

EDUCATION FUNDING REFORMS

To: **Cabinet**

Date: **27 November 2012**

From: **Service Director: Strategy and Commissioning, Children and Young People's Services**

Electoral division(s): **All**

Forward Plan ref: **n/a** *Key decision:* **No**

Purpose: **To:**

1) Advise Cabinet of the national changes to Schools funding and the proposed implementation in Cambridgeshire;

2) Seek Cabinet's approval of the proposed Local Funding Formula for Primary and Secondary Schools; and

3) Make Cabinet aware of the likely impact of the reforms and the limited measures available to mitigate this impact.

Recommendation: **That:**

a) Cabinet approves the proposed Local Funding Formula for Primary and Secondary Schools.

b) Cabinet notes the concerns about impact of the changes on schools and continues to work with Schools Forum and MPs to raise awareness of these changes.

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1. BACKGROUND

- 1.1 On 26th March 2012, the Secretary of State for Education published a consultation paper: "School Funding Reform: Next Steps towards a fairer system". The consultation response was published at the end of June and there have been a few minor changes to the original proposals. The proposals all spell out major change for the way that funding for schools and for children with Special Educational Needs (SEN) is calculated and administered.
- 1.2 Cambridgeshire is one of the lowest funded authorities in the country. The amount of per pupil funding Cambridgeshire receives places it 148th out of 152 Local Authorities nationally. It is the lowest funded of any in the eastern region.
- 1.3 Cambridgeshire Schools Forum has been campaigning for funding reform to address the large differential in per-pupil funding across the country and to narrow the gap between the highest and lowest funded authorities. The funding reform proposals do not address this issue and there will be no shift in funding between authorities, although the Department for Education (DfE) state that the changes will help prepare for the future implementation of a national funding formula.
- 1.4 There are several areas of significant funding change all taking place from April 2013:
 - i. The Dedicated Schools Grant (DSG) is the main grant through which schools receive their funding. This will continue to come to the Local Authority (LA) to be distributed to maintained schools and recouped for academies, and will continue to be funded on a historical basis aggregated by pupil numbers. However, in future DSG will be divided into three blocks of funding – the schools block, the high needs block and the early years block.
 - ii. Within the schools block there is a tight limit on the number of formula factors we can use in distributing funding to schools. We currently use a complex formula that seeks to replicate key cost drivers for schools. Therefore changes to the formula will impact on schools budgets.
 - iii. Proposals for 'high needs block' set out major change for the way that statements of Special Educational Needs (SEN) are funded in mainstream schools. All mainstream schools will be responsible for funding the first £6,000 of each statement of SEN. Currently, those pupils with the highest level of need are fully funded by the LA and as a result the new system will create new financial pressures for some schools.
 - iv. The high needs block will include funding for all young people with Learning Difficulties and Disabilities up to age 25. This is an entirely new role for the Local Authority. Previously the Education Funding Agency (and the Learning and Skills Council before it) have funded these learners based on a national contracting system. It will mean good quality engagement with the Further Education sector (FE) sector is needed, both within the county, and beyond it.
- 1.5 The proposals require Schools Forum to make recommendations to Cabinet on the funding formula that each local authority wishes to adopt. We have consulted at length on the formula factors and unit values, Forum have agreed

these proposals and it is the formula set out in this paper that that we present for Cabinet agreement.

2. PROPOSED FORMULA CHANGES

- 2.1 Cambridgeshire currently has a complex formula for funding schools which over time has attempted to recognise schools' different circumstances and pressures. The ambition of the national funding reforms is to deliver a simpler system whereby all LAs adopt a similar approach to funding schools. Therefore as a result of the national changes, we need to have a simplified funding formula limited to 10 specified funding factors for 2013/14. This will create significant changes in funding for some Cambridgeshire schools. The Minimum Funding Guarantee is a mechanism whereby the funding reduction is limited to -1.5% per pupil per year for 2013/14 and 2014/15. The new funding formula will also apply to academies but with a five month time lag as academies are funded on an academic year basis.
- 2.3 The effect of the changes is likely to be that many schools will experience significant change in their budgets. The reforms specifically rule out any further protection mechanisms to protect or delay the impact. The majority of the funding is directly linked to pupil numbers and therefore the impact will be felt most acutely by schools who have seen numbers of children admitted to the school fall. There is no allowable formula factor to protect schools in this situation.
- 2.4 The impact on schools has been further exacerbated because of the historical low base of funding that Cambridgeshire receives. So there is very little funding already in the system, and these reforms are moving that funding around between schools with little capacity to be able to cope with changes.
- 2.5 The proposed formula factors and unit values have been subject to a full consultation with all schools and across the Council. The consultation results supported the initial proposals with a few adjustments which are reflected here. The final proposed factors and values are set out below for Cabinet agreement. Many of these formula factors are specified nationally, and so recommendations to Cabinet are limited to those that must comply with the regulations. For example, it is not possible to decide a different lump sum factor for the primary and secondary sector.

Formula factors and unit values

- A basic entitlement unit per pupil, set at a differential rate for Primary, KS3 and KS4.
- A single sum of an equal amount, set at £150,000 per school.
- A per pupil amount in Primary schools for prior attainment paid at £750 per qualifying pupil in Key Stage 1 or Key Stage 2 who achieved fewer than 78 points in Early years foundation stage profile.
- A per pupil amount in Secondary schools for prior attainment paid at £750 per qualifying pupil in Key Stage 3 or Key Stage 4 who achieved a Level 3 or below in both English and Mathematics at the end of Key Stage 2.
- Deprivation funding based on a combination of £400 per eligible Free School Meal pupil, plus an allocation based on the Income Deprivation Affecting Children Index (IDACI) banding for each pupil linked to their home post code.

- A per pupil amount of £750 for each pupil recorded with English as an Additional Language (EAL) in any of their first 3 years in the education system.
 - A per pupil amount paid at £750 for each looked after child, regardless of the amount of time they have been looked after for.
 - A sum for non-domestic rates, set at actual cost
 - Payments in relation to Private Finance Initiative commitments set at actual cost.
- 2.5 The majority of the funding will be allocated on a per pupil basis through the basic entitlement factor. This is the base amount per pupil on which the formula is built, and which “flexes” dependent on the overall level of funding available and the total cost of the other factors detailed above.
- 2.6 **Appendix A** provides more detail on the individual factors and the prescribed datasets from the DfE which will be used in the calculations.

3. IMPLICATIONS OF THE REFORMS

- 3.1 The use of the October pupil census has meant that for the first time we have been able to issue draft budgets to schools much earlier than the use of the January census data normally allows. These budgets are subject to change but what has become apparent has been the scale of the turbulence that will be felt by schools due to a combination of factors. Whilst there are winners and losers, we are concerned about the degree to which we are unable to protect those schools which are losing large proportions of their budgets.
- 3.2 The concern arises from a combination of the following:
- The requirement to have an equal lump sum amount across all schools, Primary and Secondary, regardless of the size of the school.
 - The removal of the funding for Personalisation and Additional Educational Needs, to be replaced by factors with more restrictive allocation criteria. These were the funding formula factors which we used to use to allocate funding for children with Special Educational Needs (SEN). This funding will now be allocated according to a prior attainment factor which doesn't necessarily recognise the very high cognitive ability of many children with SEN.
 - The removal of the previously targeted mainstreamed grants which continued to be allocated on the same basis prior to when they were mainstreamed into the Dedicated Schools Grant.
 - The limited targeting of funding against need or priorities in the county, exacerbated by the loss of some of the historical grants.
 - The removal of an allowable factor to support Infant Class Size legislation.
 - The removal of an allowable factor to protect schools with falling rolls.
- 3.3 Alongside the main formula changes, the requirement for all schools to contribute the first £6,000 for each Statement of SEN will result in some schools facing a significant increase in commitment of funding for these pupils. Although the additional funding will be "recycled" into schools budgets, due to the limited factors it is unlikely to be directed to the same schools that these children attend.

- 3.4 Funding for specialist providers, or special schools or units, will be calculated on the agreed number of places required combined with the need of the actual pupils attending. It will mean that every time a child or young person moves to a school a proportion of the funding will follow them. This raises concerns about whether staffing structures can flex in the same way and it is likely that schools will be committed to funding staff long after the student has left the school, or needing to recruit staff ahead of the arrival of the child (and therefore the funding for the place). There are also concerns about the differential in funding available between different authorities who can each commission places in special schools across the region potentially creating an unfair market and pressure on places in low funded authorities like Cambridgeshire.
- 3.5 In addition, the LA will take on additional responsibilities for funding post 16 SEN education in Further Education colleges for young people up to 25 years of age. Currently the Education Funding Agency fund these placements contracting with Colleges through national contracts. In the future, this funding and contracting responsibility will come to the LA and all post 16 funding will be combined in to one “pot”. This will bring significant additional pressure onto the LA as it becomes the commissioner of all post 16 SEN provision.
- 3.6 We will need to work with secondary schools to consider the impact of these changes on the way that we fund, commission and provide alternative education (or Education Other Than At School: EOTAS). The principle of the reforms assumes that funding follows these learners and top up is applied, but the system that we use, which has been well regarded by the DfE, devolves the total budget for EOTAS to schools to enable them to use the curriculum and small teaching groups in creating ways to retain students in mainstream school as well as buying a smaller number of Pupil Referral Unit places.
- 3.7 DfE state that schools would be protected by the Minimum Funding Guarantee (MFG), which guarantees a reduction of no greater than 1.5% *per pupil* when compared to previous year (subject to some exclusions). Although this is true, the MFG does not protect against falling rolls and does not protect against the changes in funding for Pupils with Statements.
- 3.8 Options for mitigating the impact through additional contingencies or through variations of the unit values in the formula have been explored. However the changes between the current formula and the new formula, the impact of schools which are seeing declining pupil numbers and the changes in funding commitments for pupils with statements make it impossible to smooth the transition. Any additional protection mechanisms would have little effect and would impact adversely on a slightly different and wider group of schools.
- 3.9 These issues have been raised in an open letter to Michael Gove MP on the 26th October 2012 which is attached at **Appendix B**.

4. PROCESS AND TIMESCALES FOR IMPLEMENTATION

- 4.1 The consultation for Primary and Secondary schools was published in early September and focused on the limited areas of local discretion within the new formula. Alongside the launch of the consultation, Budget Briefing sessions were held for Head Teachers and Governors across the County. In total over 220 representatives from schools attended the 3 sessions.

- 4.2 Cambridgeshire Schools Forum met on the 26th October and supported the use of the proposed factors and the current unit values applied to them. Officers have since met again with Cambridgeshire Primary and Secondary Special School Heads, as well as post 16 providers to explore in more detail the implications of the reforms for them and how they can prepare their governing body and start to think about their budget structure. The school funding team will continue to work with schools beyond the publication of the draft budgets to support them to manage the change in budgets in time for April 2013.
- 4.3 Next steps are set out below.

Date	Action
Early November 2012	Draft Modelling for school budgets, impact assessed
28 November 2012	School Census database closed.
December 2012	EFA confirms DSG allocations for 2013-14 (prior to recoupment of funding for Academies).
January 2013	Local authorities submit final data for Schools Budget pro-forma.
January – March 2013	Local authorities confirm budgets for their maintained schools. EFA confirms Academy budgets.

5 ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

5.1 Developing the local economy for the benefit of all

These reforms will have an impact on the wider economy as schools are significant commissioners and employers within local communities. There also could be a significant impact on the outcomes that schools deliver for children and young people which could in turn impact on their ability to compete within the local and national economy.

5.2 Helping people live healthy and independent lives

It is notoriously difficult to prove that increased school funding and improved educational outcomes are related, but there is strong evidence from our own schools that reduced funding, on top of a low base of funding, is already having an impact on the amount of additional classes that schools can put on to support learners to achieve. Educational outcomes are not only the route into further learning and work, but also a predictor of wider social and health outcomes.

5.3 Supporting and protecting vulnerable people

The reforms propose a very significant change in the way provision for Special Educational Needs (SEN) is funded in schools, school sixth forms and FE colleges as set out above. However the statutory assessment process protects the level of resource as agreed in the Statement.

5.4 Ways of Working

Outlined above in 5.1, 5.2, & 5.3.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource and Performance Implications

The reforms create turbulence for many schools and by extension for the Local Authority and partners across the County. We will see more maintained schools with deficits and more schools facing difficult financial circumstances. A possible consequence will be the ability of any maintained school to be able to maintain their school estate creating a financial risk for the Council and capital budgets.

6.2 Statutory, Risk and Legal Implications

Risks are as set out above. This is a nationally prescribed formula which must be in place for April 2013.

6.3 Equality and Diversity Implications

As set out above, the reforms will have significant implications for many schools as they ensure that they provide adequate support for children with SEN.

6.4 Engagement and Consultation Implications

Refer to section 4 above.

6.5 Public Health Implications

There are no significant implications

Source Documents	Location
DfE – School Funding Reform: Arrangements for 2013-14 DfE – 2013-14 Revenue Funding Arrangements: Operational Guidance for Local Authorities School Funding Reform – Consultation Document	Room B109 Castle Court Cambridge