



SCHOOLS FORUM

2018-19 School Funding

25 September 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 a high level analysis of Department for Education's (DfE) announcement on the introduction of the National Funding Formula (NFF) and the local authorities approach to its implementation.

Recommendations

2. That Schools Forum note the high level analysis of the implications arising from the introduction of the National Funding Formula.
3. That Schools Forum support the approach to be taken by Leicestershire County Council to 2018-19 school funding as set out in this report.

Background

4. The DfE consulted on the introduction of a National Funding Formula (NFF) for schools in December 2016, to which the local authority responded in March 2017. The DfE formally responded to the consultation on September 2017
5. An announcement in July confirmed that the NFF will be introduced in 2018/19 and there would be additional funding to help achieve the change. Operational guidance on its implementation was issued to local authorities at the same time
6. The Secretary of State announced the detail of the NFF and the formal response to the December consultation on September 15, this included 'notional' calculations of its impact for individual schools. NOTE – at the time of writing this report the dataset supporting the notional budget allocations had not been issued and the local authority has not been able to verify either the 2016/17 baselines or the notional calculations.
7. The timeline is challenging, in order to achieve a mid-January submission of the 2018-19 school funding formula set by the DfE it is necessary to construct a formula for consultation in order to present options to the County Councils' Cabinet for decision on 9 January 2018. This means that the final proposals need to be agreed by the end of November which is an exceptionally challenging timescale.

2018/19 School Funding

8. The DfE have confirmed that for 2018/19 and 2019/20 a 'soft' NFF will be introduced. This means that the Schools Block of the Dedicated Schools Grant (DSG) will be calculated at individual school level with reference to the pupil characteristics recorded on the October 2017 school census to which the value of the 2017/18 school led factors will be added to generate the Schools Block DSG. Local Authorities will then apply a locally agreed funding formula to generate budgets for individual schools and academies therefore it is important to note that the 'notional' figures issued by the DfE will not be the budgets issued to schools. A decision on a 'hard' formula and the level of school funding for 2020/21 will be taken as part of the 2020/21 Comprehensive Spending Review.
9. The September announcement sets out an unchanged structure for the NFF from that set out in December. Some changes have been made to the values 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 2018/19 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 2016/17 baseline.
 - An increase to the IDACI funding unit for Band C
 - The gains cap has been raised to 3% in 2019/20.

10. There has been no movement in the basic principle that the NFF should focus on pupil led funding. The lump sum value of £110,000 remains and is set at this level for both primary and secondary schools.
11. The technical guidance on the operation of gains and losses from the introduction of the formula has not been issued. The headlines within the September announcement is that schools will be able to gain 3% per pupil in 2018/19 and a further 3% per pupil in 2019/20. The operation of the Minimum Funding Guarantee (MFG) is unclear, the July announcement included a statement that this would be locally set between a range of 0% and minus 1.5% per pupil.
12. The September announcement sets out further, that for a number of schools with low pupil-led baselines that would be disadvantaged through the 3% cap methodology, for these schools gains will be limited to '*the greater of 3% of a schools baseline or 20% of their remaining formula cash gains*'. It also states that the minimum per-pupil amounts will not be subject to the cap on gains. Without the technical guidance it is impossible to determine how this will work in practice and what the implications for schools will be.
13. Understanding how gains and MFG work in practice is essential to developing the formula. The notional calculations set out by the DfE are not the budget schools will receive but are an indication of the level of funding generated within the Schools Block DSG. MFG will be required to moderate these levels of funding for specific circumstances in Leicestershire, the cost of which will need to be met from within the total Schools Block DSG:
 - School Led Factors – these are allocated on the basis of 2017/18 costs and include funding for school rate bills. Rate revaluations are common and often go back a number of years, rarely do the costs decrease, additionally there are additional costs as the cost multiplier increase and national reassessments of rateable values are completed annually.
 - Age Range Changes – it is not expected that any further movement in school undertaking age range changes will occur in 2018/19. However reassessment of pupil numbers in schools affected in 2017/18 will be required and may result in a net cost to DSG.
 - School Growth – the basic needs for school places continues to grow particularly in the primary sector. Since September 2016 two new schools have opened, additionally there have been significant developments and additional places at further schools. To operate successfully these schools have, and will continue to, be funded for what are significant enlargements to capacity for which no additional funding is allocated to the local authority.

Schools Block Transfers

14. Under the 2018/19 arrangements Local authorities are able, subject to the necessary approvals, to transfer 0.5% of total DSG from the Schools Block (estimated to be £1.8m). In 2017/18 It was possible to transfer £2.85m from Schools to High Needs in 2017/18 without reducing the 2016/17 funding rates for schools due to the fact that as headroom was available in the settlement as;

a) DSG was based on a single unit of funding for all pupils

- b) The 2017/18 Leicestershire formula funds primary schools at a lessor rate than the unit of funding, and
 - c) Demographic growth has been at primary level
15. For the NFF a single unit of funding is attached to each pupil characteristic including differential AWPU rates. There will therefore be no headroom if Leicestershire replicated the NFF within its funding formula.
 16. Local authorities are required to consult with schools and seek approval from the Schools Forum in order to achieve any transfer, local authorities can seek adjudication from the Secretary of State if permission is not granted. Any such approval would be for one year only and would need to be submitted to the DfE by the end of November. No such transfer is being considered.

The Local Authority Approach

17. 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.
18. The meeting set out the expectations for the NFF, sought to gain early views from schools on some of the options available but also to set out constraints and limitations of what was possible given the extremely challenging timescale.
19. No modelling of formula options was completed for the meeting, however the potential issues which would need to be explored through modelling the formula were explored and which will require consideration in setting out a Leicestershire approach;
 - 1) Lump Sum – Leicestershire chose to deliver a higher than average lump sum, the reduction of £40,000 to £110,000 within the NFF will leave a number of schools with an increased financial viability risk. Whilst there is no overall reduction in funding for these schools, 120 (54%) of primary schools receive the minimum increase in funding and will be a real terms funding decrease irrespective of the headlines seen in the media and leaves schools vulnerable to future changes in levels of protection past the two years of the new settlement.
The DfE consistently refer to the use of the Sparsity factor in school funding as offsetting any impact of a lump sum reduction, this is not correct. Only 18 schools in Leicestershire qualify for sparsity funding, and attract £306,000 in sparsity against a loss of £720,000 in the lump sum. All schools would lose £40,000 in lump sum, the maximum gain in sparsity for the 17 primary schools is £25,000 and £65,000 for the eligible secondary school
 - 2) Deprivation – the focus for funding in the current formula is IDACI, which was a conscious decision in 2013 to avoid overfunding of Free Schools meals (FSM) given that the Pupil Premium is funded in this manner.

Both these issues affect primary schools to a greater extent than secondary and may be areas where Leicestershire may wish to diverge from the NFF and / or wish to see

differential approaches pertinent to particular school phase issues where DfE where national guidance allows.

20. There are also elements in the NFF that are not currently used within the current funding formula i.e. English as an Additional Language, Sparsity, Ever 6 Free School Meals. Funding in these areas could help address the issues set out in paragraph 13 with regard to affordability.
21. There are three high level options for 2018/19 school funding;
 - a) Retain the current school funding formula and target additional funding at areas where the Leicestershire formula is out of line with the NFF, any such output however could be expected to be close in structure to the NFF.
 - b) Introduce a totally new and unique funding formula with no reference to the NFF, the timetable set out by the DfE make this exceptionally difficult to deliver.
 - c) Align the 2018/19 school funding formula as close to the NFF as possible, this is possible within the timeline set out by the DfE. Any divergence from the NFF would need to address the funding issues set out with paragraph 12 and would allow for the issues set out in paragraph 18 to be considered. This may result in considering issues specifically for each school sector and differentiating approaches within a given set of principles.
22. Leicestershire County Council is committed to ensuring that its schools are protected as much from funding changes as it is able. The soft approach allows for some local flexibility and once the detailed calculations have been completed we will be better informed as to which of the above approaches will prove the most beneficial to Leicestershire schools and which we will be looking to adopt. There are no intentions to seek any transfers into the High Needs Block.
23. The decision on the 2018/19 school funding formula is vested in the County Councils' Cabinet following consultation with Schools and the Schools Forum. The challenging timetable will require compromises between the time taken to model options and that for consultation. It is important that Schools Forum members engage in open dialogue with schools to ensure they are aware of the changes in school funding in 2018/19 and its implications.
24. A further issue to note is that the approval held to adjust pupil numbers for changes in schools undertaking or affected by age range changes will expire and further approval will be needed for 2018/19. 2018/19 approval will be sought using the current scheme and wording.

Next Steps

25. The 2017/18 baselines are being established within a formula model, this will allow more detailed modelling on options to be undertaken, particularly with relation to deprivation funding and the lump sum. This will determine the optimum solution for Leicestershire schools within the constraints set out by the DfE.

26. A second meeting of the school formula working group had been arranged for 5 October which will allow any initial thoughts from schools to be considered, a third meeting will take place at the end of October to allow more detailed models to be considered and the consultation defined. Consultation is scheduled to be undertaken through November.
27. Schools Forum will be asked to consider the consultation in early November, and a further meeting will be arranged, and will receive the consultation outcome at its meeting on 4 December.

Resource Implications

28. Undertaking the necessary work and achieving a change to the formula will be a challenge and will absorb significant amounts of time for all those involved in the process.
29. The impact will be different for each school, it can be seen that 120 primary schools will be subject to the lowest increase in funding which will be real terms reduction in spending power over the next two years. Whilst additional funding is to be welcomed it is of insufficient quantity to deliver a resolution to the difficult financial positions reported by a number of schools and academies across Leicestershire.
30. The NFF is supported by additional funding found within the DfE's own departmental budget, it is unclear at this point whether this will impact upon grants other than DSG for both the local authority and / or schools.

Equal Opportunity Issues

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

Background Papers

DfE Announcement on 2018/19 School Funding

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

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