



## SCHOOLS FORUM

9 FEBRUARY 2017

### 2018/19 Dedicated Schools Grant and Schools National Funding Formula

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

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision	X	Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X
<b>Actions arising from the recommendations in this report are for all Schools Forum Members</b>			

### Purpose of the Report

1. This report is to set out the high level implications arising from the stage two consultations on the implementation of the National Funding Formula (NFF) and the change in methodology for the calculation of the High Needs Dedicated Schools Grant (DSG) in 2018/19.

## **Recommendations**

Schools Forum is asked to;

2. Note the stage 2 consultations from the Department for Education on the implementation of the National Funding formula (NFF) for schools, and the introduction of a formulaic distribution of the high needs Dedicated Schools Grant (DSG) from April 2018.
3. Note the high level analysis of the proposals and their impact.
4. Consider its approach to the consultations and whether a more detailed workshop is required.

## **2018/19 Schools Block Dedicated Schools Grant**

5. The consultation continues the proposal to split the Schools Block Dedicated Schools Grant (DSG) to two blocks;
  - **Schools Block** – determined by the application of the National Funding Formula (NFF) to pupil characteristics and fully delegated to schools. This is discussed further in the following section of this report. The quantum of this funding will be the aggregate of individual school budgets calculated by the application of the MFF, including transitional arrangements and protection plus the 2017/18 value of the school-led factors
  - **Central School Services Block** – this will include centrally retained school related budgets held by the local authority plus the retained duties element of the former Education Services Grant (ESG) for those duties it is required to fulfil for all maintained schools and academies.

## **School National Funding Formula**

6. The Department for Education (DfE) issued stage1 of the consultation on the implementation of the NFF in March 2016, this set out the principle that every pupil characteristic should be funded the same irrespective of the local authority in which they are being educated.
7. Stage 2 of the consultation was expected in the spring and finally issued on 14 December and closes on 22 March 2017. This consultation confirms that;
  - A 'soft' NFF will be implemented in April 2018. Schools Block DSG will be calculated by the NFF based on pupil numbers and characteristics. Local authorities will remain responsible for determining a school funding formula. Local authorities will be 'encouraged' to work towards the NFF.
  - A 'hard' NFF will be implemented in April 2019 with school funding being fully allocated by the DfE. A further consultation is expected to set this out in due course.

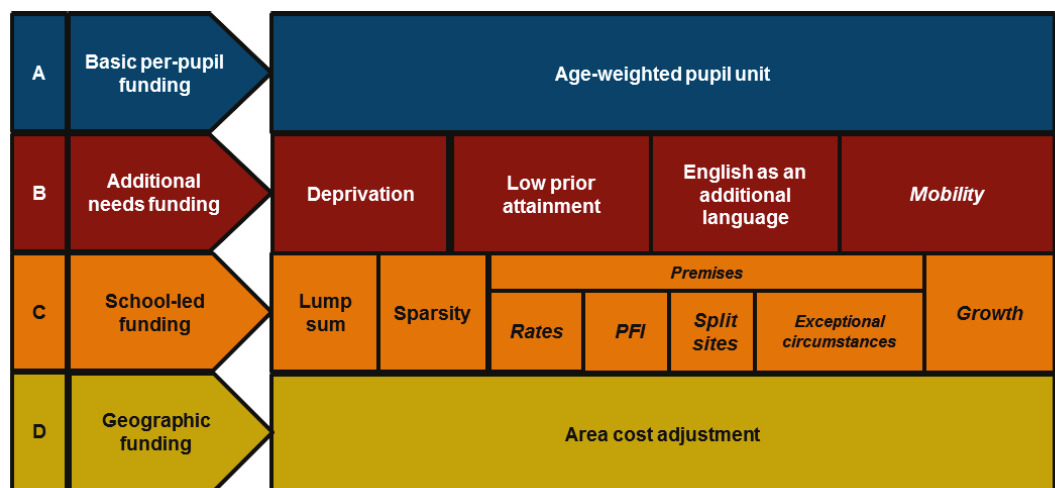
8. Stage 2 of the consultation confirms the outcome of stage 1 and is consulting on the detailed proposals for the design on the formula and specifically three key areas;
- The weightings between formula factors
  - The limits on losses ('funding floors') and gains under the formula
  - Transitional protection.

The consultation includes detailed impact tables for every school and local authority in England. It should be noted that the figures include are for illustrative purposes and compare schools 2016/17 budgets to the budgets expected to be delivered by the NFF. 2018/19 budgets will use 2017/18 as a baseline and October 2017 census data, as such the budgets that school receive in 2018/19 will differ from the published illustrations.

The consultation can be accessed at:

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

9. The 2018/19 formula factors are confirmed as;



10. The application of monetary values to each pupils characteristics will generate the Schools Block DSG for 2018/19. All elements will be funded by pupil data with the exception of those set out in italics which will be provided to local authorities on the basis of historic spend. This will create financial pressures if costs increase as is expected from opening new schools or a further increase in the value of rates occurs.
11. Over the transitional period of the NFF it will not be possible to fund schools at the values set out within the consultation as a result of the transitional protections built into the formula. Furthermore in the 'soft formula' in 2018/19 should the cost of the school driven elements of the formula increase this will need a compensating adjustment to the nationally stated values.

12. In addition to the formula factors the DfE propose the relative weightings between them with 91% of total funding (Leics 87.47%) be delivered through pupil-led factors, to facilitate this deprivation and low prior attainment factors are proposed to increase in weighting.
13. The Minimum Funding Guarantee (MFG) is proposed to continue to be minus 1.5% per pupil for 2018/19 and 2019/20, a 3% funding floor is set to limit the changes arising directly from the introduction of the NFF and the maximum a school can gain will be limited to 3% per pupil in 2018/19 and 2.5% in 2019/20.
14. The DfE propose to undertake a further baselining exercise for the schools and high needs blocks to reflect 2017/18 expenditure levels. The DfE will liaise with local authorities where there have been further movements before determining whether these are appropriate changes to the baseline or to use the 2016/17 baseline position, if this were to be the latter then the c£3m transfer for 2017/18 would be a one year adjustment only and the pressure in the high needs block would increase.
15. For 2018/19 some flexibility will remain to move funding from the schools block to high needs following local consultation and with explicit agreement from the Schools Forum and the majority of primary and secondary schools.

### **The Impact of the National Funding Formula for Leicestershire Schools**

16. As funding will be delivered through pupil characteristics the average funding per pupil for each school will be unique and continue to differ as demonstrated below;

NFF funding on the basis of pupil characteristics		Funding Allocated		
		Primary	Key Stage 3	Key Stage 4
Basic per pupil funding		£2,712	£3,797	£4,312
And if the pupil also has the following characteristics	Ever6 Free School Meals (FSM)	£3,252	£4,582	£5,097
	Current FSM	£3,692	£5,022	£5,537
	English as an additional language (EAL)	£3,227	£5,182	£5,697
	Low prior attainment	£3,762	£5,347	£5,862
	FSM and EAL	£4,207	£6,407	£6,922
	FSM and low prior attainment	£4,742	£6,572	£7,087
	FSM and EAL and low prior attainment	£5,257	£7,957	£8,472

For the 'soft' formula in 2017/18 it may not be possible to fund schools at these levels, this will be dependent upon local decisions on the formula and whether costs for rates and growth exceed that funded through historic cost.

17. There appears to have been any evidence based approach in setting the values used within the NFF, the consultation states that an evidence base has

been used for the relative weightings between them but it isn't explicit on what this is.

18. The DfE has issued exemplifications at individual school level, these are illustrative as 2018/19 budget will be based upon the October 2017 schools census. There are also some concerns about the data which requires further analysis to understand the baselines and the application of the formula. Initial analysis shows;

<b>Full Implementation of National Funding Formula</b>							
	Number Gaining	Number No Change	Number Losing	Greatest Gain	Greatest Loss	Average Change %	Overall Change £
Primary	77	3	146	+8.1%	-2.8%	0.0%	+£85k
Secondary	48	-	5	+9.1%	-1.4%	+5.1%	+ £8.5m
							<b>+£8.6m</b>
<b>2018/19 Funding for First Year of Transition</b>							
Primary	75	3	146	+2.6%	-1.4%	+0.2%	+£0.4m
Secondary	48	-	5	+2.9%	-1.4%	+2.6%	+£4.3m
							<b>+£4.8m</b>

There is no indication within the consultation over the timescale in which schools will be funded by the NFF, however a MFG of minus 1.5% per pupil and a maximum loss over the first two years of the formula of 3% suggests this will be a long term change.

19. The manner in which the DfE have presented the data does not allow schools to be grouped to identify if any particular size or location is a factor in the change of funding position. This analysis will be completed over the next few weeks to inform the consultation response and in the longer term the preferred size of school within the school place planning strategy.
20. It can be seen that the position for primary and secondary schools is very different. The following factors, from the initial analysis of the figures identifies the following contributory factors;
- A lower than average ratio of funding between primary and secondary schools, for 2016/17 this is 1:1.21 in Leicestershire and the NFF sets this at 1:1.29. This effectively moves funding from primary to secondary schools.
  - The reduction in the lump sum to £110,000 from £150,000 within the Leicestershire formula. This has been protected by the Funding Guarantee but a primary school would need 5,700 pupils to fully recover the reduction as primary per pupil funding increases by just £7 per pupil.
  - The low level of funding for Key Stage 3 in the Leicestershire formula, the NFF increases this by £209.05 per pupil (5.8%), this accounts for c£4.5m of the secondary increase

- The greater weighting to deprivation and low prior attainment which total 16.8% of the NFF but 9.8% in Leicestershire.
21. The impact of the factors within the NFF currently unused in the Leicestershire formula i.e. sparsity and EAL cannot be assessed until such time the individual calculations for each school can be accessed.

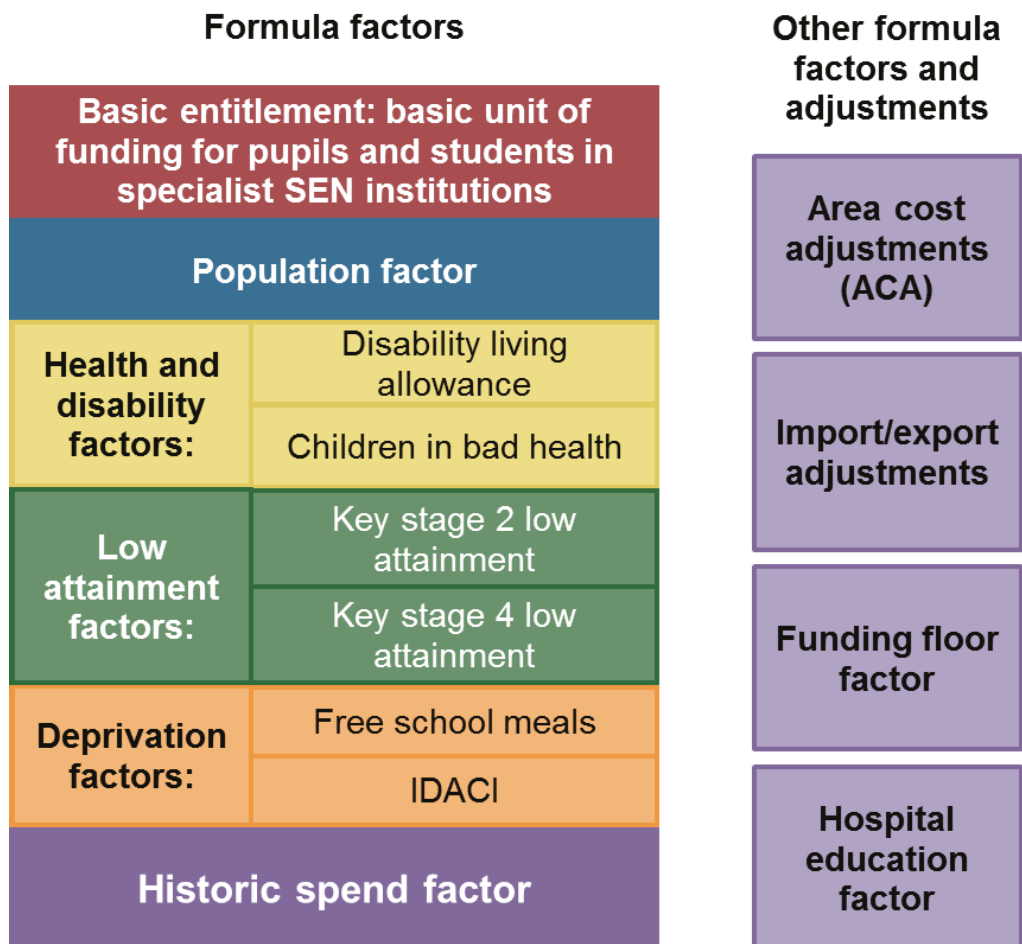
### **2018/19 High Needs Dedicated Schools Grant**

22. In tandem with the consultation on the implementation of the NFF the DfE also issued stage 2 consultation on changes to the methodology to generate high needs DSG for local authorities alongside the outcome of the earlier stage 1 consultation which;
- Confirms the formula factors to be used in the formula and proposes weightings and values.
  - Sets out that local authorities can gain from the changes of up to 3% per annum in 2018/19 and 2019/20
  - Proposes a funding floor so that no local authority will lose funding for four years compared to baseline spend
  - Proposes limited flexibility to address the risks of a schools block ring fence continuing into 2019/20 and beyond

The consultation can be accessed at;

<https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>

23. The consultation also confirms modified changes to the funding of special units in mainstream schools and from 2018/19 element 1 pupils within special units will be funded through the mainstream school budget and with place funding reducing from £10,000 to £6,000. This has no overall impact on school budgets
24. The formula factors are confirmed as:



25. Only 15 authorities are expected to see an increase in funding to 2019/20. Leicestershire is expected to receive £2.8m through the floor protection which will ensure that there is no reduction in grant until the next review of the formula in 4 years. It is uncertain from the proposal whether the formula will be updated annually in line with data changes and what impact that will have on the floor, the floor generates 5% on the allocation and it is exceptionally unlikely that the other factors will increase to remove the difference.
26. Should the formula over the 4 years from 2018/19 fail to generate additional funding and the £2.85m transfer from the Schools Block be deemed inappropriate by the DfE which would give rise to a financial pressure, that could be compounded by the further loss of floor protection in £2.9m in 2022/23 or earlier.
27. The Children and Families Act 2014 requires local authorities to keep provision for SEND under review, the consultation sets out a framework local authorities may use to deliver this which aligns with the development of the high needs DSG transformation project. Additionally to support local authorities through this process the DfE have determined a High Needs Strategic Planning Fund as a grant for local authorities, nationally this totals £23m with an allocation for Leicestershire of £0.277m.

### **Early Years Dedicated Schools Grant**

28. Following consultation in August 2016 the DfE confirmed the arrangements for a National Early Years Funding Formula to be implemented from April 2017. The detail can be accessed at:

<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>

29. The changes affect the level of funding for local authorities and the Early Years National Funding Formula will consist of a base rate, an uplift for additional needs based upon measures of free school meals, Disability Living Allowance and English as an additional language.
30. For providers the formula will use a consistent base rate, differentials for different types of providers i.e. maintained nursery schools will no longer be permissible and a factor for additional needs. The formula will use mandatory factors for a basic hourly rate and may use discretionary factors for quality (currently used) and for flexibility, rurality and EAL currently unused.
31. From September 2017 entitlement to free early years provision increases from 15 to 30 hours per week, additionally the hourly rate within the DSG increases from an average of £3.79 per hour to £4.30 per hour and equates to an additional £2.7m for Leicestershire and early years providers.
32. DSG funds both local authority services and early years providers, for 2017/18 local authorities are required to 'passport' 93% of funding to providers rising to 95% in 2018/19. This suggests that a reduction in centrally funded services, an increase in non-grant income, a delegation of current service or a combination will be required as current data suggests that Leicestershire would breach this limit in 2018/19 by c£200k.
33. Local authorities will be required to establish an inclusion fund to support 3 and 4 year olds with SEND and may establish similar arrangements for 2 year olds.

### **Summary – Key Points**

#### **National Funding Formula**

- Local authorities will be responsible for approving a 'soft' funding formula for maintained schools and academies for 2017/18
- A 'hard' funding formula will be in place for 2019/20 which will be agreed nationally, this will be subject to further consultation.
- The impact of the formula is unique to each school, however 65% of primary schools will see a reduction in funding whilst 90% of secondary schools will see an increase, gains and losses will be protected in 2018/19
- 2018/19 will be a transitional year

#### **High Needs Dedicated Schools Grant**

- High needs DSG allocations will be determined delivered by the application of a formula from 2018/19



- Allocations are protected by a floor set at current funding levels for the first four years of the formula
- Financial risk remains within the settlement. The DfE will assess whether the £3m transfer from school to high needs block transfer should be included in the 2018/19 baseline, should this not be the case the floor would increase. However this would result in a £5.8m pressure at the end of the grant protection period.

#### Early Years Dedicated Schools Grant

- Leicestershire receives an uplift in funding from April 2017 which equates to an estimated £2.7m for early years providers
- It is necessary to implement an national funding formula for funding nursery education provider from April 2017
- An exceptionally challenging timescale has been set and proposal must be formulated, consulted upon and presented to Schools Forum in February 2017

#### Next Steps

34. The Cabinet will consider the high level proposals at its meeting on 10 February, following which a County Council consultation response will be compiled. The consultation response will be considered by the Children and Families Overview and Scrutiny Committee on 6 March 2017 following which a further report will be presented to the Cabinet on 10 March 2017.
35. Schools Forum should consider whether it would wish to make its own consultation response or provide comments for inclusion in the County Council response. Members should also encourage individual schools to respond.
36. It is also proposed that an informal Schools Forum workshop be set up to allow greater and more detailed discussions on the proposals and their implications if required.

#### Resource Implications

37. All resource implications are as set out in the individual sections of the report.

#### Equal Opportunity Issues

38. None arising directly from the report

#### Background Papers

None applicable

#### Officers to Contact

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