

Title of meeting: Cabinet Member for Education

Date of meeting: 13 October 2016

Subject: School Funding Arrangements 2017-18

Report from: Alison Jeffery, Director of Children's Services

Report by: Richard Webb, Finance Manager

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

The main purpose of the report is to inform the Cabinet Member for Education of the progress being made towards the implementation of changes to the school revenue funding arrangements for 2017-18 and to seek the necessary approvals at this stage.

2. Recommendations

It is recommended that the Cabinet Member:

- a) Endorse the principles proposed by the mainstream working group in Appendix 1 to guide and inform the development of the funding arrangements for 2017-18.
- b) Approve, that following the confirmation of the 2017-18 Dedicated Schools Grant (DSG), officers will amend the funding unit values to minimise the impact of fluctuations in funding at the school level and to maintain overall affordability. In order to provide schools with some certainty, where possible any changes will be limited to the following formula factors:
 - Basic per pupil entitlement
 - Prior attainment
 - Lump Sum
 - The percentage of the financial cap.
- c) Approve the proposed changes to the mainstream funding formula factors, together with choices the council has made in implementing these factors locally, as set out in section 5.

- d) Agree to the de-delegation of the following budgets for central administration in 2017-18 and note the proposed rates for de-delegation (as shown at paragraph 3.41 of the consultation document), which will be finally agreed in January:
 - i. Behaviour Support - Primary Only
 - ii. Special Staff Costs (Union Duties)
 - iii. Schools Contingency Fund
 - iv. Licences

- e) Note that subject to the guidance awaited from the Department for Education (DfE) and the results of the work being undertaken by the Inclusion Commissioning Manager, that the authority is not proposing to make any changes to High Needs place numbers for Special Schools, Resources Units and Alternative Provision settings for 2017-18.

- f) Note that subject to the guidance awaited from the DfE that the authority is not proposing to make any changes to the annual rates for Element 3 Top-up funding for Resource Units and Alternative Provision settings for 2017-18.

- g) Note that as set out in paragraph 7.2, work is being undertaken by the Inclusion Commissioning Manager to review the Element 3 Top-up funding arrangements for Special Schools.

- h) Approve the MFG exemptions submitted to the DfE by the required deadline of 30 November 2016 as set out in paragraph 7.3.

- i) Approve the funding allocation to Redwood Park Special School as set out in paragraph 8.2.

3. Background

- 3.1 As reported to the Cabinet Member in May 2016, the Government consulted on the proposals to introduce a National Funding Formula for both schools and local authorities. Stage 1 of a two stage consultation closed on 17 April 2016. Stage two of the consultation was due to follow in the summer 2016.

- 3.2 During the stage 1 consultation, the Education Funding Agency (EFA) carried out a baseline exercise across all local authorities to identify how the Dedicated School Grant (DSG) was being spent compared to how the authority was funded. The results of the baseline exercise are being used to set Local Authority funding blocks for 2017-18.

- 3.3 Following the results of the European Union Referendum and the subsequent ministerial changes, the new Secretary of State for Education announced on 21 July, that stage two of the consultation would be postponed until 2017 and therefore the introduction of the proposed National Funding Formula for 2017-18 would also be postponed. On 28 July 2016 the Department for Education published the 'Operational Guide to Schools Revenue funding 2017 to 2018'; which included some changes to the funding arrangements for 2017-18.
- 3.4 This report therefore sets out the key changes to the funding arrangements for 2017-18 and seeks to update the Cabinet Member on the outcome of the work undertaken with schools in recent months, including financial modelling and the response from schools to our consultation on the proposed local formula changes.

4 Changes to the funding arrangements from Central to Local Government

DSG funding blocks and re-baseline 2017-18

- 4.1 The DfE's stage one consultation identified four proposed funding blocks, (Schools, High Needs, Early Years and a new Central Schools Block) with the Schools Block becoming ring fenced from 2017-18. The EFA have now confirmed that the ring fencing of the Schools block will not be implemented in 2017-18 and that the Central Schools Block which was to cover central services such as Admissions, Schools Forum and the retained duties element of the former Education Services Grant (ESG), would now be included within the Schools Block for 2017-18. Therefore the DSG funding blocks for 2017-18 remain as:
- Schools Block
 - Early Years Block; and
 - High Needs Block.
- 4.2 The baselining exercise carried out in early 2016 has been used by the DfE to allocate funding for 2017-18. This has resulted in a reallocation of funding between the blocks which reflects the planned expenditure of the authority for 2016-17. The table below sets out the 2016-17 funding blocks, the budgeted 2016-17 expenditure and the rebased funding allocation for 2017-18.

	Funding Block			NQT	Total DSG
	Schools	High Needs	Early Years		
	£000	£000	£000		
2016-17 funding	109,368	16,044	8,201	35	133,648
Transfers between blocks to reflect planned expenditure	(2,508)	1,776	377	(35)	(390 ¹)
2016-17 budgeted baseline	106,860	17,820	8,578	0	133,258
Addition - ESG retained duties	370				370
Addition - FE colleges		250			250
2017-18 funding	107,230	18,070	8,578	0	133,878

- 4.3 The 2017-18 funding above is currently based on pupil numbers as per the October 2015 census; the actual funding for 2017-18 will be adjusted for October 2016 pupil numbers.

Education Services Grant (ESG)

- 4.4 Within the DfE stage one consultation there was a proposal to transfer the "retained duties" element of the ESG into the DSG and this has now been implemented. This element of the ESG will be paid as part of the Schools block. Further details of the services that this funding will be eligible to support will be included within the consultation on changes to the School and Early Years Finance Regulations; which are due to be published later in the Autumn.

5 Changes to the Local School Funding Arrangements

Introduction

- 5.1 We are not proposing to change the funding factors used by Portsmouth to fund mainstream schools and academies. However the DfE has changed the data sets which are used in the Deprivation (Income Deprivation affecting Children Index (IDACI)) and prior attainment funding factors. The sections below explain the impact of these changes and the Authority's proposals for the 2017-18 local funding arrangements.

IDACI

- 5.2 In September 2015 the office of national statistics re assessed the IDACI datasets for the whole country. The data set released in December 2015

¹ £390,000 used from 2015-16 carry forward.



had the impact of moving a large percentage of children from the higher bands of deprivation to the lower bands, which led to schools seeing a reduction in funding before the minimum funding guarantee protection. Following the turbulence created by the change in the IDACI factor in 2016-17 the EFA have rebalanced the IDACI bands for 2017-18. The table below shows the changes.

Bands used in 2015-16 and 2016-17	IDACI score	% pupils in each band (2015-16)	% pupils in each band (2016-17)	New bands for 2017-18	IDACI score	% pupils in each new band (2015 October census)
T	U	V	W	X	Y	Z
6	Between 0.60 and 1.00	3%	1%	A	Between 0.50 and 1.00	3%
5	Between 0.50 and 0.60	6%	3%	B	Between 0.40 and 0.50	8%
4	Between 0.40 and 0.50	10%	8%	C	Between 0.35 and 0.40	7%
3	Between 0.30 and 0.40	12%	14%	D	Between 0.30 and 0.35	8%
2	Between 0.25 and 0.30	7%	9%	E	Between 0.25 and 0.30	9%
1	Between 0.20 and 0.25	8%	10%	F	Between 0.20 and 0.25	10%
0	Less than 0.20	53%	56%	G	Less than 0.20	56%

- 5.3 The initial financial modelling identified that the rebalancing of the IDACI rates would pass an additional £1,391,952 funding out to schools through this factor; which would be unaffordable.
- 5.4 The proposals for maintaining affordability were set out in section 3 of the consultation issued to schools (see Appendix 2). The preferred approach to rebalancing the local funding formula, in order to maintain affordability, is to reduce each of the IDACI funding rates by £161.00 in 2017-18.

Prior attainment

- 5.5 Following the introduction of the new national curriculum, the key Stage 2 tests undertaken in 2016 are expected to see nationally, a higher number of pupils who progress to year 7 in the October 2016 census, being identified as having a low level of prior attainment.
- 5.6 The Education Funding Agency intends to use a national weighting to ensure that year 7 pupils do not have a disproportionate impact on the overall total of pupils.
- 5.7 The impact of this change will not be known until December and whilst the local authority will not be able to adjust the weighting, it will be possible to adjust the funding rate in order to maintain both the level of funding at previous levels and the overall affordability of the schools budget.

Looked After Children

- 5.8 In the DfE's first stage consultation, it was proposed that they would cease the Looked After Children factor and transfer this funding to be allocated via the Pupil Premium.
- 5.9 Within the latest operational guidance, the DfE have not proposed to cease the funding factor for 2017-18. Portsmouth currently allocates funding at a very high rate through this factor (at £2,811) and is considered an outlier when compared nationally. In light of the proposal to cease the LAC funding factor in the future, it is proposed to reduce the funding rate to £1,000 per pupil, with the funding released by the reduction, being allocated to the basic per pupil entitlement factor

De-Delegation

- 5.10 In the first stage of the DfE's consultation it was proposed to cease de-delegation in the future. Whilst this proposal is not included within the latest operational guidance for 2017-18, we are proposing to start moving the current de-delegated services to a traded services arrangement. For 2017-18 it is proposed to move the following services to a traded service arrangement:
- Administration of free school meal eligibility - traded from April 2017
 - Museum and Library services - traded from April 2017.

Paragraphs 3.40 to 3.41 of our local consultation included details of the services we are continuing to offer on a de-delegation basis, together with the proposed funding rates for 2017-18.

Minimum Funding Guarantee

- 5.11 The EFA have confirmed that the Minimum Funding Guarantee for 2017-18 will remain at the nationally set rate of minus 1.5%.
- 5.12 The authority will still be able to set a CAP on any gains to ensure that the formula is affordable. The level of the cap will be reviewed as part of the annual budget setting process.

6 Local Consultation

- 6.1 The consultation with Portsmouth maintained schools and academies was open between the 2 September 2016 and 23 September 2016. A copy of the consultation document is included at Appendix 2 together with details of the potential financial effects of the proposed changes for each school and academy as shown in Appendix 3.

- 6.2 Whilst this year the Authority is not required to submit an October proforma, we are taking advantage of the opportunity offered by the EFA to review the proposed funding formula to ensure it meets the legal requirements. A copy of the proposed proforma is attached at Appendix 4.
- 6.3 Of the 63 Portsmouth Schools and Academies, 13 schools replied to the consultation. Of those who replied 11 agreed with the proposal to reduce the IDACI unit rates by £161.00, 12 agreed to reduce the LAC unit value down to £1,000 and 10 agreed with the proposed de-delegation rates. A summary of the responses and any comments can be found in Appendix 5.

7 Next Steps

- 7.1 Officers are continuing to work with Special Schools to agree the number of places and top-up requirements for 2017-18. The High Needs funding information for 2017-18 was issued by the EFA on 29 September 2016. In line with the initial information received in July they are not proposing to change the current agreed place numbers with Special Schools, Resourced Units and Alternative Provision settings, but they will allow authorities to continue to have flexibility to agree place numbers locally.
- 7.2 SEND officers along with special schools in the City have been reviewing the level of need descriptors, attached to the banding system used to allocate Element 3 Top-up funding to Special schools. This may lead to a change in the number of bands and the level of funding attached to each band, and changes would be implemented from September 2017. The results of this review and any subsequent proposed changes will be taken to the Cabinet Member and Schools Forum in January 2017.
- 7.3 The authority has submitted two MFG disapplication requests:
- **Mayfield School - variation of pupil numbers.** To increase the pupil numbers to include the September 2017 primary cohort as part of the continuing conversion from a secondary school to an all through school.
 - **Mayfield School** - primary pupils are funded at a different basic per pupil entitlement to secondary pupils, therefore as the primary school grows each year the additional primary pupils will artificially reduce the per pupil rate in the MFG calculation. As in previous years, we are asking to adjust the 2016-17 baseline to ensure that the school is not overprotected in the 2017-18 MFG calculation.

8 Financial Support for Redwood Park School

- 8.1 Under the School and Early Years Finance (England) regulations 2015, the Local Authority is permitted to provide additional funding to special schools in financial difficulty from the Dedicated Schools Grant budget.
- 8.2 Redwood Park Special School is coming to the end of a significant restructuring programme, which has resulted in the school accumulating a significant financial deficit. In order to support the school to move forward following the restructure and continue to provide the specialist SEN provision required in the city, it is proposed to support the school with an additional funding allocation in the region of £500,000. The Authority is working closely with the school and the Interim Executive Board to ensure that any deficit and resulting financial support requirement is minimised.

9 Reasons for recommendations

Following the publication of the DfE Guidance "School Revenue Funding 2017 to 2018 - operational guidance" in July 2016, the local authority has been working closely with the School Funding Working Group. The Working Group has provided advice and guidance on the proposed changes to the local funding formula.

10 Equality impact assessment

This report does not require an Equality Impact Assessment as the proposal does not have an impact upon any particular equalities group.

11 Legal implications

The recommendations in this report are consistent with the requirements of the School and Early Years Finance (England) Regulations 2015 and Department for Education Operational Guidance.

12 Director of Finance's comments

Financial comments are included in the body of the report.

Signed by: Alison Jeffery - Director of Children's Services.

Appendices:

- Appendix 1: 2017-18 Working Group principles
- Appendix 2: 2017-18 School Funding Formula consultation
- Appendix 3: 2017-18 Indicative budgets
- Appendix 4: 2017-18 Proforma
- Appendix 5: 2017-18 Consultation responses

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Schools revenue funding 2017 to 2018 operational guidance, July 2016	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541544/2017_to_2018_LA_operational_guide_FINAL_FOR_PUBLICATION_v1.2.pdf
Financial Modelling	Children's Finance Team

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: