

## School Funding

<b>Schools' Forum Date</b>	20th October 2017
<b>Type of Decision</b>	For decision
<b>Background Documents</b>	Announcements on the National Funding Formula 14 <sup>th</sup> September 2017 ( <a href="#">link</a> ) <i>Schools revenue funding 2018 to 2019: Operational Guide</i> ( <a href="#">link</a> )
<b>Author</b>	Stewart King, lead commissioner for education and skills
<b>Purpose of Report</b>	To agree the approach to the funding formula for mainstream schools in 2018/19 and 2019/20
<b>Key Recommendations</b>	<p><b>Recommendation 1:</b> <i>That the local formula for 2018/19 and 2019/20 be set in line with the NFF formula factors and in proportion to the values quoted including the 0.5% uplift to the per pupil element of the baseline for each school</i></p> <p><b>Recommendation 2:</b> <i>That the methodology set out in para 4.3 be applied, with relevant permissions being sought from DfE</i></p> <p><b>Recommendation 3:</b> <i>That de-delegation is agreed at the per pupil rates shown for:</i></p> <ul style="list-style-type: none"> <li>• <i>Targeted intervention – primary</i></li> <li>• <i>Union facilities – primary</i></li> <li>• <i>Local authority statutory duties for maintained schools.</i></li> </ul>
<b>Resource Implications</b>	The announcements increase the Schools Block for Gloucestershire by 1.94% in 2018/19 and a further 1.08% in 2019/20. The outcome varies significantly for individual schools.

### 1 Introduction

The government has made some critical announcements on school funding for the next two years. The Schools Forum will need to:

- Understand the implications for Gloucestershire schools and academies
- Agree an overall strategy for the next two funding years
- Consider whether to seek a transfer from the Schools Block to the High Needs block
- Make recommendations on the detail of the formula in the light of changes in the regulations
- Consider de-delegations for 2018/19 (maintained schools representatives only)
- Agree a basis for consulting schools

## 2 Government Announcements

The secretary of state made a statement on school funding on 17th July. The key announcements were:

- The National Funding Formula will be implemented from 2018/19 as planned
- There will be local discretion on the formula for 2018/19 and 2019/20
- An additional £1.3bn will be allocated to the schools budget in each of 2018/19 and 2019/20 by transferring funding from other programmes
- In order to provide stability no local authority will see a reduction in its cash allocation for the high needs block or its per pupil allocation for the Schools Block
- A 0.5% increase in pupil led funding for every school will be included in the schools block funding to LAs for each of the next two years
- The allowance for every secondary school will provide for a minimum of £4,800 per pupil by 2019/20

On 4<sup>th</sup> August the Department for Education published an Operational Guide on Schools Revenue Funding for 2018/19. This contains some other pertinent information:

- The NFF will be used to calculate the 2018/19 Schools Block total for each local authority with additions based on historic spending for exceptional premises costs, mobility and growth
- The Minimum Funding Guarantee can be determined locally at any rate between 0% and -1.5%
- There will not be a looked after children factor in the schools national funding formula in 2018/19. Government are therefore putting extra funding into the pupil premium plus allocation.
- The Schools Forum can agree a transfer from the Schools Block to the High Needs Block of up to 0.5% of the Schools Block value but there must be full consultation with schools.
- The funding of special units changes from 2018/19 – there will no longer be a reduction to the number on roll used in the schools formula for special centre pupils. A school will therefore receive basic funding for these in the same way as other pupils. A further £6,000 for these pupils will then be allocated from the high needs block. Unoccupied commissioned places will continue to be funded at £10,000 from the high needs block.
- It is permissible to set a minimum per pupil funding level for secondary schools in advance of the £4,800 minimum requirement from 2019/20
- LAs may allocate funding for deprivation using both the 'ever 6' model *and* the number qualifying for free school meals on the school census date rather than one or the other as now

- As planned a new Central Schools Services Block (CSSB) will cover the LA statutory responsibilities for both maintained schools and academies
- From 2018/19 LAs will only be able to deduct or add funding for excluded pupils in the current year and the adjustment will also have to include all other pupil related factors and the pupil premium. The deduction will also have to take place irrespective of whether the school has had any funding for the pupil. This is a significant, and very unhelpful, change for Gloucestershire – our practice, as agreed with GAPH and GASH, allows for adjustments to reflect whether the excluding school has received funding for the following funding year (because the pupil has been on roll at the school census date). It may be possible to continue the current arrangements through local agreement.

On 14th September the Secretary of State announced final decisions on the National Funding Formula together with LAs' allocations for 2018/19 and 2019/20. As expected the allocation comprises the NFF allocation for each school aggregated to LA level. The additional funding announced in July has been used to increase the basic amount per pupil for both primary and secondary schools and to fund the minimum allocation per pupil. Both changes favour Gloucestershire.

The key announcements are:

- To confirm that 0.5% has been added to the baseline for each school for the pupil-led funding allocation for 2018/19 and 2019/20 as outlined in July
- The settlement allows for a minimum per pupil for primary schools of £3,300 in 2018/19 and £3,500 in 2019/20. And a minimum per pupil for secondary schools of £4,600 in 2018/19 and £4,800 in 2019/20
- Special centre pupils are included in school funding from 2018/19; as a result schools with attached special centres are showing baselines in the NFF calculations that are higher than their 2017/18 budgets.
- As a consequence of the transfer of funding for looked after children (LAC) the 2018/19 pupil premium plus rate will increase to £2,300.
- Gains are capped at 3% per pupil in 2018/19 and a further 3% in 2019/20 above each school's 2017/18 pupil-led baseline
- The minimum per pupil applies *after* capping. It is therefore possible for a school that qualifies under the minimum per pupil element to have an increase between 2017/18 and 2018/19 of greater than 3% per pupil. That will be the case if the Forum agrees to implement the minimum per pupil for secondary schools

### **3 Implications for Gloucestershire schools and academies**

The Schools Block for Gloucestershire increases by 1.94% for 2018/19 and a further 1.08% for 2019/20 as a consequence of the announcements:

	Current	NFF with floors/caps		no floors/caps	Percentage changes on 17/18 baselines		
	17/18 Baselines	18/19 illustrative	19/20 illustrative	NFF in Full	18/19	19/20	NFF Full
Schools Block	£337,336,194	£343,874,698	£347,534,141	£349,362,768	1.94%	3.02%	3.57%
High Needs Block	£56,936,639	£57,454,334	£57,720,384	£57,720,384	0.91%	1.38%	1.38%
Central Block	£2,598,885	£2,533,913	£2,492,831	£2,492,831	-2.50%	-4.08%	-4.08%
<b>Total DSG (excl EY)</b>	<b>£396,871,718</b>	<b>£403,862,946</b>	<b>£407,747,357</b>	<b>£409,575,984</b>	<b>1.76%</b>	<b>2.74%</b>	<b>3.20%</b>
Increase comp to 17/18		1.76%	2.74%	3.20%			

The introduction of a minimum per pupil element has had a major impact on the outcome of the NFF for Gloucestershire secondary schools, particularly those with low levels of additional needs. And all schools will gain from the uplift in the baseline. Annex A shows the comparison between the 2017/18 baseline and the NFF formula for each Gloucestershire school.

Annex B shows a comparison between the current Gloucestershire and the revised NFF formula. There are still significant differences; the most significant are:

- The basic amount per pupil is still lower in the NFF despite the uplift in the revised NFF
- The NFF includes the IDACI measure in the allocation for deprivation
- The NFF includes an allocation for sparsity; schools that qualify on the distance criteria will gain significantly (Annex C)

## 4 The formula for 2018/19

### 4.1 Strategy

**There are two strategic issues for the Forum to consider:**

- Whether to consult on a transfer of funding to the High Needs block**
- The formula** – whether to prioritise stability by making minimal changes to the formula or treat the next two years as a transitional period towards the NFF

### 4.2 Transfer to High Needs

The High needs budget is under huge pressure. The latest forecast is for an overspend of around £800,000 in 2017/18. A transfer of 0.5% from the Schools Block would add a further £1.65m as a one-off cash sum.

We are not proposing to ask the Forum to support a transfer in 2018/19 on the grounds that:

- It would be a one-off rather than a permanent transfer
- There are DSG balances available specifically to support the high needs budget
- School budgets are under great pressure too
- We are talking with schools about new approaches to identifying and meeting additional needs; a deduction from school budgets would be an unhelpful backdrop to those discussions

The option to transfer from the Schools Block will also be available, again as a one-off, in 2019/20. The Forum may need to consider that if spending cannot be contained within budget for 2018/19.

The strategy on high needs is discussed in greater detail in item 6 on this agenda.

### 4.3 The Formula

The approach to the transition to the NFF was discussed at the informal Forum meeting on 21<sup>st</sup> September. There was a clear view that we should move to the NFF formula as rapidly as possible whilst ensuring that each school received at least a 0.5% uplift in the pupil-led funding elements.

We are not in a position to move directly to the NFF because funding is required to meet the full year effect of lump sums and varied pupil numbers in the new schools that opened in 2017/18, along with any changes in factors such as rates and rents which are being funded by the DfE on a historic basis.

The position for individual schools will also change as a consequence of updating the data for the October 2017 school census. The prior attainment data for primary schools is particularly volatile.

The full dataset is now available and we are in the process of working through the impact on MFG of moving towards the NFF formula. We hope to be able to update the Forum at the meeting. But, in line with the guidance at the 21<sup>st</sup> September meeting, we are preparing a proposal using the following methodology:

1. Set the centrally retained budget for growth funding as £966,046.  
*This is exactly the same figure the DfE has included within the Schools Block for 2018/19 based on historic funding.*
2. Ensure all schools receive as a minimum the 0.5% increase in pupil led funding.  
*This will be done by increasing the 2017/18 pupil led baseline by 0.5%. NB this approach will need DfE approval*
3. Apply the DfE minimum per pupil rates quoted for 2018/19 at £3,300 Primary and £4,600 Secondary.
4. Apply all the NFF factors and data provided by the DfE (e.g. include the Sparsity factor and for Deprivation use the current FSM, FSM6 and all the IDACI measures).
5. Set the MFG at 0%  
*This is to ensure the additional 0.5% pupil led funding added to the baseline is not then subsequently removed through the operation of the MFG & capping process.*

6. Set the cap at a level that exactly equals the MFG cost.
7. Set the factor allocation rates in proportion to the rates quoted by the DfE, but all scaled by the same percentage to equal the NFF funding remaining available for delegation. This will be less than, 100%.

## Recommendations

**Recommendation 1:** *That the local formula for 2018/19 and 2019/20 be set in line with the NFF formula factors and in proportion to the values quoted including the 0.5% uplift to the per pupil element of the baseline for each school*

**Recommendation 2:** *That the methodology set out in para 4.3 be applied, with relevant permissions being sought from DfE*

## 5 Pupil Premium

The Pupil Premium will increase in 2018/19 to reflect the decision not to include a formula factor in the NFF for Looked After Children (not in Gloucestershire formula):

<b>Disadvantaged pupils</b>	<b>Pupil Premium per pupil 2018/19</b>	<b>Pupil Premium per pupil 2017/18</b>
Pupils in Year Groups R to 6 recorded as Ever 6 FSM	£1,320	£1,320
Pupils in Year Groups 7 to 11 recorded as Ever 6 FSM	£935	£935
Looked After Children (LAC)	£2,300	£1,900
Children adopted from care under the Adoption and Children Act 2002 and children who have left care under a Special Guardianship or Residence Order	£2,300	£1,900
<b>Service children</b>		
Pupils in Year Groups R to 11 recorded as Ever 4 Service Child or in receipt of a child pension from the Ministry of Defence.	£300	£300

## 6 De-delegations

*Decision-making on de-delegations rests with the Forum but with representatives of maintained schools only and decisions need to be made separately for each sector.*

Deductions are made from the formula allocations for maintained schools only. The aggregate sum to be de-delegated reduces each year to reflect further academy conversions.

## **6.1 In-year increases in pupil numbers at primary schools**

The current policy is to allocate additional funding to primary schools where the following conditions are met:

*Where the increase in October School Census numbers exceeds the higher of 5% or 10 pupils (the 5% threshold is subject to a ceiling of 15 pupils) then 7/12 of the Basic Entitlement (Age Weighted Pupil Unit) pupil allocation will be triggered for each pupil above this threshold.*

The allocations in 2016/17 totalled £390,052.

The Forum has reviewed the policy in each of the last two years and agreed to continue with the current mechanism. No change to the formula is therefore proposed for 2018/19. However the Forum may want to revisit the principle of making in-year allocations given that no such mechanism will feature in the National Funding Formula. Schools with significant planned growth are likely to benefit from the growth top-slice.

The Forum is asked to consider whether to change the existing policy on in-year increase in pupil numbers.

## **6.2 Union Facilities**

The de-delegation from maintained primary schools was reduced in 2015/16 from £3.39 per pupil to £3.05 per pupil. A report summarising the use of facilities time funding in 2016/17 is attached at Annex D.

## **6.3 LA statutory duties**

The former Education Services Grant funding for 'retained duties' – those that cover all schools and academies – has been transferred into the new Central Schools Services Block. ESG for 'general duties' – those that cover maintained schools only – has been withdrawn altogether from September 2017. As discussed at the Forum's meeting in November 2016 the regulations now allow LAs to retain some of their maintained schools' DSG in an arrangement akin to de-delegation. The Forum (maintained schools representatives) agreed to retain £5 per pupil (primary and secondary schools). The latest Operational Guide is clear that the arrangements for 2017/18 may continue into the future. No further announcements on the LA role in education have been made and no White Paper is now expected.

The major areas of cost on the other statutory duties cover budgeting, accounting and internal audit, administration of pensions and a range of other HR duties and landlord responsibilities on buildings. The DfE draws a parallel with the top-slice, commonly around 5%, made by Multi Academy Trusts. The comparison is an imperfect one – some of the LA duties rest for academies with the Education Funding Agency. £5.00 per pupil represents less than 0.1% of the delegated budget.

In summary the proposal is to make a deduction, from the budgets of maintained schools only, for the following functions:

	De-delegation proposal	Eligible to vote	Estimated maintained pupils	
			Primary 37,042	Secondary 4,265
			Per pupil Rate £	Total £000
1	In-year increases in pupil numbers - <b>primary</b>	Martin Doidge Graham Doswell Dan Johnson Lisa Jones Karen Lewis Sara Morris	10.53	390
2	Targeted intervention - <b>primary</b>	Martin Doidge Graham Doswell Dan Johnson Lisa Jones Karen Lewis Sara Morris	9.27	343
3	Union facilities - <b>primary</b>	Martin Doidge Graham Doswell Dan Johnson Lisa Jones Karen Lewis	3.05	113



		Sara Morris		
4	Local authority statutory duties	Martin Doidge Graham Doswell Dan Johnson Lisa Jones Karen Lewis Sara Morris Colin Belford	5.00	207

**Recommendation 3:** That de-delegation is agreed at the per pupil rates shown for:

- *In-year increases in pupil numbers-primary*
- *Targeted intervention – primary*
- *Union facilities – primary*
- *Local authority statutory duties for maintained schools.*

And that the Forum considers whether to revise the policy for primary pupil number increases between October Census dates above thresholds.

## 7 Consultation

Schools will need to be consulted on the recommendations agreed by the Forum. It is proposed to issue a written paper and consult through the Headteacher, governor and business manager associations on a single option on the formula and seeking comments.

## 8 Central Schools Services Block (CSSB)

The CSSB comprises funding for ongoing responsibilities to fund LAs for the statutory duties that they hold for both maintained schools and academies. It is comprised of 4 budgets previously covered in the schools block as follows:

<b>Note: Current Split of CSSB</b>			
Copyright Licence Charge			£445,086.49
Admissions			£750,000.00
Schools Forum			£127,000.00
Centrally Retained Duties			£1,276,799.00
<b>Total CSSB</b>			<b>£2,598,885.49</b>

The above figures are the historical funding levels in the 2017/18 baseline funding. For 2018/19 onwards the CSSB will be allocated to LAs based on a national average rate. Gloucestershire will lose approximately £100,000 (4%) by the end of 2019/20 as a result.

## **8 Timetable**

The key events are:

- October/November 2017 – consultation with schools on the formula for 2018/19
- 16<sup>th</sup> November 2017 - Schools Forum meeting (to be rescheduled??)
- 13<sup>th</sup> December 2017 – Cabinet to consider the council’s budget and approach to school funding
- 11<sup>th</sup> January 2018 – Schools Forum meeting to make final recommendations on the formula
- 19<sup>th</sup> January 2018 – submission of the formula to the DfE