

DARLINGTON SCHOOLS FORUM

4th October 2016

ITEM NO 3

NATIONAL SCHOOL FUNDING FORMULA, HIGH NEEDS FUNDING FORMULA, DARLINGTON SCHOOL FUNDING FORMULA 2017/18

Purpose of Report

1. To update Schools Forum regarding the two consultations concerning the school and high needs national funding formulas.
2. To update Schools Forum on setting of schools budget shares for 2017/18.

Background

3. The Department for Education (DFE) launched two consultations regarding funding for a School National Funding Formula and a National High Needs Funding Formula on the 7th March 2016. Schools Forum was provided with summaries of both sets of proposals at their meeting in May 2016.

National School Funding Formula and High Needs Funding Formula

4. The Government announced on 21st July that the response to the first stage of the consultations would be published in the autumn rather than in the summer (as was originally advised). The published results will include a second consultation that will run with a full consultation time period and therefore final decisions regarding the proposal will now be made early in 2017. As a result, the introduction of the proposed changes to the funding system for schools and high needs are to be put back until April 2018
5. The Government announced a firm commitment to implementing fairer funding for schools, high needs and early years, which will be detailed in the next round of consultation. The Government confirmed that for 2017/18,
 - o No Local Authority will see reductions in their 2017/18 allocations for Dedicated Schools Grant (DSG) school block (per pupil) or high needs block on the 2016/17 level (rebased for current spending patterns).
 - o The minimum funding guarantee will be retained for 2017/18 at minus 1.5%
 - o There will be no ring fencing of the schools block, this will now be delayed until 2018/19 and therefore funds can be moved between the three blocks in 2017/18.
6. As part of the first phase of the consultation the Government requested information from local authorities concerning their current spend across the three blocks of the DSG (i.e. schools, high needs and early years) and details concerning “historic” central spend from the schools block.

7. The information provided regarding spend across the three blocks has been used (by the EFA) to baseline each local authorities DSG allocations. This rebasing has been undertaken to allocate DSG to the three blocks in the manner it is spent, rather than based on historic data (i.e. pre 2013). The Education Funding Agency (EFA) has issued each authority with an indicative DSG allocation for 2017/18 based on this rebasing.
8. As Forum will recall in all previous years the Darlington budget has seen a transfer of funding from the schools block to both the high needs and the early years block in order to ensure the overall budget balances. In 2016/17 this totalled approximately £1,555k for high needs and £248k for early years. These transfers have been used as part of the rebasing exercise undertaken by the EFA.
9. For 2017/18, the DSG allocation for the schools block has also been increased to accommodate the transfer of the “retained element of the Education Schools Grant (ESG)” that was previously paid direct to local authorities and is now included as part of the DSG.
10. The table below shows the indicative DSG allocation received for 2017/18 from the EFA these allocations will be updated in December following the October census.

	Schools	High Needs	Early Years	Total
DSG Allocation 2016/17 (Initial allocation December 15)	65,833	9,472	3,860	79,165
Transfer of notional SEN	-652	652	0	0
Budget balancing transfers	-1,151	903	248	0
Budget as reported to Forum 2016/17	64,030	11,027	4,108	79,165
Adjustments to blocks to meet DFE rebasing exercise	-287	287	0	0
Revised Allocation (and Rebased Allocation from DFE) 2016/17	63,743	11,314	4,108	79,165
Post 16 transfer	0	490	0	490
ESG Transfer	240	0	0	240
Indicative DSG Allocations 2017/18	63,983	11,804	4,108	79,895

Figures exclude 2 year old funding and EYPP as no allocations have been provided within the draft DSG allocations for 2017/18

The above figures do not include proposed budgets given within the national early year’s formula consultation.

Figures include high needs and school funding recouped at source by the EFA

Figures exclude any Darlington carry forward DSG from 2015/16 into 2016/17

11. As Forum will be aware the DSG allocation for the schools block and the early years block are determined by unit rates per child on the census returns. Therefore the rebasing will mean that future schools block unit rates will decrease, whilst the early year’s unit rate will increase in 2017/18 from those received in 2016/17.

12. For the schools block, funding received per pupil will be £126 less in 2017/18. This means that if the pupil numbers drop in Darlington the decrease in DSG overall in the schools block will be less proportionately than it would have been under the old rate, however conversely if pupil numbers increase the amount of additional funding will be less than under the previous system. This change however should only have a one off affect, as the funding is subject to change once the national formula is introduced from April 18.
13. For the early years block, this change should have no effect as funding rates are proposed to be revised in line with the current early year's consultation proposals from April 2017. (See agenda item 4).
14. The high needs block has been increased by £490k for post 16 pupils. This is not additional money, as the EFA has transferred the responsibility for making "place" payments for places in further education and post 16 charitable and commercial providers to the local authority high needs block allocation.

The Schools Funding Formula 2017/18

15. The funding formula arrangements for 2017/18 are broadly similar to the current (2016/17) arrangements.
16. Details of the 2017/18 funding formula arrangements are summarised in the following paragraphs.
17. As in previous years a local authority must engage in consultation with all schools and it's School Forum about any proposed changes to the local authority funding formula.
18. The funding formula factors that are available to use in 2017/18 are as follows,
 - Basic Entitlement (AWPU)
 - Deprivation
 - Prior Attainment
 - Looked After Children
 - English as an additional language
 - Pupil Mobility
 - Sparsity
 - Lump Sum
 - Split Sites
 - Rates
 - Private Finance Initiative
 - London Fringe
 - Exceptional premises
19. As in 2016/17 the basic entitlement and the deprivation factors remain compulsory, the other factors being optional.
20. The only factor that is no longer allowable (from that in 2016/17) is the post 16 factor. Darlington does not currently use this factor and hence this change does not affect Darlington's formula.

21. The following table shows the factors that are used in Darlington's 2016/17 formula and notes any changes in the criteria for 2017/18.

Factor	Note
Basic Entitlement	The formula must use the following values as a minimum. Primary AWPU £2,000 Key Stage 3 AWPU £3,000 Key Stage 4 AWPU £3,000 This represents no change.
Deprivation	No change
Prior Attainment	No change
Looked After Children	No change
English as an additional language	No change
Sparsity	No change
Lump Sum	No change All through schools receive the lump sum at the secondary value. Maximum lump sum in each phase £175,00
Rates	No change Funded at estimated rates value

22. Although the arrangements for the deprivation and prior attainment factors remain the same there has been changes to the data sets that are used to allocate funding through these factors.
23. In the 2016/17 formula one of the data sets used for deprivation (IDACI data) was updated for the latest 2015 dataset. This change caused a number of changes in the way in which funding was allocated to individual schools in Darlington. As Forum will recall, to limit turbulence in individual schools budgets modelling was undertaken, the result of which saw an additional unit value added into Darlington's formula for children included in IDACI band 2. In 2017/18 this dataset has been redesigned to return the IDACI bands to similar sizes of those used in 2015/16. This change in the dataset may potentially result in new turbulence within the budgets.
24. Using the funding formula tool (provided by the EFA for 2017/18 to allow authorities to model changes to their formula) modelling has been undertaken to identify if this data change has caused further turbulence in the proposed 2017/18 budget shares. This modelling has found that this change in dataset has only resulted in very minor changes to any schools budget shares, therefore at this stage the unit values for IDACI in 2017/18 will follow those used in 2016/17. When the final modelling tool is received in December further checks will be made to ensure that this remains the case.
25. The prior year attainment dataset used in the formula tool has been amended for secondary school children. The measure now uses the 2016 KS2 assessment, which is the first at this new more challenging national curriculum. As a result nationally at year 7 higher numbers will be identified as having low prior attainment. The EFA therefore intend to use a national

weighting to ensure this cohort does not have a disproportionate influence within the overall total allocation of funding.

26. As in previous years the EFA will continue to provide the datasets for use in calculating the funding formula. These datasets must be used by all authorities.
27. There remains a requirement to allocate at least 80% of the delegated schools funding on the basis of the pupil led factors.
28. The rules concerning delegation and de-delegation remain. In Darlington's formula no de-delegation has previously taken place as it has not been deemed appropriate as the rules only allow de-delegation for maintained schools. Any changes to allow de-delegation must be agreed by the members of this Forum that represent the phase effected (i.e. primary maintained school representatives).
29. Whilst at this stage it is not proposed to de-delegate any funding that has not been de-delegated in the past, changes to the "general ESG" allocation may require de-delegation in 2017/18.
30. Local authorities previously received a second ESG allocation for maintained schools only, known as the general ESG. This allocation (£250k) has been withdrawn by the EFA, however the authority is still responsible for a number of statutory duties for maintained schools that were previously funded by this source. The EFA have therefore amended the regulations to allow local authorities to retain some of their schools block funding to cover these duties. It may be the case therefore that the authority needs to de-delegate funding from maintained schools budgets to cover this shortfall. This will be modelled during the autumn and will be reported back to Forum for any decision in January.
31. There is still no set constraint with regard to a primary/secondary ratio.
32. In order to ensure that the funding formula is affordable it is still possible to cap those schools whose budget share increase, however as in the current year, the total value of the cap cannot be more in value than the total cost of the minimum funding guarantee (MFG).
33. As in the current year, the EFA have continued to keep protection within the funding formula, through a MFG. This is set for 2017/18 at minus 1.5% (as in the current year), this means that no school will see a reduction in their funding on a per pupil basis of more than 1.5% when comparing 2017/18 with 2016/17 (as in previous years certain factors in the formula are removed from the MFG calculation e.g. rates, lump sum etc.). The MFG applies only to children aged 5 to 16, early year's pupils and post 16 pupils are excluded from the calculation.
34. Darlington does not use the Pupil Mobility, Split Sites, Private Finance Initiative or Exceptional Premises factors within the current formula.

Central Funding

35. The majority of rules concerning centrally retained budgets have not changed. The relevant changes are detailed below.

36. As noted in paragraph 9 the Government has transferred the budget the authority received through ESG for retained duties (for all pupils) into the DSG. Within the indicative DSG allocation for 2017/18 this totals £240,000. EFA guidance states that local authorities need to ensure that they retain sufficient funding centrally to cover the duties previously funded by the ESG retained rate in addition to any existing responsibilities funded from the central block.
37. As the authority continues to be responsible for the duties previously funded by the retained element of the ESG, the authority will top slice £240,000 from the DSG before allocating funding into the schools budget share. **This will represent no change to schools budgets as the funding that is to be top sliced has been added to the DSG allocation for 2017/18.**
38. In the first phase of the funding consultation the EFA proposed to create a new central schools block and proposed to review the funding held in this area. As a result the authority was required to submit information to the EFA regarding central expenditure budgets. In Darlington the central budgets are used to provide services to schools including services such as music remissions, school transport etc. It was expected that following the consultation, potentially some of the funding for these services would be removed and hence schools would need to make their own arrangements for these services.
39. As noted earlier the EFA is now not introducing the central schools block in 2017/18 (this has been delayed until April 2018) and therefore funding will not be extracted from the schools block in 2017/18.
40. Central funding must still be in accordance with the regulations (which have been in place since April 2013) and any central funding for historic commitments that becomes free must be reinvested to other DSG aspects.

Timetable

41. As the EFA have made only minor changes to the funding formula there is no requirement to submit a provisional formula in October for approval. However if Darlington intends to make any changes to the formula consultation needs to start with this Forum paper in order to agree any proposals. As in previous years a final funding formula needs to be submitted to the EFA in January. Once approved this submission will be the final funding formula for 2017/18.
42. Any proposed changes to Darlington's formula for 2017/18 (from 2016/17) will be presented to Forum at their January meeting, at which point any relevant consultation will have taken place.
43. The table below outlines the key dates in the setting of school budget shares for 2017/18.

Action	Deadline
Additional high needs guidance	September
Circulation of School Forum paper outlining any initial proposed changes to the school funding formula for 2017/8	23 rd September
School Forum	4 th October
Requests for MFG exclusions and adjustments	30 th November
Issue of formula tool by the EFA including the October 16 census data	Mid December
Publication of Schools block & High Needs block DSG allocations	Mid December
Final requests for MFG exclusions and adjustments	31 st December
Circulation of School Forum paper with final funding formula for 2017/18 to all schools	6 th January
School Forum	12 th January
Submission of final funding formula to the EFA	20 st January

Proposed Funding Formula for 2017/18

44. Darlington has used the same formula factors for a number of years. The changes to the factors that have been laid out in the 2017/18 guidance (i.e. post 16 factor) do not affect Darlington, therefore **it is proposed that the same formula factors continue to be used in Darlington's formula for 2017/18 as is used in the current year formula.**
45. The school budget shares for 2017/18 will be calculated in December once the final modelling tool has been received from the EFA. This tool will be updated for the October census and therefore includes all the mandatory datasets that are required to be used.
46. Initially budget shares will be calculated using the same unit values as is used in the current year budget shares. However if there is insufficient funds available to fund the school budget or if indeed there is surplus funding, the unit values may need to be revised to produce a balanced budget. Forum will be notified of any unit value changes at their January meeting.
47. Using the provisional modelling tool, there are a small number of schools that will have a change in budget share for 2017/18, even before changes in pupil characteristics (i.e. when the tool is updated for the October 2017 census). This will be due to one of the following reasons,
- a. A school was receiving MFG protection in 2016/17. As Forum will be aware the MFG gives any school with a decreasing budget, tapered protection (to a maximum decrease of 1.5% per pupil) each year until the budget share meets the revised budget. In 2017/18 the MFG will have moved on by another year, hence the budget can decrease by up to 1.5% (per pupil) based on the 2016/17 budget.

- b. A school was receiving a capped increase in 2016/17. As Forum will recall to balance the budget in 2016/17 a number of schools increases were capped to cover the costs of the MFG, as this is tapered those schools that had a cap will have an increased budget share in 2017/18. As capping is still to apply in 2017/18 (to increase in order to make the overall funding formula affordable) some schools that received capping in 2016/17 will continue to do so, but at a lower level in 2017/18 (unless they have reached the total value of their budget share increase through previous caps).

Mainstream SEN Changes

48. As Forum members will be aware, within the 2014/15 funding formula changes were required to Darlington's formula to meet the EFA new requirement that the first £6,000 of high needs expenditure be reflected in school budgets. As Darlington had previously delegated funding at a higher level, this required the extraction of funding from schools budgets in order to facilitate future top up payments to schools at the new threshold.
49. As previously reported to Forum work has been ongoing to collect data concerning the requirements of pupils falling within the EFA £6,000 limit to identify what funding is needed and how this can be extracted from schools budgets.
50. As Forum will recall from a report presented at their January 2016 meeting (attached for information), in Darlington a hybrid system has been used to allocate funding for mainstream pupil SEN requirements for pupils above £6,000 at secondary schools and between £6,000 and £13,500 in primary schools. This system kept the status quo in terms of the allocation of mainstream SEN funding within Darlington schools and has therefore not required additional funding to be extracted from school budgets.
51. At the January 2016 meeting Forum agreed to continue with the existing system for mainstream SEN funding as changes were expected with regard to high needs funding from April 2017. As the introduction of changes to both the schools and the high needs national formula have been put back until April 2018 this decision needs to be re-examined.
52. It is likely to be the case that in order to fully implement the £6,000 threshold for mainstream SEN top ups, using the current banding system (and therefore band values) that further funding will have to be extracted from schools budgets when calculating the school budget shares. Schools will receive more top up payments (if they have qualifying children), however some schools overall funding will drop (and vice-versa) dependent on how many children the school has with additional needs.
53. Assuming bandings remain at the current levels, this extraction of funds is needed to ensure there is sufficient funding within the high needs block in 2017/18 to fund top up payments. MFG regulations allow technical adjustments to schools budgets (without Secretary of State approval) where there is a movement of funding between the schools block and the high needs block, where the high needs block is now responsible for funding amounts which had previously been met from a schools delegated budget.
54. This transfer of funding between schools budgets and the high needs block would also be required in future years, however it is unknown how this will operate once ring fencing is placed upon the schools block. As the EFA have rebased the funding blocks for 2017/18 (in

the indicative budgets) based on 2016/17 planned spend it is unknown if further rebasing will be undertaken. In addition once the national formula is introduced schools will be funded at national rates for their individual budget share and therefore this extraction of funds may only affect schools for one year.

55. To operate the existing system approximately £650,000 was extracted from schools, which is currently paid back to schools at the same amount as was extracted. This funding now sits within the rebased high needs block.
56. Options available for 2017/18 are as follows,
 - a. Keep the existing system, though this means that the full £6,000 top up system is not introduced.
 - b. Implement a top up system in full for each child with additional needs over £6,000 using current bandings which will require money to be extracted from schools.
 - c. Implement a top up system that pays top ups for children with additional needs over £6,000 in secondary schools, and in primary schools between £6,000 and £13,500, but to limit the individual top up values, to remain within the £650,000 budget that already exists.
57. For option B, this will require significant work (building upon the work already carried out) to calculate the amount of funding that needs to be extracted and will have a major impact on the school funding formula that will need to be agreed at the next Forum meeting.
58. Dependent on the outcome of the high needs and school funding formula consultations (due out in the autumn) option b, if agreed may only operate for 2017/18.
59. For option C, Forum could be presented with indicative figures showing the effect of this proposal (against option A) at a future meeting (before the start of 2017/18) in order that a decision can be made.

High Needs Funding

60. The EFA have provided indicative allocations for high needs in 2017/18 based on the rebased DSG allocations. As noted above the proposed changes to the high needs block being calculated on a formula basis have now been deferred until April 2018.
61. Final high needs allocations will be received in December for 2017/18, no authority will receive a reduction in funding based on 2016/17 and there will be an uplift, though this has not been quantified as yet.
62. The EFA will publish a more detailed guidance on 2017/18 high needs arrangements in September (not received at the time of writing)
63. As Forum will be aware many high needs placements are funded through the place plus system, whereby each commissioned place is funded by a £10,000 place element and an additional top up for each week a place is taken. If there are any proposed changes to top up rates these will be presented to Forum for agreement at their January meeting.

Early Years Funding

64. As outlined in agenda item 4 the Government is currently consulting on proposals to change early years funding from April 2017. The results of this and allocations for early years funding for 2017/18 are due to be published in the autumn.
65. The outcomes of this consultation and proposed funding rates for early year's education will be presented to Forum at their January meeting.

Summary

66. In summary it is proposed that the funding formula for 2017/18 will mirror the 2016/17 formula in that the same factors will be used in both years.
67. De-delegation may be required to cover the cost of providing statutory duties to maintained schools, previously funded by ESG.
68. At this stage, school budget share modelling has assumed that no changes will be made to school budget shares for mainstream SEN high needs changes in 2017/18. School Forum will need however to discuss how they wish to proceed with this in 2017/18 following the deferral of high needs changes until April 2018.
69. Forum will receive the final budget share figures for 2017/18 at their meeting in January. This will update all the budgets for the pupil data from the October 16 census. Unit values (not factors) may need to be adjusted from those in the provisional formula, in order to make the formula balance to the resources available.
70. Forum will receive details of the top up rates for 2017/18 for the high needs place plus system at their January meeting
71. Forum will receive details of proposed rates for the early years funding formula at their January meeting.

Recommendations

72. That Forum notes the content of the report.
73. That Forum agrees to use the same funding formula factors in 2017/18 as in 2016/17.
74. That Forum agrees to the central top slice of £240,000 to the authority to replace ESG funding now allocated into the schools block.
75. That Forum members for maintained schools note the potential de-delegation for services previously funded through ESG.
76. That Forum discusses the arrangements for mainstream SEN provision in 2017/18 as detailed in paragraphs 48 to 59 and agree which option they wish to take forward.

Brett Nielsen
Finance Manager,
Resources Department