

**CABINET MEMBER FOR EDUCATION -  
17 JANUARY 2017**

**FORMAL APPROVAL OF SCHOOL FUNDING FORMULA 2017-18**

**Report by Director for Children, Education & Families**

**Introduction**

1. The local authority is required to set the pre 16 funding formula for each financial year, for all maintained schools and academies (including free schools, studio schools and university technical colleges), after consultation with Schools Forum about any proposed changes.
2. The local authority is responsible for making the final decisions on the formula but must gain political approval before the final formula for the 2017-18 financial year is submitted to the Department for Education (DfE) on 20 January 2017.

**Recent Formula Changes and National Funding Formula**

3. Significant funding reforms were introduced in 2013-14 and a national funding formula will be introduced in 2019-20. The approach agreed with Schools Forum since 2013-14 has been to minimise turbulence in school funding, pending introduction of a national funding formula, by keeping changes to a minimum.
4. The only formula changes made in recent years have been as required by DfE. No change is proposed to the structure of the formula for 2017-18. Unit values in the school formula may change depending on the level of minimum funding guarantee (MFG) that needs to be provided and the level of Dedicated Schools Grant (DSG) that is available for delegation in the Schools Block.
5. Schools Forum agreed with the recommended approach for 2017-18, to maintain the current units of resource per pupil. The current structure of the formula and per pupil unit funding rates is shown in Annex 1 (to follow). Any remaining funding not required to meet pressures can then be used to increase delegated funding to schools and academies.
6. In line with timescales in previous years, the DSG settlement was announced on 20 December. This does not leave much time to assess the impact of MFG changes and consult with Schools Forum on the final funding formula. As requested by Schools Forum on December 1, Schools Forum will be consulted on one option at their meeting of 12 January 2017 and the outcome of this will be presented to this meeting on 17 January.

## Specific Issues to Address for the 2017-18 Formula

7. The DfE conducted an exercise to establish 2016-17 baselines upon which to base 2017-18 allocations. In 2013-14 the DSG was split into three blocks (schools, early years and high needs). The DfE have indicated that some of the splits used at the time did not correspond to the actual pattern of expenditure. Moreover, Local Authorities have been able to transfer funding between the blocks since 2013-14. For both these reasons, patterns of spending can be very different from the way the blocks are allocated in the DSG settlement. In preparation for the 2017-18 financial year, the DfE required Local Authorities to submit baselining information in April 2016. This baselining information reflects 2016-17 spending patterns, constrained to the overall 2016-17 DSG allocation. This revised pattern of expenditure forms the base for the 2017-18 allocations.
8. The DfE has made both changes and reductions in the way that the Education Services Grant (ESG) is paid out. ESG funding is currently made up of two elements:
  - a) The Retained duties rate passed to local authorities to fund services they provide to all schools, including academies. This is £15 per pupil.
  - b) The General duties rate passed to both local authorities and academies to fund services authorities provide to maintained schools but which academies must provide themselves. This is £77 per pupil, which is ceasing from September 2017.
9. The DfE has transferred the funding previously allocated through the ESG retained duties rate into the schools block for 2017-18. Despite the transfer of this funding into the schools block, the funding is required to support statutory services that were previously funded by the retained duties ESG. Schools Forum approval has to be sought to agree to centrally retain this funding.
10. Funding for the General Duties element has been reduced and ceases from September 2017. Under the Operational Guidance published by the DfE, Local Authorities are able to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG. Oxfordshire has identified a requirement to hold back £308,000 and will seek approval from Maintained representatives of Schools Forum for this.
11. In 2016-17, the DfE updated the Income Deprivation Affecting Children Index (IDACI) data used to calculate part of the deprivation allocation. This resulted in a significant fall in the numbers of eligible children, and this had a significant impact on the funding formula for many schools. For 2017-18, the DfE has changed back to the pre 2016-17 data. The impact of this is to allocate approximately an additional £450k directly to targeted deprivation compared to 2016-17, with implication for the Minimum Funding Guarantee (MFG).

12. There are pressures in the High Needs block which need to be addressed for 2016-17 and for 2017-18. Schools Forum agreed to move unallocated DSG balances to High Needs to help fund 2016-17 pressures. The High Needs block has an estimated overspend of £1.8m by the end of 2017-18. The Chief Finance Officer has advised lead officers to continue to explore all options to reduce the High Needs overspend and to report back early in the 2017-18 financial year once the position is clearer.
13. Schools Forum had already agreed to fund a review of the High Needs block in 2017-18. Following the announcement that the DfE will fund all Local Authorities to prepare and implement strategic plans for High Needs, Oxfordshire will receive £287,494 in grant to undertake this review.

### **Financial and Staff Implications**

14. The report deals with the funding formula for schools and academies for 2017-18 and there are no further financial or staffing implications discussed in this report. Schools and academies are responsible for managing the deployment of the delegated funding they receive.

### **Equalities Implications**

15. Where the local authority continues to have discretion in funding decisions made, priority will be given to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

### **RECOMMENDATION**

16. **The Cabinet Member for Education is RECOMMENDED to approve the final funding formula for 2017-18.**

### **LUCY BUTLER**

Director for Children, Education and Families

Background papers:

- 1) Schools Forum paper 5 a) & 5 b) from 1 December 2016;
- 2) Schools Forum papers 5 and 6 for 12 January 2017, and Minutes of Schools Forum meeting on 12 January 2017 (when available)

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