for Local Authorities	March 2012	
• Funding reform FAQs	June 2012	
School and Early Years Finance (England) Regulations 2013	July 2012	<a href="http://media.education.gov.uk/assets/files/pdf/t/school%20finance%20regulations%202013%20%20%20england.pdf">http://media.education.gov.uk/assets/files/pdf/t/school%20finance%20regulations%202013%20%20%20england.pdf</a>

Lancashire consultation documents with Schools

June 2012

[http://www3.lancashire.gov.uk/corporate/web/?Consultations\\_on\\_Education/27051](http://www3.lancashire.gov.uk/corporate/web/?Consultations_on_Education/27051)

Reason for inclusion in Part II, if appropriate

N/A