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Report title:	Provisional 2015-16 Mainstream School Funding Formula	
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Executive Summary

This report provides an update on the Local Authority's provisional 2015-16 school budget pro-forma, as submitted to the Education Funding Agency (EFA) in October 2014.

Schools Forum Actions

The Schools Forum is asked to note the provisional pro-forma that was submitted to the EFA.

1.0 Background

- 1.1 The local authority is required to submit each year details of the mainstream school funding formula to the Education Funding Agency (EFA); provisionally on the 31 October 2014 and a final version on 20 January 2015.
- 1.2 The LA submitted the provisional school budget pro-forma to the EFA on the 30 October 2014 based on report received by the Schools Forum at its October meeting.
- 1.3 The final school funding formula will be considered at the January 2015 School Forum meeting, following the reissue of the pro-forma by the EFA in December 2014 based on updated October 2014 school census data. The LA will review the provisional funding formula rates following confirmation of the updated pupil data and DSG settlement. The previously agreed principals to be used when updating the formula are outlined in section 3.2.
- 1.4 The Schools Forum should note that there are some significant changes to the pro-forma as compared with last year in relation to the inclusion of non-recoupment academies and free schools. The LA is required to include these schools in their funding formula for the first time in 2015-16, including a requirement for the LA to show estimated pupil numbers for new schools which are still growing.

2.0 Provisional 2015-16 school budget pro-forma

- 2.1 The provisional 2015-16 school budget pro-forma was submitted to the EFA on the 30 October 2014, based on the provisional rates agreed by The Schools Forum at the October meeting. The only change proposed to the 2014-15 rates was the exclusion of the one-off additional funding allocation in 2014-15 allocated as part of the lump sum. The provisional funding formula submitted is set out in Appendix A.
- 2.3 The reconciliation between the final 2014-15 and provisional 2015-16 school budget pro-forma is provided below:

2014-15 final pro-forma	£172,743,570
Add: new academies and free schools	£47,601,935
Less: one-off funding allocation	-£1,140,000
Add: NNDR adjustments	£93,088
2015-16 provisional pro-forma	£219,298,593

3.0 Final 2015-16 school budget pro-forma

3.1 The final 2015-16 rates to be agreed at the January Schools Forum meeting will be reviewed and updated to reflect:

- October 2014 pupil numbers;
- October 2014 data (e.g. for IDACI, FSME etc);
- Agreed 2015-16 de-delegated and retained budgets;
- Estimated pupil numbers for non-recoupment academies and free schools;
- Minimum Funding Guarantee (MFG) and ceilings (cost neutral approach);
- 2015-16 Dedicated Schools Grant (DSG) settlement.
- Will be in line with the principles agreed at the October 2014 Schools Forum meeting.

3.2 The LA is required to submit the final school budget pro-forma to the EFA on 20 January 2015.

4.0 Treatment of new and growing schools in the pro-forma

4.1 In addition, the LA is required to submit estimated numbers in 2015-16 for new and growing non-recoupment academies and free schools. The EFA have confirmed that estimated numbers are required for the schools detailed in table 1.

Table 1 – list of schools LA required to submit estimated numbers

DfE No.	School	Phase	Date opened	PAN	NOR October 2013
4002	University Engineering Academy	Secondary	01/09/14	150	N/A
2004	Harris Primary East Dulwich	Primary	01/09/14	60	N/A
2000	Southwark Free School	Primary	20/08/12	30	42
2001	Harris Primary Free School Peckham	Primary	28/08/12	60	118
2002	Judith Kerr Primary School	Primary	03/09/13	50	83
4000	Compass School Southwark	Secondary	02/09/13	100	40
4001	ARK All Saints Academy	Secondary	01/09/13	120	110

4.2 The most recent guidance on the cash transfer to DSG in relation to these schools is included in Appendix A. The guidance confirms that the:

- Principle of cash neutrality when non-recoupment academies transfer into the DSG;
- Intention to recalculate the schools block unit of funding in 2016-17 to include non-recoupment academies;
- Current guidance to plan on the basis that costs from 2016-17 will need to be met from existing DSG resources.

4.3 The LA remains concerned about the potential financial impact of these changes on existing Dedicated Schools Grant resources. This is a particular concern for Southwark due to the high number of non-recoupment academies, which is significantly higher than the average numbers nationally. The estimated full year cost in 2015-16 for the current schools, based on PAN and average costs, is £3.9m. This figure will change in future years depending on the number of new classes opening in Southwark non-recoupment academies and free schools.

4.4 The LA has sought further clarity from the EFA on the impact of the changes in 2015-16, in particular in relation to the treatment of free schools. The most recent response from the EFA is that the transfer will be “largely” cash neutral to the authority in 2015-16.

4.5 In line with the current information and guidance available, the LA will be taking a prudent approach to DSG budget setting on the assumption that these costs will need to be met from existing resources from 2016-17. It is expected that any costs will be an on-going additional cost on the DSG each year, based on the number of new classes.

5.0 Transitional Arrangements: Minimum Funding Guarantee (MFG) and Ceilings

- 5.1 The Minimum Funding Guarantee (MFG) protects the per-pupil funding of schools compared to their funding in the previous year. The DfE has set the MFG rate at minus 1.5% per pupil in 2015-16, the same rate as applied in previous years. The MFG applies to pupils aged 5 – 16 and excludes post 16 funding, early years funding, the lump sum, business rates and any new funding delegated to schools.
- 5.2 No additional funding is available to support LA's in applying the MFG. The LA however continues to be allowed to apply a ceiling to limit the gains for individual schools. The LA proposes to apply a ceiling to ensure that the MFG is self-funding, in the same way as has been applied in previous years. The actual ceiling rate that will need to be applied will be calculated based on the actual 2015-16 school budgets.

6.0 Schools Forum Actions

The Schools Forum is asked to note the provisional school funding formula submitted to the EFA as set out in Appendix A;

Appendix A**Extract from Schools revenue funding 2015 to 2016 operational guide version 3: October 2014****Cash transfer to DSG for non-recoupment academies**

72. We have already said in our announcement in July that we will calculate an addition to authorities' 2015-16 DSG to maintain a principle of cash neutrality when non-recoupment academies transfer into the DSG, subject to there being no major change in the local formula. We will therefore calculate the amount based on what the academy would have received in the 2014-15 formula based on the pupil numbers in the October 2014 census, uplifted by the Minimum Funding Level (MFL) increase for relevant authorities. For academies which are new or still adding year groups, we will adjust the census numbers to include estimated numbers shown on the October APT.

73. As we said at the time of the announcement, we will also include central budget allocations (growth and falling rolls funds). The amount will be the higher of the amount allocated to these academies by the EFA in 2014-15 or the amount allocated by authorities in 2015-16; we will collect information on the latter in the 2016-17 APT. We will also include the licence costs for non-recoupment academies as these have been paid centrally by the department.

74. We said in the announcement that it is our current intention to incorporate the additional funding for non-recoupment academies into each local authority's schools block unit of funding in 2016-17. We would calculate the 2016-17 schools block unit of funding by dividing the local authority's total 2015-16 dedicated schools grant (including the extra funding for former non-recoupment academies) by the number of pupils in the local authority in the October 2014 census, including non-recoupment academy pupils.

75. We are aware of concerns that some authorities have over the cost pressure of future growth in numbers in these academies. We are not able to make any commitments relating to 2016-17, so authorities should plan on the basis that they will need to meet any future pressures from their overall DSG envelope, which would include the addition referred to in the previous paragraphs.