

CABINET

10 November 2015

Title: School Funding Formula 2016/17	
Report of the Cabinet Member for Education and Schools	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Divisional Director: Jane Hargreaves, Divisional Director of Education, Youth and Childcare	
Accountable Director: Helen Jenner, Corporate Director of Children's Services	
Summary: <p>The purpose of this report is to update Cabinet on the progress the Local Authority is making in implementing the Department for Education (DfE) changes to schools' funding arrangements as proposed in their document 'School Funding Reform: Next steps towards a fairer system'. The report focuses on the direction of travel from 2013-14 and the changes to the school funding formula for 2016/17.</p> <p>In accordance with the regulations, the Local Authority has consulted with its Schools Forum on items relating to schools funding. Their views are detailed in this report.</p> <p>Cabinet are asked to approve the Barking and Dagenham Schools proposed model for allocating school funding in 2016/17.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the outcome of the Schools Funding Formula briefing sessions at the Schools' Forum, as referred to in paragraphs 2.6 and 2.7 of the report;(ii) Subject to (iii) below, agree to adopt the proposed model as the method for allocating school funding in 2016/17, as set out in section 2 of the report; and(iii) Delegate authority to the Corporate Director of Children Services to approve the final 2016/17 school funding formula submission to the Education Funding Agency following consultation with the Schools' Forum.	

Reason(s)

To implement DfE required changes to the arrangements for the allocation of funding to schools and to approve the school funding formula for 2016/17.

1. Introduction and Background

- 1.1 In March 2012 the Department for Education (DfE) started the process to reform the school funding system towards a fairer, more consistent and transparent approach with regards to the document 'School Funding Reform: Next steps towards a fairer system'. The DfE is proposing to move towards a national funding formula for schools and in order to support movement towards a national funding formula. From 2013/14 the DfE started the process of a simpler and more consistent arrangement for distributing funding to schools and other providers.
- 1.2 The Local Authority (LA) worked with the Schools' Forum and developed a new local formula for 2013-14, and subsequent years using the simplified and consistent factors that were allowed and the small number of exceptional factors which were in place for 2013-14.
- 1.3 The DfE undertook a review of the 2013-14 formula and 2014-15 formula across the country to understand and to move further towards a national funding formula.
- 1.4 The overall ratio between Primary and Secondary schools nationally across all local authorities is 1: 1.27, the same as under the 2014-15 formula. The median local authority ratio is 1: 1.29, again the same as in 2014-15. The median London local authority ratio for 2014-15 is 1: 1.30.
- 1.5 The unprecedented demographic growth within the London Borough of Barking & Dagenham is leading to significant funding pressures to support high needs education provision. Last year a forecast pressure was anticipated to be £4.3m for 2015-16; however Schools' Forum High Needs working group met several times and identified actions to contain pressures including 10% savings (£1.3m). The latest forecast is savings are achievable and the growth pressures are being managed within the current funding envelope of the DSG, high needs block allocation..
- 1.6 This report provides an update on the Local Authority's progress in moving towards a national funding formula and its proposed funding model for 2016-17.

2. Proposal and Issues**School Funding Formula – Update**

- 2.1 Since the publication of 'School Funding Reform: Next Steps towards a fairer system' and formal submissions there has been regular consultation with key stakeholders locally and there has been further consultation nationally.
- 2.2 During the consultation with School Forum members at the meetings in October 2015 a number of funding formulae were modelled for 2016/17 for Barking and Dagenham schools based upon the following requirements:

- To move further in the 'direction of travel' to narrow the gap between primary and secondary funding towards the national median ratio of funding.
- To ensure the new model is affordable and cost neutral within the overall funding envelope for 2016/17. This will minimise the cost of the Minimum Funding Guarantee (MFG) as directed by Government because the cost of the MFG must be top sliced from the Schools Block, thereby reducing the funding available for distribution to Schools.
- To model £1.2m into the funding factors that was previously top sliced 2015/16 in support of anticipated high needs pressures.
- To ensure the DSG remains a balanced budget from 2016-17 onwards and sound financial planning arrangements are in place for future years.
- To maintain funding ratios in line with other London Boroughs and maintaining as fair a formula as possible given the challenging financial envelope, the growth in the borough, the high needs pressures and the pressures on both sectors including cuts to 6th form funding.

- 2.3 The modelling work was carried out in accordance with DfE guidance using their modelling tools and data sets. The result of this work was the development of an agreed model which the Council took to consultation with key stakeholders. A summary of the key points from this model are shown in **Table 1** below and changes from the current model 2015/16 in **Table 2** below.
- 2.4 The numbers used in the appendices are indicative and based on October 2015 census data (pupil numbers and data sets). The actual funding for 2016/17 will be based on the cleansed October 2015 pupil census data and validation from the DfE. The numbers exclude funding for pupil premium, early years and sixth form pupils which are allocated under a different methodology.
- 2.5 The model agreed with Schools' Forum has to be submitted to the Education Funding Agency (EFA) by 31 October 2015 in the form of a proforma template and is subject to data validation checks. Once these checks have been made, the actual school block formulae will be produced in January 2016 and presented again to Schools' Forum in accordance with the School Finance Regulations 2014.
- 2.6 The Schools' Forum was consulted at its meetings on 6 October 2015 and 20 October 2015. Members' views and comments were sought on the proposed affordable model that redistributed the £1.2m previously top sliced (2015/16) from the schools block.
- 2.7 The model was proposed by the Local Authority as the formula for 2016/17 for the allocation of schools' funding, for the following reasons:
- It continues to narrow the gap between primary and secondary funding and is slightly below the London median;
 - The pre-16 Minimum Funding Guarantee (MFG) for mainstream schools at - 1.5% is affordable within this formula;
 - The formula maintains a reduced provision of £250k for schools facing financial difficulty;
 - £3m has been top sliced as earmarked as a reasonable amount to support growth in pupil numbers within schools;

- It reassigns £1.2m of the DSG Schools Block previously top sliced towards managing the pressures last financial year within high needs due to the high needs managing pressures within and achieving a balanced budget;
- A 10% reduction (saving) of £1.3m has also been achieved within the high needs expenditure in 2015/16.

2.8 Schools' Forum provisionally agreed the Model.

2.9 Table 1 below shows the key factors of the Model while Table 2 shows the key changes from the 2015/16 model.

Table 1: Key Factors – Model

	Model
AWPU KS 1 & 2	£3,868
AWPU KS3	£4,609
AWPU KS4	£5,596
Cap	3.11%
MFG / (CAP)	£261,315
Lump sum	£160,000
Additional lump sum for schools amalgamation	£60,000
Primary split site	£160,000
Secondary split site	£200,000
Pre MFG primary: secondary ratio	1:1.31
Post MFG primary: secondary ratio	1:1.29
Net primary gain / (loss)	£652,012
Net secondary gain / (loss)	(£97,253)
Primary 'winners'	43
Primary 'losers'	2
Secondary 'winners'	8
Secondary 'losers'	2
Provision for schools facing financial difficulty	£250,000

Key:

MFG = Minimum Funding Guarantee

AWPU KS1 & 2 = Average Weight Pupil Unit at Key Stage 1 and 2

AWPU KS3 = Average Weight Pupil Unit at Key Stage 3

AWPU KS4 = Average Weight Pupil Unit at Key Stage 4

Cap = Capping factor (%) of any gains in the formula

Table 2 – Key changes from 2015/16 to 2016/17 model

	Existing Model 2015/16	New Model 2016/17	Changes
AWPU KS 1 & 2	£3,868	£3,868	
AWPU KS3	£4,609	£4,609	

AWPU KS4	£5,596	£5,596	
Cap	3.11%	3.11%	
MFG / (CAP)	£634,300	£261,315	
Lump sum	£135,000	£160,000	<i>increase £25k (all schools)</i>
Additional lump sum for schools amalgamation	£60,000	£60,000	
Primary split site	£100,000	£160,000	<i>increase £60k (7 schools)</i>
Secondary split site	£216,000	£200,000	<i>reduction £16k (2 schools)</i>
Pre MFG primary: secondary ratio	1:1.31	1:1:31	
Post MFG primary: secondary ratio	1:1.36	1:1:29	
Net primary gain / (loss)	£5,867,343	£652,012	
Net secondary gain / (loss)	(£382,573)	(£97,253)	
Primary 'winners'	41	43	
Primary 'losers'	3	2	
Secondary 'winners'	5	8	
Secondary 'losers'	5	2	
Provision for schools facing financial difficulty	£250,000	£250,000	

2.10 In terms of timelines the Council has submitted its proposal for the funding formula (Model) for 2016/17 to the EFA by the deadline of 31 October. Any final changes must be submitted by mid January 2016 (current EFA timescale).

3. Options Appraisal

3.1 A range of funding formulae were modelled in order to identify a working Model.

4. Consultation

4.1 School head teachers, School Governors, Members, Trade Union representatives and a representative from the early years' private, voluntary and independent sector have been consulted on the development of school funding formula applicable for 2016/17.

5. Financial Implications

Implications completed by: Daksha Chauhan, Group Accountant Children's Finance

5.1 The School Funding Formula is contained within the Dedicated Schools Grant. The anticipated allocation for 2015/16 is £232.966m; however this will be finalised once October 2015 pupil census data is finalised.

6. Legal Implications

Implications completed by: Lucinda Bell, Education Solicitor.

- 6.1 The Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School Finance (England) Regulations 2012 and the Schools Forums (England) Regulations 2012 (the Regulations).
- 6.2 In accordance with the Regulations, the Local Authority must submit to Schools Forum **for consultation** the Budget formula, for comments on any proposed changes to the funding formula for maintained schools (before the funding period starts) (Regulations 8 & 9).
- 6.3 This report requires that Cabinet notes the outcome of the consultation and approves the Funding Model that was proposed by the Council and agreed by the Forum. It further asks that Cabinet agrees to delegate the final decision of school funding allocations in January 2016 to the Corporate Director of Children Services following consultation with Schools' Forum.

7. Other Implications

- 7.1 **Risk Management** – There are two major risks. The first is that if the funding shift is not put in place Primary Schools will continue to be under-funded in relation to their peers nationally. This could lead to under-performance and further scrutiny and challenge by Ofsted and DfE. The second is that any reduction in funding to secondary schools could lead to a reduction in their performance. Given that the growth and volatile demography is now moving into secondary schools and the drop in performance at GCSE this year, risks are more evenly balanced than in previous years., We are also seeing increasing numbers of mid term admissions in the older age group. The performance risks for both sectors continue to be closely monitored by the School Improvement Team

The DSG modelling for future years assumes High Needs Block demographic pressures including the new special free school. It requires the 10% reduction already identified being maintained in support of any future in- block pressures for 2016-17. It is about maintaining funding ratios in line with London and maintaining as fair a formula as possible given the challenging financial envelope, the growth in the borough, the high needs pressures and the pressures on both sectors including cuts to 6th form funding.

- 7.2 **Staffing Issues** – The MFG limits the formula reduction to -1.5%. This allows any reductions in staff to be managed in a phased way. Many schools continue to see growth in pupil numbers. In most cases schools should be able to manage through the usual staff turnover processes.
- 7.3 **Customer Impact** – Schools will continue to take steps to minimise any adverse impact on outcomes for children. Schools Forum has noted that should there be particular financial pressure on a school there are sufficient funds in the Schools in Challenging Circumstances Fund to address this.

- 7.4 **Safeguarding Children** – Increases in the pupil premium provide targeted support for looked after children and those entitled to free school meals.
- 7.5 **Health Issues** – The health and well being board and Joint Strategic Needs Assessment (JSNA) highlight the importance of investing in early intervention to support children’s long term well being. The evidence and analysis set out in Fair Society, Healthy Lives (Marmot Review) has been developed and strengthened by the report of the Independent Review on Poverty and Life Chances. The reports draw attention to the impact of family background, parental education, good parenting, primary education and the opportunities for learning and development in the crucial first five years of life, and identified what matters most in preventing poor children becoming poor adults.

Background Papers Used in the Preparation of the Report:

- Summary of Model 2016/17 Funding Model and school by school impact analysis

<https://www.lbbd.gov.uk/residents/schools-and-learning/schools-in-the-borough/school-forums/special-schools-forum-20-october-2015/>

List of appendices: None