

NATIONAL FUNDING FORMULA & SCHOOLS BUDGET SETTING 2017-18: UPDATE

To: Cambridgeshire Schools Forum
Date: 14th October 2016
From: Martin Wade - Strategic Finance Manager (Children's & Schools)

1.0 INTRODUCTION

1.1 This report provides an update on the latest announcements on the National Funding Formula and the local schools budget setting issues for consideration for 2017-18, including:

- Revised Baselines for 2017-18
- Local Formula and distribution options.
- Early Years Funding (including 2 year olds and Early Years Pupil Premium)
- High Needs Block
- Centrally Retained Budgets and De-Delegations
- Other Funding/Considerations
- Key Decisions and Timetable

2.0 FUNDING BASELINES FOR 2017-18

2.1 On Thursday 21st July, Justine Greening, the new Secretary of State for Education announced that the implementation of the next stage of the national funding formula would be delayed until 2018-19. The government's full response to the first stage of the schools and high needs consultations and proposals for the second stage will be published in the autumn. A full consultation and final decisions will then be published early in 2017.

2.2 Subsequently, the DfE published finance tables and operational guidance which will inform the budget setting process for 2017-18. Full details can be accessed at:

<https://www.gov.uk/government/publications/schools-funding-arrangements-2017-to-2018>

2.3 As previously reported to Schools Forum the DfE have undertaken a baseline exercise to reflect the actual patterns of spend by each local authority across the three notional funding blocks. Due to the way in which statements of SEN were funded prior to April 2013 and the subsequent requirement for mainstream schools to fund the first £6,000 of each statement a technical adjustment was made in the 2013-14 budget setting process. This has now been reflected in the revised baseline block allocations and the Schools Block per Pupil amounts.

Please note: This is ***not*** additional funding per pupil, but is just a technical adjustment to change the block in which it is initially allocated.

- 2.4 The following tables compare the original funding blocks for 2016-17 as at April 2016 and the revised baselines (excluding 2 year old funding and Early Years Pupil Premium):

Original 2016-17 DSG Funding Blocks	£m
Schools block allocation	£328.05
High needs block allocation	£65.19
Early years block allocation	£21.92
Other (NQT) allocation	£0.11
Total (= 2016-17 DSG allocation)	£415.27

Revised DSG Funding Blocks	£m
Schools Block (Including Growth Fund and Central Spend)	£330.98
High needs block	£61.81
Early years block	£22.48
Total (= 2016-17 DSG allocation)	£415.27

- 2.5 Further to this the DfE have made 2 further adjustments to the 2016-17 baselines:

- Transfer of £125m nationally from the post-16 budget to the High Needs Block – this equates to £0.95m for Cambridgeshire
- Transfer of £117m nationally from the Education Services Grant (ESG) retained duties budget to the Schools Block – this equates to £1.24m for Cambridgeshire. Further implications of changes to the ESG are highlighted in section 5.1 below.

Please note: This is not additional funding per pupil, but is just a transfer of function.

These adjustments result in final baseline figures (excluding 2 year old funding and Early Years Pupil Premium):

Revised DSG Funding Blocks Baseline	£m
Schools Block (Including Growth Fund and Central Spend)	£332.23
High needs block	£62.76
Early years block	£22.48
Total (= 2016-17 DSG allocation)	£417.47

- 2.6 The DfE have then applied current pupil numbers to the revised Schools Block baseline which results in a Schools Block per Pupil allocation of **£4,311.24**.

	2016-17	2017-18
Schools Block per Pupil	£4,257.07	£4,311.24

Again it is important to note that the £54 per pupil increase is not new money and as such there is no inflationary increase in funding which will result in schools having to absorb any associated increases in costs.

Please note: The final actual Schools Block DSG to be received for 2017-18 will be based on October 2016 pupil numbers, and as such will not be notified to the Local Authority (LA) until December 2016.

3.0 LOCAL FORMULA AND PROPOSED DISTRIBUTION

- 3.1 LA's will be required to calculate funding for all academies and free schools through the Authority Proforma Tool (APT) in accordance with the local formula. However, the Education Funding Agency (EFA) will then take into account any previous levels of protection prior to allocating academy budgets. Unlike previous years LA's will not be required to submit an initial APT in October, but will only need to submit the final budgets by the 20th January 2017 deadline.
- 3.2 To attempt to minimise turbulence for individual schools it is proposed to make minimal local changes to the funding formula for 2017-18, however it will be necessary to use the revised datasets from the EFA which will include changes to the IDACI and Secondary Prior Attainment methodology.
- 3.3 The 2015 IDACI dataset used for 2016/17 budget setting showed a markedly different distribution to the previous dataset. Consequently, for 2017/18, the EFA have updated the IDACI bandings so that the proportion of pupils within each band is roughly similar to that in 2015/16. Modelling based on October 15 census data suggests that this will only have a small impact overall for Cambridgeshire schools.
- 3.4 **Secondary Prior Attainment**
- For pupils assessed at KS2 up to 2011, eligible pupils are those who did not reach level 4 in either the English or Maths elements.
 - For pupils assessed from 2011, eligible pupils are those who did not reach level 4 in any of the reading test, teacher assessed writing, or Maths. This reflects the new KS2 English assessment methodology which was introduced in 2012, to include separately a reading test and teacher assessed writing.
 - The 2016 KS2 assessments are the first which assess the new, more challenging national curriculum. At a national level, a higher number of the year 7 cohort in financial year 2017 to 2018 will be identified as having low prior attainment. The DfE intend to use a national weighting to ensure that this cohort does not have disproportionate influence within the overall total.
 - The weighting will be confirmed in advance of finalising 2017 to 2018 allocations and included in the APT in December, having taken into account the latest data about year 7 pupils in the October census. As such we are unable to model the potential impact at this time. On receipt of the data we will not be able to change the weighting, but would be able to adjust the secondary low prior attainment unit value to mitigate any significant turbulence.
- 3.5 Further to this consideration will need to be given to the possible transfer of funds from the Schools Block to support pressures/functions such as:
- Special School Places and Other Specialist Provision (including High Needs Units and Further Education Places) – Subject to confirmation of High Needs Block uplift.
 - Growth Funding

As an indication of the impact of any such transfers every £0.5m moved from the Schools Block equates to an approximate reduction in the Basic Entitlement of £5.40 per Primary pupil, £7.60 per KS3 pupil and £9.90 per KS4 pupil. However the final impact on the Basic Entitlement is dependent on the interaction of all formula factors, including the additional costs associated with the funding of new schools whilst they fill to capacity.

- 3.6 Once any identified pressures have been funded it is proposed to allocate the local formula factors as follows:
- a) Required demographic changes to be calculated based on:
 - i) Changes to overall numbers of schools.
 - ii) Changes in overall pupil numbers to be funded (including variations to pupil numbers for new schools)
 - iii) Changes in overall cost of factors for deprivation, prior-attainment, EAL, LAC, etc due to updated datasets.
 - b) Rates and PFI to be adjusted to reflect latest estimates.
 - c) No proposed changes to local funding factors other than:
 - i) Basic Entitlement to be adjusted based on total available funding (current ratios to be maintained)
 - d) Retained funding to be calculated subject to EFA clarification of duties and guidance on allowable mechanisms.
 - e) Minimum funding guarantee will be dependent on individual school circumstances.

Appendix A shows the available local formula factors alongside the proposed approach and unit values for 2017-18.

Appendix B shows the actual allocation of funding in 2016-17 across the available formula factors.

4.0 HIGH NEEDS BLOCK

- 4.1 In the absence of a revised High Needs distribution formula for 2017/18, no local authority will see a reduction from its 2016/17 funding for high needs, against the baseline figures in 2.5 above. Further to this the EFA have stated that they will “*apply an uplift later in the year*”. As yet we have no indication as to the level of this uplift, (although the equivalent figure in 2016/17 was £1.07m), and EFA advice is for LA’s to use the baseline figures for initial planning purposes.
- 4.2 As the paper on the current in-year DSG position shows there are significant pressures on the High Needs Block due to increasing number of special school places and complexity of need. Therefore any uplift that is received will be required to alleviate this pressure. Consideration will also need to be given to the transfer of funding from the Schools Block should the overall uplift be insufficient to meet the increasing need.
- 4.3 Any increase in the High Needs Block will be to meet the demographic pressures only, there is no intention to increase the overall Top-up rates for mainstream schools and special schools due to constraints on resources.
- 4.4 Alongside this a review is currently being undertaken to develop a consistent approach to funding Top-Up within Further Education (FE) and Post-16 Colleges.
- 4.5 Further guidance on the national approach for High Needs Funding can be accessed at: <https://www.gov.uk/government/publications/high-needs-funding-arrangements-2017-to-2018/high-needs-funding-operational-guide-2017-to-2018>

5.0 EDUCATION SERVICES GRANT (ESG), CENTRALLY RETAINED BUDGETS AND DE-DELEGATIONS

- 5.1 **Education Services Grant (ESG) –**
In the 2015 Spending Review, a saving of £600m from the ESG general funding rate by 2019 to 2020 was announced. As highlighted in 2.6 above there has been a transfer of £117m nationally from the (ESG) retained duties budget to the Schools Block to reflect the removal of the ESG general funding rate, which equates to £1.24m for Cambridgeshire.
- 5.2 Local authorities will receive transitional ESG funding from April 2017 to August 2017 with the general funding rate being removed from September 2017. At this stage levels of transitional protection are yet to be announced with the EFA stating “*We will say more about the transitional protection in respect of the general funding rate later in the year*”.
- 5.3 The EFA recognise that LA’s will need to use other sources of funding to pay for education services once the general funding rate has been removed. The split of former ESG duties to be funded from centrally retained schools block funding (for all pupils including academies) and those that can be retained for maintained school pupils only will be set out when the EFA consult on the schools and early years finance regulations later this year.
- 5.4 On receipt of the definitive list of functions and duties the required levels of retained funding will be calculated and presented to Schools Forum for approval – subject to the approval process being confirmed.

5.5 **Centrally Retained Funding -**

As a result of changes announced by DfE in 2012, the finance regulations restrict a number of central schools block lines (capital expenditure funded from revenue, combined budgets, termination of employment costs, prudential borrowing and miscellaneous purposes (provided the expenditure does not amount to more than 0.1% of the authority's schools budget) to historic commitments no higher than the budgets set in 2012, unless a disapplication is approved by the Secretary of State. The table on the following page lists those that apply to Cambridgeshire and the amounts allocated in 2016-17:

Service/Function	2016/17 Amount	Comments
Growth Fund	£2,000,000	Can be increased with Forum approval – revised demographic forecasts required.
Falling Rolls Fund	£0	Falling roll fund only applies to good and outstanding school where growth is expected within 3 years.
Infant Class Size Requirement	£0	Overall cost deemed too high to put in place – complex to administer.
Back-pay for equal pay claims	£0	No expenditure in this category
Remission of boarding fees	£0	No expenditure in this category
Places in independent schools for non-SEN pupils	£0	No expenditure in this category
Admissions	£404,757	No increase in expenditure allowed – unless disapplication approved by SoS
Servicing of Schools Forum	£3,000	No increase in expenditure allowed – unless disapplication approved by SoS
Capital Expenditure from Revenue	£1,537,540	Includes CPSN Contract
Contribution to Combined Budgets	£4,312,208	As previously agreed by Schools Forum – reduced from previous levels.
Existing Termination of Employment Costs	£0	No expenditure in this category
Schools Budget Funded Prudential Borrowing Costs	£0	No expenditure in this category
Schools Budget Funded SEN Transport Costs	£0	No expenditure in this category

- 5.6 As reported to Schools Forum in April the EFA required the LA to submit details of planned spend for 2017-18 across six sections reflecting specific expenditure lines from the Section 251 return.

Section 251 Budget Line	2016/17 Budget	Description
1.4.1 Contribution to combined budgets	£4.31m	£3.53m – contribution to Children’s Services £0.73m – Early Intervention Family Worker (previously Parental Support Advisors), £0.05m – Residual CPH Funds and EPM Contract
1.4.4 Termination of employment costs	Nil	
1.4.6 Capital expenditure from revenue (CERA)	£1.54m	£1.46m – Cambridgeshire Public Services Network (CPSN) Broadband Contract, £0.08m – Tree Maintenance
1.4.7 Prudential borrowing costs	Nil	
1.4.9 Equal pay - back pay	Nil	
1.4.12 Exceptions agreed by Secretary of State	£0.4m	National Copyright Licence arrangements

- 5.7 Following support from Schools Forum to continue the ongoing arrangements in respect of existing contracts and the contribution to Children’s Services, Early Intervention Family Workers and Tree Maintenance into the 2017/18 financial year a submission was made in May. However, the LA is still awaiting confirmation from the EFA as to which of the expenditure lines will be approved to continue into 2017/18. Until this approval is received there is significant risk to the associated funding and as such a further update will be presented at the December meeting of Schools Forum.

5.8 **De-Delegations**

Primary Head Teacher representatives will be asked to consider the de-delegations methodology and proposed approach for 2017-18 which apply to maintained primary schools only and cover:

- i) Cambridgeshire Race Equality Advisory Service (CREDS)
- ii) School Leaders & Governors Online Information Service
- iii) Free School Meals Eligibility
- iv) Trade Union Facilities Time
- v) Insurance (Material Damage, Theft, Public Liability)
- vi) Maternity Cover
- vii) Contingency

The current values and total estimated de-delegation for 2016/17 is set out below:

Service	2016/17 Basis	2016/17 Estimated Total*
Cambridgeshire Racial Equality and Diversity Service (CREDS)	£3 per pupil and £160 per EAL	£726,171
School Leaders & Governors Online Information Service	50p per pupil and £307 per school	£69,678
Free School Meals	£4.65 per FSM child	£16,828
Insurance	£18.20 per pupil	£793,598
Trade Union	£1.10 per pupil	£42,525
Maternity	£5.90 per pupil	£226,437
Contingency	£2.10 per pupil	£80,596

*Final amounts subject to change due to academy conversions

- 5.9 Revised amounts will be calculated on receipt of updated pupil data and presented at a future Schools Forum meeting for approval.

6.0 OTHER FUNDING / CONSIDERATIONS

6.1 Grants

Additional Grants for the following areas will be confirmed in due course:

- Pupil Premium - <https://www.gov.uk/guidance/pupil-premium-information-for-schools-and-alternative-provision-settings>
- Universal Infant Free School Meals (UIFSM) - <https://www.gov.uk/government/publications/universal-infant-free-school-meals-uifsm-funding-allocations-2016-to-2017>
- Primary PE and Sports Premium - <https://www.gov.uk/guidance/pe-and-sport-premium-for-primary-schools>
- School Capital - Devolved Formula Capital (DFC) - <https://www.gov.uk/government/publications/capital-allocations>

6.2 Rateable Values

On 1st April 2017, new rateable values will be implemented, based on based on a valuation date of 1st April 2015, and as a result most schools are likely to experience a change in their business rates.

Draft rateable values were published online by the Valuation Office Agency (VOA) on 30th September, but further work is required to quantify the total impact for all Cambridgeshire schools. Any increase in the total cost will be funded through initial budget allocations, so although not a direct cost to individual schools, will be a pressure on the overall distribution total.

Alongside this, any in-year changes for maintained schools will now be retrospectively adjusted as part of the annual budget setting process.

6.3 Apprenticeship Levy

The apprenticeship levy will impact on all UK employers with a pay bill of over £3 million per year. This includes maintained schools, academies and multi-academy trusts. The levy payable is equivalent to 0.5% of their payroll, but each employer will receive an annual allowance of £15,000 to offset against the required amount.

This means that employers with pay bills of £3 million and under will not pay any levy because 0.5% of £3 million is equal to the £15,000 allowance and an employer with a £5 million payroll would have to pay £10,000, which is their £25,000 charge at 0.5% of their payroll, minus the £15,000 allowance.

Work is currently underway to fully understand the implications for maintained schools and as such will be communicated in due course.

7.0 KEY DECISIONS AND TIMETABLE

7.1 Schools Forum will be consulted on the main formula funding factors and movements between funding blocks, but the final decision sits with the Local Authority and will be subject to approval by the Children and Young Peoples (CYP) Committee. Schools Forum will be required to approve the following:

- Revised Growth Criteria for Primary and Secondary Schools (Maintained and Academy) –Updated policy to be presented for approval.
- Revised New School Funding Policy - Updated policy to be presented for approval.
- De-Delegations for Maintained Primary – Final proposals will be presented at a future Schools Forum meeting for approval.

7.2 The table below shows the key dates in the budget setting process:

Date	Action
6 October 2016	School Census Day
14 October 2016	Schools Forum
26 November 2016	School Census database closed.
30 November 2016	Deadline for submitting requests for: <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factors • lump sum variations for amalgamating schools • pupil number variations
6 December 2016	CYP Committee (Reserve Date)
Mid-December 2016	DfE to publish pupil data and factors and confirm Schools Block and High Needs Block allocations for 2017 to 2018 (prior to academy recoupment). Publication of provisional early years block allocations
14 December 2016	Schools Forum
17 January 2017	CYP Committee
20 January 2017	Local authorities submit final data for Schools Budget pro-forma.
27 January 2016	Schools Forum
January – February 2017	Local authorities confirm budgets for maintained schools (28 February).
31 March 2017	EFA confirm general annual grant to academies open by 9 January 2017
April 2017	First DSG payments to local authorities based on 2017 to 2018 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions).
June 2017	Early Years Block updated for January 2017 Early Years pupils.
June 2018	Early years block updated for January 2018 early years pupil numbers (pro rata 7/12ths as this relates only to the period September 2017- March 2018).

7.3 The Schools Forum meeting in December and CYP Committee meeting in January will be key for gaining final approval prior to budget setting.

7.4 Members of Schools Forum are asked to note and comment on the contents of the above report.

Background documents: none

Appendix A

Number	Formula Factor	Cambridgeshire Approach for 2016/17	Primary Values 2016/17	Secondary Values 2016/17
1	Basic Entitlement	Equal Value for KS1 & KS2, Different Value for KS3 & KS4 - 16/17. Uplifted based on total available funding - final values dependent on all other factors	£2,721	KS3 £3,838 KS4 £4,989
2	Deprivation - Free School Meal (FSM)	To be used as part of the deprivation funding. Free meals as at the previous October census.	£600	£600
2	Deprivation - Income Deprivation Affecting Children Index (IDACI)	To be used as part of the deprivation funding. Bandings shown below.		
		IDACI Lower and Upper Limit	Unit Value	Unit Value
		Band 0 - 0.0-0.2	£0	£0
		Band 1 - 0.2-0.25	£220	£220
		Band 2 - 0.25-0.3	£500	£500
		Band 3 - 0.3-0.4	£500	£500
		Band 4 - 0.4-0.5	£750	£750
		Band 5 - 0.5-0.6	£750	£750
		Band 6 – 0.6-1	£750	£750
3	Prior Attainment - Primary Phase Low Attainment	New Profile for Y1 & Y2 and EYFSP score below 78 points mapped to October 14 Census for pupils in Y3 to Y6.	£750	n/a

Number	Formula Factor	Cambridgeshire Approach for 2015/16	Primary Values 2016/17	Secondary Values 2016/17
3	Prior Attainment - Secondary Phase Low Attainment	To be applied to pupils scoring below level 4 in either English (reading or teacher assessed writing elements) or Maths at KS2	n/a	£420
4	Looked After Children (LAC)	To be applied to qualifying pupils recorded as LAC as at March 2014 mapped to January 2014 Census	£750	£750
5	English as an Additional Language (EAL)	To be funded for the 1st, 2nd or 3rd year in the education system	£750	£750
6	Mobility	Not to be applied due to concerns over data quality	n/a	n/a
7	Sparsity	Not to be applied. Limitations on usage limit benefits to Cambridgeshire schools	n/a	n/a
8	Lump Sum	Lump Sum to be set at £150,000 for all Primary and Secondary Schools	£150,000	£150,000
9	Split Site Lump Sum	Local Criteria (Appendix B) - Lump Sum	£50,000	£50,000
10	Rates	To fund schools based on latest estimates available. Any changes to be retrospectively amended a year in arrears	Variable	Variable
11	Private Finance Initiative (PFI)	To be funded based on actual cost to be revised annually - Revised amount to be calculated	n/a	Variable
12	London Fringe	Does not apply to Cambridgeshire Schools	n/a	n/a
13	Post-16	Not to be applied. Have not previously funded.	n/a	n/a
14	Exceptional Premises	To fund specific schools where additional exceptional premises costs previously met by the LA	Variable	Variable

Appendix B

2016/17 Formula Distribution

Factor	Primary £	Primary %	Secondary £	Secondary %	Total £	Total %
Activity Funding	133,733,678	71.74%	122,010,105	89.76%	255,743,783	79.34%
School Lump Sum	31,075,000	16.67%	4,800,000	3.53%	35,875,000	11.13%
Split Site Lump Sum	50,000	0.03%	0	0.00%	50,000	0.02%
Amalgamated Schools Lump Sum	105,000	0.06%	0	0.00%	105,000	0.03%
Rates	3,021,573	1.62%	1,033,873	0.76%	4,055,446	1.26%
PFI	0	0.00%	215,120	0.16%	215,120	0.07%
Exceptional Premises	84,500	0.05%	0	0.00%	84,500	0.03%
Prior Attainment	6,606,998	3.54%	2,831,926	2.08%	9,438,924	2.93%
Deprivation (FSM)	2,853,232	1.53%	1,578,530	1.16%	4,431,762	1.37%
Deprivation (IDACI)	5,017,139	2.69%	2,455,639	1.81%	7,472,778	2.32%
LAC	103,203	0.06%	101,802	0.07%	205,005	0.06%
EAL	3,489,712	1.87%	501,936	0.37%	3,991,648	1.24%
MFG Adjustment	266,387	0.14%	401,481	0.30%	667,868	0.21%
	186,406,422	100.00%	135,930,412	100.00%	322,336,835	100.00%