

SCHOOLS FORUM – 8 December 2016

Title of paper:	Funding arrangements for schools in 2017/18
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Summary	
This report outlines the latest guidance set out by the Education funding Agency (EFA) in the “Schools revenue and funding 2017 to 2018 – Operational guide” on the funding changes that will come into effect from the financial year 2017/18. Information is then provided outlining the Local Authorities recommended methodology for the treatment of these changes.	
Recommendation(s):	
1	Note the changes to the funding arrangements changes outlined in 2.1 to 2.7 and the financial impact will be presented in January 2017.

1 REASONS FOR RECOMMENDATIONS

- 1.1 To update Schools Forum on the changes to the funding arrangements 2017/18 set out by the EFA. The impact of these is being included within the final budget preparation.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 On 7 March 2016 the Department for Education (DfE) released its consultation on the proposed National Funding Formula (NFF) which would at that point in time take effect from the financial year 2017/18. However, the implementation of the NFF has been delayed until financial year 2018/19.

Although the NFF has been delayed the DfE have outlined in the “Schools revenue and funding 2017/2018 – Operational guide” that the funding arrangements for 2017/18 will remain broadly similar to last year with some specific changes. The main changes are:

- a) The DSG blocks have been re-baselined to reflect the current spending patterns;
- b) Funding for the Education Service Grant retained duties (£15 per pupil) will be transferred into the schools block for 2017/2018;
- c) The removal of the Post 16 funding factor, but with protection through the minimum funding guarantee (MFG);
- d) That Local Authorities (LA’s) will be able to retain funding from the Dedicated Schools Grant (DSG) from maintained schools, including special schools

- and pupil referral units (PRU's), for statutory duties previously covered by ESG;
- e) Using a weighting for secondary low attainment figures;
 - f) Using new bandings for the index of deprivation affecting children (IDACI);
 - g) That LA's only need to submit one Authority Pro-forma Tool (APT) by 20 January 2017.

These are described in more detail below:

2.2 Baseline of DSG Blocks

All LA's were asked to submit their DSG Blocks baselines for 2017/18 by 12th April 2016. To date no response has been received by the DfE.

2.3 Education Service Grant retained duties

Currently the ESG retained duties funding of £15 per pupil is given to the LA; from 1 September 2017 this will be included in the Schools Block allocation. This funding is used to fund statutory duties carried out by the LA for all pupils and this funding will require approving as a central expenditure item.

Confirmation of the statutory duties has still not been issued by the EFA; when they have been finalised a paper will be presented to SF for approval of this item.

2.4 Post 16 Factor

As set out in the first stage consultation of the NFF Consultation, the Post 16 factor will be removed from the financial year 2017/18 as the DfE say it is a legacy factor which a small number of local authorities use for a small number of schools.

Nationally there is currently £13.5m allocated through this factor to schools with pre and post 16 pupils. To help schools adjust to this change, the DfE will be amending the Schools and Early Years Financial Regulations so this funding will be included in school baselines and therefore protected by the Minimum Funding Guarantee (MFG).

The pre 16 MFG for mainstream schools will continue to be set at minus 1.5% per pupil in 2017/18.

In the financial year 2016/17 funding of £0.559m was allocated through the Post 16 factor. This funding related to historical Standards Fund funding (School Development Grant) for Sixth form pupils.

This funding was mainstreamed into the core funding in 2011/12 when the ring-fenced Standards Fund ended. The number of pupils eligible for this funding was 1,543 which were taken from the October 2015 Census, the amount per pupil was £362.07. [1543 x £362.07=£0.559m].

The rate of £362.07 has been the same since financial year 2013/14, this could not be revised as per the guidance set out by the EFA. In the financial year 2016/17 9 of the 16 secondary schools within the city received this funding.

For schools who currently receive this funding the DfE will be moving towards a position where they no longer receive funding through the pre 16 funding formula for their 16-19 pupils but are funded only on the basis of the post 16 funding formula, but with phased protection for the removal of the factor to give institutions time to adapt. The DfE have said that they will communicate this directly with the affected schools.

Upon reviewing this proposal the LA has decided that as the affected schools will be protected until the funding has been phased out, it would be best to just to let the funding transfer into Headroom each year.

2.5 De-delegation of funding for statutory duties carried out by the LA

From 2017/18 the DfE will be removing the General Rate of £77 per pupil from the ESG. This funding is used to fund duties (some statutory) carried out by the LA for maintained schools, including special schools and Pupil Referral Unit's.

There will be transitional protection from April 2017 to August 2017 and the General funding rate will be removed from September 2017. The transitional rate is to be released later in 2016.

The DfE have confirmed that LA's will be allowed to retain some of the schools block funding to cover the statutory duties they carry out for maintained schools which were previously funded by ESG. Duties to be included under this arrangement will be included in the forthcoming Schools and Early Years Finance Regulations 2016 consultations.

The amount to be retained by the LA will need to be approved by Schools Forum. A report requesting this funding will be brought to Schools Forum on 19 January 2017.

2.6 National Secondary Prior Attainment weighting

The 2016 assessments are the first which assess the new, more challenging national curriculum. At a national level, a higher number of the year 7 cohort in the financial year 2017/18 will be identified as having a low prior attainment. The EFA have stated that they intend to use a national weighting to ensure that this cohort does not have disproportionate influence within the overall total.

The weighting will be confirmed in advance of finalising 2017/18 allocations and included in the APT in December, having taken into account the latest data about year 7 pupils in the October census.

LA's will not be able to change the weighting, but would be able to adjust their secondary low prior attainment unit value as usual. This will hopefully enable the LA to maintain its low prior attainment factor at previous levels without significant turbulence.

2.7 New IDACI bandings

As set out in the Schools Budget 2016/17 report tabled at the meeting of Schools Forum on the 25 February 2016 the DfE updated the IDACI dataset which caused turbulence to the LA's local funding formula.

The IDACI dataset is updated every five years by the Department for Communities and Local Government. The most recent update, which took effect in 2016/17, showed a markedly different distribution to the previous 2010 dataset. This factor is

based on pupil's postcodes with each pupil's postcode getting mapped to a Lower Layer Super Output Area (LSOA). Each LSOA is given a score which is input into a band, the bands range from 1 to 6 with 6 being the most deprived.

The impact of this was incorporated within the 2016/17 budget process but resulted in a reduction of £1.2m being allocated through this factor compared to 2015/16 even though the number of eligible pupils remained similar.

To ensure that the funding was allocated for the purpose it was given and to prevent exceptionally high levels of protection through the MFG the rates for this factor were increased by 29%. These revised rates are included in the Schools Budget 2016/17 report.

The EFA's 2017/18 Operational guidance has stated that they recognise the 2015 data update created unexpected and unhelpful turbulence in budgets, towards the latter stages of the local formula setting process. They say they have considered the concerns raised by LA's and views expressed through the first stage of the national funding formula consultation, and have decided to update the IDACI banding methodology to return the IDACI bands to roughly similar size (in terms of proportion of pupils in each band) nationally as in 2015/16. The revised bands are named "A" to "G", with the most deprived neighbourhoods being captured by band "A" (previously bands 6 and 5).

The impact of this change will be brought to the Schools Forum meeting on the 19 January 2017 as part of the Schools Budget 2017/18 report.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

Removal of Post 16 factor

- 3.1 The option considered was to allocate the savings out via the KS4 Age Weighted Pupil Unit (AWPU), but this was rejected as it would not accurately target the funding where it was needed and would in allocate funding to secondary schools who did not have sixth forms and other schools would be protected.

In addition, it was also felt that if the funding was added to the KS4 AWPU then additional pressure could be put on the DSG from 2018/19 when the NFF is introduced as if we will have allocated extra funding out to all secondary schools we would then have to pay again to protect these schools at a higher rate than would have been necessary had the AWPU been left as it was. This would make the transition to the NFF more difficult.

4 OUTCOMES/DELIVERABLES

- 4.1 To obtain an agreed 2017/18 local funding formula, enabling updated schools budgets to be submitted to the EFA by 20 January 2017 and budgets to be issued to schools within the statutory deadline of 28 February 2017.

5 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 5.1 Financial comments are contained within the body of the report.

- 5.2 The financial impact on schools due to the removal of the Post 16 Factor and the re-banding of IDACI pupils will be contained within the School Budget 2017/18 report and every effort will be undertaken to minimise the impact to school budgets.

6 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 6.1 The current law in force in this area is the School and Early Years Finance (England) Regulations 2015. However, these regulations apply for the financial year starting 1 April 2016 only and are updated annually. The 2016 draft regulations have not yet been produced but on the basis that the substance of the regulations will not change, in relation to the matters which are the subject of this report, from the 2015 Regulations, this report seeks to address the requirements of those Regulations. However, it will be necessary to review these proposals once 2016 regulations have been produced.

7 HR ISSUES

- 7.1 Non to report

8 EQUALITY IMPACT ASSESSMENT

- 8.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

There is no change to the final service being provided

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 9.1 N/A

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 School and Early Years Finance (England) Regulations 2015.