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| Report title: | Local Authority Formula Factor Submission and School Budgets 2017-18 | |
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Executive Summary

This report provides the Schools Forum with the details of the mainstream school funding formula for 2017-18 and its associated school budgets. This will be formally submitted to the Education Funding Agency using their template Authority Proforma Tool (APT) on 20th January 2017.

Schools Forum Actions

The Schools Forum is asked to note:

- the current position regarding the APT and give advice as necessary (para 6);
- the use of estimated numbers in the APT pro forma template (para 11)
- the update to the social deprivation values (para 4)
- the budget gap in 2017-18 on the Individual Schools Budget and provide a view on the local authority options for bridging that gap (para 7)
- the proposed top ups within the high needs block including the changes to mainstream top ups.

Background

1. The local authority is required to submit each year details of the mainstream school funding formula to the Education Funding Agency (EFA). The provisional submission traditionally submitted in October was not required in 2016, and the final version is due on the 20 January 2017.

Establishing the Overall Individual Schools Budget

2. In 2016-17, £1.9m of one-off funding was added to the 2016-17 ISB from Dedicated Schools Grant (DSG) reserves. As this was one-off funding it is not available on a yearly on-going basis. In addition, the available growth of £1.8m should have been set aside as an allowance for the cost of growing free schools and not deployed with the ISB. The report on the DSG 2017-18 also sets out the cost pressures, most significantly funding new free schools, where the funding is lagged and also increasing business rates.
3. There are also issues that need to be unwound with regard to any overfunding of schools now being part of Minimum Funding Guarantee (MFG) and the one off use of reserves. This part of our ongoing discussions with the EFA. We have assumed that the EFA will agree to these adjustments. The Funding Formula work includes assumptions about capping and scaling any gainers in line with previous years. These adjustments are subject to agreement with the EFA as part of the submission process. We have also built in additional checks to ensure that the errors made in the previous year

are not repeated. Therefore the estimates in the report need to be treated with some caution and carry a degree of risk until all the checks and validations are undertaken.

4. In 2016-17, the EFA updated the Index of Child Poverty (IDACI) data which led to a large degree of funding turbulence. To counter this, the rates used for the IDACI bands and the FSM bands were amended to smooth the impact of the EFA changes. For 2017-18, the EFA has confirmed that it has reverted back to the data used previously and therefore we have reverted back to the previous IDACI and FSM funding rates. If the rates were left the same as in 2016-17, the result would be additional funding for deprivation of £8m which is unaffordable. There will be £1.5m less deprivation funding than in the previous two years, however this is to be expected as the demographic profile of Southwark is changing and, for example, fewer children are eligible for FSM. The comparable rates are shown in the table below:

| Description | Primary amount per pupil 2016-17 | Secondary amount per pupil 2016-17 | Primary amount per pupil 2017-18 | Secondary amount per pupil 2017-18 |
|------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| FSM6 % Primary | £1,223.10 | | £1,122.11 | |
| FSM6 % Secondary | | £1,491.53 | | £1,368.38 |
| IDACI Band F | £122.89 | £101.57 | £112.74 | £93.18 |
| IDACI Band E | £128.16 | £138.92 | £117.57 | £127.45 |
| IDACI Band D | £244.86 | £483.89 | £224.64 | £443.93 |
| IDACI Band C | £471.70 | £939.42 | £360.63 | £718.21 |
| IDACI Band B | £1,038.52 | £2,072.44 | £414.25 | £826.66 |
| IDACI Band A | £534.86 | £1,355.41 | £408.91 | £1,036.24 |

5. All other rates are held at the 2016-17 unit values which compare favourably with national benchmarking which may be viewed on the link below to allow comparison.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536948/Proforma_publication_16-17_analysis_note_vFinal.pdf

6. After allowing for the adjustments above, at present our modelling work on the APT template at the rates suggested at Appendix A indicate an estimated gap of about £3.7m for 2017-18. **This figure is subject to further checks and given the complexity of the issues associated with the APT template in 2016-17, may be updated at the meeting if it materially changes.**
7. The impact of the above is that the current formula unit values set out in Appendix A are not affordable given the level of available DSG and the current commitments. However, the Authority does have certain options available to address this situation:
- Further deployment of any remaining uncommitted DSG reserve to support ISB, leaving only a small contingency to manage in year adjustment
 - Block transfers from the High Needs and/ or Early Years blocks to support the Schools Budget (this could in practice be achieved by varying the apportionment of central retentions between blocks)
 - Reductions in set unit values, up to a value of 1.5%.
 - A reduction in the lump sum for schools from the current £150k level

8. The Schools Forum is asked for its views on ranking these options. The Schools Forum only need to be consulted on any changes to the Formula, but traditionally Southwark consults the Schools Forum on any potential changes to unit values and the lump sum, which have been identified as potential options to be used. **The Authority's first preferences would be to use options i and ii, to the extent they are affordable, and least favoured options would be iii and iv.**

Final school budget pro-forma

9. The pro forma APT template containing the unit values will need to be submitted to the EFA on 20 January 2017.

De-delegated budgets (for information)

10. In December 2016, the Schools Forum agreed the budgets to be de-delegated in 2017-18. At this meeting there are issues on de-delegation and central retention with regard to the Education Services Grant (ESG) which need to be decided elsewhere on the agenda. This funding is initially allocated to all schools in the funding formula and then "de-delegated" or retained by the LA in relation to maintained schools, where agreed to by the Schools Forum. This means that two different funding formula rates exist for maintained schools – before and after de-delegation. The Schools Forum is asked to note that the rates included in the pro-forma APT are before de-delegation.

Estimated numbers – new and growing schools

11. Regulations now require LAs to provide estimated numbers in the funding pro forma for new and growing schools. Retrospective adjustments are allowable in the following financial year, to reflect differences between actual numbers and the estimates used. The Schools Forum is asked to note that these numbers are still being finalised and the pro-forma will be re-submitted if appropriate. Given the issues that occurred with regard to the APT in 2016-17 APT, we have built in additional checks.

Transitional arrangements: Minimum Funding Guarantee (MFG and Ceilings)

12. The minimum funding guarantee (MFG) for mainstream schools remains at minus 1.5% per pupil in 2017-18, the same rate as 2016-17. There are local measures in place such as the schools in difficulty fund and the falling rolls fund.
13. The LA has continued to apply a ceiling (1.98%) to ensure that the MFG is self-funding, in the same way as was applied in 2016-17 and to cap and scale any gains.
14. The formula is in line with good practice for the new national funding formula and compares favourably when benchmarked with national comparisons as noted above.

Early Years Single Funding Formula

15. The structure and funding rates for the new Early Years National Funding Formula are set out in a separate report to this meeting.

High Needs Funding

16. The funding of high needs pupils in 2017-18 will continue to be based on the “place-plus” funding model, where the funding for providers is based on two separate elements; a) the place funding and b) a top-up to meet pupil needs. For Local Authority (LA) settings, the home LA pays for the place funding; for the majority of other settings the Education Funding Agency (EFA) pay the setting the place funding. In all settings the LA pays the top up based on actual pupil participation.
17. The Southwark schools funding rates for 2017-18 are the same as for 2016-17. Details of the arrangements for each type of school are set out below.

A) Special School 2016-17 top-up funding rates

| DfE | School | 2017-18 top-up rate |
|------|----------------|---------------------|
| 7007 | Highshore | £13,212 |
| 7048 | Spa | £19,030 |
| 7064 | Newlands | £20,247 |
| 7126 | Haymerle | £18,906 |
| 7167 | Beormund | £17,568 |
| 7174 | Tuke | £19,629 |
| 7186 | Cherry Gardens | £21,634 |

B) Resource Bases and SEN units top up funding rates

| DfE | School | 2017-18 top-up rate |
|------|--------------------------|---------------------|
| 2500 | Redriff | £14,430 |
| 2560 | Snowfield | £14,430 |
| 2858 | Brunswick Park | £14,430 |
| 3670 | Rye Oak | £14,430 |
| 2339 | John Ruskin | £5,688 |
| 2392 | Lyndhurst | £6,746 |
| 3460 | St Johns and St Clements | £8,228 |

C) High Needs Funding in Mainstream Schools

The SEN Funding Review Working Group had recommended to the October 2016 SF a four band top up funding structure for pupils with an Education Health Care Plans (EHCP) to augment the first £6,000 funded by schools from their delegated budget. The new structure would apply from April 2017 for all new cases in Southwark and from April 2018 for existing EHCP pupils to allow for the development of a transition strategy to minimise any funding turbulence. The proposed bands are shown below in the table.

Table: 2017-18 EHCP Top-up Bands

| Band | 2017-18 Top-up Rate |
|------|---------------------|
| 1 | £4,000 |
| 2 | £8,000 |
| 3 | £12,000 |
| 4 | £16,000 |

The EHCP Ready Reckoner identifies the cost of the education support to meet the pupil's needs as identified in the care plan. From this is deducted the £6,000 school contribution leaving a residual amount that falls into one of the cost ranges set out in the table above attracting the appropriate top-up band payment.

The consultation with schools on the four new top up bands closed at the end of December with a broadly positive response with just under half of respondents agreeing with the proposed banding structure and values. A summary of the responses and the accompanying additional comments is provided at Appendix B.

D) Hospital School Funding

Hospital School funding is required by the EFA to be funded in 2017-18 at the same level per place as in 2016-17. The proposed top-up rates are as follows:

| DfE | School | 2017-18 place rate |
|------------|----------------------|---------------------------|
| 7066 | Evelina Hospital | £19,728 |
| 7043 | Bethlam and Maudsley | £25,046 |

E) Alternative Provision - PRU funding

18. Funding will remain the same in 2017-18 i.e. place funding for Alternative Provision (AP) places at £10k per place and a top up of £11k per pupil.

Schools Forum Actions

19. The Schools Forum is asked to note the current position regarding the Formula and is asked to give its views on the available options. This will inform the APT submission to the EFA on 20 January 2017.

Appendix A is the DFE APT template and is an Excel Spreadsheet, locked by the DFE and difficult to print – best done on A3 with shrink to fit – paper copies will be available at the meeting.

Appendix B

Responses to Consultation on New EHCP Top Up Band Structure

The consultation took place over December 2016 through the councils' consultation hub portal. Below is a summary of the responses to be fed back to January SF.

1. Question 1 asked respondents to identify their position/role. 21 individual responses were received broken down as follows:

- a. 6 Headteachers
 - b. 1 Teacher
 - c. 13 SENCOs
 - d. 1 Parent of child with EHCP
2. Question 2 asked respondents to identify their school and 7 confirmed their identity made up of:
 - a. 2 nursery schools
 - b. 5 primary schools
 3. Question 3 asked if respondents agreed with the proposed 4 bands:
 - a. 10 (48%) agreed
 - b. 3 (14%) disagreed
 - c. 8 (38%) were unsure
 - d. Some of the supporting comments were
 4. Question 4 asked if they agreed with the band values:
 - a. 10 (48%) agreed
 - b. 4 (19%) disagreed
 - c. 7 (33%) were unsure
 5. Question 5 asked if they saw any problems introducing the bands for new cases from April 2017:
 - a. 7 (33%) said yes
 - b. 10 (48%) said no
 - c. 4 (19%) were unsure

Respondents comments will be circulated separately.