**SCHOOLS FORUM – 13TH MARCH 2018**

**FUNDING FORMULA FOR SCHOOLS 2018-19 UPDATE**

1. **Introduction**

On the 19th December 2017 the Department for Education (DfE) issued the final funding allocations for the 2018-19 financial year together with a revised APT updated for the October 2017 School census data.

This briefing note is to advise the Schools Forum of the discussions that were held with the Working Party of the impact of the updated data, the re-modelling undertaken and the final proposed funding formula for 2018-19.

As background, the working paper copies of the Schools Forum report and presentation of the 21st September and the 11th December 2017 respectively on this matter are attached together with a copy of the working party briefing note of the 17th October 2017.

1. **Impact of the Changes following the issue of the updated data**

The updated School Census data shows an increase in pupil numbers of 222. This is split as follows:

|  |  |
| --- | --- |
| **Sector** | **Pupil Numbers** |
|  |  |
| Primary | 172 |
| Secondary | 50 |
|  |  |
| **Total** | **222** |

That and the other updated data gives a final allocation for the Schools Block of £100.906m. When the initial modelling work was undertaken the indicative allocation was £99.923m, an overall increase of £0.983m.

As a consequence it was necessary to marginally refine the funding formula to ensure full allocation of the Schools Block. Such refinement needed to be aware of the National Funding formula (NFF) values, the cost of the Minimum Funding Guarantee and the DfE views around the Primary : Secondary ratio of it being 1 : 1.29.

1. **Modelling changes proposed**

In the initial modelling shared with the Working Party, the schools during the consultation process and the Schools Forum all NFF values had been used with the exception of the following:

|  |  |  |
| --- | --- | --- |
| **Factor** | **NFF unit value £** | **NELC 2018-19 unit value £** |
|  |  |  |
| Primary | 2,747 | 3,050 |
| Secondary – KS4 | 4,386 | 4,600 |

Focus first turned to the primary sector tapering factor that had been used in respect of prior attainment. In the current funding formula a tapering factor of 55% is used. Re-reviewing the raw data following the October 2017 update it is appropriate to target more to this area and an increased rate to 65% is justified. The impact of this is an increased proportion of funding, approximately £400k, is targeted towards the primary phase.

In order to maintain the Primary : Secondary ratio of 1 : 1.28 it is necessary to place further funding in the secondary sector. The use of the prior attainment tapering factor is not possible and as such it has been decided to marginally increase the KS3 AWPU by £17 per pupil.

Other than these two all other factors, %’s and values remain unchanged.

1. **Submitted Final Funding Formula 2018-19**

The changes highlighted result in a 2018-19 Schools funding formula that:

* Adopts the NFF and its unit values except for the below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Factor** | **NFF unit value £** | **NELC 2018-19 unit value £** | **Variance £** |
|  |  |  |  |
| Primary | 2,747 | 3,050 | 303 |
| Secondary – KS3 | 3,863 | 3,880 | 17 |
| Secondary – KS4 | 4,386 | 4,600 | 214 |

* Puts extra funding into both sectors
* Maintains the current Primary : Secondary ratio of 1 : 1.28 which is close to the DfE average of 1 : 1.29.
* Has an Minimum Funding Guarantee (MFG) protection cost of £1.6m, down £0.3m from that modelled on the October 2016 data.
* Puts 75.62% of the funding through Basic pupil factors – Age Weighted Pupil Factors (AWPU).
* Puts 93.02% of the funding through Pupil led factors – Age Weighted Pupil Factors (AWPU), deprivation, prior attainment etc.
* Allocates 99.99% of the schools block. See below:

|  |  |
| --- | --- |
| **Sector** | **£’000** |
|  |  |
| 2018-19 final allocation | 100,906 |
| 2018-19 proposed allocation to schools | 100,798 |
| 2018-19 Growth / Falling rolls fund | 100 |
| Total | 100,898 |
|  |  |
| **Under allocated** | **8** |

The formula submission was forwarded to the DfE by their deadline and notification received from then on the 6th February that it appeared to comply with the regulations.

1. **Recommendation**

It is requested that Schools Forum ratify the working party decisions in respect of the final submitted schools funding formula proposed for 2018-19.

**Appendix A**

**Schools Forum Funding Working Party**

**Briefing Note**

**Meeting 17th October**

1. **Introduction**

The purpose of this note is to discuss the latest data made available by the Department for Education (DfE) and potential options in respect of implementing the schools funding formula in 2018-19. Members of the Working Party are asked to note that this is currently a working in progress and there is more modelling work to do and further understanding and clarifications still to be received in respect of the guidance issued.

1. **Background**

Members were provided with background information at the last Schools Forum and this report is attached at Appendix A for members information and memory refresh.

The next funding year, 2018-19 is the first in a two year period of moving towards the national funding formula (NFF) which will become fully implemented from 2020-21 with LA’s no longer being involved in setting a local formula. DfE is encouraging that within this two year period all LA’s move the NFF as far as possible and use the values as detailed in the “The national funding formula for schools and high needs – Policy document” (Page 5) however local discretion remains in place.

1. **Specific changes to the 2018-19 funding formula**

Details of changes for the 2018-19 schools funding as per the Operational Guide are summarised below. These are as recorded in the report the Schools Forum on the 21st September.

**Summary**

* The central schools services block has been created. The DSG now comprises of four blocks, schools, high needs, early years and the new central school services block.
* Each of the four blocks will be determined by a separate national funding formula.
* DSG baselines have been rebased to reflect LA’s current spending patterns.
* Within the Schools Block the Government will provide for at least a 0.5% per pupil increase for each school in 2018-19.
* The formula will provide LA’s with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.
* Within the High Needs Block the Government will provide for at least a 0.5% overall increase in 2018-19 through the high needs national funding formula.
* The Minimum Funding Guarantee (MFG) for schools will continue, but LA’s will have the flexibility to set a local MFG between 0% and -1.5%.
* The schools block will be ring fenced from 2018 to 2019, but LA’s will be able to transfer up to 0.5% of their schools block funding with the agreement of their Schools Forum.

Other smaller changes (not exhaustive) to the calculation of the schools block and high needs block in 2018 to 2019 are also detailed. These are:

* Pupil Premium Plus for 2018-19 will be increased rather than including a Looked After Children factor in the NFF.
* Adjustments to school budgets relating to excluded pupils are re-affirmed and clarified. Specifically these detail what the LA is permitted to remove from the schools budget in respect of excluded pupils.

A summary of the unchanged requirements are as follows:

* No changes to the allowable factors with the exception of the
  + Looked After Children factor. Given that the Government will be increasing Pupil Premium Plus rates for 2018-19 and not including LAC in the NFF LA’s may want to consider if they still want to continue using this factor. NELC does not use this factor, and
  + Minimum Level of per pupil funding for secondary schools. The purpose of this new factor is to allow LA’s to implement this policy locally and to give transition to the minimum amount of £4,800 per secondary schools in 2019-20.
* Minimum AWPU’s remain (£2,000 per primary pupil, £3,000 KS3 & KS4).
* Proportion of funding allocated through pupil led factors retained at 80%.
* Minimum Funding Guarantee (MFG) – confirmation that this will remain but flexibility for LA’s to choose a rate between 0 and -1.5% per pupil for 2018-19.
* Minimum Funding Levels (MFL’s) not obliged to be used.
* Consultation with schools broadly similar however this is only where changes are proposed.
* Redetermination of budget shares still not permitted
* School Forum approval for centrally retained and delegated funding remains and needs to be voted on by the eligible members.

1. **Decisions to discuss**

Essentially there are two options that we can chose to follow. These are:

* Move to the NFF as per the DfE wish, or
* Retain a localised formula with a possible movement to the NFF

Each of the possible options has both advantages and disadvantages. Prior to listing these however it is necessary to note three matters:

* The list of NFF values used by the DfE are averages and as such there will be variances with the value used by our local formula.
* DfE references to an increase of 0.5% per pupil funding is calculated on a schools block basis. Individual school funding arrangements may mean that this may not be equally applied because of MFG for example.
* Transition funding arrangements in 2018-19 of £3,300 per primary pupil and £4,600 for Key Stage 4 are per pupil and not AWPU.

**Move to the NFF as per the DfE wish**

**Advantages**

* Will give schools the NFF funding and facilitate early understanding of the basis and elements of their funding
* Comply with DfE wishes and assist with ironing out any issues of understanding prior to the ESFA taking responsibility for making the payments direct

**Disadvantages**

* Amounts put through the various elements of the formula vary significantly.
* New understanding will be required.
* Moves away from the Schools Forum principal of putting as much through the funding through AWPU as possible.

**Retain a localised formula with a possible movement to the NFF**

**Advantages**

* Schools will retain their understanding of the formula, how it works and the current values used.
* Will avoid significant shift in unit values and factors used

**Disadvantages**

* Delays the NFF methodology.

1. **Other decisions**

Other areas requiring consideration are:

* Growth & Falling Roles Fund
* MFG

1. **Options Modelled**

* Localised Formula (AWPU Primary (£3,300), Secondary £4,600, Lump Sum £103,000, MFG -1.5%, Cap & Scale 16%
* NFF

1. **Conclusions and discussion**

Comments are invited in respect of the above work in progress.

Further work still needs to be undertaken this includes:

* An analysis of the new APT proforma due to be issued on the 20th October
* Confirmation of the Academy baselines position
* A full understanding of how the Minimum per pupil funding level works in the proforma
* The impact of the MFG on the publicised funding increase.

**Appendix B**

**SCHOOLS FORUM MEETING – 21st SEPTEMBER 2017**

**2018-19 Schools Funding Formula arrangements**

**Introduction**

The purpose of this report is to provide members of the Schools Forum with information in respect of the 2018-19 Schools Funding arrangements as detailed in the Operational Guide which was issued in August 2017.

**Background**

As a reminder for the School Forum members, the “School Funding Reform: Next Steps towards a Fairer system“ consultation paper significantly altered the way schools were funded in 2013 -14 and beyond. All Local Authorities were required to use formula funding factors or elements from a pre-defined range. The purpose of these proposals was to move towards a more consistent, simple, transparent and fairer funding system which was understood by all stakeholders. It was also to assist with moving towards the national funding formula (NFF) which is still planned to be fully introduced from 2019-20.

The NFF is currently the subject of a two stage consultation process. The Council responded to the first stage consultation on the 15th April 2016 and the Government responded to this when it issued the Stage 2 consultation on 14th December 2016. The deadline for the Stage 2 consultation was 22nd March 2017. North East Lincolnshire Council, the Schools Forum and the Governors Forum all responded to the Stage 2 consultation. The unexpected general election pushed back all Government business and delayed a response to the consultation but schools funding was highlighted during the election campaign.

On the 17th July 2017 the Secretary of State for Education announced new additional funding for schools and that the “soft” NFF would be introduced as planned in 2018-19. She advised that over 25,000 responses had been received to the Stage 2 consultation and that a response would be made during September 2017. In August 2017 the Operational Guide was issued which detailed the changes for the 2018-19 funding.

Since the introduction of fairer funding in 2013-14 refinements have been made to eliminate any unintended consequences however from 2015-16 there have been little or no discernible changes. However with the planned move to the NFF in 2018-19 then a straightforward roll forward from the previous years is unlikely to be an option.

Details of changes for the 2018-19 schools funding as per the Operational Guide are summarised below:

**Summary**

* The central schools services block has been created. The DSG now comprises of four blocks, schools, high needs, early years and the new central school services block.
* Each of the four blocks will be determined by a separate national funding formula.
* DSG baselines have been rebased to reflect LA’s current spending patterns.
* Within the Schools Block the Government will provide for at least a 0.5% per pupil increase for each school in 2018-19.
* The formula will provide LA’s with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.
* Within the High Needs Block the Government will provide for at least a 0.5% overall increase in 2018-19 through the high needs national funding formula.
* The Minimum Funding Guarantee (MFG) for schools will continue, but LA’s will have the flexibility to set a local MFG between 0% and -1.5%.
* The schools block will be ring fenced from 2018 to 2019, but LA’s will be able to transfer up to 0.5% of their schools block funding with the agreement of their Schools Forum.

Other smaller changes (not exhaustive) to the calculation of the schools block and high needs block in 2018 to 2019 are also detailed. These are:

* Pupil Premium Plus for 2018-19 will be increased rather than including a Looked After Children factor in the NFF.
* Adjustments to school budgets relating to excluded pupils are re-affirmed and clarified. Specifically these detail what the LA is permitted to remove from the schools budget in respect of excluded pupils.

A summary of the unchanged requirements are as follows:

* No changes to the allowable factors with the exception of the
  + Looked After Children factor. Given that the Government will be increasing Pupil Premium Plus rates for 2018-19 and not including LAC in the NFF LA’s may want to consider if they still want to continue using this factor. NELC does not use this factor, and
  + Minimum Level of per pupil funding for secondary schools. The purpose of this new factor is to allow LA’s to implement this policy locally and to give transition to the minimum amount of £4,800 per secondary schools in 2019-20.
* Minimum AWPU’s remain (£2,000 per primary pupil, £3,000 KS3 & KS4).
* Proportion of funding allocated through pupil led factors retained at 80%.
* Minimum Funding Guarantee (MFG) – confirmation that this will remain but flexibility for LA’s to choose a rate between 0 and -1.5% per pupil for 2018-19.
* Minimum Funding Levels (MFL’s) not obliged to be used.
* Consultation with schools broadly similar however this is only where changes are proposed.
* Redetermination of budget shares still not permitted
* School Forum approval for centrally retained and delegated funding remains and needs to be voted on by the eligible members. A copy of an extract is provided at Appendix A.

**Proposed approach**

Whilst in previous years we have adopted an approach of not making any overall changes to the funding formula this approach cannot be as readily adopted for the 2018-19 formula. Given the changes referred to above and the move towards the NFF then modelling, discussions and active decisions will be required. In particular the impact of the new £4,800 per pupil for secondary schools for pupil led factors will need to be worked through as will flexibilities around the MFG. As in previous years consideration of the cap and scale %’s used will need to be undertaken particularly as if the new factor “Minimum Level of per pupil funding for secondary schools” is used such caps and scales cannot take the schools below the minimum value set in the local formula. The ESFA have indicated that financial allocations will not be released until sometime in September 2017 therefore modelling with certainty cannot really begin before then.

It is proposed that officers undertake modelling and on completion of this discuss this with the SF Funding Working Party as well as wider schools for example by separate meetings or through scheduled primary / secondary heads meetings. This work will run through the autumn term.

**Consultation with Schools**

As in previous years consultation with all schools must take place where there are any proposed changes to the funding formula. As discussed above it is recommended that these are carried out in the autumn. The usual caveat that at this time of the year the financial data shown will be based on old year student number data remains.

As in previous years there is a tight timescale between the issuing of the October 2017 data (mid December 2017) and the final proforma submission date (19th January 2018).

**Growth Fund / Falling Roll Fund**

The Authority’s funding formula contains a top slice from DSG of £50k each in respect of the above 2 funds. Nationally the amount top sliced by this Council is at the lower end of the scale. A discussion will need to take place as to whether these are retained. In 2017-18 there was only one call on these funds however there are two known calls in 2018-19. In the anticipation of possible further calls Schools Forum agreed to set aside an amount of £150k at its meeting of the 14th December 2016.

**One-off distribution from contingency**

A request will be submitted to the ESFA to dis-apply the £1.9m one-off payment included as part of the 2017-18 and, if considered affordable, request permission to make a further one-off payment in the 2018-19 funding formula. The amount will not be specified but in determining whether it is possible to make a one-off distribution the following needs to be taken into account:

* The continuing increasing high needs spend which now means the high needs block allocation is fully spent.
* The much reduced amount held in central contingency.

Should such a distribution be possible then the amount will be significantly less than previous years and indeed no distribution maybe affordable for the 2018-19 funding year. In determining whether any one-off amount is affordable for 2018-19 then this will not become clearer until December 2017 / January 2018 when the projected outturn on the DSG for 2017-18 can be more accurately predicted.

The current balance on the contingency as at the 31st March 2017 is £1.412m. This is under the 5% limit permitted to be held by the LA.

Since the introduction of fairer funding schools in total have benefitted from the following one-off payments:

|  |  |
| --- | --- |
| **Year** | **One-off allocation £** |
| 2013-14 | 0 |
| 2014-15 | 1,500,000 |
| 2015-16 | 2,500,000 |
| 2016-17 | 2,476,800 |
| 2017-18 | 1,900,000 |
| **Total** | **8,376,800** |

In addition to these one-off payments there have been permanent increases in the base AWPU over the same period as follows:

|  |  |
| --- | --- |
| **Sector** | **Increase in base AWPU** |
| Primary | 57.56 |
| Secondary | 54.84 |

**Centrally retained expenditure / Delegated budgets**

The usual voting mechanisms remain for the above and these will be brought to the next forum meeting in December 2017 / January 2018. In respect of those services where maintained schools can vote to return the budgets to the local authority then these will be reviewed to evaluate whether due to the decreasing financial value they remain viable for the council to provide.

**Timetable – Key Dates**

These are detailed in the table below:

|  |  |
| --- | --- |
| **Date** | **Action** |
| August 2017 | Operational Guide for 2018-19 issued.  LA level baselines published |
| August 2017 | Example APT issued to LA’s |
| September 2017 | Allocations issued for schools, central services and high needs block. |
| Autumn 2017 | High Needs Funding Guide for 2018-19 issued to LA’s |
| 5 October 2017 | School Census day. |
| October / November 20176 | DfE and LA check and validate schools census returns. |
| 30 November 2017 | School census database closed |
| 30 November 2017 | Deadline for making exclusions from MFG |
| Mid December 2017 | APT issued to LA’s containing October 2017 census based pupil data and factors. |
| Mid December 2017 | ESFA confirms DSG Schools Block and High Needs Block allocations for 2018-19. Publication of provisional EY Block allocations. |
| Mid-January 2018 | Schools Forum consultation / political approval required for final 2018 – 19 funding formula. |
| 19 January 2018 | Deadline for the submission by the LA of the final 2018 – 19 APT to the ESFA. |
| 28 February 2018 | Deadline for the confirmation of school budget shares to maintained schools. |
| February 2018 | Publication of 2018-19 high needs place numbers at institution level. |
| 30 March 2018 | Deadline for the confirmation of the annual general grant to academies open by 9 January 2018. |

**Early Years and High Needs Block**

The ESFA has confirmed that the high needs block allocation and the provisional early years block for 2018-19 will be confirmed in mid-December 2017.

**Recommendations**

It is recommended that:

1. This report be noted,
2. Schools Forum makes comment on the approach
3. Consultation with schools take place, and
4. Schools Forum agree to the re-establishment of a small working party to work with officers to review the 2018-19 Schools funding formula to be adopted to permit this to be submitted as per the deadlines detailed in the report.

Contact Officer: David Kirven, Strategic Lead – Business Partnering.

**Appendix A**

**Centrally Retained Services - Expenditure position**

|  |  |
| --- | --- |
| Schools Forum approval is not required (although they should be consulted). |  High Needs block provision |
| Schools Forum approval is required on a line-by-line basis. |  Admissions.   Servicing of schools forum.   Contributions to responsibilities that local authorities hold for all schools (services previously funded by the retained rate of the ESG).   Contributions to responsibilities that local authorities hold for maintained schools (services previously funded by the general rate of the ESG) (voted on by the relevant maintained school members of the forum only).   De-delegated services from the schools block (voted on by the relevant maintained school members of the forum only). |
| Schools Forum approval is required |  Any movement of funding out of the schools block   Any deficit of funding from the previous funding period which reduces the amount of the schools budget   Any brought forward deficit on de-delegated services which is to be met from the overall schools budget. |
| Schools Forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into. |  Capital expenditure funded from revenue (i.e. no new projects can be charged to the central schools budget).   Contribution to combined budgets.   Existing termination of employment costs (i.e. no new redundancy costs can be charged to the central schools budget).   Prudential borrowing costs. |
| Schools Forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools. |  Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy.   Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within 3 years. |

**The Final National Funding Formula**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Funding Factors** | **Unit values** | | **Total Funding (including ACA)** | | **Proportion of core total** |
| **Basic per-pupil funding** | | **£24,183m** | | **72.9%** | |
| Age Weighted Pupil Unit (AWPU): Primary | £2,747 | | £12,595m | | 38.0% |
| Age Weighted Pupil Unit (AWPU): Secondary - KS3 | £3,863 | | £6,668m | | 20.1% |
| Age Weighted Pupil Unit (AWPU): Secondary - KS4 | £4,386 | | £4,734m | | 14.3% |
| Minimum per pupil funding level | NA | | £185m | | 0.6% |
| **Additional needs funding** | | **£5,906m** | | **17.8%** | |
| **Deprivation** | | **£3,022m** | | **9.1%** | |
| Current FSM top up (Pupils currently claiming FSM at the last census): Primary | £440 | | £291m | | 0.9% |
| Current FSM top up (Pupils currently claiming FSM at the last census): Secondary | £440 | | £173m | | 0.5% |
| FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary | £540 | | £626m | | 1.9% |
| FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary | £785 | | £641m | | 1.9% |
| IDACI band F: Primary | £200 | | £94m | | 0.3% |
| IDACI band F: Secondary | £290 | | £80m | | 0.2% |
| IDACI band E: Primary | £240 | | £101m | | 0.3% |
| IDACI band E: Secondary | £390 | | £95m | | 0.3% |
| IDACI band D: Primary | £360 | | £131m | | 0.4% |
| IDACI band D: Secondary | £515 | | £108m | | 0.3% |
| IDACI band C: Primary | £390 | | £123m | | 0.4% |
| IDACI band C: Secondary | £560 | | £102m | | 0.3% |
| IDACI band B: Primary | £420 | | £165m | | 0.5% |
| IDACI band B: Secondary | £600 | | £135m | | 0.4% |
| IDACI band A: Primary | £575 | | £88m | | 0.3% |
| IDACI band A: Secondary | £810 | | £69m | | 0.2% |
| **Low prior attainment** | | **£2,458m** | | **7.4%** | |
| Low prior attainment: Primary | £1,050 | | £1,531m | | 4.6% |
| Low prior attainment: Secondary | £1,550 | | £928m | | 2.8% |
| **English as an additional language** | | **£404m** | | **1.2%** | |
| English as an additional language: Primary | £515 | | £299m | | 0.9% |
| English as an additional language: Secondary | £1,385 | | £106m | | 0.3% |
| **Mobility** | | **£22m** | | **0.1%** | |
| **School led funding** | | **£3,077m** | | **9.3%** | |
| **Lump sum** | | **£2,267m** | | **6.8%** | |
| Lump sum: Primary | £110,000 | | £1,892m | | 5.7% |
| Lump sum: Secondary | £110,000 | | £375m | | 1.1% |
| **Sparsity** | | **£26m** | | **0.1%** | |
| Sparsity: Primary | £25,000 | | £21m | | 0.1% |
| Sparsity: Secondary | £65,000 | | £5m | | 0.0% |
| **Premises** | | **£610m** | | **1.8%** | |
| **Explicit Growth** | | **£174m** | | **0.5%** | |
| ***Area Cost Adjustment:*** *A multiplier that is applied to basic per pupil, additional needs and school led funding (ACA is already included in each of the factor subtotals)* | | | *£824m* | | |
| **Core Total (Excluding funding floor)** | | | **£33,166m** | | |
| **Funding Floor** | | | £624m | | |
| **Total (including funding floor)** | | | **£33,790m** | | |

This table shows the unit values, total funding and proportion of funding for each factor in the formula. To note, total funding is rounded to the nearest £1m. Proportion of core total funding is rounded to the nearest 0.1%. The total funding and proportion of core total funding columns are based on implementing the formula in full, without transition, using 2017-18 authority proforma tool data and 2017/18 general annual grant data.