



<u>Committee and Date</u>	<u>Item</u>
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SHROPSHIRE SCHOOLS FUNDING FORMULA 2016-17

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1. Summary

In July 2015 the Department for Education announced that there are currently no planned changes to the funding factors local authorities can use to allocate the individual school budgets to maintained schools and academies in 2016-17 (financial year for maintained schools, academic year for academies).

Shropshire Schools Forum, at their meeting on 17 September 2015, supported the recommendation that the factors and criteria agreed for Shropshire's local funding formula for 2015-16 remain for 2016-17 with no changes. This recommendation has been communicated to all Shropshire schools and academies.

An Authority Proforma Tool was submitted to the Education Funding Agency (EFA) to ensure that the Shropshire funding formula is compliant with 2016-17 financial regulations and conditions relating to the Dedicated Schools Grant. Confirmation was received on 12 November 2015 that the formula is compliant.

The EFA require the proposed formula to be endorsed by Members before the end of February 2016, the date by which budgets have to be issued to maintained schools. This paper sets out the proposals agreed by the Shropshire Schools Forum.

At the point of writing this report it is anticipated that the Comprehensive Spending Review on 25 November 2015 will not result in any requirement to review the planning and modelling of the school funding formula for 2016-17. This will need to be confirmed.

2. Recommendations

That Cabinet accept the recommendation of Shropshire Schools Forum on the funding formula for Shropshire schools for the financial year 2016-17.

REPORT

3. Risk Assessment and Opportunities Appraisal

With no planned changes to the funding formula for 2016-17 there was no requirement to formally consult with Shropshire schools and academies. However, a meeting was held at the Lord Hill Hotel on 7 October 2015, where all headteachers and chairs of governors/chairs of finance were invited to an update on the latest developments in school funding, in particular that no changes are planned to the formula for 2016-17.

Some 140 delegates attended the event representing 86 (56%) schools and academies. The presentation used at the meeting was sent out to all schools and academies immediately following the event (attached at Appendix A), together with a detailed paper on the funding formula allowable factors (attached at Appendix B) clearly highlighting that no changes were proposed for 2016-17. There are therefore limited, if any, risks associated with this report.

4. Financial Implications

The funding formula is used to determine how part of the Council's Dedicated Schools Grant (DSG) allocation – the Individual Schools Budget – is distributed to Shropshire schools. The individual school 'budget shares' represent a significant proportion of the annual revenue funding for schools for the financial year 2016-17 for maintained schools and the academic year 2016-17 for academies.

The EFA uses this local funding formula to allocate funding direct to Shropshire's academies and the county's one free school.

Shropshire's DSG remained largely unchanged for the three years 2012-13, 2013-14 and 2014-15. In 2015-16 Shropshire, along with 68 other local authorities in England, received a share of £390m in additional DSG funding, addressing an acknowledged historic unfairness in the current school funding system. Shropshire schools benefited from this additional funding, which provided an additional £10.4m funding for Shropshire schools and academies in 2015-16.

The Department for Education confirmed in July 2015 that this funding would be built into the base for DSG in 2016-17.

5. Background

The Government allocates 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).

Government's school funding reforms, introduced in 2013-14, have seen a significant reduction in the number of formula factors that can be used in distributing the funding to schools. This greater prescription did result in some turbulence in the funding of schools as the opportunities for targeting funding based on localised need is reduced, but is seen as essential in paving the way towards the introduction of a national funding formula, which is expected in the current parliamentary period.

In 2015-16 there was a significant further development in the school funding reforms, with the Government providing an additional £390m nationally to support the 69 most poorly funded local education authorities in England. Shropshire was one of the main beneficiaries, receiving an additional £297 per pupil. Based on the October 2014 school census this resulted in an additional £10.4m funding for schools.

While the reforms have led to turbulence in funding to schools there is statutory protection in place. This is called the Minimum Funding Guarantee (MFG), which ensures that the year on year reduction in per pupil funding for any individual school cannot be greater than 1.5%. The shortfall in budget share to any individual school through the funding formula is effectively funded up to this MFG limit. The Department for Education (DfE) confirmed in July 2015 that the MFG will remain at minus 1.5% in 2016-17.

The increase in funding for Shropshire in 2015-16 impacted on the level of MFG schools attracted – as the funding per pupil increased, the MFG decreased. The released MFG was then redistributed to all schools via the pupil formula factor (age weighted pupil unit (AWPU)). This redistribution of MFG resulted in the additional per pupil funding increasing from £297 to £389 per pupil.

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 partnership between the Council and Schools Forum is strong and so the formula presented to Cabinet for approval is the one proposed and recommended by Schools Forum.

The schools funding formula for the financial year 2016-17 was agreed by Schools Forum at their meeting on 17 September 2015. The report that went to Schools Forum is attached at Appendix C. The recommendation was that the factors and criteria agreed for Shropshire's local funding

formula for 2015-16 remain for 2016-17 with no changes. This was based on the DfE announcement in July 2015 that there are no planned changes to the funding factors local authorities can use to allocate funding to maintained schools and academies in 2016-17.

The recommendation of Schools Forum was communicated to schools and academies via a meeting for headteachers and chairs of governors/ chairs of finance at the Lord Hill Hotel on 7 October 2015 and via email after the event. No formal objections or challenges to the recommendation have been received.

The DSG regulations require the submission of an Authority Proforma Tool (APT) to the EFA whose role is to ensure that it is compliant. The APT effectively details the local funding formula. The Council has submitted the APT and received confirmation from the EFA on 12 November 2015 that the Shropshire funding formula for 2016-17 is compliant.

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)

Ann Hartley

Local Member

All Council members

Appendices

Appendix A: Presentation from school funding event at the Lord Hill Hotel on 7 October 2015

Appendix B: Shropshire Funding Formula Allowable Factors

Appendix C: Schools Forum 'School Funding 2016-17' report, 17 September 2015