



SCHOOLS FORUM

2018-19 School Funding

6 November 2017

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies	X	Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority	X	Post 16	
		High Needs	

Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	X
Decision		Maintained Secondary School Members	X
		Maintained Special School Members	
		Academy Members	X
		All Schools Forum	

1. This report sets out the proposed local authority approach to consultation on options for the 2018-19 School Funding Formula in response to the introduction of the National Funding Formula..

Recommendations

2. That Schools Forum supports the approach to consultation and the options to be consulted upon as set out in this report..

Background

3. Proposals for the National Funding formula (NFF) were published by the Department for Education (DfE) in September 2017 and confirmed that a soft formula would be in place for both 2018/19 and 2019/20. A soft formula is the terminology to describe a

situation whereby notional school allocations based upon pupil characteristics generates the Schools block Dedicated Schools Grant (DSG) to which local authorities apply their own local funding formula to generate individual school budgets. The DfE also announced that they would move to a hard formula, where school funding is calculated nationally and allocated to schools with no local authority involvement at some point in the future.

4. The soft formula approach allows for NFF principles to be adopted, allows any detrimental impact of the NFF to be delayed and can provide additional funding to those schools gaining least from the NFF allowing a greater period of transition. It is uncertain at what point the NFF will move to a hard formula but indications suggest that it will not be possible to achieve this by 2020/21. At a recent national conference DfE officials were clear that local authorities, over the period of the soft formula, should take decisions not based on delivering the NFF but on delivering the best funding solution for its schools. As previously discussed the time available for modelling options has been a significant constraint.

The Local Authority Approach

5. Following the July announcement the local authority established a schools formula working group consisting of three headteachers and three business managers nominated by both LPH and LSH, in addition two Schools Forum representatives were self-nominated. The group met on 7 September before the detailed NFF announcement and again on 2 November.
6. Modelling of options for 2018/19 were considered at the November meeting,. Three approaches were possible for 2018/19;
 - Retain the current funding formula – this was not modelled based on early views from schools
 - Write a new formula –this was not possible within the time available
 - Replicate the NFF as close as possible unless there is a clear benefit for deviation from it – all modelling was completed based on this option
7. The September 2017 announcement set out an unchanged structure for the NFF from that set out in December 2016. However some changes have been made to that originally announced in the consultation;
 - Increases to the value of the Age Weighted Pupil Units (AWPU)
 - A minimum per-pupil funding level of £4,800 for pupils at KS4 , £4,200 for pupils at Key Stage 3, £3,500 for primary schools in 2019/20. Transitional amounts are £4,600, £4,000 and £3,300 respectively in 2018/19
 - All schools will receive a minimum increase of 0.5% per pupil in 2018/19 and 1% in 2019/20 compared to their 2017/18 baseline.
 - An increase to the IDACI funding unit for Band C
 - The gains cap has been raised to 3% in 2019/20 compared to 2018/19

8. The 2018/19 school funding report presented to the Schools Forum on 25 September set out that the technical guidance on the operation of the formula, and specifically the operation of the capping and protection within the formula, was not available. Once this was received it became clear that protection was multi-layered and the minimum funding per pupil effectively overwrote the floors and ceilings resulting in some schools receiving increases in excess of 3% per pupil.
9. Modelling is based on retaining the NFF notional allocations for primary and secondary schools within that school phase. Any impact of formula changes adjusted in the that school phase e.g. should IDACI costs increase as a result of a formula change adopted for primary schools then the cost would be met from within the primary NFF notional allocation and conversely for any secondary school formula change.
10. All modelling uses the overall 2017/18 school budget as the baseline. It differentiated between primary and secondary schools as the soft information gathered by the local authority suggested secondary schools were in favour of moving to the NFF at the earliest opportunity with primary schools uncertain.
11. The modelling is also based upon the levels of protection as set out by the DfE i.e. a minimum increase of 0.5% per pupil and a maximum of 3% per pupil or the minimum per pupil funding if higher.
12. For secondary schools the group considered the impact of the NFF with no local changes, for primary schools it considered deviation from the NFF in respect of the lump sum value, prior attainment and deprivation allocations.
13. In respect of the NFF impact for primary school 54% of schools were on the minimum increase of 0.5% per pupil;
 - The first deviation from the NFF presented was to retain the 2017/18 overall level of prior attainment funding using the additional funding generated by the NFF to retain the lump sum at £150,000. This resulted in a greater spread of gains. There has been lots of concern, particularly small primary schools, regarding the reduction in the lump sum from £150,000 to £110,000, its inclusion within the funding floor against which the change in school funding is measured results in the reduction being protected across the overall budget. No primary school loses £40,000 from the NFF change
 - The second deviation was to retain the focus on Income Deprivation Affecting Children Indices (IDACI) within the 2017/18 formula and reduce the funding through Ever6 Free School Meals. This again created a more even spread of gainers and provided more funding to schools with higher proportions of economically deprived pupils.
14. The group also considered the use of sparsity funding which is subject to further limitations within the model provided by the DfE upon which local authorities construct their formulae. As such the group agreed with the basis of modelling and not using this factor.

15. The distribution of funding for all options did not provide any uniformity in the impact on particular schools. It should be noted that the NFF is not a needs led assessment of what funding schools need in order to deliver effective and efficient education, but a mechanism to create uniformity nationally between schools within a given amount of funding. Its impact therefore differs according to a school's level of a particular pupil characteristic against the NFF proportion and its level of base funding.
16. It became apparent during the second working group meeting that the relationships between capping and protection and the minimum increase per pupil i.e. the latter effectively overwrites the former was not understood which resulted in some schools with higher than 3%. Discussion took place on whether the same modelling options for primary schools should be followed. There was a mixture of views on this but for consultation purposes the options set out above will be presented for both primary and secondary schools.
17. It has previously been reported that it would be necessary to scale back the NFF allocations to meet any additional costs arising from increases in rates, age range protection and school growth which would be unfunded in the Schools Block allocations. It had been assumed that the funding allocated to the local authority would directly match the October 2017 pupil characteristics as recorded on the census. This is not the case, the funding for local authorities will be based on the 2016 census and school funding on the 2017 census. Whilst funding will be adjusted for increases in pupils, there will be no funding for changes in pupil characteristics between these dates. This means that if funding for deprivation or prior attainment needs increases within the school formula it will need to be found within the overall pot of the 2018/19 Schools Block.
18. Options were presented on a mechanism to be adopted should costs for rates, age range changes and new school growth exceed the historical allocation. It was proposed to reduce both the AWPU and minimum per pupil funding with no distinction between primary and secondary funding, any adjustment would consider all schools equally. It is not possible to quantify the extent of any funding gap until such time the October census data is received in December, the impact of age range changes, school rate increases and the timing of opening of the next new school are confirmed. This was a concern to the group.
19. It was agreed that the funding gap would be estimated and included within the consultation giving schools an indication of the likely impact. It should be noted that the local authority approach to school funding is that it must be contained within the grant available and there would, as in previous years, be no local authority funding to add to the Schools Block.
20. It is expected that the funding gap will increase in 2019/20, it will be possible to even out any adjustment over the two years of the soft formula. However, there are two significant uncertainties in respect of any future age range changes and the precise point Leicestershire's next new school will open, both of which are expected to be a financial call on the 2019/20 Schools Block. The consultation will ask schools for views on how this will be addressed.
21. Some discussion took place at the meeting on whether the balancing adjustment could be made by adopting a different level of ceiling. This is possible but moves

away from the floors and ceiling set by the DfE, historically the Leicestershire formula had adopted the nationally set levels. It is possible to make the change in this manner but this has not been modelled and the time constraints do not allow for this to happen for 2018/19..

Consultation

22. It is proposed to launch consultation with schools on 17 November and close on 30 November. This will allow Schools Forum to consider any response that they may wish to make on the views expressed by schools for the local authority to take into account in the recommendation on the 2018/19 school formula for consideration by Cabinet on 9 January 2018.
23. The intention is to issue all consultation documentation, including information at individual school level, through the Leicestershire Traded Services website which can be accessed by all schools and academies.
24. The consultation will present for both primary and secondary schools;
 - The impact of an unchanged NFF
 - The impact of maintaining prior attainment funding at 2017/18 levels and retaining a lump sum of £150,000
 - The impact of maintaining the focus on IDACI funding through reallocation of the Ever6 funding within the NFF
 - The combined impact of the local deviations from the NFF
 - The approach to be taken to a 'balancing adjustment' to ensure the value of individual school budget does not exceed the Schools Block funding.

Resource Implications

25. All schools will see an overall cash increase to their budgets from the NFF proposals, for schools at the minimum increase of 0.5% this will be a real terms decrease in funding.
26. The consultation will set out options for how the additional funding delivered through the NFF proposals to Leicestershire is distributed between maintained schools and academies.
27. Modelling identifies that some deviation from the NFF allows a greater distribution of gains across schools but limits the extent of the increase for those schools set to gain the most from the NFF proposals

Equal Opportunity Issues

28. Detailed modelling of 2018/19 options will identify any equality issues, the DfE proposals are supported by a comprehensive Equalities Impact Assessment.

Background Papers

Report to Schools Forum 25 September 2017 – 2018/19 School Funding

<http://politics.leics.gov.uk/documents/s132070/2018-19%20School%20Fundingv4.pdf>

DfE Announcement on 2018/19 School Funding

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

Officers to Contact

Jenny Lawrence

Finance Business Partner – Children and Family Services

Email: jenny.lawrence@leics.gov.uk

Tel; 0116 3056401