

# DARLINGTON SCHOOLS FORUM

6<sup>th</sup> October 2015

ITEM NO 3

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## SCHOOL FUNDING FORMULA 2016/17

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### Purpose of Report

1. To update Forum regarding the setting of schools budget shares for 2016/17.

### Background

2. School Forum will be aware that the Department for Education (DFE) published a number changes to the way that schools budgets are calculated in 2012 and 2013, this has been followed by additional guidance each year.
3. In October of 2013 School Forum agreed to a new funding formula for Darlington that calculated school budget shares for 2014/15. This formula removed protection that had been agreed in the previous year and as a result changed a number of schools budget shares considerably over the **full life** of the formula.
4. In July the Education Funding Agency (EFA) published further guidance on school revenue funding for 2016/17 (copies of this guide can be accessed at the following web link <https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2016-to-2017>).

### Guidance for School Budgets 2016/17

5. Overall there are very limited changes to the guidance produced for 2016/17 from that received for the 2015/16 budget setting. There are no changes within the guidance that affect the factors which Darlington use within our funding formula.
6. As a reminder the following paragraphs outline the criteria of the funding formula requirements as outlined in the EFA guidance.
7. The funding formula factors that are available to use in 2016/17 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
- Post 16
- Exceptional premises

8. As in 2015/16 the Basic Entitlement and the Deprivation factors remain compulsory, the other factors being optional.
9. The following table shows the factors that are used in Darlington’s formula.

| <b>Factor</b>                     | <b>Note</b>                                                                                                                                                         |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Basic Entitlement                 | The formula must use the following as a values as a minimum (note this is not changed)<br>Primary AWPU £2,000<br>Key Stage 3 AWPU £3,000<br>Key Stage 4 AWPU £3,000 |
| 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<br>Maximum lump sum in each phase £175,00                                                                                                                 |
| Rates                             | No Change<br>Funded at estimated rates value                                                                                                                        |

10. 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.
11. There remains a requirement to allocate at least 80% of the delegated schools funding on the basis of the pupil led factors.
12. The rules concerning delegation and de-delegation remain.
13. There is still no set constraint with regard to a primary/secondary ratio.
14. 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).
15. As in the current year, the EFA have continued to keep protection within the funding formula, through a MFG. This is set for 2016/17 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 2016/17 with 2015/16 (as in previous years certain factors in the formula are removed from the MFG calculation e.g. rates, lump sum etc.).

## Timetable

16. As in previous years the EFA require Local Authorities to submit a provisional funding formula in October using the current year's formula data. The purpose of this is to ensure that the funding formula meets with the EFA guidance.
17. Prior to submitting this provisional formula Authorities are required to model changes and consult with all schools, prior to receiving approval from Schools Forum.
18. Following the October census a final funding formula needs to be submitted to the EFA in January. Once approved this submission will be the final funding for 2016/17.
19. Maintained schools will be funded from April 16 to March 17 at the level included in the funding formula. Academies will continue to be funded direct by the EFA based on the academic year. The EFA will fund academies based upon Darlington's funding formula, but will adjust values paid to academies in line with previous funding agreements.
20. Between the October submission and the final January submission no funding factors can be changed, the only adjustments allowed concern the unit values. Therefore any changes to factors must be made in the October submission.
21. The table below outlines the key dates in the setting of school budget shares for 2016/17.

| Action                                                                                     | Deadline                                  |
|--------------------------------------------------------------------------------------------|-------------------------------------------|
| Requests for MFG exclusions and adjustments                                                | 30 <sup>th</sup> September                |
| Circulation of School Forum paper with proposed funding formula for 2016/17 to all schools | 29 <sup>th</sup> September                |
| School Census                                                                              | 1 <sup>st</sup> October                   |
| School Forum                                                                               | 6 <sup>th</sup> October                   |
| Submission of proposed funding formula to the EFA                                          | 30 <sup>th</sup> October                  |
| Reissue of formula tool by the EFA including the October 15 census data                    | 10 <sup>th</sup> December                 |
| Publication of Schools block DSG allocations                                               | Week commencing 14 <sup>th</sup> December |
| Final requests for MFG exclusions and adjustments                                          | 31 <sup>st</sup> December                 |
| Circulation of School Forum paper with final funding formula for 2016/17 to all schools    | 5 <sup>th</sup> January                   |
| School Forum                                                                               | 12 <sup>th</sup> January                  |
| Submission of final funding formula                                                        | 21 <sup>st</sup> January                  |

## Proposed Funding Formula for 2016/17

22. Forum agreed in October 2014 to continue to use the formula factors in the 2015/16 funding formula as had been used in the previous year, as there are no changes to the 2016/17 guidance that affect Darlington **it is proposed that the same formula factors continue to be used in Darlington's formula for 2016/17 as is used in the current year formula.**
23. The attached appendix 1 shows the provisional school budget shares for 2016/17. It is stressed that these budgets have been calculated using the current years data and therefore are for comparison purposes against the existing formula only. **The final budget shares for 2016/17 will be recalculated using the October 15 census data and will be presented to Forum in January.**
24. The provisional budgets have been calculated using the same unit values as in the 2015/16 formula. The only exception to this is that the one off funding (i.e. previous years underspend) that was distributed in the 2015/16 formula (by increasing all AWPU levels by £68.98) has been removed as this was a one off in 2015/16.
25. As Forum members will recall when the one off funding was distributed in the 2015/16 formula, there was a requirement to request a MFG exemption from the EFA in order to ensure the distribution was made in line with Forum's agreement that the underspend should benefit all schools. This request was agreed by the EFA. In order that the 2016/17 formula takes account of the MFG adjustment that was made in 2015/16 it is necessary that a corresponding adjustment is made in the 2016/17 formula otherwise the overall formula will be unaffordable. A request has therefore been made to the EFA to make an adjustment to the 2016/17 MFG calculation to remove the one off funding that was distributed in the 2015/16 formula. At the time of writing we are awaiting confirmation that this request has been approved.
26. Any school that has a change in budget share calculated in the provisional 2016/17 formula from the current year will have changed due to one of three reasons as follows,
  - a. A school was receiving MFG protection in 2015/16. 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 2016/17 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 2015/16. As Forum will recall to balance the budget in 2015/16 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 2016/17. As capping is still to apply in 2016/17 (to increases in order to make the overall funding formula affordable) some schools that received capping in 2015/16 will continue to do so, but at a lower level in 2016/17 (unless they have reached the total value of their budget share increase through previous caps).
  - c. A school has had a change in their estimated NNDR rates. The figures included in the provisional 2016/17 formula include an estimated increase in the value of NNDR rates for 2016/17 (roughly 2%). This is an estimate based on the

information available at the time of writing and will be updated in the final formula calculation in January. In addition to the estimated inflationary increase, adjustments have been made to NNDR rates values to reflect any differences between the NNDR rates budget included in the 2015/16 formula and the actual NNDR rates charged for 2015/16. The NNDR rates values shown in the final funding formula calculation for 2016/17 will be adjusted to reflect the most up to date information on NNDR rates charges for 2016/17.

- d. Appendix one details any change in budget share for each school across the three areas above.
27. In order to calculate the overall affordability of the funding formula it has been assumed at this point that the same level of funding will be available for the school budget share in 2016/17 as was available in 2015/16. The total cost of the funding formula in 2015/16 after removing the one off funding (i.e. the underspend distribution) is £59,655,503, the value of funding allocated in this proposal is £59,653,174 a decrease of £2,328. This decrease results from the change in NNDR rates budgets.
28. This £2,328 would be reinvested in the funding formula to increase the funding available to all schools, however due to the value at this point this has not be undertaken in the provisional budget as it allows easier comparison of budgets between 2015/16 and 2016/17.
29. In the event that when the DSG allocations are received for 2016/17 that there is more (or less) funding available then the unit values will be amended to make the overall formula affordable. Any changes will be detailed in the report presented to Forum in January for the final formula.

### **SEN Changes**

30. 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.
31. As reported to Forum in May, schools are undertaking a data collection exercise to inform the new high needs (in mainstream schools) system that will be implemented in Darlington. This exercise will allow a more informed decision to be made on rates payable and the total amount of budget that is required to implement the new system.
32. As work is still ongoing with regard to data collection/changes to the high needs system, it is not known if there needs to be further transfers of funding between the schools block and the high needs. Therefore at this stage no changes have been made to the provisional 2016/17 funding formula for high needs. It may be the case that following the implementation of the new high needs system that further revisions are required to the high needs budget, which may result in changes to future funding formulas. Any future changes will be presented to Forum as they arise.

## **Top Up Funding within Resource Bases, Special Schools & the Pupil Referral Unit**

33. As Forum will be aware these 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 top up rates these will be presented to Forum for agreement at their January meeting.

## **Early Years Funding**

34. As Forum will be aware the early years funding formula needs to be agreed before the start of the next financial year (i.e. the 31<sup>st</sup> March 2016). At this stage as Forum agreed in January 2015 to increase the hourly rates payable to the maximum that was available in the funding envelope, there are no planned changes to the rates in 2016/17 at this stage.
35. However as Forum members will be aware that as with the schools formula, the 2015/16 early years rates included an additional element to distribute one off underspend. This was an increase of 16 pence per hour on 3 & 4 year old rates. As this was one off, this element will be removed from the rates. For information at this stage the revised hourly rates from April will be as follows,
- a. 2 year old funding (all providers) £4.98 per hour
  - b. Early Years Pupil Premium (all providers) £0.53 per hour
  - c. 3 & 4 Year old funding (Schools) £3.52 per hour
  - d. 3 & 4 Year old funding (PVI) £3.62 per hour
36. The rate payable for Early Years Pupil Premium is based on the current grant allocation received. If the grant level changes this will be reflected in the rate payable for 2016/17.
37. It is not proposed to change the level of the lump sums paid to maintained nursery schools in 2016/17 from the values that were agreed by Forum at their meeting in March 2015.
38. It is not proposed to change the level of deprivation supplements in 2016/17 at this stage.
39. The final hourly rates for early years provision in 2016/17 will be reviewed once the final DSG settlements are received in December. Forum will be presented with the proposed rates for 2016/17 at their January meeting.

## **Summary**

40. In summary it is proposed that the funding formula for 2016/17 will mirror the 2015/16 formula in that the same factors will be used in both years.
41. Any distribution of underspend that was made within the schools funding formula for 2015/16 as a one off will be removed from the budget shares.
42. At this stage it is proposed that no changes will be made to school budget shares for SEN high needs changes in 2016/17.

43. Forum will receive the final budget share figures for 2016/17 at their meeting in January. This will update all the budgets for the pupil data from the October 15 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.
44. Forum will receive details of the top up rates for 2016/17 for the high needs place plus system at their January meeting
45. Forum will receive details of proposed rates for the early years funding formula at their January meeting.

### **Recommendations**

46. That Forum notes the content of the report.
47. That Forum note the MFG request for 2016/17 as per paragraph 25.
48. That Forum agrees to continue to use the agreed 2015/16 formula factors in the 2016/17 formula.

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