

Cabinet Portfolio Holder and area: Councillor Joanne Platt Portfolio Holder for Children and Families

Date of Decision: November 3rd 2016

Subject: Schools Funding Formula 2017/18

Report of: James Winterbottom Director Children and Families

Contact Officer: John McDonald Strategic Finance Manager
Chris Myers Group Finance Manager

Summary: To approve the allocation method of each of the available factors to be used in the Authority Proforma Tool to be submitted to the Education Funding Agency

Link to Corporate Priorities:

Confident Places

- Improving economic and social opportunities;
- An attractive, accessible and lively borough, with a prosperous economy as the location of choice for investment.

Confident People

- Protecting vulnerable groups, improving life opportunities and independence for everyone to start well

Wards Affected: All

Recommendation(s): To approve the formula allocation and principles as adopted in 2016/17

Implications:

*What are the **financial** implications?* Schools are funded from the Dedicated Schools Grant (ringfenced)

What are the **legal** implications? The Legal implications arising from this report have been considered against the requirements of the School Funding Regulations

What are the **staffing** implications? Not applicable

Equality and Diversity Impact Assessment attached or not required because (please give reason) Not applicable

What are the **property** implications in terms of reduction, addition or change to the council's asset base or its occupation? Not applicable

Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? Yes

Has the relevant Finance Officer confirmed that any expenditure referred to within this report is consistent with the Council's budget? Yes

Are any of the recommendations within this report contrary to the Policy Framework of the Council? No

**What are the alternative option(s) to be considered?
Please give the reason(s) for recommendation(s):**

Is this a Key Decision and, if so, under which definition? (1) to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or

The Key decision made as a result of this report will be published within **48 hours** and cannot be actioned until **five working days** have elapsed, from the publish date of the decision i.e. before **enter date**,

unless exempt from call-in.

This item is included on the Forward Plan.

List of Background Papers under Section 100D of the Local Government Act 1972:

Title	Available from
Schools Funding Formula 2017/18	

Directorate Sign-off:	
	Alan Lindsay
Date:	XX/10/2016

Please list any appendices:-

Appendix number or letter	Description
1	

1.0 Introduction

- 1.1 A local authority must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its Schools Forum about any proposed changes to the local funding formula including the method, principles and rules adopted.
- 1.2 Any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. The local authority is responsible for making the final decisions on the formula and each authority's process must ensure that there is sufficient time to gain political approval before the due deadlines.
- 1.3 In determining how much to allocate through the formula, authorities will need to make strategic decisions on how funding is distributed between the schools, high needs and early years blocks, taking into account demographic and other pressures.
- 1.4 Authorities still for 2017/18 continue to have flexibility to move funding between the blocks, provided that they comply with requirements on the minimum funding guarantee (MFG) and have the agreement of schools forum or the Secretary of State on any increase in centrally held budgets where such approval is required under the regulations.
- 1.5 For 2017 to 2018, local authorities will only need to submit one APT in January 2017. This year local authorities will no longer be required to submit a draft APT in October. A final APT will be available in December with information from the October census and the DSG settlement. The authority will need to submit their APT by 20 January 2017. We would like to agree the factors and principle now as we have in previous years.

2.0 The Allowable Factors (The Funding Formula)

For members information below are details of the allowable factors as set by the EFA;

- **A basic per pupil entitlement (mandatory)**

This is a single unit for primary aged pupils and a single unit for each of Key Stage 3 and Key Stage 4. For 2016/17 the value for primary pupils must be at least £2,000 per pupil and the value for both Key Stage 3 and Key Stage 4 pupils must be at least £3,000 per pupil.

- **Deprivation (mandatory)**

This can be measured by Free School Meals (FSM or FSM 6) and / or Income Deprivation Affecting Children Index (IDACI). There can be separate unit values for primary and secondary pupils. See Paragraph 5.2

- **Prior Attainment**

A prior attainment factor may be applied for primary pupils identified as not achieving the expected level of development within the early years foundation stage profile (EYFSP) and for secondary pupils not reaching L4 at KS2 in either English or Maths.

The EYFSP changed in 2013, so a weighting may be used to ensure that funding delivered through the primary prior attainment factor is not disproportionately affected by the year groups (years 1 to 3) assessed under the new framework. For pupils assessed using the old profile (years 4 to 6), local authorities will continue to be able to choose between two EYFSP scores, targeting funding to either all pupils who achieved fewer than 78 points; or all pupils who achieved fewer than 73 points on the EYFSP.

In 2012 the KS2 English assessment methodology was changed to include separately a reading test, a grammar, punctuation and spelling test and teacher assessed writing.

For those assessed at KS2 up to 2011, the English element of the KS2 measure will identify those pupils who fail to achieve a level 4 in English.

For pupils assessed at KS2 from 2012 onwards and who have been part of these new arrangements, the English element of the KS2 measure will identify those who do not achieve a level 4 in either the reading or teacher assessed writing elements

- **Looked After Children**

A single unit value may be applied for any child who has been looked after for one day or more. This is a current factor and set at the same rate for both Primary and Secondary schools.

- **English as an Additional Language (EAL)**

EAL pupils may attract funding for a maximum of 3 years after the pupil enters the statutory age school system. There can be separate unit values for primary and secondary. In Wigan we based the funding on 2 years.

- **Pupil Mobility**

Funding may be targeted at schools experiencing pupil mobility above a 10% threshold. Wigan did not allocate any funding via this factor for 2016/17

- **Sparsity**

Following concerns expressed mainly from rural areas there is now a new factor that can be utilised through a fixed or variable amount being applied to small schools where the average distance to pupils' second nearest school is more than 2 miles (primary) or 3 miles (secondary). The maximum value for the sparsity factor is £100,000 per school. Wigan has not adopted this factor.

- **Lump Sum**

If utilised the lump sum must be applied to all schools, the value of the lump sum can be different for the primary and the secondary sector. The maximum lump sum is £0.175m

Wigan allocate the same lump sum for primary and secondary schools (£0.150m)

- **Split Sites**

Wigan do not allocate any money to this factor, but see Paragraph 3.2

- **Rates**

These must be funded at the authority's estimate of the actual cost. Any adjustment to the estimate may be made in the current funding period.

- **Private Finance Initiative (PFI) contracts**

The allocations must be based on objective criteria, capable of being replicated for any academies in the authority area. This is not utilised by Wigan.

- **London Fringe**

This factor can only be used for those schools within the London fringe area and provides an uplift to enable higher teacher pay scales in affected schools to be reflected.

- **Post 16**

Wigan did not allocate any funding in 2016/17 via this factor. The guidance states this can only be used in 2017/18 if an allocation was made in the previous year.

- **Pupil Led Funding**

Authorities must ensure that at least 80% of delegated funding is allocated through pupil led factors i.e. basic entitlement, deprivation, prior attainment, looked after children, English as an additional language and mobility.

- **Requesting Exceptional Premises Factors**

As well as the permitted factors listed above, local authorities may request the inclusion of additional factors in their formula for exceptional circumstances. Additional factors may be approved in cases where the nature of the school premises give rise to a significant additional cost greater than 1% of the school's total budget, and where such costs affect fewer than 5% of the schools (including academies) in the authority. Any requests must be submitted by the 30th September 2015.

3.0 Minimum Funding Guarantee (MFG)

- 3.1 The EFA have stated that the pre-16 Minimum Funding Guarantee for mainstream schools will continue to be set at minus 1.5% per pupil in 2017/18, factors will only be excluded from this calculation if not doing so would result in excessive protection

or be inconsistent with other policies. The only formula factors automatically excluded from the MFG baseline are post 16 funding, lump sum, sparsity factor and rates.

- 3.2 Wigan has previously allocated a Split Site factor, which no longer applies to any of our schools, and we now propose to request a disapplication of this factor from MFG to remove any excessive protection on the grounds that the schools involved no longer incur any extra costs as a result of a split site. Forum is asked for its views on this proposal.
- 3.3 The EFA is again allowing overall gains for individual schools to be capped as well as scaled back to make it easier to run the formula. Capping and scaling must be applied on the same basis to all schools, so cannot be differentiated by phase. The EFA applies this to academy budgets on the same basis as for maintained schools. Authorities and their Schools Forum will therefore need, as part of their formula modelling, to determine whether and how to limit gains. For 2015/16 Schools Forum agreed to scale back gains. Simply put, all gains by schools as a result of the formula, are scaled back by a percentage to meet the MFG target for schools that have lost by more than 1.5%.

4.0 Schools Block Estimate 2016/17

- 4.1 The table below summarises the base position estimate as it stands. The Schools Block Unit of Funding (SBUF) is £4,549.82
- 4.2 The SBUF has increased from 2016/17 due to the inclusion of the retained duties element of the Education Services Grant (ESG). This covers a number of elements and is paid to the LA at a rate of £15 per pupil in all state funded schools (i.e. inclusive of Special and AP provision). In line with other North West authorities, the working assumption is that this will be included in the Centrally Retained Items top-slice and hence has a neutral impact on the amount available for distribution through the formula.
- 4.3 As was the case in 2016/17, we thought it would be more useful for schools if we updated the pupil numbers to use estimates of the current intake in September. This will allow us to provide schools and academies with more accurate budget estimates earlier in the process so they can start budget planning. The attached model is built on that basis.

Table 1 Funding for Schools

Summary of Total Funding for Schools Block 2017/18	Based on Oct 15 Census	Based on Estimate for September Intake
Allocation for Schools block	193,117,549	197,889,730
Centrally Retained		
Licences (as per 2016/17)	- 206,033	- 206,033
Schools Forum	- 35,503	- 35,503
Admissions	- 137,500	- 137,500
Falling Rolls	- 100,000	- 100,000
Growth Fund	- 250,000	- 500,000
Former ESG Funded Retained Duties	-	- 664,890
		-
Total Funding for Schools Block	192,398,513	196,245,804

4.4 The estimated NOR for September is an increase of 283 in Primary Schools, 221 in Secondary Schools. This includes Atherton Free School which is still growing.

5.0 School Funding Formula for 2016-17

5.1 In 2016/17 the Local Authority after significant debate and consultation with Schools Forum approved a funding ratio of 1 :1.30 and agreed to retain this level until the National Funding Formula comes into effect.

5.2 After deciding to use the 2015 IDACI information for the 2016/17 tool, DfE has changed the bandings to bring the data nationally more in line with the 2010 dataset. This has increased the amount of funding allocated to that factor by £0.69m. The impact of this and other data changes has been managed by making adjustments to the Basic Entitlement factors.

6.0 Top Slicing the Dedicated School Grant (DSG)

Basic Needs Growth Fund

6.1 Local authorities may top slice the DSG in order to create a Growth Fund to support schools which are required to provide extra places in order to meet basic need within the authority. The growth fund may not be used to support schools in financial difficulty. In 2016/17 Wigan allocated £0.250m to this growth fund. We propose to increase this level for 2016/17 to £0.500m to meet demand.

Schools with Falling Rolls

6.2 From 2015/16 local authorities are allowed to top slice the DSG to create a small fund to support schools with falling rolls in exceptional circumstances. The criteria and amount must be agreed by the Schools Forum and applied fairly to academies

and maintained schools. Local authorities must apply a criterion which restricts the use of the fund to schools that are considered by Ofsted to be good or outstanding. The authority allocated a token amount of £0.100m for falling rolls in 2016/17 to recognise that this is an issue for some schools. We propose to maintain this at £0.100m.

Centrally Provided Services

6.3 The EFA operational information for local authorities provides the following guidance on centrally provided services :

“The 2013-14 reforms significantly reduced the number of centrally held budgets within the schools block. There are two groups that central services fit into:-

- De-delegated Services- These have to be allocated through formula but can be de-delegated for maintained primary and secondary schools.
- Centrally Retained Services- These can be centrally retained before allocating the formula with the agreement of the Schools Forum. A number of these services are subject to a limitation of no new commitments or increases in expenditure from 2013-14. Schools Forum approval is required to confirm the amounts on each line.

Any local authority service offered to schools that is not included in the 2 categories above should be offered as a buy back service.

De-Delegated Services

6.4 De-delegation is not an option for academies, special schools and nurseries The presumption is that the local authority will offer the service on a buy back basis, in the case of special schools and academy AP provision the funding for such services will be included in the top up.

6.5 The table below details those services that can be de-delegated and the amounts relevant to 2016/17 and 2017/18. For each of these services it is for the Schools Forum members in the relevant phase (primary or secondary) to decide whether that service should be provided centrally. The decision then applies to all maintained mainstream schools in that phase. **Table 3 De-Delegated Services***

De-Delegated Service based on estimated NOR Sept 16	Budget 2016/17 £	Proposed Budget 2017/18 £	£ per pupil
Contingencies (including schools in financial difficulties and deficits of closing schools)	300,000	300,000	
Behaviour Support Services Primary Only	665,650	665,650	
Support to underperforming ethnic groups & bilingual learners	455,817	455,817	
FSM eligibility	16,803	16,803	
Insurance	6,095	6,095	
Staff Costs - Trade Union Public Duties	271,349	271,349	
	1,715,714	1,715,714	

* there is no impact on the formula or primary/secondary ratio as de-delegation is made after the post MFG figures.

Centrally Retained Services

6.6 The table below sets out which services can be retained centrally, and what approval is required :

Table 4 Centrally Retained Services

<p>Can be centrally retained before allocating formula with agreement of Schools Forum</p>	<ul style="list-style-type: none"> • Funding for significant pre-16 pupil growth (any underspend has to be added to the following year's formula allocations), including new schools set up to meet basic need, whether maintained, academy or free school • Funding to enable all schools to meet the infant class size requirement • Funding for falling rolls for good or outstanding schools where growth in numbers is expected within 3 years • Equal pay back-pay • Places in independent schools for non-SEN pupils • Remission of boarding fees at maintained schools and academies • Copyright and Music Licences
<p>Can be centrally retained before allocating formula but no new commitments or increases in expenditure from 2013-14 (Schools Forum approval is required to confirm the amounts on each line)</p>	<ul style="list-style-type: none"> • Admissions • Servicing of Schools Forum • Capital expenditure funded from revenue • Contribution to combined budgets • Schools budget centrally funded termination of employment costs (this means that no new redundancy costs can be charged to the central schools budget) • Schools budget funded prudential borrowing costs • Schools budget funded SEN transport costs

6.7 Any unspent growth or falling rolls funding at the end of the financial year must be added back into the funding formula for the benefit of all schools in the following funding period. Underspends on other services within the central schools budget would form part of the general flexibility on carrying forward DSG, subject to the regulations in place in the year the underspend was to be used.

6.8 Schools Forum approved the following allocations for centrally retained services in 2016/17:

- Co-ordinated admissions £0.138m
- Servicing of the Schools Forum £0.036m

6.9 Co-ordinated admissions and the servicing of the school forum remain at the current values for 2016/17.

7.0 Supplementary Funding

- 7.1 In light of the position on the High Needs Block. There will be no central reserve available as in previous years and therefore the extent of available funding is limited to the Growth Fund £0.250m (£0.500m, if approved) plus the additional £0.250m from the closed schools reserve, Falling Rolls Fund £0.100m, Disproportionate SEND £0.100m and the contingency fund £0.300m.
- 7.2 The growth fund is already committed as reported to Forum at the last meeting and we request an extra £0.250m to support growth.

8.0 Conclusions and Recommendations

- 8.1 To approve the Authority Proforma Tool at a ratio of 1:1.30 and the factors adopted as per 2016/17.
- 8.2 To agree to an extra £0.250m to fund growth.
- 8.3 To give a view on the proposal to request MFG disapplication in respect of the Split Site factor.
- 8.4 To consider in principle a transfer to the High Needs Block.