

School Funding for 2016/17

Introduction

This report forms part of the annual process of review and submission between the Authority, the Schools Forum and the Education Funding Agency (EFA) in respect of our proposals around schools funding for 2016/17. The main purpose of this October cycle is to identify to the EFA any changes proposed in individual funding blocks or units or any proposed changes to our centralised budget approaches. It also enables the EFA and Schools to be clear where the Authorities intentions lie in regards to the next years funding approaches.

Background

Forum will recall that in 2015/16, former Non Recoupment Academies (NRAs) were brought into the local authorities' Dedicated Schools Grant (DSG). It will recall that we had a vigorous discussion around the planned increase and initial lack of financial resource in relation to our NRAs. This position was resolved to compensate the Local Authority, however, due to the structured approach required as part of the budget setting process, the forum will need to reconfirm one of these decisions to enable the Authority to submit this year's pro-forma.

The budget setting process is designed to ensure that Local Authority approaches are consistent and in line with both Forum and ultimately Governments expectations. As time progresses, more and more standardisation is being developed to help nationally move towards a more homogenised approach to individual school funding. This will ultimately facilitate further conversations and consultations around a National Funding Formula.

2016/17 Budget Setting Process

Non Recoupment Academies (NRAs)

2015/16 was the first year of change and the approach taken was a singular cash sum added to each Local Authority's 2015/16 DSG allocation, to fully compensate for the schools funding levels. At this stage in the cycle last year, we had significant challenge due to the growing rolls of several of these schools. We discussed the impact of these and successfully lobbied and received additional funding to fully compensate our schools block.

For 2016/17, the EFA have again made changes to their approach. Their strategy is to mainstream the funding for both NRAs and other schools within a local authority school block into a single unit of funding. Whilst this will make future funding for the EFA easier, in LBHFs case, further discussion with EFA is required as the NRAs average unit of funding is higher, at £6,961.85 than the £6,240.96 applicable in our

school block. The simple rationale for the different levels is the predominance of secondary pupils in the NRA group. As these schools continue to increase in rolls, the lower smoothed unit funding rate in the current approach could potentially create some small financial pressures.

The approach for 2016/17 to consolidate the funding levels is set out below:

- (Step 1) The 2015/16 schools block funding allocations prior to deductions for recouplement academies plus the 2015/16 NRA cash addition
- (Step 2) The 2015/16 total schools block pupil numbers plus the number of funded pupils in the NRAs for 2015/16.
- Dividing the total schools block funding amount for 2015/16 [Step 1] by the total schools block pupil numbers [Step 2] and rounded to the nearest whole number.

The calculation for Hammersmith & Fulham is shown in the table below:

Table 1 - Calculation of the 2016/17 (SBUF) Settlement					
	A	B	C	D	E
	Schools Block	SBUF	NRA	Pupil Numbers	Funding
2015/16	LBHF orig school block	£6,240.96		13,745	£85,781,995
	NRA	£6,961.85		2,475	£17,230,577
	Total Funding in 2015/16			16,220	£103,012,572
2016/17	New unit of funding as calculated by total funding divided by total pupil numbers	£6,350.96			

Forum are approached to note the table and the potential small financial risks moving forward. Officers will feedback to the January Forum with an update on the EFA's views on the final unit of funding.

Schools Block Funding 2016/17 Process

Delegated Funding to Schools

The process requires our proposed delegated funding to schools to be reported to the EFA on the combined modelling tool and pro-forma and the Authority Pro-forma Tool (APT). EFA will then calculate the academy budgets based on the formula set out in the pro-forma.

Forum must approve the Authority Pro-forma Tool, to allow the authority to submit to the EFA by 30th October 2015, to allow them to check for compliance with regulations.

There are no increases or fundamental changes proposed by government to funding for 2016/17, beyond the adjustment for NRAs discussed earlier in this report and at this stage the authority has no significant changes planned. It is proposed to use the funding rates set out in Table 2 which are exactly the same as 2015/16 to complete the authority pro-forma.

If Forum wish to change rates following the October census or further pressures in specific areas we can revisit this in future forums.

		Number	Rate	Funding
Basic Entitlement	Primary	9,734.50	£3,564.86	34,702,130
Basic Entitlement	Secondary	6,544.00	£5,163.86	33,792,300
FSM6	Primary	4,235.05	£1,010.55	4,279,730
FSM6	Secondary	2,957.89	£1,709.62	5,056,868
IDACI Band 1	Primary	463.93	£600.00	278,358
IDACI Band 2	Primary	640.89	£650.00	416,579
IDACI Band 3	Primary	1,426.86	£700.00	998,802
IDACI Band 4	Primary	1,601.95	£750.00	1,201,463
IDACI Band 5	Primary	1,497.15	£800.00	1,197,720
IDACI Band 6	Primary	2,170.62	£850.00	1,845,027
IDACI Band 1	Secondary	302.17	£850.00	256,845
IDACI Band 2	Secondary	434.04	£900.00	390,636
IDACI Band 3	Secondary	974.15	£950.00	925,443
IDACI Band 4	Secondary	995.91	£1,000.00	995,910
IDACI Band 5	Secondary	937.05	£1,100.00	1,030,755
IDACI Band 6	Secondary	1,172.44	£1,150.00	1,348,306
Looked After Children	All	47.61	£800.00	38,088
English as An Additional Language (EAL3)	Primary	2,683.58	£290.83	780,466

English as An Additional Language (EAL3)	Secondary	357.56	£707.10	252,831
Mobility	Primary	97.90	£250.00	24,475
Mobility	Secondary	23.20	£250.00	5,800
Prior Attainment	Primary	2,758.23	£593.15	1,636,044
Prior Attainment	Secondary	1,139.73	£686.16	782,037
Lump Sum	All	48	£100,000.00	4,800,000
Split Sites				32,741
Rates				661,889
Historical Sixth Form Funding				706,610
MFG				466,208
Total Funding for Schools Block Formula				98,904,058

The difference between the provisional 2016/17 settlement and the funding to schools is ultimately available for the de-delegated and centrally retained schools block services. As previously discussed at forums this budget continues to be under pressure and options around future viability of services in this category will be presented to the January School Forum.

There are currently financial and service pressures around:

- The centrally retained services (due to continued Academisation)
- SEN (due to volume and price pressures)
- Continued pressures on schools on external (goods and services) and internal (incremental drift and potentially National Insurance changes) costs
- Ongoing funding for the growth in academies, maintained and free schools

The January Forum will further discuss the impact of these and potential mitigation strategies.

In order to submit the APT, we have used the NRA numbers already approved for 2015/16. Unfortunately, the ATP tool uses October 2015 numbers as a baseline, therefore, Forum formally need to confirm that we need to increase these from the initial tool provided to the Authority, to the real numbers subsequently agreed by EFA. The authority will work with the effected schools to finalise the growth numbers individually for 2016/17 in preparation for the January Forum.

Table 3 - Non Recoupment Academy Numbers in APT			
	Funded pupil Numbers in 2015/16	Pupil Numbers used in APT as starting point for 2016/17	Original Numbers in 2016/17 Model
Fulham Boys Schools	145	145	75
West London Free School	545	545	475
West London Primary Free School	155	155	120
Earls Court Primary	47.5	47.5	30
Hammersmith Academy	551	551	481
Ark Conway	157	157	122
Total	1600.5	1600.5	1303

Recommendation – Forum to confirm that the Authority uses the 2015/16 numbers for NRAs in its 2016/17 APT model as set out in Appendix 1 and submit to the EFA.

Early Years Block

This continues to be based on participation and will be announced after the spending review.

High Needs Block

This block also assumes 2015/16 funding levels and is to be revised post spending review. This area continues to have volume pressures and these are especially focused on post 16 where the national funding approach would appear slightly disjointed from the national educational strategy of supporting learners up to 25. We are currently in the process of preparing and submitting funding data to the EFA and will update at the January Forum.

Areas of Local prioritisation through centrally retained budgets

Local Authorities are allowed to retain funds for specific local priority issues within a prescribed set of rules and regulations as set out by the EFA. Clearly these funds have impact on individual schools and reflect, usually, cheques and balances that Forums feel support its local circumstances. The three key areas are identified below:

Targeted support above the notional SEN budget

The guidance indicates that targeted support can be provided where there is a disproportionate number of pupils with a type of SEN that is not reflected in the local formula, even where their needs are less than the £6,000 threshold. Criteria for allocating such support should be clear and as simple as possible and should apply

to a minority of the authority's schools (the formula should address the majority) and should avoid creating perverse incentives.

We currently feel that our funding approach around Special Needs is not disadvantaging specific groups, although a further extension of the "Decoupled" Funding would potentially require a more creative approach.

For Forums information specific examples recommended by the EFA are provided in Appendix 2.

Growth Criteria

The guidance indicates Local authorities may top slice the DSG in order to create a growth fund to support schools, which are required to provide extra places in order to meet basic need within the authority, including pre-opening, diseconomy and reorganisation costs. The growth fund may not be used to support schools in financial difficulty.

Compliant criteria would generally contain some of the features set out below:

- Support where a school or academy has agreed with the authority to provide extra classes in order to meet a basic need (either as a bulge class or on-going commitment)
- Additional support where a school has extended its age range
- Support where a school has temporarily increased its roll by X more pupils in agreement with the local authority and
- Pre-opening costs / initial equipping allowance / diseconomies of scale allowance for new maintained schools and recoupment academies; including new academies where school is opening in response to basic need.

Methodologies for distributing funding will include:

1. A lump sum payment with clear parameters for calculation usually based upon the estimated cost of making additional provisions for a new class or estimated start-up costs.
2. £x per pupil (usually based on AWPU) and reflecting the proportion of the year which is not funded within the schools budget (currently used by LBHF)
3. £x per pupil, with a maximum ceiling.

Appendix 2 contains examples of growth funding used in Ealing, Solihull, Staffordshire and Worcestershire. The growth funding paid to Hammersmith & Fulham schools is very similar to the Worcestershire model.

Our approach is:

Additional funding is provided as a lump sum to a school based on $7/12^{\text{ths}}$ of the pupil numbers expected multiplied by AWPU for that phase provided that:

- The LA have approved the extra capacity
- The LA have requested the extra capacity
- The EFA have approved / requested the extra capacity and are providing funding

This ensures the school is provided with sufficient funding to develop the offer for students.

Falling Rolls Criteria

The guidance allows Local Authorities to top slice the DSG in order to create a small fund to support good schools with falling rolls, where local planning data show that the surplus places will be needed in the near future. Compliant criteria would contain some of the features set out below:

- Support is available for schools judged Good or Outstanding at their last OFSTED inspection (note this is a mandatory requirement)
- Surplus capacity exceed x pupils or x% of published admission numbers
- Local planning data shows a requirement for at least x% of surplus places within the next x years
- Formula funding available to the school will not support provision of an appropriate curriculum for an existing cohort
- The school will need to make redundancies in order to contain spending within its formula budget

Methodologies for distributing funding could include:

- £x per vacant place, up to a specified maximum places (based on AWPU)
- A lump sum payment with clear parameters for calculation such as the estimated cost of providing the curriculum or estimated salary equivalent to the number of staff who would otherwise be made redundant.

Some examples include:

1. Devon – Schools judged Good or Outstanding, reduction in numbers when comparing to previous October census that resulted in substantial disruption to provision of education in the school. Admissions demographic data evidences the reduction is temporary, the school roll includes at least 80% of pupils that live within the area. Reduction due to pupils migrating to other schools is not eligible.
2. Dorset – Schools must be graded Good or Outstanding by OFSTED on the date of approval for normal year of transfer (years 3,5,7 and 9 depending on whether infants, junior, primary middle, secondary or upper school) Surplus capacity in affected year groups exceeds 24 pupils or 20% of the expected number of pupils (whichever is lower) based on the average of the January census figure for the normal transfer for the previous 5 years.

3. Having – good or outstanding OFSTED at their last inspection plus surplus capacity as the October count date exceeds 15% of the published admission number in the following year groups:

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
Year Group	7	7 & 8	7,8, & 9	7,8,9,& 10	7,7,9,10 & 11

Local planning data shows a requirement for at least 90% of surplus places within the next 5 years, formula funding will not support provision of appropriate curriculum of the existing cohort and the school will need to make redundancies in order to contain spending within its formula budget.

Funding is distributed as follows: 85% of the appropriate AWPU x vacant places below 85% of the PAN

Other examples included in Appendix 2 includes Hertfordshire and Portsmouth.

In LBHF, the Forum asked us to review and implement a falling rolls policy, historically our approach was that we would:

- Fund 5/12^{ths} of the difference between the previous year's AWPU and the following years AWPU to enable the school to maintain its staffing structure until the end of the academic year. This calculation is made before the minimum funding guarantee is applied as that protects the school for broader changes too.

This approach would still appear fair and is recommended as the policy to adopt as it is simple and ensures schools with roll challenges have protection. The EFA prescription is that this can only apply where schools are rated Good or Outstanding and Forum's views about sympathy towards schools not in those categories should be shown.