

SCHOOLS FORUM**6th October 2016****Report of the Strategic Director for Children's Services****SCHOOL FUNDING – SCHOOLS BLOCK****1. Purpose of the Report**

To inform the Schools Forum of the government's progress towards developing a National Funding Formula (NFF) for mainstream schools and outline the Authority's proposals for changes to its mainstream funding formula and associated Schools Block issues for April 2017.

2. Information and Analysis**2.1 Baselining of DSG Blocks**

The DfE have deferred the introduction of a National Funding Formula (NFF) for mainstream schools until April 2018. Whilst this is disappointing – overall Derbyshire was expecting to have received more funding as a result of the changes – the DfE have been preparing more of the groundwork for its introduction. As part of these preparations, LAs were required to inform the DfE about how they planned to allocate their actual annual DSG across the Schools, Early Years and High Needs Blocks. Currently LAs are free to transfer funding between the Blocks as they see fit: the DfE's exercise reset the baseline DSG funding allocations so that the starting point for each Block reflected planned spending patterns for 2016-17.

An added complication is that Derbyshire's DSG planned spending for 2016-17 relies on previous years' cash reserves and hence decisions had to be taken about which budget allocations should be pared back in order that the reported level of spend equalled the grant for the year. As a result of this process the following picture emerged:

Item	Schools Block Delegated	Central Services Block	Early Years (3& 4 yr olds) Block	High Needs Block	Total
	£m	£m	£m	£m	£m
Actual 2016-17 DSG settlement	421.397	0.000	28.329	63.386	513.112
July 2016 restated DSG settlement	412.553	2.736	30.294	67.529	513.112
Change	-8.706	+2.736	+1.965	+4.143	-
Planned spend 2016-17	416.672	3.626	30.294	67.529	518.121
Diff v restated 2016-17 DSG settlement	4.119	0.890	0.000	0.000	5.009
Resolved by removing:					
Journey to Excellence/Vulnerable Schools		(0.890)			(0.890)
Secondary one off investment	(3.500)				(3.500)
Balance – general reliance on reserves	(0.619)				(0.619)

The Authority's planned spend was £5.009m higher than the annual DSG allocation so this sum had to be removed to show the total supported by core grant. In order to balance to the total grant of £513.112m three adjustments were made to the planned spend figure:

- (i) The £3.5m one off increase in allocations to secondary schools was removed from the delegated Schools Block figure;
- (ii) The £0.89m held centrally within the Schools Block for support for Journey to Excellence (J2E) and vulnerable schools was deducted. These allocations were held as central "historic commitments" within the Schools Block and DfE approval for their continued retention would have been required. If this was not given, which given the pronouncements about LAs' future role with schools was a clear risk, there was no guarantee that we would be allowed to keep this funding; and
- (iii) A balancing figure of £0.619m was removed from the delegated Schools Block, in effect the balance of the reliance on cash from when formula multipliers were lifted in 2014-15.

Under the DfE's proposals a new Central Services Block has been created which will include funding previously held centrally within the Schools Block e.g. admissions, Schools Forum etc. together with funding transferred from the Education Services Grant – Retained Duties (see Appendix 1.)

The realignment of the High Needs and Early Years Blocks to reflect current spending has meant that our baseline Schools Block was reduced, effectively becoming the balancing figure. As a result Derbyshire's Guaranteed Unit of Funding (GUF), which drives our Schools Block allocation, has fallen from £4,409.01 in 2016-17 to £4,362.96 next year: this change will impact on our Schools Block funding in future years, pending the introduction of the NFF.

The DfE have strongly advised LAs not to move money between Blocks in 2017-18. If funding were to be transferred in 2017-18 then any cross subsidy, particularly between the Schools Block and the other blocks, would have to be reversed the following year. In 2018-19 the Schools Block will itself become ring-fenced and the quantum delegated to mainstream schools and academies. It should be noted that this change has further reduced LAs' ability to respond to issues across the wider schools sectors.

Recommendation 1 - The Schools Forum is asked to note the issues arising from the restatement of the Authority's baseline 2016-17 DSG allocation.

2.2 Potential local mainstream formula changes

The degree to which Derbyshire's current formula varies from the NFF, and by implication the extent to which we might consider changing our formula in advance of April 2018, is unclear. In the absence of further information from the DfE regarding the NFF, only three relatively modest changes are proposed to our local formulae for 2017:

PFI Allowance – the Council currently subsidises the PFI contracts in respect of Springwell and Bolsover schools from its own resources. Technically this cost, and the associated financial support, should be delegated through the formula as is the case

with all the other school PFI contracts in Derbyshire. The annual shortfall across the two schools is £600k.

Secondary Sector Sparsity – if, as seems likely, the NFF includes a sparsity factor then it's also likely that New Mills, Anthony Gell and Hope Valley would be the only qualifying secondary schools. If this were the case then the Authority would consider adopting this factor in 2017-18 which would provide some financial help to these schools. The sparsity factor could be worth up to £100k per school. The case for a primary sparsity factor is limited, as evidenced by the significant balances that our qualifying schools already have, possibly due to the relatively generous primary lump sum.

Exceptional Site factors – there are three schools (Hilton Primary, Barlow Primary and Etwall John Port Secondary) where the Authority is considering making an application to the EFA to allow them to receive additional financial support on the basis of their premises. If the applications were successful it would embed the support to these schools in the NFF and reduce pressure on the contingency fund. The estimated cost is around £0.100m per annum.

The net cost of the above changes, together with funding the £0.619m reliance on DSG cash (see table on page 1) is estimated to be ~£1.6m. It is intended that this cost would be met from increased income and savings within the Schools Block from the following sources:

Increased pupil numbers – increases are expected in Key Stages 1-3 which will bring in additional Schools Block resources in excess of the value of the increased Age Weighted Pupil Unit formula allocations. A net surplus of ~£1.5m is anticipated.

Minimum Funding Guarantee (MFG) Protection – the current level of protection is £1.12m and this will fall naturally by ~£0.4m next year as the 91 schools in receipt of protection are allowed to lose up to 1.5% of their per pupil funding per year.

Schools' Rates Bills –The Authority's will benefit in 2017-18 from the 80% savings in the rates costs of schools which convert to academy status during 2016-17: their new status as academies means they automatically qualify for mandatory rate relief. The conversions are likely to result in a saving in 2017-18 of ~£0.3m.

Subject to the impact of any other data changes, the combined formula savings should be sufficient to secure the 2016-17 formula multipliers values for 2017-18, excluding the £3.5m one off investment in secondary schools, and fund the formula changes listed above.

Recommendation 2 - The Schools Forum is asked to note and offer any comments on the potential changes to the mainstream LA formula for 2017-18.

2.3 Education Services Grant (ESG)

Under the government's current proposals, the Education Services Grant - General Duties is due to end from September 2017. Nothing has been published over the summer to suggest this change will be reversed or deferred. The current grant is worth £77 per pupil which will reduce in April 2017 (actual figure unknown) before ceasing in

September 2017. For the moment the Authority's planning assumes that the grant will end and that there will be a full year loss of ~£6.7m to the Council.

The Education Services Grant - Retained Duties will also cease as a separate funding stream and funding will transfer into the new Central Services Block of the DSG at the current rate of £15 per pupil.

A list of the functions funded by each element of ESG is set out in Appendix 1.

The government have said that it would clarify the roles of local authorities and identify those functions which LAs are no longer required to deliver. To the extent that the responsibilities in Appendix 1 remain, decisions on how they are funded in 2017-18 and beyond will need to be considered.

Perhaps the most directly significant areas for schools funded by the ESG are the costs of school redundancies and the non traded element of the school improvement service. The annual cost of school redundancies varies from year to year depending upon a range of circumstances; the figures for the last few years were as follows:

2014-15	£434k
2015-16	£482k
2016-17	£592k (estimate)

The School Improvement Service currently receives a net subsidy from the Council, funded by ESG, of ~£1.97m. Some of the service's subsidy will in future be funded by the Central Services element of the DSG. The balance of the service's costs will either have to be met from a separate DSG allocation, traded with individual schools or by reducing the service offer. Work is ongoing to analyse the School Improvement Service activities and costs to inform the decision making process.

With both of the above, and any other function previously funded by the ESG - General Duties, the DfE will allow authorities, with the permission of their local Schools Forum, to top-slice mainstream school formula multipliers (not academies) to provide funding instead. The DfE contend that this approach mirrors what happens in many Multi Academy Trusts (MATs) whereby individual institutions' formula allocations are top-sliced by the MAT to cover core strategic functions. If Schools Forum approval is not given then an authority can approach the Secretary of State directly for approval.

The potential loss of ESG in 2017-18 is estimated at ~£4m equivalent to a 1.33% reduction in formula multipliers. It is likely that the Council will be seeking permission from the Schools Forum to cover at least some of the loss of ESG from DSG resources in 2017-18 and will look to reduce the impact on existing mainstream school multipliers by utilising DSG cash reserves. Financial support beyond 2017-18 would be reviewed in the light of the impact of the National Funding Formula changes.

Further information on the implications of the ESG loss will be brought to Schools Forum later in the year.

Recommendation 3 - The Schools Forum is asked to note the proposed loss of ESG funding and the potential implications for mainstream schools' budgets and/or services.

Recommendation 4 – To note that further information on the loss of ESG funding will be brought to the Forum later in the year.

2.5 Other matters – De-delegation (re-pooling)

The de-delegation of funding in respect of mainstream schools for special staff costs, insurances, trades union facilities time, contingency funding etc. will be allowed in 2017-18. Schools have been invited to give their views on this and the results will be submitted to the November Schools Forum meeting for a final decision.

Recommendation 5 – To note that schools have been asked to give a view on the de-delegation of funding for a range of services and that a further report will be brought to the Forum in November.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

4. Strategic Director's Recommendations

The Schools Forum is asked to:

- (i) Note the issues arising from the re-statement of the Authority's baseline 2016-17 DSG allocation;
- (ii) Offer any comments on the potential changes to the mainstream LA funding formulae for 2017-18;
- (iii) Note the proposed loss of ESG and the potential implications for mainstream schools' budgets and/or services;
- (iv) Note that further information on the loss of ESG funding will be brought to the Forum later in the year; and
- (v) Note that schools have been asked to give a view on the de-delegation of funding for a range of services and that a further report will be brought to the Forum in November.

JANE PARFREMENT

Strategic Director for Children's Services

Area	Local authority function/duty	All schools incl. Academies (ESG Retained Duties - £15 per pupil)	Maintained schools only (ESG General - £87 per pupil)	Statutory Obligation
School Improvement	<i>"When delivering their school improvement function, local authorities must have regard to the Schools Causing Concern statutory guidance. This guidance provides clarity about the role of local authorities in delivering school improvement for maintained schools and for academies."</i>	X	X	X
Statutory and regulatory duties	Appointing a Director of Children's services	X		X
	Strategically plan for its education service	X		X
	Prepare revenue budgets, income and expenditure relating to education	X		X
	Perform internal audit and other corporate finance responsibilities	X		X
	Providing information to or at the request of the Secretary of State	X		X
	Background checks on employees and others engaged to work in schools		X	X
	Providing advice to governing bodies on pay and workforce matters		X	X
	Appointing Heads and Teachers on behalf of governing bodies		X	X
	Terminating the employment of school teaching staff on behalf of governing bodies		X	X
	Notifying the Secretary of State of cases of serious teacher misconduct		X	X
	Pay employer's contributions to the appropriate pension fund		X	X
	Pay teachers' pension contributions to the Secretary of State		X	X
	Appointing non-teaching school staff		X	X
	Suspending a governing bodies' right to a delegated budget where necessary (when schools budgets and staffing decisions revert to the local authority)		X	X
	Monitoring governing bodies compliance with local authority financial scheme		X	X
	Sending to the Secretary of State governing bodies' financial statements		X	X
	Compliance with the Health and Safety at Work Act etc. in so far as compliance cannot be delegated to governing bodies		X	X
	Monitoring and reporting functions as the supervisory authority of school companies formed by governing bodies		X	X
	Compliance with the Public Sector Equality Duty, publishing information to show compliance and setting itself specific, measurable equality objectives		X	X
	Setting up a standing advisory council on religious education		X	X
	Prepare an agreed syllabus of religious education		X	X
Education welfare services	Making arrangements to identify children not receiving education	X		X
	Sending written notices/attendance orders to parents where children are not receiving suitable education; applying	X		X

Area	Local authority function/duty	All schools incl. Academies (ESG Retained Duties - £15 per pupil)	Maintained schools only (ESG General - £87 per pupil)	Statutory Obligation
	supervisory orders and taking prosecution action			
	Publishing a code for penalty notices to address poor attendance and administrating the penalty notice regime	X		X
	Improving school attendance performance where schools report absence to them	X		X
	Investigating the whereabouts of pupils who have poor attendance and are at risk of being deleted from the schools' admission register	X		X
	The right to inspect school registers		X	X
	Complying with all its statutory obligations under the Education (Pupil Register) (England) Regulations 2006	X		X
	Administrating and enforcing requirements and protections for children under 16 taking part in employment or performances	X		X
Central support services	Pupil support and extra-curricular activities including: providing clothing grants; outdoor education, including field studies; music services and visual and performing arts.	X		
Asset management	General landlord duty for all buildings which they let to academies and for all community school buildings	X		X
	Overall responsibility for capital strategy	X		X
	Specific landlord duties for community schools under education legislation to ensure school buildings have certain facilities e.g. safe escape routes, playing fields, weather resistant etc.		X	X
	General health and safety duties as an employer		X	X
	Managing the risk from asbestos in community school buildings		X	X
Premature retirement & redundancy costs	Funding redundancy costs (not premature retirement costs which are the responsibility of the school concerned) of school staff (unless good reason not to fund centrally)		X	X
Therapies and other health related services	Commission jointly with health bodies to support disabled children and young people and those with special educational needs including those who need therapy support	X		X
Monitoring national curriculum assessment	Moderating teacher assessments for Key Stage 1 (equivalent duties for Key Stages 2 and 3 are funded through specific grants and not ESG). This service may be provided to Academies, but the duties lie with them.		X	X
	Appointing a person to complete the assessment moderations. This service may be provided to Academies, but the duties lie with them.		X	X