

## Open Report

 <p>City of <b>Stoke-on-Trent</b></p>	<p><b>City Council</b></p> <p><b>14 October 2016</b></p>
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### School Funding Reform 2017-18 – Final Proposals

<b>Report of</b>	City Director
<b>Contact officer(s)</b>	Andrew Brindley – Accountant Helen Meigh – Team Manager (Finance)
<b>Type of Decision</b>	Policy Framework
<b>Cabinet Member</b>	Councillor Janine Bridges - Cabinet Member for Education and Economy
<b>Wards Affected</b>	All Wards

<b>What is the report about? How will it fit with the Council's priorities?</b>	
1.1	The purpose of this report is to consider the proposal put forward by members of the formula working group in relation to the schools funding formula and for forum members to consider the final recommendations on the formula to be adopted from 2017-18.

<b>What are we recommending?</b>	
2.1	The Schools Forum is asked to: <ul style="list-style-type: none"><li>Consider, comment and make recommendations on the final schools funding formula to be adopted from 2017-18 onwards.</li></ul>

<b>How much will it cost and how will it be paid for?</b>	
3.1	The estimated cost of the local schools funding formula, based on October 2015 pupil numbers, is £150m. This will be funded from the Dedicated Schools Grant (DSG).

<b>When are we doing it?</b>	
4.1	The Schools Funding Formula will be adopted from 2017-18.

<b>Everything else you need to know:</b>	
5.1	The government is firmly committed to introducing fairer funding for schools,

	<p>high needs and early years. This is an important reform, which will fairly and transparently allocate funding on the basis of schools' and children's needs, rather than simply on historic levels of funding tied to out of date local information. A fairer funding system will set a common foundation that will enable schools to maximise the potential of every child. It will provide a crucial underpinning for the education system to act as a motor for social mobility and social justice.</p>
5.2	<p>The first stage consultation, on the national funding formula for schools, was launched on the 7<sup>th</sup> March 2016 and concluded on the 17<sup>th</sup> April 2016. The government plan to publish their full response to the first stage of the schools consultation and set out proposals for the second stage in the autumn. They will run a full consultation, and make final decisions early in the new year. Given the importance of consulting widely and fully with the sector and getting implementation right, the new system will apply from 2018-19 and not 2017-18 as originally envisaged.</p>
5.3	<p>The government understand the need for local authorities to have sufficient information to begin to plan their school funding arrangements for 2017-18. Many of those who responded to the first stage national funding formula consultation emphasised that schools and local authorities need stability, and where there are changes need early notice, as a well as a fair system.</p>
5.4	<p>For 2017-18 the government has confirmed that no local authority will see a reduction from their 2016-17 funding (adjusted to reflect local authorities' most recent spending patterns) on the schools block of the DSG (per pupil funding). Final allocations for the schools block will follow in December on the basis of pupil numbers recorded in the October 2016 census.</p>
5.5	<p>The current minimum funding guarantee (MFG) for schools will be retained for 2017-18 so no school can face a funding reduction of more than 1.5% per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year on year changes.</p>
5.6	<p>To ensure that local authorities can start planning budgets for next year with certainty, proposals made in the first stage of the national funding formula consultation to create a new central school block, allow local flexibility on the minimum funding guarantee and ring fence the schools block within the DSG will not be implemented in 2017-18. Any movement between blocks should also comply with requirements on the MFG and have the agreement of schools forum or the Secretary of State on any increase in centrally held budgets where such approval is required under regulations.</p>
5.7	<p>The DfE have also carried out an exercise with local authorities to 're-baseline' the blocks of the DSG for each local authority to make sure their starting point is the pattern of planned spending by local authorities within their annual DSG allocation, rather than how central government has allocated funding since 2013.</p>
5.8	<p>The schools block baseline for 2017-18 reflects the amounts local authorities put in their baselines for both the schools block and central schools block as part of the baseline exercise. It also includes funding for Education Services Grant (ESG) retained duties which has been transferred into the schools block.</p>

5.9	<p>Table 1 below provides details of the schools block baseline and the school block funding per pupil for 2017-18</p> <p><b>Table 1- Schools Block Baseline and Funding Per Pupil 2017-18</b></p> <table border="1" data-bbox="386 325 1404 856"> <thead> <tr> <th></th> <th>Schools Block</th> <th>Central Schools Block</th> <th>Total</th> </tr> <tr> <th></th> <th>£(m)</th> <th>£(m)</th> <th>£(m)</th> </tr> </thead> <tbody> <tr> <td><b>2016-17 Baseline</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>LA baseline information sent to EFA</td> <td>150.67</td> <td>4.73</td> <td>155.40</td> </tr> <tr> <td>ESG retained duties</td> <td>0.55</td> <td>0.00</td> <td>0.55</td> </tr> <tr> <td><b>2017-18 Baseline (a)</b></td> <td>151.22</td> <td>4.73</td> <td>155.95</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>2016-17 pupil numbers based on Oct 15 census (b)</b></td> <td></td> <td></td> <td>33,493</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>2017-18 £ per pupil (a/b)</b></td> <td></td> <td></td> <td>£4,656.25</td> </tr> </tbody> </table>		Schools Block	Central Schools Block	Total		£(m)	£(m)	£(m)	<b>2016-17 Baseline</b>				LA baseline information sent to EFA	150.67	4.73	155.40	ESG retained duties	0.55	0.00	0.55	<b>2017-18 Baseline (a)</b>	151.22	4.73	155.95					<b>2016-17 pupil numbers based on Oct 15 census (b)</b>			33,493					<b>2017-18 £ per pupil (a/b)</b>			£4,656.25
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5.10	<p>The funding arrangements for 2017-18 are broadly the same as last year. Additional changes, not stated above, include:</p> <ul style="list-style-type: none"> <li>• The removal of the post 16 funding factor, but with protection through the MFG.</li> <li>• Local authorities will be able to retain funding from the DSG from maintained schools, including special schools and pupil referral units (PRUs), for statutory duties previously covered by the ESG.</li> <li>• Using a national weighting for secondary low attainment figures.</li> <li>• Using new bandings for the index of deprivation affecting children (IDACI). The IDACI banding methodology will be updated to bring the bands to a roughly similar size (in terms of the proportion of pupils in each band) as in 2015-16. The revised bands are named 'A' to 'G' with the most deprived neighbourhood being captured by band 'A' (previously band 6 and 5).</li> <li>• Local authorities will only have to submit one Authority Proforma Tool (APT) in January 2017. Previously an APT would also have to be submitted in October 2016.</li> </ul>																																								
5.11	<p>As in previous years decisions relating to the formula are the responsibility of the local authority, however, consultation with all maintained schools and academies as well as with the schools forum is required and their recommendations will be considered when final decisions are taken.</p>																																								
5.12	<p>Political approval is also required for the final 2017-18 funding formula. Therefore, to ensure that there is sufficient time to gain political approval before the deadline of the 20<sup>th</sup> January 2017 final recommendations to the local authority will need to be made by forum at the schools' forum meeting on the 14<sup>th</sup> October 2016.</p>																																								

5.13	<p>At the schools' forum on the 19<sup>th</sup> September 2016 the following formula options were discussed:</p> <ul style="list-style-type: none"> <li>• Maintain current values (2016-17 values but with any additional funding put through the Basic Pupil Entitlement factor).</li> <li>• Introduce a PFI factor (allocation in accordance with original governors'/BSF agreement based on a historic lump sum indexed per year).</li> </ul>
5.14	<p>Following discussions, on the above options, school forum members asked for further clarity on the budget variances between option 1, current values, and the 2016-17 budget. The above PFI option was also not recommended as it created volatile budget variances compared to the 2016-17 school budgets. Forum members, though, felt it was important to have a PFI factor in the formula but further consideration was required.</p>
5.15	<p>Members of the schools formula working group were then tasked to consider whether it was possible to have a PFI factor in the schools formula which would not have a volatile effect on school budgets.</p>
5.16	<p>On the 10<sup>th</sup> October 2016 members of the formula working group met to discuss the budget variances between option 1 and the 2016-17. They also discussed the option for a PFI factor in the formula which would not have a volatile effect on school budgets.</p>
5.17	<p>Appendix A attached provides a detailed breakdown of the budget variance between option1, current values, and the 2016-17 budget which was discussed by the working group.</p>
5.18	<p>The formula working group also discussed having a PFI factor in the formula based on a pupil value which would be indexed each year by RPIX (measure of inflation equivalent to all the items in the Retail Price Index excluding mortgage interest payments).</p>
5.19	<p>Appendix B attached provides a variance comparison between the new PFI option 2, pupil value, and option 1, current values. It can be clearly seen that the variation between the two options is minimal apart from the six secondary schools, highlighted in yellow, which are not in the PFI scheme.</p>
5.20	<p>Following the above discussion the formula working group members recommended having a new PFI factor, in the formula, based on a pupil value which would be indexed by RPIX. They felt that with a bulge year moving into year 7 there would be minimal impact on secondary schools which were not in the PFI scheme.</p>
5.21	<p>Appendix C provides a summarised version of the 2 options.</p>

## **Appendix A – Detailed Breakdown of the Budget Variance**

Please see attached document.

## **Appendix B – Variance Comparison Between the 2 Options**

Please see attached document.

## Appendix C – Formula Options

### Option 1 – Current Values

**Explanation:** Based on current values with additional funding put through the Basic Pupil Entitlement Factor

**Rationale:** Maintains stability and previous forum decisions

**Impact:**

- With the introduction of revised bandings for the index of deprivation 55% of schools see a reduction in funding and 45% see an increase. This is a result of an increase of deprivation funding resulting in a reduction in the Basic Pupil Entitlement factor for primary and secondary schools.

Factor		Current			Proposed		
		Primary	KS3	KS4	Primary	KS3	KS4
Basic Pupil Entitlement		2,921	3,986	4,543	2,879	3,948	4,499
Deprivation FSM		865	1,032	1,032	865	1,032	1,032
Deprivation IDACI	Band						
	F	206	285	285	206	285	285
	E	256	374	374	256	374	374
	D	342	464	464	342	464	464
	C	415	547	547	415	547	547
	B	470	606	606	470	606	606
	A	680	808	808	680	808	808
Low Attainment		657	926	926	657	926	926
EAL		460	1,101	1,101	460	1,101	1,101
Lump Sum		114,317	120,950	120,950	114,317	120,950	120,950
Rates (Total)		1,646,546					

## Option 2 – PFI Pupil Value (RPIX Indexation)

**Explanation:** Adopt a new PFI factor to fund additional costs to a school of being in a PFI contract

**Rationale:** To support schools with additional PFI/BSF costs

**Impact:**

- With the changes in deprivation and the introduction of a PFI factor 45% of schools see an increase in funding and 55% see a reduction.

Factor		Current			Proposed		
		Primary	KS3	KS4	Primary	KS3	KS4
Basic Pupil Entitlement		2,921	3,986	4,543	2,814	3,905	4,450
Deprivation FSM		865	1,032	1,032	865	1,032	1,032
Deprivation IDACI	Band						
	1	206	285	285	206	285	285
	2	256	374	374	256	374	374
	3	342	464	464	342	464	464
	4	415	547	547	415	547	547
	5	470	606	606	470	606	606
	6	680	808	808	680	808	808
Low Attainment		657	926	926	657	926	926
EAL		460	1,101	1,101	460	1,101	1,101
Lump Sum		114,317	120,950	120,950	114,317	120,950	120,950
PFI Factor		0	0	0	65	65	65
Rates (Total)		1,646,546					



## Technical Appendix:

<b>The following sources of information were used for this report:</b>
<ul style="list-style-type: none"><li>• EFA – Schools revenue funding 2017 to 2017 Operational guide July 2016</li><li>• DfE – Schools national funding formula Government consultation – stage one</li><li>• GOV.UK – Written statement to Parliament Schools Funding</li><li>• Funding Reform Reports 2016-17</li></ul>
<b>The following appendices are included as part of this report:</b>
Appendix A – Detailed Breakdown of the Budget Variance Appendix B – Variance Comparison between the 2 Options Appendix C – Formula Options



### Implications taken into consideration in this report:

<b>Financial:</b>
Discussed within the report.
<b>Legal:</b>
As set out by the School & Early Years Finance (England) Regulations 2015, there is a legal requirement to consult with the schools' forum and maintained schools and academies.
<b>Public Health, Human Resources and Public Services (Social Value) Act 2012:</b>
No direct impact. The allocation of individual school budgets may have an impact on HR.
<b>Equality Impact or Environmental Impact Assessments:</b>
None
<b>Existing Council Policies:</b>
None
<b>Key Risks:</b>
None

## Technical Appendix Part 2 - Executive Decisions\*:

<b>Options Considered:</b>	
1.	Options are considered in the body of the report

<b>Reason for Decision:</b>
To comply with the school funding regulations and for the schools' forum to consider and approve the recommendations contained within the report.

- \* In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012