

**CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES -
18 JANUARY 2016**

FORMAL APPROVAL OF SCHOOL FUNDING FORMULA 2016-17

Report by Director for Children's Services

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 and academies and 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 2016-17 financial year is submitted to the Department for Education (DfE) on 21 January 2016.

Recent Formula Changes and National Funding Formula

3. Significant funding reforms were introduced in 2013-14 and a national funding formula is expected to be introduced in 2017-18. Consultation on a national funding formula is due in early 2016. 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 2014-15 and 2015-16 have been as required by DfE. No change is proposed to the structure of the formula for 2016-17. 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 after meeting pressures in other areas such as High Needs.
5. The main issue requiring consideration by Schools Forum for 2016-17 has been the transfer of funding from the Schools and Early Years blocks of DSG to address emerging pressures in the High Needs block of DSG.
6. Schools Forum agreed with the recommended approach for 2016-17, to maintain the current units of resource per pupil and use any balance of DSG not required to cover these to address the High Needs pressures. The current structure of the formula and per pupil unit funding rates is shown in Annex 1. Any remaining funding not required to meet pressures can then be used to

increase delegated funding to schools and academies, and early years settings.

7. In line with timescales in previous years, datasets to be used in the 2016-17 formula were provided by the DfE on 10 December 2015, with the DSG settlement being announced on 17 December. This does not leave much time to assess the impact of MFG changes and consult with Schools Forum on the final funding formula. Given the uncertainties outlined below, Schools Forum will be consulted on different options at their meeting of 13 January 2016 and the outcome of this will be presented to this meeting on 18 January.

Specific Issues to Address for the 2016-17 Formula

8. Schools Forum did not approve the continuation of the previous DSG historic commitment contribution funding of £4.3m to non-negotiable support service recharges (overheads) of £15.6m in Children Education & Families for 2016-17. Officers have committed to review the level of overheads funded by DSG and implement a significant reduction from April 2017. Schools Forum suggested that the DSG contribution should be reduced by £1.7m for 2016-17 but this is not based on evidence about the appropriate level. There has also been no time for consultation with schools about how the balance of any DSG funding available after meeting high needs pressures should be redeployed. A request for adjudication has therefore been submitted to the Secretary of State asking that the historic commitment be allowed in full for one more year, pending completion of the overheads review and to allow the impact to be assessed at the same time as the national funding formula consultation in early 2016. The Secretary of State has not responded yet and the finalisation of the deployment of DSG for 2016-17 and consequently unit values depends on this decision. The DfE have indicated that a decision may not be available until Monday 18 January 2016.
9. The Income Deprivation Affecting Children Index (IDACI) data used to calculate part of the deprivation allocation has been updated for the first time since 2010, resulting in a significant fall in the numbers of eligible children, and this has had a significant impact on the funding formula for many schools. There was no advance warning of this from the DfE before datasets were published on 10 December 2015. The main impact has been to increase the amount of MFG protection payable to schools that have lost targeted deprivation funding.
10. The MFG total to be funded has doubled to £1.4m from £0.7m. In previous years it has been possible to allow some schools who potentially gain from the formula redistribution in 2013-14 to access part of any gains earlier, but this is unlikely to be possible in 2016-17 because of this increase in MFG.
11. There are pressures in the High Needs block which need to be addressed for 2016-17. These pressures are estimated at £1.8m for 2016-17. It is important to ensure that there is not an overspend on the DSG allocation, as this would be a first call against future year's allocations and would require a reduction in the unit of resource payable to schools and early years settings.

12. The papers for Schools Forum's meeting of 13 January 2016 will present options for consideration depending on whether the Secretary of State agrees with the Schools Forum recommendation to reduce the DSG funding of historic overhead commitments by £1.7m. If this is approved by the Secretary of State any DSG released is likely to be required to address a large part of the High Needs pressure and so it may not be possible or prudent to increase the basic entitlement or hourly base rates for Early Years providers. The final position and the unit rates for the 2016-17 funding formula will need to be presented as an addendum at the meeting on 18 January 2016, or before if available, with Schools Forum recommendations from the meeting of 13 January 2016.

Financial and Staff Implications

13. The report deals with the funding formula for schools and academies for 2016-17 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

14. 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

15. **The Cabinet Member is RECOMMENDED to approve the final funding formula for 2016-17**

JIM LEIVERS

Director for Children's Services

Background papers:

- 1) Schools Forum paper 4 from 22 September 2015
- 2) Schools Forum papers 3 and 4 for 13 January 2016, and Minutes of Schools Forum meeting on 13 January 2016 (when available)

Contact Officer: Gillian McKee, (01865) 323920

January 2016