

Title of meeting: Schools Forum

Date of meeting: 21 October 2015

Subject: School Revenue Funding Arrangements 2016-17

Report from: Di Smith, Interim 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 purpose of this report is to inform Schools Forum of the progress being made towards the implementation of changes to the school revenue funding arrangements for 2016-17 and to seek endorsement for the first stage of the submission to the Department for Education (DfE) of the 2016-17 budget proforma.

2. Recommendations

It is recommended that Schools Forum:

- a. Endorse the principles proposed by the Working Groups in Appendices 1 and 2 to guide and inform the funding arrangements for 2016-17.
- b. Endorse, that following confirmation of the 2016-17 Dedicated Schools Grant (DSG), officers will amend the 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. Endorse the proposed changes to the mainstream funding formula factors, together with the choices that the Council has made in implementing these factors locally, as detailed at paragraph 4.6.

- d. Endorse the submission of the draft proforma to the DfE as the first stage of the 2016-17 school revenue funding formula process.
- e. Agree by phase, (maintained primary and secondary schools) to the de-delegation of the following budgets for central administration in 2016-17.

Expenditure Item	De-Delegation Proposed	
	Primary	Secondary
Administration of free school meals eligibility	Yes	Yes
Licences	Yes	Yes
Special Staff Costs: Union Duties only.	Yes	Yes
Schools Contingency Fund	Yes	Yes
Behaviour Support	Yes	No
Museum & Library Services	Yes	No

- f. Endorse the proposed Growth Fund criteria for 2016-17 as set out in Section 5 of the attached consultation document.
- g. Note that subject to the guidance awaited from the DfE and the results of the work being undertaken by the Inclusion Commissioning Manager the Authority is not proposing to make changes to High Needs place numbers or Element 3 Top-up funding for Special Schools, Resource Units and Alternative Provision settings for 2016-17.
- h. Endorse the MFG exemptions submitted to the DfE by the required deadline of 30 September 2015 as set out in paragraph 5.3.

3. Background

- 3.1. Following the publication of the 'school revenue funding 2016 to 2017 - operational guidance' by the DfE on 16 July 2015; a detailed review of the guidance identified the following:
 - The schools block per pupil unit of funding in 2016-17 will be maintained the same value as in 2015-16.
 - The early years per pupil unit of funding and the High Needs block funding for 2016-17 will be confirmed after the spending review.
 - That there were no prescribed changes to the mainstream funding factors.
 - The DfE had updated their guidance regarding the use of the Growth Fund in relation to meeting basic need.
 - The guidance regarding the high needs funding arrangements for 2016-17 will be issued in September 2015, but that

authorities should work on the principle that the allocation of high needs place funding will remain the same as in 2015-16.

- 3.2. Following receipt of the guidance, Officers met with the Schools' Funding Working Groups, (Mainstream Group and the Special School Group) where both groups agreed the respective 2016-17 working group principles as set out in Appendices 1 and 2.
- 3.3. The Mainstream Working Group agreed to the financial modelling of the continued reduction of the Primary Lump sum to support amalgamations in 2016-17 and a review of the Growth Fund criteria to ensure that it continues to meet the DfE requirements and the needs of schools in Portsmouth. The results of the proposals are set out in Section 4 of the consultation document.
- 3.4. As the guidance regarding the High Needs funding has yet to be issued, it was proposed to meet with the High Needs Working Group after the issue of the High Needs funding Guidance in September 2015 if required.
- 3.5. This report updates Schools Forum on the outcome of financial modelling and subsequent consultation on the proposed formula changes with schools and the submission of the return to the DfE on the factors for inclusion in the 2016-17 funding formula.

4. Consultation

- 4.1. The consultation with maintained schools and Academies in Portsmouth was issued on the 4 September 2015 and closed on the 25 September 2015. The consultation was issued to Head Teachers, School Finance Officers and Chairs of Governors. A copy of the consultation document is attached at Appendices 3 and 4.
- 4.2. In addition to the consultation document, schools were also provided with a spreadsheet which demonstrated the financial effects of the proposals on the funding formula for their individual schools. The spreadsheet utilised the pupil data as per the October 2014 census and reflected the impact of the changes in:
 - school organisation, including primary amalgamations, academies and all through schools
 - the reduction of the primary lump sum
 - the adjustment to the basic entitlement per pupil to reflect the reduction of the lump sum.
- 4.3. A copy of the provisional proforma return that we are required to submit to the DfE by the 31 October 2015 is attached at Appendix 5.

- 4.4. Schools Forum is advised that at this point in the implementation process the Council is not consulting on the final unit values for 2016-17, but rather the principles and factors that it intends to apply in implementing the funding formula arrangements for 2016-17. Depending on the final DSG that the Council is allocated for 2016-17, together with changes in pupil characteristics and the growing pressures in respect of High Needs, it may be necessary to amend the unit values to maintain overall affordability. In order to provide schools with some certainty, any changes will be limited to the following formula factors:
- Basic Per Pupil Entitlement
 - Prior attainment
 - Lump Sum
 - The percentage of the financial cap
- 4.5. Of the 63 Portsmouth schools and Academies, 16 schools replied to the consultation. Of those who replied 15 agreed with the proposal to reduce the Lump Sum and 14 agreed with the proposed change in the Growth Fund criteria. A breakdown of the responses is included in Appendix 6.
- 4.6. The proposals for changes to the mainstream funding factors for 2016-17 are summarised below:
- **Lump Sum**
To support the amalgamation of primary schools as set out in the consultation document, it is proposed to reduce the primary lump sum to £115,000 for 2016-17 and transfer the funding released to the primary 'per pupil entitlement' factor. It is proposed to continue to reduce the primary lump sum on an annual basis by an amount which minimises the impact on individual schools' funding and the amount of Minimum Funding Guarantee (MFG) payable.
- 4.7. Other funding arrangements
- **Growth Fund**
The current Growth Fund criteria was reviewed against the updated guidance issued by the DfE, whilst the current fund met the DfE criteria, it required schools to wait two years before they received funding for any growth in the Published Admission Number (PAN). It is proposed to implement the new Growth Fund and revised criteria (subject to DfE approval) from 1 November 2015, Section 5 and Appendix 2 of the attached consultation document set out the details.
- 4.8. Following the closure of the consultation, if any questions are raised with regards to any of the proposals, a response will be provided at the meeting.

5. Next Steps

- 5.1. Officers are continuing to work with Special Schools to agree the number of places and top up funding requirements for 2016-17. The authority is still awaiting High Needs Funding information from the Education Funding Agency for 2016-17. However initial information received in July 2015 indicates that 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 the flexibility to agree numbers locally.
- 5.2. Subject to the guidance awaited from the DfE and the results of the work being undertaken by the Inclusion Commissioning Manager the Authority is not proposing to make any changes to place numbers or Element 3 Top-up funding for 2016-17.
- 5.3. The authority has submitted a number of disapplication of MFG for the items listed below. At the time of writing this report we have received approval for all but the central expenditure item below, for which we are still awaiting a response.

- **Variation of pupil numbers**

Mayfield School - to increase the pupil numbers to include the September 2016 primary cohort as part of the continuing conversion from a secondary school to an all-through school. This request has been agreed by the DfE in previous years and is expected to be approved for 2016-17.

Prior Year adjustment to resource unit numbers - following a minor error in the 2015-16 budget share, a request to adjust the pupil numbers of 5 schools to enable the correct calculation of the 2016-17 budget and MFG.

- **Minimum Funding Guarantee exemptions**

Additional funding to schools - Subject to the 2016-17 Dedicated Schools Grant allocation the authority is considering passing a proportion of the 2014-15 carry forward back to schools. However this will be a one-off allocation of funding and will artificially inflate the 2016-17 per pupil MFG rate, which could put pressure on the 2017-18 funding formula. The authority has requested to dis-apply any additional funding from the MFG calculation.

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. We are asking to exclude

the September 2016 pupils from the 2016-17 MFG calculation so that the school is not over protected.

- **Central Expenditure**

Special educational needs (SEN) transport costs - The Education Service budget is required to make a £1.1m saving over two years, in order for the Council to continue to provide an effective service, it is seeking support from the DSG to fund a proportion of the SEN home to school transport costs. The regulations require the authority to seek Secretary of State approval as the DSG has not previously been used to fund this budget. The amounts proposed are £300,000 for 2016-17 and £500,000 in 2017-18.

6. Reasons for recommendations

Following the publication of the DfE Guidance 'school revenue funding 2016 to 2017 - operational guidance' in July 2015, the Local Authority has been working closely with the Schools Funding Working Groups. The Working Groups have provided advice and guidance on the proposed changes to the funding formula regarding the implications to schools, which have informed the proposals within the attached consultation document.

7. Equality impact assessment (EIA)

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

8. Legal comments

There are no legal implications arising from the recommendations in this report.

9. Director of Finance's comments

Financial comments have been included within the body of this report.

.....
Signed by: Di Smith, Interim Director of Children's Services

Appendices:

1. Mainstream Working Group Principles - 2016-17
2. Special School Working Group Principles - 2016-17

3. 2016-17 - Funding Formula Consultation Document
4. 2016-17 - Consultation indicative budget shares
5. DfE Funding Proforma - 1st Stage Submission
6. Consultation responses 2016-17

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 2016 to 2017 operational guide, July 2015	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445686/Schools_revenue_funding_2016_to_2017_operational_guide_publication_version_final.pdf
Financial Modelling using the Education Funding Agency Authority Proforma Tool.	Held by Portsmouth City Council Children's Finance Team

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

.....
Signed by: