

Report to the Cabinet Member for Children and Schools
Report submitted by: Executive Director for Children and Young People
Date 18 October 2012

Part I - Item No.

Electoral Division affected:
All

**Implementing New National Requirements for School Funding in Lancashire –
Consultation with Schools**

(Appendices 'A' to 'D' refer (Appendix D to be tabled at the meeting))

Contact for further information:

Stephen Edwards, 01772-531628, Children and Young People,

Stephen.edwards@lancashire.gov.uk

On 20 June 2012, the Cabinet Member for Children and Schools approved a consultation with schools about changes that are required to their funding arrangements from 2013/14, so that the government's School Funding reforms: Next steps towards a fairer system can be implemented in Lancashire.

The consultation closed on 1 October 2012 and responses were presented to the Schools Forum on 16 October. Forum made a number of decisions and recommendations, which will be reported to the Cabinet Member on 18 October.

This report also provides information about requirements to inform the Education Funding Agency (EFA) of Lancashire's proposals by submitting a proforma containing details of the Schools Block expenditure.

This is deemed to be a Key Decision. Standing Order 25 has been complied with.

Recommendation

The Cabinet Member for Children and Schools is recommended to:

- (i) note the report, including the consultation responses received from schools;
- (ii) note the details of the decisions taken by the Schools Forum with regard to delegations and de-delegations; and
- (iii) authorise the Executive Director for Children and Young People to submit the Schools Block budget proforma for 2013/14 to the EFA by 31 October 2012; on the basis set out in 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. The Department for Education's (DfE) school funding reforms will continue to be allocated amounts to each local authority 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.

The Schools Block will be 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 Governments simplified formula will only use 12 factors to distribute funding to schools, 11 of which applicable in Lancashire:

1. A basic per-pupil (formally AWPU);
2. Deprivation, measured by Free School Meals (FSM) and/or Income Deprivation Affecting Children Index (IDACI);
3. Looked after children;
4. Prior attainment as a proxy measure for SEN;
5. English as an additional language, for a maximum of 3 years;
6. Pupil Mobility;
7. A standard lump sum for each school;
8. Split sites;
9. Rates;
10. Sixth form;
11. Private finance initiative (PFI) contracts.

The DfE have outlined that Authorities can ask the Education Funding Agency (EFA) to approve a limited number of premises related exceptional formula factors if they fall into one of the following categories:

- Rent payable
- Additional maintenance for listed buildings
- Boarding provision

And meet the following criteria in that the exceptional formula factor will:

- Apply to less than 5% of in the local authority; and
- Account for more than 1% of the budget of the school or schools affected.

Following discussion with the Schools Forum, we applied for two exceptional formula factors for rent and swimming pools. The EFA have informed us that they will allow the exceptional formula factor for rents but not that for swimming pools.

The DfE 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. In particular the guidance set out the requirement that Local Authorities, following consultation with Schools and the Schools Forum, will have agreed new Schools Block funding arrangements by 31 October 2012.

In June 2012, the Cabinet Member approved a consultation with 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 and seek the views of schools and academies in areas where local discretion is available within the new funding system. The consultation fell into three parts:

- How the Authority plans to implement the new national requirements for the school funding formula;
- Schools' views on areas of discretion within the new formula funding arrangements;
- Proposals for additional delegation of responsibilities and seeking the views of schools about the possible de-delegation or buy-back arrangements for these responsibilities.

The consultation document sought views on 11 consultation questions. A supplementary consultation document was issued to schools in September 2012, providing updated information in response to updated DfE advice and continued formula modelling undertaken by the County Council over the summer. The supplementary document posed three additional consultation questions. The closing date for all responses was 1 October 2012.

A total of 511 consultation responses had been received by the closing date. Of these 504 were from Primary and Secondary Schools and Academies, representing 89% of the total number of schools in these sectors.. The level of response compares to response numbers ranging from 5 (0.8%) to 139 (23%) for funding consultations over the last seven years. The increased response rate was facilitated by the introduction of one to one briefing service to schools on the implications of the proposals including help with submitting a consultation response through Schools Financial Services and providing each schools and academy with a bespoke briefing paper from Schools Funding. The costs of providing this service are being supported by the Schools Forum, with an agreed contribution of £150 for each response received with SFS involvement.

The report attached at Appendix 'A' provides the detailed analysis of all consultation responses as presented to the Schools Forum on 16 October 2012 and contains three Annexes, which provide:

- Annex A – Analysis of consultation responses to LCC questions 1-11

- Annex B – Analysis of consultation responses to LCC supplementary questions 1-3
- Annex C- details of all consultation comments received, broken down into common themes, together with a brief commentary on the issues raised.

Separate arrangements are being made to consult with Early Years providers, about changes that are required to their funding from 2013/14. There is no requirement to consult with Special Schools or Short Stay Schools over the introduction of the formula as we have no discretion to modify the government's proposals. Early Years Block, and High Needs Block funding arrangements are not bound by 31 October submission deadline to EFA.

Appendix 'B' is a copy of the report to Schools Forum about the possible delegation and de-delegation options allowable under the new funding framework. Legally it will be the responsibility of Schools Forum members to vote on de-delegations for the primary and secondary phase. The decisions taken by Forum on 16 October 2012 will be reported to the Cabinet Member.

A report about the calculation of the Schools Block funding for 2012/13 was also presented to the Forum on 16 October 2012 and a copy of this report is attached at Appendix 'C'. This report includes a draft copy of the proforma to be submitted to the EFA by 31 October 2012.

Considerable work has been undertaken by the Authority on refining the funding model for Lancashire to reduce turbulence at school level, with over 2,000 different iterations of the model being produced to find the most equitable result across the County, within the limitations imposed by the national framework.

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

Refined Model - Results

	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
-------------	-------	-------	--------

Minimum Funding Guarantee protection is available to schools in 2013/14, set at minus 1.5%. DfE have also indicated that MFG will continue in 2014/15, but no further confirmation is available.

The position described above is only achievable if the gains of schools winning under the new formula are capped at 1.5%. This is same level as the MFG and is the level supported by most schools in the consultation responses.

Schools in receipt of the highest levels of MFG have been notified to the directorate's School Improvement Challenge Board, to assess if additional support is required for these schools.

Whilst the refined model offers the best solution to mitigate the impact of the funding reforms on individual schools, turbulence remains higher than we would like due to limitations of the factors and data we are permitted to use.

Some of the key strategic issues affecting groups of schools who lose funding are focussed on:

- Those with a high proportion of Service Children, as there is no provision for a Service Children factor in the national regulations
- Those who serve "transient" communities, e.g. Seaside towns, Migrant Communities; as the DfE's mobility factor simply measures the number of in-year admissions (which reflects which school has spare places) as opposed to the issues of dealing with children with no permanent home.
- Those with high proportions from "underperforming" minority ethnic communities, especially Pakistani & Bangladeshi heritage groups; as the national dataset is focussed on new entrants to the Education system who have English as an Additional Language. 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 fewer than 40.
- Smaller Schools. Although we have increased the Lump Sum in the model by over 10% from our original model to £150,000 at a cost to other aspects of funding of over £7m, many small schools lose funding because of the removal of any targeted size funding. However any increase in the lump sum beyond this level increases the overall turbulence and the numbers of schools losing funding and being protected by MFG
- Those who have a significantly higher than average number of statements (particularly in Band A-D) where we are not permitted under the regulations to provide specific funding.
- Cases where the national decisions about the choice of funding factors continue to produce turbulence in the budgets of individual schools for example

- The requirement to use Income Deprivation Affecting Children Index (IDACI) rather than the current Index of Multiple Deprivation (IMD) squared
- The move from Lancashire's Narrowing the Gap Index (NGI) to the Early Years Foundation Stage Profile (EYFS) and Key Stage 2 data (KS2),

On 5 October 2012 the DfE advised that the data checking exercise they have undertaken with authorities is not complete as there are still a number of outstanding queries. As a result of this it has not been possible for the DfE to issue revised DSG baseline figures to authorities by their deadline of 8th October 2012. DfE have set a revised deadline of getting this information to us by the end of week commencing 15 October. In setting the original date of 8 October 2012 the DfE expected authorities to use this figure when agreeing their formula with their Schools Forum and elected members prior to submission of the pro-forma to the EFA on 31 October 2012. The DfE recognise that authorities are currently consulting with schools based on their own estimate of DSG and have agreed that this data can be used for the pro-forma submission at the end of October 2012.

Appendix 'D' will be tabled at the Cabinet Member's Decision Making Session to provide a list of decisions taken by the Schools Forum on 16 October 2012 about de-delegations and any recommendations about the Schools Block Budget for 2013/14.

Consultations

The views of schools and other educational partners and of the Schools Forum have been included in this report.

Implications:

This item has the following implications, as indicated:

Risk management

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.

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

See risk management.

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

Paper	Date	Contact/Directorate/Tel
DfE consultation document	March 2012	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrvenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14
<ul style="list-style-type: none">• School Funding Reform: Next steps to a fairer system• Operational Guidance for Local Authorities• Funding reform FAQs	March 2012 June 2012	
School and Early Years Finance (England) Regulations 2013	July 2012	http://media.education.gov.uk/assets/files/pdf/t/school%20finance%20regulations%202013%20%20%20england.pdf
Lancashire consultation documents with Schools	June 2012	http://www3.lancashire.gov.uk/corporate/web/?Consultations_on_Education/27051

Reason for inclusion in Part II, if appropriate

N/A