

SCHOOLS' FUNDING FORUM

SUBJECT:	National Funding Formula for Schools update
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SUMMARY OF REPORT:

To inform members of the Forum of the recent announcement by the Secretary of State for Education regarding the implementation of the national funding formula for schools and related matters

FOR:	Information only
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1. Introduction

- 1.1 On Friday 22 July 2016 Justine Greening, the new Secretary of State for Education, issued a written statement to Parliament confirming that the implementation of the new national funding formula for schools has been pushed back to 2018-19.
- 1.2 This means that for the 2017-18 financial year, schools will continue be funded through the local formula set by their local authority, and LAs will continue to receive their Dedicated Schools Grant (DSG) allocations based on the current methodology (no. of pupils x guaranteed unit of funding rate).
- 1.3 The statement confirmed that individual LA won't see a reduction in the schools or high needs block of the DSG next year, and that the current minimum funding guarantee for schools of -1.5% will be retained in 2017-18.
- 1.4 She also confirmed that she would not respond to the first stage of the consultation on the formula until the autumn, due to the high volume of responses and in recognition that this is once in a generation opportunity for an historic change and that the approach must be right. She also indicated that the second stage consultation on the proposed detail of the policy would not launch until the new year.
- 1.5 The Secretary of State has confirmed that she does not intend, for 2017-18, to:
 - Create a new central schools block.
 - Allow local flexibility on the MFG.
 - Ring-fence the schools block.

1.6 In addition to the Secretary of State's written statement, the Department for Education also published a number of additional documents.

1. A spreadsheet showing the realigned DSG blocks for 2017-18
2. An operational guide to school funding document for 2017-18
3. A consultation of adjusting LA funding relating to Free Schools

2. So what has changed?

- 2.1 *Realignment of the blocks* - The DfE have realigned the total DSG we receive between the three blocks, to more accurately reflect how we are spending the grant funding. This is in line with a return we completed earlier this year, which took account of our local decisions to move some of our schools block to meet our high needs pressure. As a result of this realignment we estimate that we will receive £115 less per pupil, in our schools block, for any additional pupils (over and above the ones currently in the school system, so for every additional 1,000 pupils we will lose £115k). We don't know yet whether some or all of this loss will be offset by an uplift to our High Needs funding (as we now have a bigger High Needs block), which will be announced in December 2016.
- 2.2 *Education Services Grant* - Our schools block allocation for 2017-18 has increased by £3.4m as the retained element of the Education Services Grant (ESG) has transferred into DSG. Retained element refers to the statutory duties that the LA has over all pupils, regardless of whether they attend a maintained school or an academy. The LA will be discussing the retention of this funding with the Forum at the next meeting.
- 2.3 The operational guidance gives a clear message that the general element of the Education Services Grant (ESG), which in Kent we estimate to be £7.64m in 2017-18 is ending. We anticipate some transitional protection funding for LAs to cover the 5 month period from April 2017 to August 2017, but this will be one-off. The DfE have not yet confirmed the protection funding rate. It is worth noting that Academies also receive ESG general rate funding and they will be affected by this, although the protection measures in place for them mean that the funding will fall away over a longer period of time.
- 2.4 ESG ceasing is a big problem for local authorities and for KCC this is worse than we were predicting in our Medium Term Financial Plan. The Government are proceeding with the cuts to Education Services Grant, which funds some of the LAs statutory responsibilities, but in light of the reaction to the Education White Paper, these reductions will not necessarily align with the removal of LA statutory responsibilities, effectively leaving us with the responsibilities but without any funding. We have to wait for the publication of the Education Bill to understand when these statutory duties will be removed.
- 2.5 The DfE have attempted to soften the impact of this situation by confirming that LAs will be able to seek Forum permission to retain funding from the DSG from maintained schools, including special and PRUs, for statutory duties

previously covered by ESG. This would effectively be de-delegation. The significant problem with this approach is that the Government have put no additional funding into DSG, other than the retained element which is mentioned in the above paragraph. So seeking de-delegation when we have not been able to delegate any funding to schools is effectively pass-porting a cut to maintained schools. Alternative options may include moving some of these services onto a fully traded basis.

- 2.6 *Changes to Attainment and Deprivation measures* - The guidance also refers to using national weightings for secondary low attainment figures due to the more challenging KS2 assessments in 2016. In addition the guidance refers to using new bandings for the index of deprivation affecting children (IDACI). Ian and I are concerned that both of these changes could introduce further turbulence at individual school budget level, with an additional pressure in MFG costs for any school that loses from these changes.
- 2.7 *Free School recoupment consultation* - The DfE are also consulting on adjusting the methodology for recouping DSG from Local Authorities for free schools. I don't think this is a significant consultation but there are some points of principle that we will be raising. The deadline for responding is 21 September.
- 2.8 The one bit of good news is that the Authority pro-forma tool (APT) completed by Ian and his team each year in October has been scrapped. In our view the October APT process was a complete waste of time and added no value.

3. Recommendation

- 3.1 Members of the Forum are asked to **NOTE** the content of this paper