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|  | **Education and Skills** |  |
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**SCHOOLS’ FORUM**

**29 June 2016**

**School Funding Reform Update**

1. **Recommendation**
   1. That the Schools Forum approves the proposal for the Formula Funding Committee Subgroup to start work on the funding formula for 2017/18, in order to identify a strategy and priorities to assist the LA in taking decisions.
2. **Background**
   1. The first stage consultation on the National Funding Formula (NFF) highlighted the proposed structure for Schools Block allocations from 2017/18. It will involve the calculation of school-level allocations using the NFF, aggregated up to local authority (LA) level with the addition of funding for premises-related factors and pupil number growth based on historic allocations.
   2. For the first two years, the LA will have to passport the Schools Block allocation in its entirety to schools in its area, but there will still be the ability to run a local formula. The current centrally retained budgets will be taken out of the Schools Block and allocated through a new Central Schools Block.
   3. There are several indications in the proposed NFF that some Northumberland schools could see reductions in funding, if weightings are closer to the national average than to our distribution between factors. The following table shows the proportion of total funding allocated to each of our main factors before the application of MFG and capping, compared to national averages.

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| Table 1 Proportion of Overall Funding | | |
|  | Northumberland | Northumberland |
|  | 2016/17 | With National values |
| **Pupil Led Factors** |  |  |
| Basic entitlement | 74.25% | 75.9% |
| Deprivation | 7.73% | 5.76% |
| EAL | 0.03% | 0.08% |
| Prior attainment | 4.52% | 4.4% |
| **Other Factors** |  |  |
| Lump sum | 11.48% | 12.20% |
| Sparsity | 0.29% | 0.61% |
| Split Sites | 0.29% | 0.26% |
| Rates | 1.11% | 1.53% |
| Rent | 0.08% | 0.09% |
| Boarding | 0.22% | 0.20% |

* 1. The 2016/17 Schools Block allocation per pupil for Northumberland is £4,544.73 compared to the national average of £4,636.42. This places us in 72nd position out of 151 LA’s. Our per pupil funding is 2% below average. DfE recognises that if a local authority’s allocation is lower than in 2016/17, it may be difficult to balance the formula using the nationally-set Minimum Funding Guarantee (MFG). It therefore took the opportunity in the first consultation to ask whether it would be appropriate to allow LAs to set a local MFG which is lower than the national level.
  2. DfE recognises that if a local authority’s allocation is lower than in 2016/17, it may be difficult to balance the formula using the nationally-set Minimum Funding Guarantee (MFG). It therefore took the opportunity in the first consultation to ask whether it would be appropriate to allow LAs to set a local MFG which is lower than the national level.
  3. Some of the circumstances which might lead to difficulties in balancing the local formula are:
* If pupil number growth is higher in 2017/18 than 2016/17 and funding has to be taken from other factors to ensure this is properly funded;
* If we decide to make a transition from our current factor values towards the NFF values.
  1. The 2016/17 formula was cushioned by the input of the additional £12m of funding that Northumberland received in 2015/16 because of being a low funded LA. However a reduction in free school meals and IDACI data did impact on some schools..

1. **Preparation for 2017/18 funding formula**
   1. As noted in the report on school strategic financial planning, the expected timetable for the 2017/18 Dedicated Schools Grant settlement would provide allocations in December. We await the second consultation for information on any departure from the normal timescales.
   2. Once DSG allocations are announced, we will need to establish whether we can balance the formula using values close to the current position. If this is not possible, there will be very little time to consult schools about decisions that need to be taken on either changing the distribution of funding or setting a different MFG level.
   3. It would be advisable to start preparing now, to identify a strategy and priorities to guide the LA in running the formula once October census data is available. Northumberland formula factors values for 2016/17 are compared to 2015/16 average formula factor values in Table 2 (attached). A spreadsheet detailing projected outturns for the next 3 years for maintained schools together with projections the impact on budgets of 2% and 5% cuts for schools and academies (Table 3) is attached.
   4. Some of the issues that need to be considered are:

* the differential between primary and secondary basic entitlement (AWPU) values;
* the proportion of funding to be allocated for deprivation and low prior attainment, as two key areas where we currently allocate more than the national average;
* the value of the lump sum;
* how quickly we should move towards the NFF values;
  1. Schools need to be closely involved in the process, to ensure that all perspectives are taken into account.
  2. The Additional Educational Needs Sub group has previously been involved with a review of the High Needs. Should this subgroup consider the formula for 2017/18?
  3. The LA appreciates that school leaders are being asked to commit additional time out of school, but it is critically important that we devote time to exploring the options to achieve the optimum result for Northumberland schools. The work will be time-limited to the period between now and January 2017.