

CABINET
17 NOVEMBER 2016**FAIR FUNDING CONSULTATION OUTCOMES FOR 2017-18 –
NATIONAL AND LOCAL CHANGES TO THE FUNDING
ARRANGEMENTS FOR SCHOOLS****Relevant Cabinet Member**

Mr M L Bayliss

Relevant Officer

Director of Children, Families and Communities

Recommendation

- 1. The Cabinet Member with Responsibility for Children and Families recommends that Cabinet:**
 - (a) has regard to the consultation undertaken in September and October 2016;**
 - (b) notes the consultation feedback in Appendices 2, 3, 4 and 5;**
 - (c) notes the involvement of the Worcestershire Schools Forum members and schools during the consultation;**
 - (d) notes the views of the Worcestershire Schools Forum on the Local Schools Funding Formula issues for 2017-18 and other matters which are outlined in Appendix 6;**
 - (e) approves the Local Schools Funding Formula for Worcestershire mainstream schools from April 2017 to apply for 2017-18 and other matters as detailed in paragraphs 35 to 45 having regard to the consultation feedback from schools detailed in Appendix 3, 4 and 5 and views of the Worcestershire Schools Forum in Appendix 6;**
 - (f) authorises the Director of Children, Families and Communities to make the required submission to the national executive body, the Education Funding Agency by 20 January 2017 for the Local Schools Funding Formula for 2017-18 taking account of any impact and change on the approved units of resource in paragraph 37 as a consequence of the October 2016 census and other 2016 data, any other data changes and the final 2017-18 Dedicated School Grant; and**
 - (g) notes the continuing unfair funding for Worcestershire and its schools and that the Cabinet Member with Responsibility for Children and Families will continue to have dialogue with the Government for Fairer Funding.**

Background

2. The Council receives funding for schools through the Dedicated School Grant (DSG). This is a ring-fenced grant and has historically been allocated by the Department for Education (DfE) on a standstill 'flat cash' basis in 3 blocks – Schools, High Needs and Early Years.

3. The majority of the Schools Block DSG is delegated to mainstream schools – Local Authority (LA) maintained and Education Funding Agency academies – through Worcestershire's Local Schools Funding Formula. The amount remaining not delegated is centrally retained to provide designated services e.g. co-ordinated admissions scheme.

4. The Government made significant changes to the funding formula factors for schools from April 2013. The changes have had an impact both for the schools and central LA services. Cabinet at its meetings on 18 October 2012, 7 November 2013, 16 October 2014 and 15 October 2015 resolved to introduce a Local Schools Funding Formula for mainstream schools for 2013-14, 2014-15, 2015-16 and 2016-17 respectively. As part of this in 2015-16 the County Council received an increase of 2.1% (£6.2m) in the Schools Block DSG as a share of the additional £390m allocated by the DfE to the '*least fairly funded local areas*'. The DfE have again stated overall that all their reforms to date will facilitate introduction of a new National Fair Funding Formula but this is not now programmed to impact until 2018-19.

5. The Council is required to consult the Worcestershire Schools Forum on any changes to the Local Schools Funding Formula in order to comply with the national requirements for school and LA funding with the need to inform Governing Bodies of the consultation. However, the County Council has always chosen to expand this requirement to consult with all schools, governing bodies and other interested parties, in order to inform Cabinet's ultimate decision in recognition that changes could potentially impact upon the quality of education provision in schools.

6. The DfE continues to prescribe the level of protection against any loss in funding for schools using the Minimum Funding Guarantee (MFG) which will remain at -1.5% per pupil for 2017-18. This means that schools will not lose more than 1.5% per pupil of funding from year to year. LAs are also able to set a cap to reduce the budgets of gaining schools to fund the monetary value of the MFG protection required.

7. The application and calculation of both the MFG and capping are statutory and prescribed by the DfE as part of The School and Early Years Finance (England) Regulations. Essentially, MFG is protection for schools so that their school budget income from one year to the next does not vary significantly due to formula changes. This will enable schools to plan accordingly in order to sustain plans to improve the quality of provision in their institution. Conversely, the capping is set so that gaining schools do not gain disproportionality to the detriment of all other schools. However, the MFG does not protect schools from falling pupil numbers.

8. The constraint placed on LAs by the DfE on the number of permitted factors for the Local Schools Funding Formula continues to severely impact upon the scope to reflect specific local circumstances. The continued use of nationally prescribed data sets also continues to impact. These national changes will continue to create budget turbulence for individual schools, phases and districts.

DfE Decisions School Funding 2017-18

9. On 21 July 2016, the Education Secretary made a written statement to Parliament in respect of school funding policy. Also the DfE and Education Funding Agency published a number of documents under '*School Funding for 2017 to 2018*'. These confirmed the national policy direction for the Schools Block DSG and other funding matters for 2017-18 and future years.
10. The overall key issues are detailed in Appendix 1, which includes details on the Schools Block DSG baseline for 2017-18. LAs receive an amount per pupil for the Schools Block DSG called the Guaranteed Unit of Funding (GUF). For Worcestershire this has been confirmed in 2017-18 as £4,318.80 (2016-17 £4,318.28).
11. Beyond 2017-18, the DfE contend that their policy changes continue to support their national direction of travel towards a National Fair Funding Formula from 2018-19 for LAs and schools. However, its detailed consideration and delivery will be for further consultation due later in the Autumn Term 2016 with final decisions anticipated in early 2017.
12. Worcestershire's current Local Schools Funding Formula for 2016-17 was approved by Cabinet in October 2015 being based upon stability from the 2015-16 local formula approved by Cabinet in October 2014.
13. Worcestershire in conjunction with all its key partners, particularly the F40 Group representing the lowest funded LAs, continues to lobby central Government for a fairer allocation of the total national allocation of funding.
14. However, Worcestershire remains a low funded LA. Out of 151 LAs, in 2016-17 Worcestershire is still ranked at 125 lowest funded for the Schools Block DSG per pupil amount. The principles around school funding and funding available for other providers have to be clear in the context of Worcestershire's low funding position.

Consideration of Issues for 2017-18

15. In respect of proposed formula development for 2017-18 there was a balance of considerations between the need for stability given the number and scale of changes since 2012-13 and the desire for a local formula which can appropriately serve all schools in Worcestershire.
16. Stability provides a period of no change for individual schools (apart from the impact of changes in mix and number of pupils per school, other data changes and the continuing impact of the MFG), prior to the introduction of a National Fair Funding Formula; whereas further change continues the search for a formula to suit all schools. However, with the limited range of available formula factors and the statutory protection requirements, there will never be a position as in 2012-13 where a local formula is able to adequately benefit all schools in Worcestershire given the varied provision.
17. Also, the issue of 'fairer distribution' is open to interpretation. What may appear fair to one school will not appear fair to others as the type of school and its pupils is extremely varied across Worcestershire. Prior to 2013-14, a local schools formula could suit all schools as specific grant funding from the DfE was able to be targeted and allocated to individual schools for Ministerial priorities such as Specialist Schools and Standards Fund. The DfE have mainstreamed this funding for the benefit of all schools.

Local funding distribution is important but the overriding issue is, and continues to be, the low DSG settlement for Worcestershire.

18. The Council hoped to be able to allocate the additional Schools Block DSG of £6.2m funding on a per pupil basis so all schools would have seen a share of the increase. The DfE declined the Council's request to allocate this amount to schools on a per pupil basis outside the funding formula not subject to the statutory MFG and capping regulations. This meant that not all schools saw an increase but the majority did. Also with data changes between October 2013 and October 2014 together with a revised formula in 2015-16 some schools experienced standstill or reductions in funding.

19. To help mitigate some of the effects, the Council has allocated £3.8m one-off funding in 2015-16 and 2016-17 (approximately £26 and £28.50 per pupil respectively in each year) from central DSG reserves. All schools have seen this one-off increase but have been reminded it was only temporary for those years and will not be available in 2017-18.

20. The vast majority of schools welcomed and accepted the revised local formula for 2015-16 and its continuation for 2016-17 in support of stability. Conversely, in 2015 a quarter of secondary schools requested the Council to review the local formula again as they felt it did not recognise the challenges in the sector particularly not taking account of reductions in post 16 funding and Education Services Grant. However, these funding streams are directly allocated by the Education Funding Agency being totally outside the control of the Council and as such the effects are not able to be reflected in the local formula.

21. The view of the Education Funding Agency is that the Council made in 2015-16 the local formula changes required and keeping that local formula in Worcestershire for stability in 2016-17 was appropriate.

22. The Council has been endeavouring to forward plan for 2017-18 in anticipation of a new National Fair Funding Formula. However this has now been delayed until 2018-19.

Consultation for 2017-18

23. Given all these issues and further discussions at the Worcestershire Schools Forum on 7 July 2016 and 8 September 2016, their recommendation was for stability and no change i.e. to retain the 2015-16 and 2016-17 local formula parameters for 2017-18.

24. The final allocations in 2017-18 for individual schools will be affected by:
- The new DfE data sets and the revised Schools Block DSG allocation based on the October 2016 census and other 2016 data as well as other data changes from 2015.
 - The Education Funding Agency alerting LAs to two data changes they will make for 2017-18 that will impact:
 - Income Deprivation Affecting Children Index (IDACI) data – reconfigured pupil bandings for the effect of the revised 2015 national data sets;
 - Low Prior Attainment (LPA) Key Stage 2 data assessment for secondary aged pupils – these will be weighted to reflect the more challenging national curriculum.

- The requirement for the calculation of the -1.5% per pupil MFG/Capping for the final 2017-18 model to be on the 2016-17 baseline.
- The baseline used by the Education Funding Agency for the calculation of the MFG/Capping for academies.
- The removal of the additional one-off funding allocated in 2015-16 and 2016-17 from central DSG reserves.
- The LA may need to adjust for the effect of schools changing their age range from the start of the academic year 2017/18.
- The final Schools Block DSG quantum for 2017-18 which will not be notified by the DfE until late December 2016.

25. A detailed consultation document was circulated on 12 September 2016 to all maintained schools, academies, other providers, members of the County Council, staff associations and the Worcestershire Association of Governors. This included details of the recommendation to retain the existing local formula in 2017-18. Consultation responses were requested by 10 October 2016.

26. Summaries of the main issues raised by schools are detailed in Appendices 3 and 4. The main concern continues to be the extremely low funding base for Worcestershire schools and the delay in the National Fair Funding Formula.

27. The following table shows the number of formal responses received from the consultation. As expected, the number of responses this year was considerably lower than in previous years as the policy of stability was recommended and so there were no alternative funding models for schools to consider. However the Worcestershire Schools Forum has taken account of these responses and the views of the schools they represent when making their recommendations to Cabinet.

Type of school	Total Number of Providers (As at 1 September 2016)	Number of Responses	Percentage of Responses %
Mainstream			
Maintained First/Primary	147	7	5
Academy First/Primary	29	0	0
Maintained Middle	12	1	8
Academy Middle	8	1	13
Maintained Secondary/High	5	1	20
Academy Secondary/High	24	8	33
Free School	1	0	0
Total Mainstream	226	18	8
Other	N/A	1	N/A

The response rate last year was 16%

28. Consultees were requested to comment on the recommendation to retain the existing local formula and to respond to 3 questions that related to specific issues for

consideration relating to 2017-18 and other statutory matters. A summary of these is at Appendix 2.

29. The consultation response main issues from the school returns have been summarised in Appendices 3 and 4. The outcomes arising from the consultation are detailed in Appendix 5.

Recommendations for the Worcestershire Local Schools Funding Formula for Mainstream Schools for 2017-18 and Other Statutory Matters

30. Having considered the views of Worcestershire Schools Forum, the outcomes of the consultation received from individual schools and Cabinet's strategic view, the option which is recommended to be approved is to retain the existing local formula in 2017-18.

31. The overall feedback from the responses in Appendix 2 on the consultation questions details the following outcomes:

- Stability in the local formula for 2017-18 supporting the recommendation for no change from 2016-17 – Appendix 3 summarises the main issues raised.
- For centrally retained services – with Appendix 4 summarising the main issues raised – for:
 - continuing with the existing arrangements in 2016-17 into 2017-18 as permitted by the DfE for maintained schools only (de-delegated services) and all schools maintained and academies (other central services);
 - further central retention (de-delegation) for maintained schools only to cover any statutory duties previously funded through the general duties Education Services Grant.

The Role of the Worcestershire Schools Forum

32. As required, the Worcestershire Schools Forum continues to fulfil its statutory role as the principal consultation body for matters relating to school funding. There is a statutory requirement to consult them on these funding proposals.

33. The Worcestershire Schools Forum met on 8 September and 19 October 2016. The latter meeting discussed the consultation responses and approved the formal recommendations for no change to the local formula for 2017-18 together with required statutory decisions on de-delegated and centrally retained services.

34. Details of these discussions and outcomes at both meetings are attached at Appendix 6.

Cabinet's Detailed Approvals

35. Approve for 2017-18 formula stability in the Local Schools Funding Formula and no formula change from 2016-17 as supported by the Worcestershire Schools Forum and the consultation responses, with the **estimated** units of resource detailed below.

36. Approve the following as the factors for inclusion in the Local Schools Funding Formula for 2017-18 for Worcestershire mainstream schools – LA maintained and Education Funding Agency academies – to be based upon required DfE data sets from

the October 2016 census and other DfE sources, including any in year or prior year changes and the final DSG for 2017-18 when this is confirmed.

37. Approve the model to contain from April 2017, the following formula factors and **estimated** units of resource using the prescribed DfE data sets from the October 2016 census, other DfE sources including any in year or prior year data changes and estimated data as required for schools changing their age range from September 2017:

Age Weighted Pupil Unit (AWPU):

[The same per pupil amount for the following age groups]

Primary £2,857.77; Key Stage 3 £3,909.01; Key Stage 4 £4,438.27

Deprivation:

Free School Meals (FSM) Annual: Primary £845.66; Secondary £1,008.66;

Income Deprivation Affecting Children Index (IDACI) [6 bands]:

Primary £200.39, £249.29, £332.70, £404.61, £457.35, £662.53

Secondary £277.09, £363.39, £450.64, £531.18, £588.70, £785.26

Low Cost/High Incidence Special Educational Need (SEN) – Low Prior

Attainment:

Primary £641.44

[Combination of Early Years Foundation Stage Profile – New Profile % to be determined; Old Profile 78 Points];

Secondary £901.27

[Not achieving level 4 Key Stage 2 English or Maths]

English as an Additional Language (EAL) – maximum of 3 years:

Primary £446.80; Secondary £1,083.44

Lump Sum for Every School:

Primary £111,026.16; Secondary £119,998.61

[Middle Schools an average of these rates]

Sparsity based on a tapered approach:

Primary £42,796.04; Middle £53,352.91; Secondary and All Through £63,909.77

Split Site:

An individual school cash sum allocated via the approved 2016-17 formula with schools having to meet the qualifying criteria

Rates:

Actual Costs individual to each school

Private Finance Initiative (PFI):

Agreed Costs for those schools in the PFI contract

Exceptional Premises Costs:

An individual school cash sum for those qualifying schools as approved by the Education Funding Agency

Minimum Funding Guarantee (MFG):

-1.5% per pupil as prescribed by the Education Funding Agency.

Capping:

At the required % level to scale back gains for some schools to fund the MFG cash requirement only as prescribed by the DfE.

[The current rate of +2.37% in 2016-17 with the scaling factor of 100% will change with the impact of the revised data sets and 2017-18 DSG].

38. Approve that the current **estimated** Local Schools Funding Formula units of resource as detailed above and **estimated** capping % be adjusted in January 2017, as required, to take account of the impact of the:

- October 2016 census and requirements including use of estimated data for changes in school age ranges if required.
- Other DfE prescribed data and changes including those from prior years.
- Final Schools Block DSG for 2017-18.
- Statutory requirements relating to the MFG and/or the School and Early Years Finance (England) Regulations.

39. Approve the initial delegation of the following centrally retained services for all mainstream schools in 2017-18 as in 2016-17 (**as per consultation question 1**):

FACTOR	SERVICE
Basic Per Pupil	School Specific Contingencies (not Early Years) Support for Schools in Financial Difficulties 14-16 Practical Learning Options Insurance Staff Costs Supply Cover Licences and Subscriptions
Deprivation	FSM Eligibility
EAL	Support for Minority Ethnic Pupils
Low Cost High Incidence SEN Prior Attainment	Support for Underachieving Groups Behaviour Support Services

40. Approve the decision of the Worcestershire Schools Forum maintained mainstream school members to continue in 2017-18 the delegation and de-delegation (centrally retained) of the above services for LA maintained mainstream schools only by phase (**as per consultation question 1**):

Phase/Service	Primary Delegation	Primary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	N/A	N/A
Behaviour Support Services	N/A	N/A
Schools Insurance	Yes	No
Licenses and Subscriptions (DfE Prescribed)	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes

Staff Costs Supply Cover – Trade Union Duties	No	Yes
Staff Costs Supply Cover – HR Related Duties	No	Yes
Phase/Service	Secondary Delegation	Secondary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	Yes	No
Behaviour Support Services	Yes	No
Schools Insurance	Yes	No
Licenses and Subscriptions (DfE Prescribed)	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes
Staff Costs Supply Cover – Trade Union Duties	No	Yes
Staff Costs Supply Cover – HR Related Duties	No	Yes

41. Approve for those services subject to de-delegation using the formula factors by reducing the formula amounts in 2017-18 for LA maintained mainstream schools only on the basis detailed above.

42. Approve the decision of the Worcestershire Schools Forum to allow central retention of some Schools Block funding to cover the statutory duties for LA maintained schools only carried out by the LA which were previously funded through the general duties Education Services Grant as required, with any amounts to be determined following the confirmation by the DfE of such statutory duties **(as per consultation question 2)**.

43. Approve the decision of the Worcestershire Schools Forum to the continued central retention in 2017-18 of the centrally retained services as detailed below either limited to the 2016-17 budget level or as prescribed by the DfE (indicative budgets are shown either limited to previous year levels or **estimated** with final funding subject to clarification and change) for **(as per consultation question 3)**:

- Funding for significant pre-16 pupil growth to meet basic need and to enable all schools to meet the infant class size requirement i.e. pupil growth fund – £0.7m **estimated**.
- Copyright Licensing Agency (CLA) and Music Publishers Association (MPA) licences (subject to DfE prescription) – £0.38m **estimated**.

- Contributions to Combined Services – the Early Intervention Family Support (EIFS) service budget – £1.50m.
- Co-ordinated admissions scheme – £0.69m.
- Servicing of the Schools Forum – £0.06m.
- Services previously funded by the retained rate of the Education Services Grant – £1.16m **estimated**.

44. The final Local Schools Funding Formula units of resource and capping for 2017-18 are subject to final confirmation with the Education Funding Agency and change when the impact of the October 2016 census, other 2016 DfE data and prior year data changes and the final Schools Block DSG for 2017-18 are confirmed.

45. As in previous years the formula model for 2017-18 will **not** include factors for:
- Pupil Mobility – not deemed to be a significant issue.
 - Looked After Children (LAC) – funded via the separate LAC Pupil Premium Grant.
 - Post-16 top up – not permitted as not a pre-2013 formula factor and no longer a permitted Local Schools Funding Formula from 2017-18.
 - Higher Teacher Costs – only applies to London fringe LAs.

Legal, Financial and HR Implications

46. The County Council is required to adhere to the DfE prescribed arrangements for school and LA funding in 2017-18 to be contained within the School and Early Years Finance (England) Regulations 2016 including any impact of any changes to the regulations.

Privacy and Public Health Impact Assessments

47. Not applicable in this case.

Equality and Diversity Implications

48. Given the recommendations for stability in 2017-18 for the Local Schools Funding Formula and continuation with the current arrangements for de-delegated and centrally retained services there are no such implications.

Supporting Information

- Appendix 1 – DfE Documents '*School Funding for 2017 to 2018*' – Summary of the Key Issues
- Appendix 2 – Summary of the Consultation Responses October 2016
- Appendix 3 – Summary of the main issues from the Consultation Responses relating to stability for the Local Schools Funding Formula for 2017-18 October 2016
- Appendix 4 – Summary of the main issues from the Consultation Responses on the consultation questions October 2016
- Appendix 5 – Fair Funding Consultation Outcomes 2017-18 October 2016
- Appendix 6 – Fair Funding Consultation 2017-18 Worcestershire Schools Forum Issues, Decisions and Recommendations September and October 2016

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Sue Alexander, Head of Financial Management
Adults, Children, Families and Communities
(01905) 846942

Email: salexander@worcestershire.gov.uk

Andy McHale, Service Manager Funding and Policy
Education and Skills
Children, Families and Communities
(01905) 846285

Email: amchale@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Director of Children, Families and Communities) the following are the background papers relating to the subject matter of this report:

Fair Funding Consultation Documents – September 2016

Agenda and background papers for the meetings of the Cabinet held on 18 October 2012, 7 November 2013, 16 October 2014 and 15 October 2015.