

SHROPSHIRE SCHOOLS FUNDING FORMULA 2017-18

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1. Summary

On 21 July 2016 the Department for Education (DfE) announced that the funding arrangements for schools in 2017-18 will remain broadly similar to those for the current year. The announcement included reference to the Government's latest plans for implementing a national fair funding formula for schools - the timeline has slipped and implementation is now planned for 2018-19 rather than 2017-18.

Shropshire Schools Forum, at their meeting on 15 September 2016, noted the revised timescale for implementation of a new national funding formula for schools and agreed the school funding arrangements for 2017-18.

The Education Funding Agency (EFA) require the proposed formula to be politically approved by Members by mid-January 2017. This paper therefore sets out the proposals agreed by the Shropshire Schools Forum for Cabinet approval.

A further announcement was made on 1 December 2016 on the schools funding arrangements for 2017 to 2018, which has significant implications for the funding of a number of statutory local authority support services for maintained schools, through planned changes to the allocation of Education Services Grant (ESG). This paper briefs Cabinet on these planned changes and their implications.

2. Recommendations

That Cabinet:

- accept the recommendation of Shropshire Schools Forum on the funding formula for Shropshire schools for the financial year 2017-18 for maintained schools, and the academic year 2017-18 for academies
- note the changes to the allocation of ESG to local authorities in 2017-18 and the potential implications.

REPORT

3. Risk Assessment and Opportunities Appraisal

The 21 July 2016 DfE announcement that there are no planned changes to the schools funding formula for 2017-18, means that there was no requirement to formally consult with maintained schools and academies on this aspect of schools funding.

The Government's announcement on 1 December 2016 on planned changes to the ESG received by local authorities, however, has far-reaching implications for both local authority support services for schools, the way in which schools are funded in 2017-18 and access to education support services.

There is no time to formally consult with schools ahead of the local authority requirement to submit an Authority Proforma Tool (APT) to the EFA by 20 January 2017, confirming the schools funding formula for 2017-18. This is a risk, as the formula and therefore school budgets are likely to be impacted upon by the planned removal of ESG.

4. Financial Implications

The announcement on 1 December of the removal of the ESG general funding rate for local authorities will result in a full year loss of £1.946 million of local authority funding to support statutory work in support of schools. While local authorities will be able to offset some of this loss of funding via a new separate grant to cover their statutory intervention functions and services (such as monitoring and commissioning school improvement support), this will only cover part of the grant loss.

The DfE is proposing that local authorities will be able to fund services previously underwritten by the ESG general funding rate (for maintained schools only) from maintained school budget shares with the agreement of maintained school members of the Schools Forum.

A Schools Forum Task & Finish Group has been established to appraise the options available, but have limited delegated authority to make key decisions affecting school budgets without the opportunity to consult with their peers from across the whole school community. The lateness of the DfE announcement, together with the requirement to submit the APT by 20 January 2017, means there is limited opportunity to do this.

5. Background

Shropshire Schools Forum has a statutory consultative and advisory role in respect of school funding, while the responsibility for determining and approving the funding formula rests with the local authority. The EFA require formal political approval of the schools funding formula, hence why this paper has been brought to Cabinet.

The Government allocates Dedicated Schools Grant (DSG) funding to local authorities on an annual basis. While an element of this funding is centrally retained – in line with DSG financial regulations - the vast majority is distributed to schools via a local funding formula. This formularised element of DSG is called the Individual Schools Budget (ISB).

6. School Funding Arrangements for 2017-18

In the announcement on 21 July 2016, the Government has confirmed that for 2017-18 no local authority will see a reduction from their 2016-17 per pupil funding on the schools block of the DSG or the cash amount of the high needs block.

At their meeting on 15 September 2016, Schools Forum considered and noted a report on these proposals, which highlighted there was little or no change – at this point - to the funding arrangements for schools (report attached at Appendix A).

The Government's announcement on 1 December 2016, with further details on the proposals for removing the ESG general funding rate, came after Forum received their report and so they have not had the opportunity to be consulted on or properly consider the impact on school budgets resulting from these plans. Forum established a Task & Finish Group at their meeting on 24 November 2016 to consider the issues, once Government guidance was released.

7. Removal of ESG in 2017-18

In the 2015 Spending Review the Government announced a saving of £600 million by removing the ESG general funding rate from 2017-18. As part of the first stage of the consultation on the introduction of a national fair funding formula, they indicated their intention to provide transitional funding from April to August 2017, before removing it completely in September 2017.

The ESG allocation for Shropshire in 2016-17 is detailed below:

	Per Pupil Rate	Total ESG
Retained duties rate	£15	£0.558 million
General duties rate	£77	£1.946 million
Total ESG Allocation		£2.504 million

It is the general duties rate of £77 that is being removed from local authorities. Academies will continue to receive the general duties rate ESG and will be protected to limit the reduction to their funding as a result to changes to ESG. The first stage of the consultation on the introduction

of a national fair funding formula stated that there are plans to 'unwind this protection by 2020' for academies.

Taking into account the transitional funding available from April to August 2017, the loss of general duties ESG in 2017-18 is estimated to be £1.4 million.

The guidance received on 1 December 2016 provides details on the ESG duties, both retained and general – Appendix B to this paper includes an extracted table from the guidance listing these duties.

School improvement is not included in the appended table. The Government has reported that local authorities will receive a separate grant 'covering their statutory intervention functions and services such as monitoring and commissioning school improvement support'. The grant will be £50 million nationally in a full year. At the time of writing, the allocations for local authorities have yet to be announced.

The options available to local authorities in recouping the lost ESG funding across the various support services are:

- to retain schools block funding for certain support services prior to the school budget shares being determined, effectively 'top-slicing' DSG – as this will only affect maintained schools, this will result in different formulas for maintained schools and academies
- to de-delegate funding for maintained schools after the budget shares have been determined – this option is only available for school improvement services
- to establish Service Level Agreements to allow maintained schools to 'buy-back', from September 2017, statutory education support services previously funded by ESG.

There is the option to cease providing some of these services, requiring schools to secure this support from other sources.

Each of the options outlined above will have a significant impact on all maintained schools, while having little impact on academies, who will continue to receive their allocation of ESG for general duties. They will add cost pressures for maintained schools, over and above those already being faced.

The Schools Forum Task & Finish Group meet on 12 January 2017 to consider proposals on how to address the loss of ESG general duties funding and will be asked to make a number of important decisions on behalf of all maintained schools. While the full Schools Forum will meet on 19 January 2017, there will be no opportunity to amend the decisions of the Task & Finish Group, as the APT confirming the schools funding formula for 2017-18 has to be submitted to the EFA by 20 January 2017.

A verbal update on the options considered and the decisions taken will be provided at the Cabinet meeting on 19 January 2017.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Report 10 December 2014: Shropshire Schools Funding Formula 2015-16
Schools Forum website - <http://shropshire.gov.uk/schools/shropshire-schools-forum/>

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All Council members

Appendices

Appendix A - Schools Forum 'School Funding 201' report, 15 September 2016

Appendix B – Extract from Schools revenue funding 2017 to 2018 – Operational guide – Updated November 2016