



CABINET

14 FEBRUARY 2017

DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION: LESLEY HAGGER

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:
COUNCILLOR ROBIN BROWN AND**

**CABINET MEMBER WITH RESPONSIBILITY FOR CHILDREN’S SERVICES:
COUNCILLOR MATTHEW GOLBY**

Subject:	School Funding Arrangements for 2017/18 and 2018/19 onwards
Recommendations:	<p>Cabinet are asked to:</p> <ol style="list-style-type: none"> 1. Note the work undertaken in conjunction with Schools Forum and schools to: <ol style="list-style-type: none"> a) introduce into the Northamptonshire schools funding formula in 2017/18 two additional factors - English as an Additional Language (EAL) and Prior Attainment that are allowed factors in the formula as per the DfE, used in the majority of other local authorities and included in the proposed schools national funding formula; and b) to reduce expenditure and realign budgets to fund the current high needs block base overspending of £3.7 million. 2. Cabinet to note the decisions made using delegated powers by the Director of Children, Families and Education on the funding formula for Primary and Secondary schools in order for final schools 2017/18 formula budgets to be submitted to the EFA by the 20th January deadline. 3. Cabinet to note the latest position with the Government’s announcements on the National Funding Formula for the DSG funding blocks, Schools, Early Years and High Needs and the potential implications on Northamptonshire schools and academies. 4. Cabinet to note the 2017/18 DSG and related funding announcements, including the changes to the Education Services Grant (ESG).

1. Purpose of Report

- 1.1 The report provides an update to Cabinet on the Department for Education (DfE) Funding announcements and arrangements for the 2017/18 and subsequent financial years.
- 1.2 The report also informs Cabinet members of the decisions made by Schools Forum regarding both the Schools and Early Years blocks central expenditure for 2017/18, and to reduce expenditure and realign budgets to fund the current High Needs block base overspending of £3.7 million.

1.3 Cabinet to note the decisions made using delegated powers by the Director of Children, Families and Education on the funding formula for Primary and Secondary schools in order for final schools 2017/18 formula budgets to be submitted to the Education Funding Agency (EFA) by the 20th January deadline

1.4 A glossary of terms is provided at paragraph 10 of this report.

2. How this decision contributes to the Council Plan

2.1 The Council’s vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county’s communities and/or safeguarding the county’s communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by:
<ul style="list-style-type: none"> • Contributing to creating safer communities • Contributing to creating prosperous communities • Provision of the personalisation agenda
And Through:
<ul style="list-style-type: none"> • Intelligence Led Services • Ambitious Partnerships • Commissioning and Market Developments • Self-Financing

3. School Funding Arrangements

2017/18 Funding Arrangements

3.1 From 1st April 2013 the DfE implemented its reformed school funding arrangements with the intended focus being on ensuring the system is fairer, simpler, more consistent and transparent. As part of this it created 3 DSG funding blocks - Schools, Early Years and High Needs. In December 2016 the allocations for each DSG block were announced.

Table 1 – movement in DSG funding allocations 2017/18

DSG 2017-18 Increases

Figures in £m	Technical Adj	Funding Increase	Explanation
Schools Block	1.67	9.78	+£1.67m ESG retained duties +£9.78m - 2,239 extra pupils at £4,368.08
Early Years block	0	6.99	+£6.09m – 30 hrs for working parents +£0.35m funding for 3 and 4 year olds +£0.38m funding for 2 year olds +£0.17m EY Disability access funding
High Needs block	1.48	1.96	+£1.48m EFA transfer of funding from post 16 budget to high needs block +£1.96m high needs block uplift reflecting estimated population growth
TOTAL	3.15	18.73	Total increases announced to date £21.88m

- 3.2 As shown in table 1 above the funding in all 3 blocks has increased. The Schools block has increased by £11.45 million. This comprises an additional £9.78 million reflecting the funding generated from an increase of 2,239 school pupil numbers between October 2015 and October 2016. There was also a 'technical' adjustment of £1.667 million relating to the Education Services Grant (ESG) funding for the retained duties the Local Authority is responsible for undertaking for all pupils in both maintained schools and academies. The duties this covers are shown in Appendix A.
- 3.3 The High Needs block increase of £3.44 million comprised 2 elements. A 'technical' adjustment of £1.48 million for changed high needs responsibilities for post 16 pupils. It is assumed this will be recouped from the DSG and therefore have a net nil impact in 2017/18. In addition the high needs block funding was increased by £1.96 million reflecting increases in the population in the county.
- 3.4 The Early Years block increased by £6.99 million. This mainly comprised an indicative increase of £6.09 million to fund the new entitlement for working parents to 30 hours funded early education from September 2017, increased funding of £0.38 million for the 2 year old entitlement and an indicative allocation of £0.17 million for the new funding for the Early Years Disability access funding.
- 3.5 In addition, other non DSG grant announcements have been made for 2017/18. These include the EFA announcing plans for a new Strategic School Improvement Fund (£140m nationally per year). Maintained schools and academies will be able to apply to the fund, with the support of a teaching school, local authority or Regional Schools Commissioner. It will support their school improvement provision, complementing school improvement activity funded from their own budgets. Further details are awaited.
- 3.6 The Government have also announced indicative funding of £300k to Northamptonshire for a new school improvement monitoring and brokering grant. This is for Local Authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and to intervene where necessary.
- 3.7 An allocation of £317k to Northamptonshire has been made by the DfE for a high needs strategic planning fund. Local authorities can use this fund to carry out a strategic review of their high needs provision. The DfE expect that local authorities will prioritise this review and planning activity, working with schools, colleges and other providers, and with parents and young people. The DfE anticipate that local authorities will use the funding provided to increase their capacity so that their review and planning of special provision is high-quality and collaborative. Where such review and planning work has already been undertaken along the lines envisaged, this fund can be used to help implement the outcomes of the reviews. Local authorities should publish the outcomes of these reviews in the form of strategic plans to demonstrate transparency and accountability.

2017/18 Education Services Grant (ESG) Arrangements

- 3.8 The Local Authority currently receives ESG grant for retained duties (£15 for all pupils in the county) plus £77 per pupil for general ESG funding for each pupil in maintained schools. The latest estimate is £4.4 million ESG income in 2016/17.

- 3.9 The DSG Schools block has been increased for 2017/18 by £1.67 million to reflect the movement of retained duties ESG funding into the DSG. National regulations have been amended to allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for all schools which were previously funded through the ESG. Details of the functions covered by this funding are shown in Appendix A. At the 17th January Schools Forum meeting the recommendation for the Local Authority retaining the £1.67 million in 2017/18 was approved.
- 3.10 In the 2015 Spending Review, the Government announced a saving of £600m from the ESG general funding rate by 2019/20. In July 2016 the Government announced Local authorities will receive transitional ESG funding from April 2017 to August 2017. The general funding rate will then be removed from September 2017. The transitional ESG general duties funding for the Council for April to August 2017 was announced in December 2016 and is £1 million.
- 3.11 The Authority's draft Medium Term Financial Plan (MTFP) included assumptions in respect of the reducing ESG funding. These figures have now been revised to reflect the position set out in 3.9 and 3.10.
- 3.12 Maintained schools on Schools Forum are able to decide to de-delegate further funding for areas that were previously funded through the general duties element of the ESG. The general duties ESG funding in 2016/17 funded the NCC budget for funding new redundancy costs in maintained schools with a current or projected deficit. In 2016/17 to date this has either fully funded or contributed to redundancy costs in 6 maintained schools (5 primary and one special). This supports actions to minimise deficits. On the basis the ESG general duties transitional grant ends in August 2017 it was recommended a de-delegation rate of £5 per pupil for primary and secondary maintained schools was approved for 2017/18. The maintained Primary and Secondary Schools Forum representatives approved this recommendation at the 17th January meeting.

2017/18 Northamptonshire Primary and Secondary School Funding Formula

- 3.13 It should be noted that the schools funding formula applies to all maintained and academy Primary and Secondary schools in Northamptonshire. The difference is that maintained schools receive their main schools funding through the Local Authority (funded from the DSG funding) for the April to March period and academies via the Education Funding Agency (EFA) for the September to August period.
- 3.14 The national schools formula consultation in March 2016 contained three factors not used in the Northamptonshire funding formula in 2016/17. Those factors not used in the Northamptonshire formula but which are in the national funding formula were considered for inclusion in the Northants schools funding formula in 2017/18. These are:
- English as an Additional Language (EAL);
 - Prior Attainment; and
 - Sparsity.
- 3.15 These three factors are optional in the current formula arrangements and discussions in previous years with the Schools Forum concluded that they would not be used in

the Northamptonshire formula. However it should be noted that these factors are also used by the majority of other local authorities.

- 3.16 The proposed change, if applied in full in year one, could mean that £29 million would be distributed to schools on different formula factors to those currently used. This redistribution, creating winners and losers, would take place because funding would probably need to be removed from the existing Age Weighted Pupil Unit (AWPU), Deprivation or lump sum funding to fund the new formula factors. Schools that would lose through any change are protected through the national Minimum Funding Guarantee (MFG) arrangements that do not allow any school to lose more than minus 1.5% average per pupil funding between each year.
- 3.17 It was agreed with Schools Forum that it would be pragmatic to consult with Northamptonshire schools regarding whether these factors should be introduced into the local schools funding formula in 2017/18 as a transition to the national funding formula. Schools were consulted on this potential change to their funding in September 2016. The responses were collated and discussed with Schools Forum. On a transitional basis prior attainment and EAL have been included in the 2017/18 formula. These were funded by reducing the 2016/17 deprivation funding rates as set out in Table 2. Sparsity however was not included in the final 2017/18 formula pending clarity from the Government on the formula and values to be applied to this factor.

Table 2 – schools funding formula rates

	2016/17	2017/18	Change £
Average Weighted Pupil Unit (AWPU)			
Primary	2,699.58	2,689.29	(10.29)
Key Stage 3	3,848.91	3,835.15	(13.76)
Key Stage 4	4,347.91	4,332.36	(15.55)
Deprivation - Free School Meal Ever 6 (FSMeve6)			
Primary	2,362.56	2,026.75	(335.81)
Secondary	3,292.24	2,867.34	(424.90)
English as Additional Language (EAL)			
Primary	0	183.33	183.33
Secondary	0	351.67	351.67
Prior Attainment			
Primary	0	289.71	289.71
Secondary	0	356.18	356.18
Lump Sum	125,000	125,000	0

National Funding Formula (NFF)

- 3.18 Since the Spring of 2016 the DfE have been consulting on changes to the school funding arrangements to introduce a NFF for schools. The changes and proposals are outlined in this section.

- 3.19 The current DSG funding from the DfE predominantly reflects historical spending patterns made by both central and local government over many years. Within this context Northamptonshire is a low funded authority, the consultation and commitment by the DfE to move to a national schools funding formula was welcomed. The consultation is a two stage consultation, Stage 1 in the Spring of 2016 consulted on the high level principles of a national funding formula setting out the proposed formula factors, with Stage 2, released in December 2016 onwards, consulting on the more detailed technical proposals.
- 3.20 The Stage 1 consultation response was published by the DfE in December 2016 together with indicative figures for both Local Authorities and individual schools on the financial impact of the revised proposals. This information and the accompanying Stage 2 consultation can be found on the [DfE website](#). The second consultation has a deadline for responses of 22nd March 2017.
- 3.21 The DSG blocks for 2017/18 have been reset by the EFA to reflect the baselining returns from Local Authorities i.e. the blocks reflect what Northamptonshire budgeted on each (excluding DSG carry forwards) for 2016/17.
- 3.22 Briefings for schools on the DfE's initial proposals were held in Kettering and Northampton in April 2016 prior to the deadline for submissions to Stage 1 of the consultation. These briefings also encouraged as many of Northamptonshire schools as possible to engage in the consultation and submit their own responses to the DfE. Between 150 and 200 headteachers, school business managers and governors attended the two consultation briefing meetings. With the second consultation stage being undertaken by the DfE additional briefings by Officers for Northants schools are arranged for 7th and 9th March 2017.
- 3.23 The DfE announced or confirmed at the end of December 2016 that:
- a) The national funding formula for the schools and high needs blocks would be implemented from 2018/19. A 'soft' formula will apply in 2018/19 i.e. a national funding formula is applied in the DfE's calculations of the schools block but the local schools funding formula (Northamptonshire's) applies. There is an expectation that LAs will move their formula in 2018/19 towards the NFF formula components and values. The 'hard' formula, DfE calculating all primary and secondary school budgets and funding this directly, will apply with the NFF from 2019-20;
 - b) From April 2018 the DSG funding for the schools block will be split in 2 – schools formula and schools block central services expenditure. This means there will be a move from the current 3 DSG blocks to 4 DSG blocks;
 - c) The EFA announced the outcome from the consultation on changing the responsibility for funding new Primary and Secondary free schools in their first year of operation. Currently this is funded by the EFA but the proposal was that the costs would fall onto the DSG from the date of opening. They have now confirmed the proposed change. This will be without any additional DSG funding and will therefore put pressure onto the schools block when new primary and secondary free schools open in the county; and

d) There will not be any local flexibility on the Minimum Funding Guarantee (MFG) protection. The MFG sets a maximum reduction of minus 1.5% in a schools average per pupil funding between years. In addition the DfE have announced a funding floor will be introduced in order that no school will face an overall reduction of more than 3% per pupil as a result of the NFF.

3.24 In the latest Schools block NFF consultation the Government have announced the 2018/19 funding formula rates and components and values. The DfE have also encouraged Local Authority's in their soft formula in 2018/19 to move towards the national funding formula arrangements. The authority will consult with the Schools Forum on this during 2017/18.

3.25 The national funding factors are set out in table 3. In addition to the inclusion of mobility and sparsity, there are also a number of differences to Northamptonshire's current funding formula. These include a different ratio between primary and secondary school funding, the inclusion of IDACI (income deprivation affecting children index) in the deprivation formula and a lower lump sum. These will be discussed with Forum and where relevant consulted with schools for possible inclusion in the local schools funding formula in 2018/19.

Table 3 – national funding formula rates compared to Northant's 2016/17 values

Formula Factor	Proposed NFF Rates*		NCC 2016/17 Rates	
	£ Primary	£ Secondary	£ Primary	£ Secondary
KS1 AWPU	2,712		2,700	
KS2 AWPU	2,712		2,700	
KS3 AWPU		3,797		3,849
KS4 AWPU		4,312		4,348
Ever6 FSM	540	785	2,363	3,292
FSM - meal	980	1,225		
IDACI - Band A	575	810		
IDACI - Band B	420	600		
IDACI - Band C	360	515		
IDACI - Band D	360	515		
IDACI - Band E	240	390		
IDACI - Band F	200	290		
Prior Attainment	1,050	1,550		
EAL	515	1,385		
Mobility	tbc	tbc		
Lump sum	110,000	110,000	125,000	125,000
Sparsity	0.25,000	0.65,000	0	0

* Rates will be inflated by area cost adjustment

3.26 The Schools NFF would increase the funding for Northamptonshire's schools when it is introduced. When fully implemented there would be increased funding of £7 million (2.2%), although the overall increase would be capped at 1.2% in year one. However the impact differs both across and between sectors, as shown below in table 4.

Table 4 – Impact on sectors (2016/17 local formula compared to NFF at full implementation)

	Schools Gaining	Value of Funding Gain £m	Schools Losing	Value of Funding (Loss) £m	Net Funding Gain / (Loss) £m
PRIMARY SCHOOLS	186	8.266	67	(0.827)	7.439
SECONDARY SCHOOLS	15	1.297	19	(1.465)	(0.168)
ALL THROUGH SCHOOLS	1	0.055	4	(0.270)	(0.215)
TOTAL	202	9.618	90	(2.562)	7.056

3.27 Table 4 shows that Northamptonshire’s primary schools would be the main gainers from the NFF. This reflects, as previously consulted with Northamptonshire’s schools, that the relative funding for Northants secondary schools compared to Primary schools at 1:1.34 is higher than the national average of 1:1.29 that is proposed to be used within the NFF. In addition whilst the headline is positive that Northamptonshire schools will receive an estimated additional £7m there would be 90 schools that would see a collective reduction of £2.6m due to the redistribution of funding within the formula based on the same overall funding envelope nationally. Also of particular significance for Northamptonshire is the reduction in the lump sum proposed in the NFF from £125k (current Northamptonshire lump sum) to £110k in the NFF. This is likely to have a material impact on small rural schools, particularly if the reduction is not offset by funding gains in other NFF factors such as deprivation.

3.28 Further detailed discussions with a Schools Forum Working Group will explore these issues more fully before the response deadline of the 22nd March 2017.

Early years

3.29 The Government stated at the start of the year that there was an intention to move to a national funding formula for the Early Years block from April 2017 and that additional early years DSG revenue funding would be made available for the move to 30 hours entitlement for funded early year’s education for working parents from September 2017.

3.30 On the 11th August the Government launched a consultation, with responses required by 22nd September, on “An early years national funding formula”. The Government subsequently announced the results of the consultation on the 1st December.

3.31 The DSG funding will be increased for the introduction of the 30 hours entitlement for working parents from September 2017 (indicative £6.09 million) and the new

Disability Access Fund (indicative £0.17 million) for children eligible for the disability living allowance.

- 3.32 In addition there is the requirement for local authorities to have an early years Inclusion fund to support those with additional needs. From April 2017 the early years budget, with a £0.7 million contribution from the High Needs block budgets, will take on responsibility for funding the early years high needs panel including the implications and costs of moving to the 30 hours from September 2017.
- 3.33 The Government's commitment to reducing central early years expenditure has been confirmed by the requirement for this to be no greater than 7% of the 3 and 4 year old funding in 2017/18 and no greater than 5% in 2018/19. As Northamptonshire's central expenditure was at 9.5% in 2016/17 reductions in the centrally funded early years budgets of 15% were recommended to Schools Forum for 2017/18. The reduction in the total central early years expenditure from £2.91 million to £2.49 million in 2017/18 was approved by Schools Forum on the 17th January. This new restriction has resulted in cuts in the local authority central team and activities of £0.19 million and reductions in the additional targeted funding allocated to Pen Green and Camrose of £0.16 million and £0.06 million respectively. Meetings have taken place on this and each centre will identify where changes can be made in the areas of delivery identified in their respective SLAs. The Director has written to the DfE on the impact of this requirement requesting additional funding to support the activities undertaken. A response on this is awaited.
- 3.34 The early years national funding formula applies to the DSG funding received by Northamptonshire from April 2017. The DfE have increased the funding rate for 2 year olds for 2017/18 and providers will benefit from this increase.
- 3.35 The authority was in the 25% of authorities who have not gained from the introduction of the new national funding rates for 3 and 4 year olds as Northant's were in relative terms a high funder of early years in 2016/17. Officers are currently modelling the formula factors and funding rates to be applied to the Early Years Single Funding Formula (EYSFF) formula in 2017/18. Following an initial consultation with Northamptonshire's providers a second consultation was started at the end of January 2017 with providers on more detailed proposals. The results of this will be collated and final proposals brought for discussion at the Forum meeting on the 17th March 2017. Using delegated powers approved by Cabinet in September 2016 the Director will decide in March 2017 the EYSFF factors and rates to be applied. Indicative EYSFF budgets for 2017/18 for all providers will then be published before the end of March, in accordance with good practice and DfE requirements.
- 3.36 The Government have also confirmed the national requirements regarding local EYSFF formula for 2019/20. This requires a base rate of a minimum of 90% of the available funding (Northamptonshire is currently below this) and a limited list of supplements that can be paid. These include deprivation and quality factors which Northamptonshire currently use, although changes will be required to meet DfE requirements.
- 3.37 The Government requirement is for a base rate to be applied uniformly to all providers. As with many authorities Northamptonshire provides additional funding to its Nursery schools in recognition of their requirement to have a headteacher and continuing the additional funding for specific grants that they previously received as

Nursery schools were treated as maintained schools in the local and national funding formula. The additional funding of £0.69 million paid to the 9 Nursery schools in 2016/17 has been recognised in the 2017/18 early years grant announcement. However, the Government have only currently committed to maintaining this additional funding for 3 years pending a national review and consultation on the role of Nursery schools.

High Needs Funding Arrangements

- 3.38 The March 2016 Government consultation included proposals on the DSG High Needs block being calculated on a revised basis.
- 3.39 The DSG funding for this block is currently predominantly historical i.e. based on previous spend. The DfE proposals were for additional data factors to also be used but that a large proportion of each local authority's high needs funding would continue to be based on historical funding. See Appendix B for details on the proposed change. In December 2016 the DfE announced the results of the first consultation. This included the percentages to be applied to each of the new formula elements and indicative figures for each authority.
- 3.40 A significant area in the December 2016 announcement was that although historic funding is proposed to form 50% of the new formula from April 2017 that no authority would see a reduction in their high needs DSG funding compared to what it currently budgets for high needs. In the latest proposals Northamptonshire would receive additional DSG funding through the proposed high needs national funding formula. This would be an additional £5.4 million (+8.6%) when fully implemented and plus £1.6 million (+2.7%) in the first transition year (2018/19). The proposed national formula elements are 50% historical spend, 25% population factor, 7.5% health and disability factors, 7.5% low attainment factors and 10% deprivation factors. Work will be undertaken with Schools Forum and schools to review these proposals so that the local authority can respond to the proposals by the 22nd March deadline.
- 3.41 An important issue is the 'baseline' used by the EFA to determine Northamptonshire's high needs DSG funding in 2018/19. An updating DSG baselining exercise will be undertaken by the EFA shortly. They have stated significant increases will be challenged. Given there has been a significant movement of DSG funding in Northant's (£2.25 million) from the schools block to high needs in 2017/18 to fund increasing costs in the high needs block it is important this revised position is reflected in future high needs block allocations.
- 3.42 As reported in the schools outturn report to Cabinet in May 2016 the DSG High Needs block overspent by £2.1 million in 2015/16. This was offset by underspends in the other 2 blocks (Schools and Early Years) in the year. However these underspends were largely one off and therefore not continuing in 2016/17 and subsequent years. Although in 2016/17 high needs pressures have been supported by one-off DSG carry forward funding the High Needs block is still projected to overspend in 2016/17.
- 3.43 This means that in 2017/18 either additional funding and/or savings of at least £3.7 million were required just to fund existing high needs commitments. High needs pressures exist across all of the relevant budgets but particularly for Alternative

Provision, special schools, mainstream high needs top ups, early years high needs panel and out county provision.

- 3.44 The growth taking place in high needs provision is demonstrated by the planned opening of a new special school in the county at a rate of one per year. Daventry Hill School opened in September 2016, and there are planned opening dates for Purple Oaks (Northampton) September 2017 and Corby SEN free school September 2018. The additional DSG high needs block funding of £1.96 million for 2017/18 will all be allocated to meet the additional costs and numbers in the special school sector in 2017/18.
- 3.45 Part of the issue in common with other areas of the county council funding is that DSG high needs funding in previous years has not been in line with the rate of growth in Northamptonshire of numbers and high needs at a time of greater expectations from both the local authority, schools, OFSTED, the Government, pupils and parents.
- 3.46 Since May 2016 Officers have expanded their review of high needs areas and work with schools and Schools Forum to identify actions that can be taken to reduce costs and identify savings to fund the identified high needs pressure of £3.7 million. Following discussions at previous Schools forum meeting detailed proposals were presented and discussed at the Forum meeting on the 29th November. Following considerable debate it was agreed that £2.25 million would be transferred from the schools block (a mixture of headroom from the increased schools block funding in 2017/18 and a reduction in schools AWPU funding), a saving of £0.4 million by moving the early years high needs panel to the new early years Inclusion fund, high needs staff savings of £0.3 million from vacancies and restructuring of Childrens services, £0.35 million by reducing AP, colleges and special schools high needs top up rates by 2% in 2017-18, £0.1 million from a review of SEN unit place numbers and £0.3 million saving in the high needs SLA budget.

4. Consultation and Scrutiny

- 4.1 The Government are consulting on the DSG National Funding Formula. The local authority and schools have responded to the first stage of this consultation and will respond to the second stage consultations by the 22nd March deadline.
- 4.2 Officers have discussed the changes to the school funding arrangements with the Schools Forum. Feedback from these meetings has helped shape the Council's responses to date.
- 4.3 The Local Authority have consulted with Primary and Secondary schools and academies on the proposed funding formula changes outlined for 2017/18. The schools funding formula components are shown in Appendix C.
- 4.4 As required by the Government, and in accordance with the limits and constraints they set on expenditure in these defined areas, proposals on central expenditure for both the schools and early years blocks have been presented to Schools Forum and approved.

4.5 Early Years providers will be consulted with on the EYSFF proposals for 2017/18 prior to bringing final proposals to Schools Forum in March 2017. The final decision on the EYSFF is the local authority's.

5. Equality Screening

5.1 The proposed schools funding formula changes could lead to a redistribution of funding between individual Primary and Secondary schools.

5.2 Schools will be protected by the national Minimum Funding Guarantee (MFG) which does not allow a schools average per pupil funding to reduce by more than minus 1.5% per annum. The DfE have deemed that with this protection funding reductions are not destabilising to a schools operations.

6. Alternative Options Considered

6.1 Alternative options in implementing the proposed Primary and Secondary schools funding formula changes for 2017/18 and making savings to cover the base high needs pressure of £3.7 million were considered at Schools Forum meetings. The options discussed are contained within the Schools Forum reports provided in Section 9.

7. Financial Implications

7.1 The financial implications have been discussed with Schools Forum.

7.2 In summary the key points to note in respect of the 2017/18 funding arrangements are that:

- a) The DSG will continue to be a ring-fenced grant. In 2016/17 the three blocks within the DSG are not ring-fenced. This will also be the case in 2017/18 although the EFA review of each blocks budgets for the baselines to be applied to the 2018/19 DSG funding could have an impact;
- b) The minimum funding guarantee (MFG), a form of protecting individual school funding, is being continued within the arrangements for 2017/18. The MFG protects schools so that they lose no more than minus 1.5% per pupil compared to the previous year;
- c) The Northamptonshire consultation proposals included introducing the EAL and prior attainment formula factors and reducing deprivation funding as Northamptonshire was in the minority nationally in not having the EAL and prior attainment factors and these were included in the national funding formula proposals. These changes were applied and this has resulted in a redistribution of funding between some schools. The consultation materials clearly identified the likely financial impact of the different consultation areas on individual schools;
- d) In respect of those schools continuing to gain under the reformed schools funding formula the Council did not apply a cap to limit the gains in order to make the proposals affordable; and
- e) The 2017/18 DSG allocations for both the schools and high needs blocks have been increased by the Government to reflect respectively pupil and population growth. This will help to fund the increased costs generated by additional numbers in these 2 areas.

- 7.3 The DSG High Needs block is currently overspending and the report above identifies the actions taken, including making savings, to bring this area back into balance for 2017/18.
- 7.4 The report includes the impact of the general services element of the ESG grant ceasing and the movement of the retained duties element of this grant to the DSG.
- 7.5 The report also covers the implications for Northamptonshire of the national funding formula proposals for each of the DSG funding blocks. The latest consultation proposals indicate Northamptonshire would gain increased funding from both the schools and high needs blocks moving to a national funding formula from April 2018. It is important to note that this may change given authorities who are not gaining will feed back alternative proposals to the Government which will benefit them but may impact on the funding this authority may receive in the future.

8. Risk and Business Continuity Management

- 8.1 The school funding reforms introduced by the DfE in 2013/14 represented a significant change in funding and responsibilities for schools. Some schools may find it more difficult to adjust to the revised arrangements therefore requiring more support from the Authority when central DSG budgets are being constrained. Similarly the reforms do provide the opportunity for schools to take more control over the provision of education to their pupils.
- 8.2 Whilst there is no change to the level of protection in school budgets for 2017/18 there is a risk that the DfE could seek to reduce the level of protection in future years. This would create financial challenges for some schools.
- 8.3 The move to a national funding formula will mean further changes and uncertainty for both schools, early year's providers and the Local Authority. The introduction of 2 formula factors that are in the proposed National Funding Formula into the Northants local schools funding formula from April 2017 will help to transition Northamptonshire schools towards the funding changes that will take place with the National Funding Formula determining each schools funding.
- 8.4 The change of ESG funding impacts negatively on the funding the Authority receives. Although the £1.667 million for retained services duties, many of which are statutory, has been moved into the DSG and approved as a central expenditure budget by Forum for 2017/18 this is subject to an annual vote by Forum members. This creates risks and uncertainty for the activities that the ESG funding contributes to, particularly as a number of activities are currently statutory local authority responsibilities.
- 8.5 The EFA's will review Northamptonshire's, and other local authorities, DSG budgets. These reviews could impact on the funding received under the DSG national funding formula allocations for each of the blocks in 2018/19.
- 8.6 The dates for Government announcements on the final DSG arrangements for 2018/19 are not yet known. This makes forward planning difficult.

9. List of Appendices and additional information

Appendix A – Education Services Grant (ESG) – retained duties grant activities

Appendix B - The National Funding Formula High Needs block proposals

Appendix C – Summary of School Funding arrangements for 2017/18

a) Link to the DfE School Funding arrangements for 2017/18

<https://www.gov.uk/government/publications/schools-funding-arrangements-2017-to-2018>

b) Schools Forum papers

Proposed Primary and Secondary schools formula changes

[Schools Funding formula 2017-18 proposals for consultation](#)

Options on making savings to cover the base high needs pressures of £3.7 million

[High Needs pressures and options for savings](#)

c) National funding formula proposals

[DfE website](#)

10. Glossary

Description	Acronym
Age Weighted Pupil Unit	AWPU
Department for Education	DfE
Dedicated Schools Grant	DSG
Early Years Single Funding Formula	EYSFF
Education Funding Agency	EFA
Education Services Grant	ESG
English as an Additional Language	EAL
Income Deprivation Affecting Children Index	IDACI
Minimum Funding Guarantee	MFG
National Funding Formula	NFF
Private Finance Initiative	PFI

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Background Papers:	
Does the report propose a key decision is taken?	NO
If yes, is the decision in the Forward Plan?	n/a
Will further decisions be required? If so, please outline the timetable here	NO

Does the report include delegated decisions? If so, please outline the timetable here	Delegated authority was approved by Cabinet in September 2016. The timetable for delegated decisions is: Schools formula –January 2017 Early years and high needs blocks – March 2017
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: Jon Lee n/a
Has the report been cleared by the relevant Director?	YES Name of Director: Lesley Hagger
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Matthew Golby YES Cabinet Member: Robin Brown
Has the relevant scrutiny committee been consulted?	NO
Has the report been cleared by Legal Services?	YES Name of solicitor: Laurie Gould Solicitor's comments: n/a
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property issues been cleared by Property and Asset Management?	YES Name of officer: James Wheeler
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL

