



Report to: Schools Forum

Date of Meeting(s): 8th October 2015

Subject: Schools Funding Formula 16/17

Report of: James Winterbottom Interim Director for Children and Families

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Summary: To approve the allocation method of each of the available factors to be used in the 2016/17 schools block funding formula and the principles adopted.

For Schools Forum to note the contents of the report and endorse the recommendations proposed. For Schools Forum to confirm the services to be de-delegated, centrally retained and contributions to the growth and falling rolls funds.

Implications:

*What are the **financial** implications?* n/a

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description
1	Principles and Guidelines
2	Pro Forma Data
3	Modelling Data
4	Current Pro Forma Wigan
5 & 6	Detailed Ratio Data – 1:1.29 and 1:1.30
7	Pupil Numbers

1.0 Introduction

- 1.1 The Education Funding Agency (EFA) in July issued the operational information for local authorities on the School Revenue Funding arrangements for 2016/17. 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. The basis for allocations will be:
 - The schools block per pupil unit of funding in 2016 to 2017 will be the same value as in 2015 to 2016. Those local authorities which received an uplift as a result of minimum funding levels (MFLs) will see that funding included in their base rate and the adjustments to include funding for former non-recoupment academies will also be consolidated.
 - The early years block per pupil unit of funding in 2016 to 2017 will be confirmed after the spending review and will continue to be based on participation.
 - The high needs block funding will also be confirmed after the spending review. In the meantime, local authorities are advised to assume that it will remain at the same overall level as in 2015 to 2016.
- 1.4 Authorities will 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 Once the formula has been agreed Authorities must submit the completed APT (Authority Proforma Tool) to the EFA by the 31st October 2015, who will then check this for compliance with the regulations.
- 1.6 In December 2015 the APT will be re-issued to all authorities containing the October 2015 census based data for each school in order to make the final submission in January 2016. The EFA have stipulated that the only changes between the provisional and final versions should be for unit values not the factors used. As such now is the time to confirm the use of and the allocation method within each of the available factors.

2.0 The Allowable Factors

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.

- **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 2015/16

- **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**

The EFA stipulate that the allocations for a split site must be based on objective criteria both for the definition of a split site and for how much is paid. For the 2015/16 budget Wigan utilised this criteria for just 1 school (Leigh St.Peter's CE Primary School). The amount allocated was in line with previous allocations when this was a separate factor in the funding allocations.

- **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 2015/16 via this factor. The guidance states this can only be used in 2016/17 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 2016/17, 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 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 unit block of funding has increased to £4,530.95 this is to reflect the additional funding for former Non Recopument Academies as this will be incorporated into each local authority's schools block unit of funding (SBUF). In 2015/16 this was an adjustment to the DSG.
- 4.2 For 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.

Table 1 Funding for Schools

Summary of Total Funding for Schools Block 2016/17	Based on Oct 14 Census	Based on Estimate for September Intake
Allocation for Schools block	193,117,549	195,247,698
Centrally Retained		
Licences (as per 2015/16)	- 198,831 -	198,831
Schools Forum	- 35,503 -	35,503
Admissions	- 137,500 -	137,500
Falling Rolls	- 100,000 -	100,000
Growth Fund	- 250,000 -	250,000
Total Funding for Schools Block	<u>192,395,715</u>	<u>194,525,863</u>

4.3 The estimated NOR for September is an increase of 480 (+503 Primary School, -23 Secondary School). This includes Atherton Free School which is still growing.

5.0 School Funding Formula for 2016-17

5.1 In 2015/16 the Local Authority in consultation with Schools Forum made a number of changes to the formula allocation. The driver for the change was the high KS4 rate and a ratio of funding of 1 : 1.35. The majority consensus was that we move closer to the national primary/secondary funding ratio which then stood at 1:1.27.

5.2 Moving the ratio of funding resulted in a number of models and discussion. The final model was based on adopting a number of the minimum funding levels as set out in the Fairer Schools funding publication July 2014. It was agreed that the lump sum rate was kept the same (£150k for both sectors) and the basic entitlement rates adjusted accordingly to meet the desired ratio.

5.3 Schools Forum agreed monitor the ratio in line with the national and local. The Local Authority has met with members of the funding sub group to discuss the 2016/17 formula. The outcome of these discussions were to agree to approve the factors, services to be de-delegated and centrally retained and the contributions to the growth fund and falling rolls fund.

5.4 **It was agreed as per the minutes:** (1) That the Forum re-affirm its support for the funding principles agreed in September 2012. (see appendix 1) (4) That option 3 be adopted (whereby the primary:secondary spending ratio moves from 1:1.35 to 1:1.29) and that the ratio continue to be reviewed in light of changes to the national average.

5.5 Further to the comments in above, Schools Forum were presented in May with a report which provided details of the 2015/16 School Funding comparative data submitted to the Education Funding Agency by all Local Authorities. An analysis of ratios was also provided and is shown in the table below. The detailed information is contained in Appendix 2 for members information.

Table 2 Funding Ratios

	Highest Ratio	Lowest Ratio	Average Ratio	Median Ratio	Wigan Value
National	1.60	1.18	1.28	1.29	1.29
Regional	1.40	1.21	1.32	1.32	1.29
AGMA	1.40	1.21	1.32	1.30	1.29

- 5.6 The ratio of funding is now closer to the national level but slightly below the regional and AGMA average. In terms of the pro forma formulae there are no significant outliers against the average and we sit in the middle in terms of factors. As regards guideline 4 in appendix 1, the gap between the highest and lowest funded is narrowing ;

Table 3 Funding Gap – Highest v Lowest

	Primary	Secondary
2014/15	2,074.08	1,545.22
2015/16	1,912.92	1,513.44
2016/17	1,723.59	1,420.20

- 5.7 As in 2015/16 a funding sub group meeting was held to hear Forum members views in relation to the latest data and formula. This resulted in a discussion mainly around the ratios at regional and national levels and members requested 5 models ranging from 1:1.28 to 1.1:32. The local authority initial proposal was to keep the ratio at 1:1.29 based on;

1. No significant outliers

2. There was a significant funding shift between sectors last year. We would recommend a period of stability until any further funding announcements as part of either the spending review or on the national funding formula

3. The gap is narrowing between the highest funded per pupil and lowest funded per pupil school in the borough

- 5.8 The impact of the 5 models was shared with colleagues from both the primary and secondary sector. These are contained in appendix 3.

- 5.9 The primary sector have expressed their wish is to remain at 1: 1.29.

Reasons for;

- There was a significant change to the formula last year and it is felt now that some stability is needed but we should review each year

- The ratio is slightly above the national average in favour of the secondary sector.
- A change by 0.01 is very minimal across all schools

The Secondary sector have also expressed a view based on the AGMA / Regional data to move towards a higher ratio in favour of that sector.

Secondary Heads are suggesting the ratio 1: 1.30 based on the following;

- The move last year was too significant.
- This is the midpoint between the AGMA\Northwest (1: 1.32) and the National (1: 1.28).
- That this move will not cause unnecessary risk for primary schools.

5.10 Appendix 4 contains the detailed proforma return to EFA. The Basic Entitlement values will be adjusted accordingly if the ratio is changed. Appendix 5 and 6 shows the detail behind the ratio at 1:1.29 and 1:1.30. Appendix 7 is the updated pupil numbers.

5.11 The sub group also agreed to the removal of guideline 1 as it is no longer relevant

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 2015/16 Wigan allocated £0.250m to this growth fund. We propose to maintain this level for 2016/17.

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 criteria 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 2015/16 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, nurseries or pupil referral units (PRUs). The presumption is that the local authority will offer the service on a buy back basis, in the case of special schools and PRUs 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 2015/16 and 2016/17. 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 15	Budget 2015/16 £	Proposed Budget 2016/17 £	£ per pupil
Contingencies (including schools in financial difficulties and deficits of closing schools)	300,000	300,000	8.55
Behaviour Support Services Primary Only	665,650	665,650	29.01
Support to underperforming ethnic groups & bilingual learners	455,817	455,817	12.98
FSM eligibility	16,803	16,803	0.48
Insurance	6,095	6,095	0.17
Staff Costs - Trade Union Public Duties	271,349	271,349	7.73
	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 2015/16:

- 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 Schools experiencing financial difficulty can currently access supplementary funding. This does require a detailed business case and must meet specific criteria as set out by the local authority. Applications to the fund in 2015/16 were well in excess of the amount available (£1.9m available, £2.7m bids). The fund was supported by a contribution from previous underspends in central expenditure of £0.600m. The current level of DSG reserve stands at £0.970m as at 1 Apr 2015. Please note there is also a closed school reserve that could be utilised to support schools. The following questions were asked to be discussed.

1. *Do we continue to operate the fund in the same manner?* The consensus view was yes.
2. *If yes, do we maintain the previous allocation of £0.600m from the reserve?* This will be assessed further as regards value but in principle yes.
3. *If yes - Timing – we will look to bring the deadline in line with the budget setting timetable -2015/16 Deadline 8 May – 15th of April ? Easter Holidays 24th March – 11th April.* Yes members were happy to bring forward the process

8.0 Recommendations

- 8.1 Forum members to agree a position on the ratio of funding.
- 8.2 Members to agree the proposals to be submitted to Schools Forum in relation to the;
 - de-delegated and centrally retained services
 - the contribution to the growth fund and falling rolls provision
 - the operation of the supplementary fund