

PEOPLE (CHILDREN) SCRUTINY PANEL

16 August 2012

SCHOOL FUNDING REFORM UPDATE

Report of the Strategic Director for People

STRATEGIC AIM: Creating a Brighter Future for All
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1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide a brief update on School Funding Reform and the progress being made towards a new funding formula for the schools of Rutland.

2. RECOMMENDATIONS

- 2.1 **Members of Scrutiny are asked to discuss the work done to date and comment on contents**
- 2.2 **Members of Scrutiny note the principles agreed by the Task and Finish Group**

3. SCHOOL FUNDING REFORM

- 3.1 The Department for Education (DfE) published a document entitled 'School Funding Reform: Next steps towards a Fairer System' earlier this year setting out proposals for reforming the way in which schools are funded. This was a partial consultation document and Rutland County Council and the Schools' Forum contributed to the consultation. The aim is to simplify current funding formulae as a first step towards a national funding formula. In order to achieve simplification, the Dedicated Schools Grant (DSG) will be split into 3 notional blocks: The Early Years Blocks; The High Needs Block; and, The Schools Block. Whilst the DfE intend to split the DSG into the 3 blocks, local authorities will be able to move funding between blocks as required, however, the total amount of funding is still ringfenced as the DSG.
- 3.2 These new funding arrangements will be implemented for the financial year 2013/14, and therefore, there is a tight timescale to be adhered to in order to ensure that both the Council and our schools understand the implications of the reform and are ready to implement the changes. Also, in order to ensure that schools and local authorities will know exactly what their funding is before the start of the financial year, the new funding formula will be based on the October census data for schools.

- 3.3** In order to ensure this, a Task and Finish Group of the School's Forum was set up to look at the changes and the impact on schools. The Task and Finish Group is due to report to the Schools' Forum in September after which recommendation will be put forward to Cabinet.

Early Years Block

- 3.4** The DfE are not intending to make substantial changes to the funding for Early Years, however, they do want to increase the transparency around what local authorities spend on free early education through the publishing of benchmarking data. The intention is to encourage simplification of funding formulae and authorities will be required to publish a proforma setting out how providers will be funded. A sub group of the Task and Finish Group has been set up to look at our funding formula to review the current formula and amend as appropriate.

High Needs Block

- 3.5** The DfE have defined High Need pupils as those requiring provision costing more than £10,000 per year and will, in future, include those aged 16-25 with high level learning difficulties or disabilities (LDD). The funding will be a mixture of place-led and pupil-led funding known as 'place-plus' and the funding of these elements will be dependent on whether the pupil is within a mainstream setting or within a specialist setting. Again, a sub group has been set up to look at the changes and the impact these will have on individual schools.

Schools Block

- 3.6** The DfE are working on the basis that funding within this block should be 100% delegated to schools in the first instance. They are then allowing for 3 exceptions where funding will either be returned or retained by local authorities with the agreement of the Schools Forum. The 3 exceptions are as follows:
- 1 Where maintained schools agree that a service should be provided centrally. However, they have limited the range of services allowable under this exception. These include insurance, support for minority ethnic pupils and contingencies
 - 2 Historic Commitments. These are defined as services which would have been in the Central Services Block which was originally proposed in July 2011 and include items such as redundancy costs. These commitments will be allowable where they currently exist but the expectation is that over time these will reduce to nil. Any new commitments would have to be agreed by individual schools and not by the Schools Forum.
 - 3 The statutory functions of a local authority. This includes the Admissions service and the servicing of the Schools Forum.

- 3.7** In exception1, allowances can be made for the retention of contingencies, however, the range of circumstances is limited as follows:
- 1) Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet;
 - 2) Schools in financial difficulties;
 - 3) Additional costs relating to new, reorganised or closing schools; and,
 - 4) Significant pupil number growth.
- 3.8** The DfE have also decided to significantly reduce the number of factors allowed within the new funding formulae. Currently, there are a maximum of 37 factors of which Rutland currently uses 22. The new maximum is 10 which are as follows:
- 1) A basic per pupil entitlement (AWPU)
 - 2) Deprivation measured by Free School Meals (FSM) and/or Income Deprivation Affecting Children Index (IDACI)
 - 3) Looked after children
 - 4) Low cost, high incidence SEN
 - 5) English as an additional language (EAL) for 3 years only
 - 6) A lump sum of limited size
 - 7) Split sites
 - 8) Rates
 - 9) Private finance initiative (PFI) contracts
 - 10) London waiting for the 5 fringe authorities
- 3.9** With regards to the factors listed above, numbers 1 and 2 are mandatory factors although there are options for unit costs within these factors to be discussed and agreed. For factor 1, there is an option to have to have separate unit costs for KS3 and KS4 and for factor 2, there is the option of using FSM and/or IDACI to calculate deprivation.
- 3.10** All the other factors are optional and authorities can choose whether to use them or not. Factors 7, 9, and 10 do not currently impact on our schools and so will not form part of our new funding formula.
- 3.11** Under the funding reform, all authorities will be required to publish a proforma setting out their local formulae so that head teachers, principals, governors and parents can clearly see how the funding has been distributed. The first version of this proforma needs to be submitted to the DfE by the end of October setting out which factors Rutland propose to use and how we propose to allocate funds between these factors. This will potentially change slightly when the census data in October is published as the pupil numbers will change therefore impacting on the overall funding.
- 3.12** The task and Finish Group have been considering all of the above and have recommended the following principles be utilised when considering the new funding formula:
- a) Produce a formula that looks at the long term future of the schools in Rutland taking into account the DfE view that as much funding as possible should follow the pupil. The DfE have confirmed that schools will be protected by the Minimum Funding Guarantee (MFG) for the next two years.

- b) To look at two options for the new funding formula, one with a lump sum of £50,000 per school and a second with a lump sum of £100,000 per school. The maximum lump sum is £200,000 per school but there are clear indications that in future years this will be reduced and with no guarantee of MFG beyond two years, advice received would suggest that it is better to go for a lower amount now whilst schools are protected.
- c) To have one Age Weighted Pupil Unit (AWPU) rate for both KS3 and KS4
- d) To utilise all the factors available including using both FSM and IDACI for deprivation.
- e) As part of the reform document, the DfE had looked at the ratio of funding between primary and secondary pupils. Therefore, to look at a formula that produces a ratio close to the current national average of 1:1.27

3.13 The group have reviewed the budgets currently held centrally by RCC that under the new reform can be retained by the authority. For Rutland these are

contingency	£160,000
traveller education	£19,400
insurance	£26,300

The recommendation of the group would be that all of these should be delegated to schools with the option for schools to de-delegate back to the Authority if Schools' Forum agrees.

3.14 The only exception to the above is in respect of Kendrew Barracks and the funding required for 2013/14. It is anticipated that there will be a requirement from September 2013 of an additional 170 primary places and 40-60 secondary places and none of these pupils will be in the October 2012 census data and so will not be funded by the DfE. Therefore, Rutland will have the responsibility of ensuring that these additional pupils are educated but will not have the funding to cover the costs. Having contacted the DfE, they have confirmed that a contingency can be retained under paragraph 3.7 (4) prior to calculating the new funding formula. This contingency will then be accessed by all schools including academies who have an increase in pupil numbers as a result of Kendrew Barracks. The contingency will only be required for the one year and the task and Finish Group will be recommending to Schools' Forum that after that, there will be no contingency kept.

4. ACADEMIES & LACSEG

4.1 The Local Authority Central Spend Equivalent Grant (LACSEG) is paid to Academies to cover the cost of services that local authorities provide centrally to maintained schools but which academies must secure independently. Local authorities pay for central education services using money retained from the DSG and also from the general fund. These are known as the Schools Block LACSEG and the LA Block LACSEG.

4.2 The Schools Block LACSEG will no longer be required under the new funding formula as the whole of the schools block will be delegated to the schools. From 2013/14 the LA Block LACSEG will be replaced by a simpler and more transparent funding arrangement and the DfE are currently consulting on these new proposals and the deadline for response is 24 September.

5. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	High	Timescales for completion of the schools block funding formula is very tight. Significant officer time will be required to complete and implement the required changes.
Viability	Medium	Schools will have two years of MFG to resolve potential funding issues; this will be very challenging for a number of schools in Rutland.
Finance	Medium /High	The Dedicated Schools Grant will remain ringfenced; however the changes will impact on the resources available to the LA.
Profile	High	Whilst schools will be protected for 2 years via the MFG, some will need to give careful consideration as to how they will operate in the future. This is likely to create significant community interest.
Equality and Diversity	Medium	Currently schools are consulted through the Schools Forum which takes account of local needs. This is likely to diminish in future years and equality and diversity issues related to this will require monitoring. An EIA screening will need to be completed.

6. CONCLUSION

- 6.1** Significant resources in terms of officer time have been allocated to support the planning in order to meet the tight deadlines required by the DfE. The members of the Task and Finish Group have studied the requirements for the new funding formula and have appreciated that the task in hand is difficult as any changes will affect individual schools directly. In developing the principles on which to base a formula for the schools block the long term sustainability of education has been considered.

Background Papers

School Funding Reform: Next Steps
towards a fairer system

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.