

BRIEFING PAPER

SUBJECT: Updates to School Funding Formula 2016-17
DATE: 23rd September 2015
RECIPIENT: Schools Forum

THIS IS NOT A DECISION PAPER

SUMMARY:

This paper provides an update on school funding formula for 2016/17 on the basis of information provided by DfE. The forthcoming Spending Review (not expected until October at the earliest) will set out further detail on key schools priorities and confirm funding levels for other grants and programmes.

In July 2015 the government announced that it was committed to further moves towards a fairer funding system, the details of which will not be known until after the autumn spending review. The earliest any changes could be introduced is for the 2017-18 financial year.

RECOMMENDATION:

- (i) Note the proposals.

REASONS FOR REPORT RECOMMENDATIONS

1. To update school forum on the latest information published by DfE on school revenue funding 2016/17.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None

BACKGROUND and BRIEFING DETAILS:

3. The forthcoming Spending Review (not expected until October at the earliest) will set out further detail on key schools priorities and confirm funding levels for other grants and programmes.

The Education Funding Agency's Operational Guide has been published, to allow councils to start consulting with their schools on how the funding should be distributed in their area. Local authorities will submit their schools funding formula to the DfE in October 2014 (in draft form) and January 2015 (in final form).

However, in light of the Spending Review and any consequent changes to the School Finance Regulations, the Operational Guide may have to be updated and councils may have to review the planning and modelling they have undertaken.

Final funding allocations to each authority will be made in December, in line with the latest data on their pupil numbers

4. It remains the case that a school in one part of the country can receive over 50% more funding than an identical school in another part of the country. The Government is committed to making schools and early education funding fairer and will put forward proposals in due course.
5. Changes implemented in 2015/16 to the funding formula will continue into 2016/17. These changes have made a significant move towards funding being allocated based on the needs of pupils.
6. The basis for allocation of funding will be as follows:
 - The schools block per pupil unit of funding in 2016 to 2017 will be the same value as in 2015 to 2016. Those local authorities which received an uplift as a result of minimum funding levels (MFLs) will see that funding included in their base rate and the adjustments to include funding for former non-recoupment academies will also be consolidated
 - The £390m fair funding increase in 2015/16 will be baselined into budgets, continuing into 2016/17 and beyond
 - The early years block per pupil unit of funding in 2016 to 2017 will be confirmed after the spending review and will continue to be based on participation
 - The high needs block funding will also be confirmed after the spending review. In the meantime, local authorities are advised to assume that it will remain at the same overall level as in 2015 to 2016
 - DfE in-year cuts (£450m) – using capital and revenue sources. No impact on local government likely.

Authorities will continue to have flexibility to move funding between the blocks, provided that they comply with requirements on the minimum funding guarantee (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 the regulations.

7. The following elements are also expected in 2016/17, but will not be confirmed until after the Spending Review:
 - There will be no change to the allowable funding factors through which local authorities can allocate funding in 2016/17
 - The Minimum Funding Guarantee will continue at 1.5%, which means that no school or academy can lose more than 1.5% of its per pupil pre-16 funding as a result of changes to the local funding formula
8. As there are no material changes to the proposed schools revenue funding in 2016/17, it is proposed not to change to the structure of Southampton's formula. The objective, subject to affordability, would be to retain the existing funding rates of each of the formula factors unless these had to change due to the introduction of a national funding formula. School funding allocations would vary only as a result of:
 - Data changes, for example, number of pupils in each key stage, Free School Meals and so on; and/or
 - The impact of the minimum funding guarantee and caps on those schools that gain under the formula which fund schools protected by the MFG.

9. The arguments in support of doing nothing and keeping the formula the same include:
- The government is planning to introduce a national funding formula so changing things now could mean that we move in the wrong direction and have to unpick it all in future years
 - Funding Stability: schools know what funding they are going to get and they can plan ahead
 - Implementing change against a background of real terms reductions is not the best time to implement alterations to the formula.

10. High Needs

There is no indication of any increases in the high needs block of funding for 2016-17. This will create extra pressures in 2016/17 in this area. These cost pressures are being closely scrutinised and a further report on special schools funding review will be made to the October meeting of the Forum.

11. Early Years: 2 year olds

In 2015/16 funding for LAs has moved to a participation basis, with the count being a hybrid (January and October census) and not in line with 3 and 4 year old counts (January census). This will mean that the October census is crucial to securing the necessary funding. Authorities continue to lobby the DfE regarding funding rates as a lower rate will impact on the sufficiency of providers.

12. Early Years: 3 and 4 Year olds

The current 3 and 4 year old allocation will be updated retrospectively to account for the January 2016 census. The allocation is currently based on January 2015 census. There is a potential risk that from 2016/17 if the census begins to decrease year on year the resulting effect will be a reduction in DSG allocation, and direct childcare expenditure. If this happens there will be considerable pressure in relation to the early years block for qualifying services (such as high needs early years places etc).

The DfE are in the process of reviewing Early Years funding rates nationally due to concerns raised by the PVI sector over sustainability. The results of the consultation will be available in autumn 2015. Southampton has contributed to this consultation. A pilot for extended 30 hour per week childcare placements will commence from September 2016 for participating authorities.

Appendices/Supporting Information:

None

Further Information Available From:

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