

## Open Report



City Council

16 November 2017

### Local Schools Funding Formula 2018-19

<b>Report of</b>	Section 151 Officer
<b>Report Author</b>	Andrew Brindley – Accountant Helen Meigh – Finance Team Leader
<b>Type of Decision</b>	Policy Framework
<b>Cabinet Member</b>	Councillor Janine Bridges - Cabinet Member for Education and Economy
<b>Wards Affected</b>	All Wards
<b>Stronger Together Priorities and how they are applicable:</b>	
Support our residents to fulfil their potential	
<i>To support the strategic objective of supporting our schools to deliver a step change in educational attainment so that every young person has access to a school rated 'good' or better.</i>	

#### 1.0 Purpose of Report:

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| 1.1 | The purpose of this report is to consider the proposal put forward in relation to the principle of the schools funding formula being based on the national funding formula (NFF) values, as far as possible, and for forum members to consider the final recommendations on the formula to be adopted for 2018-19. |
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#### 2.0 Recommendation(s):

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| 2.1 | The Schools' Forum is asked to: <ul style="list-style-type: none"><li>Consider, comment and make recommendations on the final schools funding formula to be adopted for 2018-19.</li></ul> |
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#### 3.0 Summary of Main Points:

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| 3.1 | The local funding formula for schools is used to calculate the delegated budget share allocations to individual schools and academies each year. The DfE introduced School Funding Reform from April 2013. A significant aspect of the reforms was to revise the local schools formula to have a maximum of 10 factors, now 12, (2 being mandatory). These were within a more prescribed framework of pupil led factors, including basic pupil entitlement, deprivation and high needs elements. |
| 3.2 | The reforms that were introduced in 2013 and subsequent developments continue to be seen as a move towards introducing a national funding formula for schools. At this stage whilst a national framework exists, some local discretion remains in relation to the formula factors that can be adopted. Following significant review and consultation a new local   |

	<p>formula was initially introduced in 2013-14. This revised formula was applied to all primary and secondary schools across the city including maintained schools and academies. Annual reviews of the school funding formula now take place in conjunction with the Schools' Forum and proposed changes are consulted and voted upon by Forum members.</p>
3.3	<p>In July 2014 the DfE published a document "<i>Fairer Schools funding: Arrangements for 2015 to 2016</i>" which outlined their proposal to allocate an additional £390m to the least fairly funded areas by setting minimum funding levels, based on national averages, that every local area should attract for its pupils and schools in 2015-16. The DfE's aim was to ensure "<i>that every local authority attracts a minimum funding level for the pupils and schools in its area</i>". It is the first time in a decade funding will be allocated to local areas on the basis of actual characteristics of their pupils and schools rather than simply their historic levels of spending. Based on this, and accompanying guidance, proposals relating to 2015-16 were prepared, considered and consulted upon by schools and academies and the Schools' Forum. Following this consultation the Schools' Forum and Cabinet subsequently approved a formula which moved pupil values towards the level of the national average.</p>
3.4	<p>Based on the DfE requirements for 2016-17 and the analysis of 2015-16 data a sub group of the Schools' (the Schools Formula Working Group) were tasked with reviewing and developing formula options for 2016-17. Following detailed consideration their recommendation was to maintain the current values included within the 2015-16 funding formula. The rationale supporting this approach was that this formula was only introduced in 2015-16 and maintaining current values would provide stability and give time for the new formula to embed allowing an informed assessment of effectiveness against priorities.</p>
3.5	<p>In addition it was proposed that a further £3m from DSG Reserves was allocated directly to schools and academies through the basic pupil entitlement within the funding formula. This was a one off allocation for 2016-17.</p>
3.6	<p>The above proposals, relating 2016-17, were prepared, considered and consulted upon by schools and academies and the Schools' Forum. Following this consultation the Schools' Forum and Cabinet subsequently approved to maintain the current values and allocate a further £3m from DSG reserves in 2016-17.</p>
3.7	<p>On the 7<sup>th</sup> March 2016 the Government launched two initial consultations on the future of school funding and on the funding of high need provision. Both Consultations closed on the 17<sup>th</sup> April 2016.</p>
3.8	<p>The March 2016 consultations proposed a national formula, with phased implementation. The formula would be made up of the following basic elements:</p> <ul style="list-style-type: none"> <li>• A per-pupil cost factor.</li> <li>• Additional needs funding based on low attainment, deprivation and English as an Additional Language.</li> <li>• School costs factor – including a lump sum for e.g. fixed costs, and sparsity factor.</li> </ul> <p>Geographic costs factor.</p>
3.9	<p>In the consultation documents it was also identified that certain school cost factors could not easily be allocated on a formulaic basis and the proposal was to allocate to local authorities on the basis of historic spend in 2017-18 and 2018-19. Factors include business rates, premises factors (including split sites, PFI and exceptional circumstances) and growth.</p>
3.10	<p>The proposal was to introduce a 'soft' formula in 2017-18, to distribute central government funding. For a two year transition period, local authorities would then continue to share out this money on the basis of locally-determined formula.</p>
3.11	<p>From 2019-20, a 'hard' version of the formula would be used to distribute most funding directly to schools, the main exception being high needs funding, which local authorities</p>

	would continue to distribute.
3.12	<p>On the 21<sup>st</sup> July 2016, Education Secretary Justine Greening announced that while the government remained committed to the introduction of the national formula, it would not be implemented until 2018-19. Other announcements included that:</p> <ul style="list-style-type: none"> <li>• The Government would set out its response to the March 2016 consultation in autumn 2016.</li> <li>• It would publish its proposals for the second stage consultation also in the autumn 2016, with final decisions on the formula in early 2017.</li> <li>• In recognition of schools' needs for stability and predictability, no local authority would see a reduction on adjusted 2016-17 per pupil school block funding, or the high need block cash amount.</li> <li>• Retention of the current 1.5% minimum funding guarantee (MFG) for schools. Local flexibility on this would not be implemented in 2017-18, as originally planned.</li> </ul> <p>The proposal to strictly ring-fence the schools block within DSG would also not be implemented in 2017-18 nor would the proposal to create a fourth central services DSG block be implemented then.</p>
3.13	<p>Based on the DfE requirements for 2017-18 on the 19<sup>th</sup> September 2016 the following two options were presented to Schools' Forum for discussion and consideration:</p> <ul style="list-style-type: none"> <li>• Maintain current values (2016-17 values but with any additional funding put through the Basic Pupil Entitlement factor).</li> <li>• Introduce a PFI factor (allocation in accordance with original governors'/BSF agreement based on a historic lump sum indexed per year).</li> </ul>
3.14	A sub group of the Schools' Forum (the Schools Formula Working Group) were then tasked with reviewing and developing a formula option for 2017-18 which contained a PFI factor and which would not have a volatile effect on school budgets.
3.15	Following detailed consideration the recommendation of the group was to consult on one principle option which was to maintain the current values included within the 2016-17 formula but with a new PFI factor based on a pupil value which would be indexed each year by RPIX (measure of inflation equivalent to all the items in the Retail Price Index excluding mortgage interest payments).
3.16	Following consultation with schools, academies and the Schools' Forum in line with the regulations Schools' Forum representatives, on behalf of schools and academy across the city, voted on the funding formula to be adopted for 2017-18 on the 14 <sup>th</sup> October 2016. This vote unanimously supported the proposal to maintain current values but with a new PFI factor. Cabinet subsequently approved the formula for 2017-18.
3.17	<p>In July 2017 the Department for Education (DfE) issued '<i>Schools revenue funding 2018 to 2019 Operational guide Summer 2017</i>' which was a guide to help local authorities and their schools forums to plan the local implementation of the funding system for the 2018-19 financial year. Within the document announcements included:</p> <ul style="list-style-type: none"> <li>• The full national funding formulae for 2018-19 and 2019-20 will be confirmed in September alongside the responses to the national funding formulae consultations.</li> <li>• Local authority level allocations for 2018-19 for the schools, central school services and high needs will be published in September. Final allocations will follow in December, on the basis of pupil numbers recorded in the October census.</li> <li>• The government has also confirmed that there will be an additional £1.3 billion for schools and high needs by 2019-20.</li> </ul>
3.18	Alongside the guide the DfE published a summary of local authorities' 2017-18 baselines for the schools, high needs and central services blocks of the Dedicated Schools Grant (DSG). Table 1 below provides details of the DSG baselines for Stoke-on-Trent for 2017-18.

**Table 1- DSG Baselines for 2017-18**

Block	Baseline 2017-18
	£m
Schools	154.88
High Needs	29.49
Central Services	5.41
<b>Total</b>	<b>189.78</b>

3.19 While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018-19 and 2019-20, local authorities will continue to determine final funding allocations for schools through a local formula. In 2018-19 and 2019-20, the national funding formula will set notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each local authority.

3.20 There are also a number of significant changes to the funding system in 2018-19 which include:

- **The central school services block (CSSB) has been created.** Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**
- **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine local authorities' schools, high needs and central school services blocks for the first time in 2018-19. Funding for early years has been allocated through a national funding formula since 2017-18.
- **Baselines have been adjusted to take account of local authorities' most recent spending patterns.** The DfE have undertaken an exercise with local authorities to 're-baseline' the blocks of the DSG for each local authority. This enables the DfE to ensure that the national spend on each block in 2018-19 (the totals distributed through the schools, high needs and central school services formulae) reflects the pattern of 2017-18 planned spending by local authorities within their overall DSG allocation, and that local authorities are protected against what they planned to spend in 2017-18 on each block.
- **Within the schools block, the Government have provided at least a 0.5% per pupil increase for each school in 2018- 19 through the national funding formula.** Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.
- **The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.** A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018- 19, as a step towards £4,800 in 2019-20.
- **The MFG for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil.** In past years, the MFG has been set at minus 1.5% per pupil. In 2018- 19, the DfE are introducing flexibility for local authorities to set a local MFG between 0% and minus 1.5% per

	<p>pupil. Local authorities can use the flexibility to offer higher levels of protection locally.</p> <ul style="list-style-type: none"> <li>• <b>The schools block will be ring-fenced from 2018-19, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum.</b> Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer.</li> </ul>																
3.21	On the 8 <sup>th</sup> September 2017 a consultation paper was sent out to all schools to request a transfer of £1m from the School Block to the High Needs Block in order to support the increasing costs of SEND provision for pupils in the City. The current overspend was approximately £4m. On the 13 <sup>th</sup> September a school briefing also took place to discuss the requirement to transfer the funds between the blocks and ask for school's support in the request.																
3.22	Based on the £154.88m baseline value for 2017-18 the £1m was above the 0.5% transfer limit so would require Secretary of State approval. It was also the maximum that could be transferred due to the MFG protection within school budgets.																
3.23	On the 14 <sup>th</sup> September 2017 the Secretary of State announced the introduction of national funding formulae for schools and high needs. She also announced that all primary schools will attract at least £3,500 per pupil through the formula in 2019-20. Secondary schools will attract at least £4,600 and primary schools £3,300 in 2018-19.																
3.24	<p>The DfE also issued 'Schools revenue funding 2018 to 2019 Operational guide September 2017' and published local authority level allocations for 2018-19 for the schools, central school services and high need blocks. Table 2 below provides details of the provisional DSG allocations for Stoke-on-Trent for 2018-19.</p> <p><b>Table 2 – Provisional NFF Funding 2018-19</b></p> <table border="1"> <thead> <tr> <th>Block</th> <th>Provisional NFF Funding 2018-19</th> </tr> </thead> <tbody> <tr> <td></td> <td>£m</td> </tr> <tr> <td>Schools – Pupil Led and NFF School Led</td> <td>154.60</td> </tr> <tr> <td>Schools – NFF Funding Through Growth and Premises</td> <td>4.20</td> </tr> <tr> <td><b>Sub Total</b></td> <td><b>158.80</b></td> </tr> <tr> <td>High Needs</td> <td>30.47</td> </tr> <tr> <td>Central Services</td> <td>5.38</td> </tr> <tr> <td><b>Total</b></td> <td><b>194.65</b></td> </tr> </tbody> </table>	Block	Provisional NFF Funding 2018-19		£m	Schools – Pupil Led and NFF School Led	154.60	Schools – NFF Funding Through Growth and Premises	4.20	<b>Sub Total</b>	<b>158.80</b>	High Needs	30.47	Central Services	5.38	<b>Total</b>	<b>194.65</b>
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3.25	The provisional NFF funding provided an increase of £3.92m on the schools block and a £0.98m increase on the high needs block compared to the original 2017-18 baseline information.																
3.26	At Schools' Forum on the 18 <sup>th</sup> September 2017 Schools' Forum, on behalf of their																

	members, unanimously rejected to support the proposal to transfer £1m from the School Block to the High Needs Block.
3.27	A sub group of the Schools' Forum (the Schools Formula Working Group) were tasked with reviewing the school formula for 2018-19. The group met on the 2 <sup>nd</sup> October 2017 and at that meeting they were informed that due to the increased funding the local authority were going to now request a £3m transfer from the Schools Block to the High Needs Block.
3.28	Following detailed discussion the recommendation of the group was to consult on moving to towards the NFF. The group felt it was prudent to continue to move towards a local formula that reflected the key changes within the NFF. This would also maintain some stability following the changes from the previous year and give maintained schools and academies time to transition and prepare for the NFF in 2020-21.
3.29	The group also recommended that the maximum funding is allocated to the Age Weighted Pupil Unit (AWPU) to ensure that all schools receive the most funding possible for the majority of pupils in their school . The group also recommended that any adjustments in funding would be made against the deprivation factor Free School Meals 6 (FSM6), in the first instance. They also felt it was important to continue with having a PFI factor in the formula and change from the current local ratio of 1:1.27 to 1:1.29 which would increase the funding in the secondary sector. Despite new flexibility in the value of the MFG the group agreed to maintain the MFG at the current level of minus 1.5%.
3.30	On the 4 <sup>th</sup> October 2017 the Director of Children and Family Services wrote to all maintained schools and academies explaining that the local authority will be requesting the Secretary of State to allow the maximum of £3m transfer from the Schools Block in 2018-19. The local authority will need to submit a disapplication request, to transfer the £3m from the Schools Block, to the Secretary of State by the 30 <sup>th</sup> November 2017.
3.31	On the 10 <sup>th</sup> October 2017 Schools' Forum approved the recommendation of the Schools' Formula Working Group on consulting on the principle of moving the local formula more line with the NFF.
3.32	Appendix A attached sets out the funding formula factors and values to be a adopted in 2018-19 with and without the £3m transfer to the High Needs Block. For comparison purposes the current formula values and the NFF values are also included.
3.33	As in previous years decisions relating to the schools formula are the responsibility of the local authority, however, consultation with all maintained schools and academies as well as with the Schools' Forum is required and their recommendations will be considered when final decisions are taken.
3.34	Consultation events, on the funding formula, took place with maintained schools and academies on the 18 <sup>th</sup> October and 19 <sup>th</sup> October 2017. On the 20 <sup>th</sup> October 2017 slides and information presented at the events, including the impact on schools of both with and without the £3m transfer was sent out to all schools. Schools were then asked to send any feedback on the proposed schools funding formula back to the local authority for collation and to their Schools' Forum representative by Friday 3 <sup>rd</sup> November 2017. To date the local authority have received only two replies to the consultation which were both supportive of the proposed school funding formula for 2018-19.
3.35	Political approval is also required for the final 2018-19 funding formula. Therefore, to ensure that there is sufficient time to gain political approval before the deadline of the 19 <sup>th</sup> January 2018 final recommendation to the local authority will need to be made by Schools' Forum at the meeting on the 16 <sup>th</sup> November 2017.
3.36	Appendix B attached provides details of the effect on school budgets with and without the £3m transfer to the High Needs Block. Rates have also been excluded, for comparison purposes, as budget variances are distorted when a maintained school coverts to an academy.

## Technical Appendix:

<b>List of Background papers/sources of information used for this report:</b>
DfE: Schools revenue funding 2018 to 2019 Operational guide Summer 2017. DfE: Schools revenue funding 2018 to 2019 Operational guide September 2017. DfE; DSG funding baseline table 2018-19. DfE: NFF Summary Table. DfE: Justine Greening statement on national funding formula. LA: Local School Funding Formula Report 2017-18. LA: Consultation on Movement of monies from the DSG Schools Block to the DSG High Needs Block. LA: DSG – Schools and High Needs Blocks (Director of Children and Family Services). LA: School Funding Formula 2018-19 – Principles of Proposed Formula. LA: School Funding Formula 2018-19 – Head Teacher’s Briefing October 2017.
<b>List the appendices included as part of this report:</b>
Appendix A – School Funding Formula Factor Values 2018-19 Appendix B – School Funding Formula 2018-19 Budget Comparison

**Implications taken into consideration in this report** *(Please list as separate appendix if required):*

<b>Financial and Commercial:</b>
All resources distributed to schools and academies across the city are funded from the Dedicated Schools Grant (DSG). This is grant provided to the city council by central government. This report details the financial implications of school formula changes.
<b>Legal:</b>
In line with the School Funding Regulations and School Forum Regulations consultation on proposed formula changes has taken place in conjunction with the Schools’ Forum.
<b>Human Resources:</b>
The school local funding formula determines the level of resources available to particular schools in their annual budgets. The size of each schools budget allocation will influence the numbers of staff a school can employ.
<b>Public Health and Public Services (Social Value) Act 2012:</b>
No direct impact
<b>Equality Impact or Environmental Impact Assessments:</b>
The impact of the formula changes on particular schools budgets has been assessed through the Formula Working Group and Schools Forum. This assessment has determined that no particular school will be affected unfairly through the changes.
<b>Key Risks:</b>
N/A.

**Complete the following sections for Executive Decisions only i.e. Cabinet \***

<b>Options Considered:</b>
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1.	Options are considered in the body of the report.
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<b>Reason for Decision:</b>
This approach ensures that the funding formula is fit for purpose and ensures an appropriate distribution of resources to schools and early years' settings in line with school funding regulations.

\* In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012