

SCHOOLS FORUM MEETING – 13th SEPTEMBER 2016

2017-18 Schools Funding Formula arrangements

Introduction

The purpose of this report is to provide members of the Schools Forum with information in respect of the 2017-18 Schools Funding arrangements.

Background

As a reminder for the School Forum members, the “School Funding Reform: Next Steps towards a Fairer system“ consultation paper significantly altered the way schools were funded in 2013 -14 and beyond. All Local Authorities were required to use formula funding factors or elements from a pre-defined range. The purpose of these proposals was to move towards a more consistent, simple, transparent and fairer funding system which was understood by all stakeholders. It was also to assist with moving towards the national funding formula (NFF) which is now planned to be introduced from 2019-20.

The NFF is currently the subject of a two stage consultation process, the first stage was responded to on the 15th April 2016 and the Government is currently considering the responses to this. As a result of the large number of responses the Government announced on the 21st July 2016 that the introduction of the soft NFF would be put back until 2018-19 (from 2017-18) with the hard NFF being implemented from 2019-20.

Given the significant changes introduced by the move to fairer funding it was always going to be the case that there were some unintended consequences and practical examples whereby the implementation of the proposals produced unexpected results. The Education Funding Agency (EFA) stated at the time that they would review the implementation of the fairer funding principles and refine these where this was felt necessary. Changes were made as part of the 2014 -15 and 2015-16 funding mechanisms and the review process has continued for the 2017 -18 funding mechanism.

As in 2015-16 there are no discernible changes for 2016 -17 and consequently we are proposing to adopt the same approach as that used for the 2016-17 formula.

Summary

The key changes from the 2016-17 schools block funding formula are as follows:

- The DSG baselines have been rebased to reflect current spending patterns
- Funding for ESG retained duties (£15 per pupil) will be transferred into the schools block for 2017-18.
- The removal of the post 16 funding factor
- The LA will be able to retain the funding from the DSG for statutory duties previously covered by the ESG
- A national weighting for secondary attainment has been introduced
- New bandings for IDACI have been introduced
- Local Authorities are submitting one APT in January 2017.

A summary of the unchanged requirements are as follows:

- No changes to the allowable factors.
- Minimum AWPU's remain (£2,000 per primary pupil, £3,000 KS3 & KS4)
- Proportion of funding allocated through pupil led factors retained at 80%
- Minimum Funding Guarantee (MFG) – confirmation this will be set at -1.5% per pupil for 2017-18.
- Minimum Funding Levels (MFL's) not obliged to be used
- Consultation with schools broadly similar however this is only where changes are proposed.
- Redetermination of budget shares still not permitted
- School Forum approval for centrally retained and delegated funding remains and needs to be voted on by the eligible members. This will now be extended to include any funding to be retained in respect of the duties covered by the former ESG duties in respect of maintained schools. A copy of an extract is provided at Appendix A.

Proposed approach

Given that there have been no overall changes to the funding formula mechanism our recommended approach is one of minimal change to our current formula. The formula we have adopted has worked in distributing funds fairly in accordance with the guidelines and regulations and has passed the EFA test a number of times now. The implementation review reports carried out by the EFA year on year indicate our approach is not “out of kilter” with other Local Authority's and meets the intentions of the Council and the Schools Forum. There has been no adverse comment and there seems to be better understanding by all as to how the formula works and distributes funds.

Where changes to the current formula might need to be considered is around the secondary weighting for prior attainment which are to be introduced and the introduction of the new IDACI bandings. The impact of these cannot be determined until the new data is released.

As in previous years should changes be required these would try to be accommodated through cap and scales adjustments in the first instance as opposed to amending AWPU.

Consultation with Schools

As in previous years consultation with all schools must take place where there are any proposed changes to the funding formula. It is recommended that these are carried out in November, if possible at a heads meeting. Whilst this is slightly later than previous years due to no October proforma submission being required, it will still be based on old year data given the tight timescales between the issuing of the October 2016 data (mid December 2016) and the final submission date (20 January 2017).

Growth Fund / Falling Role Fund

The Authority's funding formula contains a top slice from DSG of £50K each in respect of the above 2 funds. Nationally the amount top sliced by this Council is at the lower end of the scale. A discussion will need to take place as to whether these are retained. To date there has only been two calls on the growth fund since it was introduced and none on the falling roles fund. However whilst this might be the case there have been a larger number of request which did not meet all of the criteria agreed with the Schools Forum and that our evidence leads us to believe that school budgets are tightening and further request could be successful.

One-off distribution from contingency

A request will be submitted to the EFA to dis-apply the £2.5m one-off payment included as part of the 2016-17 funding and request permission to make a further one-off payment in the 2017-18 funding formula. The amount will not be specified but the amount will be significantly less than the 2016-17 one-off allocation. In determining the amount of the one-off payment for 2017-18 it will not become clearer until December 2016 / January 2017 when the projected outturn on the DSG for 2016-17 can be more accurately predicted.

Centrally retained expenditure / Delegated budgets

The usual voting mechanisms remain for the above and these will be brought to the next forum meeting in December 2016 / January 2017. In respect of those services where maintained schools vote to return the budgets to the local authority then these will be reviewed and due to decreasing financial value a decision made whether they remain viable for the council to provide.

A new requirement for representatives of the Schools Forum will be the requirement to vote whether the Council can retain the former ESG retained rate funding now built into the DSG to fund the associated statutory services.

The position in respect of the potential retention of further DSG, to fund Authorities for the general rate of the ESG which they will now no longer receive will only be set up when the consultation on the Schools and Early Years Finance Regulations later in the year.

Timetable – Key Dates

These are detailed in the table below:

<u>Date</u>	<u>Action</u>
6 October 2016	School Census day.
October / November 2016	DfE and LA check and validate schools census returns.
26 November 2016	School census database closed
30 November 2016	Deadline from making exclusions from MFG
Mid December 2016	APT issued to LA's containing October 2016 census based pupil data and factors.
Mid December 2016	EFA confirms DSG Schools Block and High Needs Block allocations for 2017-18. Publication of provisional EY Block allocations.
Mid-January 2017	Schools Forum consultation / political approval required for final 2017 – 18 funding formula.
20 January 2017	Deadline for the submission by the LA of the final 2017 – 18 APT to the EFA.
28 February 2017	Deadline for the confirmation of school budget shares to maintained schools.
31 March 2017	Deadline for the confirmation of the annual general grant to academies open by 9 January 2017.

Early Years and High Needs Block

The EFA has confirmed that the provisional early years block and the high needs block allocations for 2017-18 will be confirmed in mid December 2016.

Recommendations

It is recommended that:

1. This report be noted,

2. Schools Forum makes comment on the proposed approach
3. Consultation with schools take place, and
4. Schools Forum agree to the re-establishment of a small working party to work with officers to review the 2017-18 Schools funding formula to be adopted to permit this to be submitted as per the deadlines detailed in the report.

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Appendix A**Centrally Retained Services - Expenditure position**

Schools forum approval is required on a line-by-line basis.	<input type="checkbox"/> services previously funded by the retained rate of the ESG.
Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period.	<input type="checkbox"/> Admissions. <input type="checkbox"/> Servicing of schools forum.
Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into.	<input type="checkbox"/> Capital expenditure funded from revenue (i.e. no new projects can be charged to the central schools budget). <input type="checkbox"/> Contribution to combined budgets. <input type="checkbox"/> Existing termination of employment costs (i.e. no new redundancy costs can be charged to the central schools budget). <input type="checkbox"/> Prudential borrowing costs.
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools.	<input type="checkbox"/> Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy. <input type="checkbox"/> Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within 3 years.