



SCHOOLS FORUM

School Funding

5 October 2016

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	X
Academies	X	Foundation Stage	X
PVI Settings	X	Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post 16	X
		High Needs	X

Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

- This report presents an update on 2017/18 school funding, it considers;
 - The Schools, High Needs and Early Years Blocks of the Dedicated Schools Grant
 - The funding formula for maintained schools and academies

Recommendation

- That Schools Forum notes the content of this report

Introduction

- The Department of education (DfE) consulted in March on school funding reform to be implemented in 2017/18. Two separate consultations considered the allocation of the Schools and High Needs Blocks of the Dedicated Schools Grant (DSG) as well

as the way that maintained schools and academies were funded through the introduction of the national funding formula

4. Both consultations were stated to be the first of two phases of consultation and considered the overarching principles for the new system. The second phase of consultation was to set exemplify the financial impact of the changes at local authority level, and for the school national funding formula at individual school level, and was expected during the summer.
5. In July the Secretary of State issued a statement setting out that the national funding formula would be delayed and announced funding rates, and the requirements of the school funding formula, would be unchanged for 2017/18. The statement suggested a further consultation in the autumn.
6. In terms of High Needs no information has been forthcoming on the next steps, it is unclear whether the autumn consultation will include this.
7. A consultation on a national early years funding formula was unexpectedly launched in July. This considered both the methodology for funding local authorities and funding from local authorities to providers.

2017/18 Schools Block DSG and School Funding

8. The DfE have confirmed that for 2017/18;
 - local authorities will be funded at the same rate per pupil as for 2016/16
 - that movements between the schools and the high needs block will be permissible with an expectation that local authorities should consult with schools and agree any proposals with the Schools Forum
 - that local authorities will have the same framework for their school funding formula as for 2016/17
 - the Minimum Funding Guarantee (MFG) for schools will remain at minus 1.5% per pupil

These factors have allowed the local authority to consider whether any options exist to address the Key Stage 3 funding position where the Age Weighted Pupil Unit (AWPU) is significantly lower than statistical neighbours.

9. It is estimated that headroom of £3m exists within the schools block. This arises from demographic growth in primary pupils, local authorities receive the same rate of funding for all pupils however primary pupils however are funded at a lower rate than secondary pupils.
11. In order to ensure that change is measured and sustainable both for schools and the local authority it is the local authorities intention to use the schools block headroom to meet the financial pressures in the high needs block.
12. The transfer of headroom to the high needs block will not result in any reduction to school funding for 2017/18, it will however not reinstate the 2016/17 1% AWPU reduction, nor will it allow for key stage 3 funding to be increased. Schools will be funded at the same rates as for 2016/17 other than for some changes that arise as a result of national changes to the IDACI bandings.

Schools Funding Formula Working Group

13. The delay in the introduction of the national funding formula has allowed time to undertake a limited review the 2016/17 formula values undertaken through comparison with statistically similar authorities.
14. A working group consisting of primary and secondary business managers, headteachers and a Schools Forum representative considered what, if any, options there would be to reduce the key stage 3 funding differential and what any impact would be on schools. At its highest level two options exist 1) no change, and 2) reduce primary school funding to allow an increase to key stage 3 AWPU. Neither option was deemed acceptable to the schools present and option 1 – no change as the option to take forward. The local authority was asked to reconsider its position to move all the headroom to high needs and provide funding to go some way to reducing the key stage 3 position. There has been insufficient time to undertake this in advance of publication of this report, any update will be given at the meeting.

High Needs Funding

15. Planning for high needs funding is exceptionally difficult given the lack of information over the methodology for the allocation of the 2017/18 grant. It is clear that spending pressures are continuing to grow and that the current grant methodology results in an annual widening gap between financial commitments and the level of funding. Information is now available that shows the financial position in Leicestershire being replicated in authorities nationally, F40 have recently written to the Secretary of State to raise awareness of the issues that local authorities are experiencing.
16. It is unclear however whether a change in the calculation methodology will close this gap. The baselining exercise completed nationally which was to be the base for revised 2017/18 local authority calculations only took account of the 2016/17 grant allocations. Many local authorities, including Leicestershire are supporting expenditure from reserves, without a national increase in the funding available, which is exceptionally unlikely, it is essential that significant and sustainable expenditure and volume reductions are necessary.
17. Significant financial pressure is expected to remain within the high needs block in the short to medium term as a result of increased cost and demand for SEN placements and other SEN support services. Whilst a number of actions have been taken to reduce placement costs and demand i.e. increased places at Maplewell Hall, the Oakfield Graduated Offer increasing primary capacity to address needs in a maintained setting and reduce the need for specialist placements the action plan to reduce expenditure has been delayed pending the appointment of a strategic lead to lead this high profile piece of work. The retention of the headroom allows space or this to be planned effectively.

Early Years National Funding Formula

18. An unexpected consultation was launched by the DfE which recently closed. This considered both the way that local authorities are funded from April 2017, including the extension of early year's education to 30 hours for eligible 3 and 4 year olds.
19. The consultation proposed;
 - a change in the manner in which local authorities are funded. This would remove the single funding rate for full time equivalent children to a basis

hourly rate with additional funding for other pupil characteristics such as deprivation and disability.

- the introduction of a framework for local authorities to fund early years providers based on a basic universal funding rate with funding supplementary funding for some pupil characteristics.
 - A requirement that following a transition period that all providers would receive the same universal rate of funding. This affects maintained nursery schools where historically costs are higher, a two year transition period is suggested over which costs would need to be reduced.
 - A requirement for local authorities to maximise funding to providers by placing a limit on the funding local authorities are allowed to retain. It also asks authorities to consider what, if any, services they currently provide should be delegated
 - A recommendation that local authorities establish an inclusion fund linked to the Local Offer to enable access to early year provision for children with SEND. It does however stop short of providing additional funding to allow this to happen.
20. Although the consultation sets out a universal rate, the rate of funding local authorities will receive differs significantly, as does the illustrated 'expected rate' for providers.
21. It is necessary, in conjunction with providers, to consider what this means in terms of the formula currently in place, any changes that may be necessary and the financial implications for both the local authority and providers.

Conclusions

22. The position on the 2017/18 schools block DSG has been clarified, local authorities will receive the same amount of funding as in 2016/17 and with the transfer of funding to the high needs block school funding rates are likely to remain unchanged. The picture post April 2018 is uncertain as is the introduction of the national funding formula, it is hoped that further information will be released shortly.
23. The high needs position remains critical, it is essential that the local authority, maintained schools and academies are able to work together to develop a strategy and a sustainable plan to reduce demand and cost. It is unlikely that a movement to a formulaic basis for the grant will offer any solution to the expenditure pressures.
24. Change in funding for early years providers is now expected in 2017/18 but the impact of this needs careful modelling of all potential options. It is however unclear whether these funding changes, which the DfE expect to incentivise providers to deliver the extended 30 hours offer, will remove the financial barriers to enable this to happen.

Resource Implications

23. Resource implications are included throughout this report.

Equal Opportunity Issues

24. Non arising directly from this report

Background Papers

None

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