**SCHOOLS FORUM MEETING – 20th MARCH 2019**

**FUNDING FORMULA FOR SCHOOLS 2019-20 UPDATE**

1. **Introduction**

On the 17th December 2018 the Department for Education (DfE) issued the final funding allocations for the 2019-20 financial year together with a revised APT updated for the October 2018 School census data.

The purpose of this report is to advise the Schools Forum of the effect of the updated data, the re-modelling undertaken and the final proposed funding formula for 2019-20. This report is a replica of the briefing note that was shared with the working party when it met on the 10th January 2019. Also attached at Appendix A is a copy of the Schools Forum report of the 15th November 2018 on this subject for member’s information.

1. **Impact of the Changes**

The updated School Census data shows an increase in pupil numbers of 66. This is split as follows:

|  |  |
| --- | --- |
| **Sector** | **Pupil Numbers** |
|  |  |
| Primary | 0 |
| Secondary | 66 |
|  |  |
| **Total** | **66** |

The total number of pupils across each phase over the last two years is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Phase** | **2019-20** | **2018-19** | **Change** |
| Primary | 13,576 | 13,576 | 0 |
| Secondary | 8,202 | 8,136 | 66 |
| Total | 21,778 | 21,712 | 66 |

The static position in respect of the primary school pupil numbers is highly unusual. Within individual schools however there have been significant movements. These are detailed blow for each phase:

**Primary**

|  |  |
| --- | --- |
| **Pupil number changes Oct 2018 – Oct 2019** | **No of primary schools impacted** |
| 0 - 10 | 17 |
| 11 - 20 | 5 |
| 21 - 30 | 2 |
| (0) – (10) | 15 |
| (11) – (20) | 6 |
| (21) – (30) | 2 |
| **Total** | **47** |

**Secondary**

|  |  |
| --- | --- |
| **Pupil number changes Oct 2018 – Oct 2019** | **No of secondary schools impacted** |
| 0 - 25 | 3 |
| 26 – 50 | 1 |
| 51 – 75 | 1 |
| 76 – 100 | 1 |
| (0) – (25) | 2 |
| (26) – (50) | 1 |
| (100) + | 1 |
| **Total** | **10** |

The impact of the pupil number increases and the other updated data gives a final allocation for the Schools Block of £101.802m. When the initial modelling work was undertaken the indicative allocation was £101.143m, an overall increase of £0.659m.

As a consequence it has been necessary to marginally refine the funding formula to ensure full allocation of the Schools Block after making the reduction for the agreed 0.4% top slice. Such refinement needed to be aware of the National Funding formula (NFF) values and changes to these, the cost of the Minimum Funding Guarantee and the DfE views around the Primary: Secondary ratio of it being 1: 1.28.

1. **Modelling changes proposed**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **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 |

Other than the above, the only other factor where there was a degree of uncertainty was around the Primary prior attainment factor, the NFF value of which had been reduced from £1,050 to £1,022 to balance the increase in the cohort.

Modelling had built in the 0.4% top slice subsequently agreed by the Schools Forum at the meeting on the 15th November 2018.

On receipt of the final schools block allocation and updated proforma then further refinement was necessary. During the consultation with schools and the meetings with the Schools Forum an approach had been outlined where AWPU would be left unchanged. Any refinements would try to be managed through the MFG cap and scales as far as possible meeting the DfE expectations.

Modelling of the final proforma has resulted in officers having to make one amendment to a NFF value in order for the AWPU to be left the same and the Primary : Secondary ratio of 1 : 1.28 being achieved. The amendment proposed is that the Primary prior attainment factor new NFF value of £1,022 be reduced to £700. To meet the NFF value the Primary AWPU would need to be reduced by around £100 per pupil, which would lead to a greater loss of funding for some schools and would result in a Primary : Secondary ratio of around 1 : 1.30

1. **Submitted Final Funding Formula 2019-20**

The changes highlighted above will result in a 2019-20 Schools funding formula that will:

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Factor** | **NFF unit value £** | **NELC 2019-20 unit value £** | **Variance £** |
|  |  |  |  |
| Primary Prior attainment | 1,022 | 700 | -322 |
| Primary | 2,747 | 3,050 | 303 |
| Secondary – KS3 | 3,863 | 3,880 | 17 |
| Secondary – KS4 | 4,386 | 4,600 | 214 |

* Retain the previous year’s AWPU values
* Maintains the current Primary : Secondary ratio of 1 : 1.28 which the DfE expect.
* Has a Minimum Funding Guarantee (MFG) protection cost of £1.7m, £1.6m in 2018-19 with £0.247m additional funding for 3 secondary schools in order to meet the minimum funding levels.
* MFG + 0.20 % compared to + 0.5% in 2018-19
* Puts 75.50% of the funding through Basic pupil factors – Age Weighted Pupil Factors (AWPU). This was 75.62% in 2018-19.
* Puts 92.78% of the funding through Pupil led factors – Age Weighted Pupil Factors (AWPU), deprivation, prior attainment etc. This was 93.02% in 2018-19.
* Allocates 99.61% of the schools block through the APT. See below:

|  |  |
| --- | --- |
| **Sector** | **£’000** |
|  |  |
| 2019-20 final allocation | 101,802 |
| 2019-20 top slice to support high needs block pressures agreed by Schools Forum | (402) |
| Available to allocate | 101,400 |
|  |  |
| 2019-20 allocation to schools through the APT | 101,400 |
|  |  |
| **Under /over allocated** | **0** |

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

1. **Schools Funding Formula 2020-21**

LA’s will continue to set the Schools Funding formula for 2020-21. Given the position adopted for 2019-20 initial thinking is that officers will look to move the primary prior attainment factor to the NFF and reduce the primary AWPU accordingly. At this time it may be necessary to review the secondary AWPU in terms of maintaining the Primary: Secondary ratio. This will have the effect of moving our local formula towards the NFF.

1. **Recommendation**

It is requested that Schools Forum ratify the working party decisions in respect of the final submitted schools funding formula proposed for 2019-20.

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

6th March 2019

**National Funding Formula Values**

|  |  |  |
| --- | --- | --- |
| **National Funding Formula Factor** | **Value £** | **NELC Value used £** |
|  |  |  |
| AWPU – Primary | 2,747 | 3,050 |
| AWPU Secondary KS3 | 3,863 | 3,880 |
| AWPU Secondary KS4 | 4,386 | 4,600 |
| Current FSM top up – primary & secondary | 440 | 440 |
| FMS6 FSM top up – primary | 540 | 540 |
| FMS6 FSM top up – secondary | 785 | 785 |
| IDACI Band F - Primary | 200 | 200 |
| IDACI Band E - Primary | 240 | 240 |
| IDACI Band D - Primary | 360 | 360 |
| IDACI Band C - Primary | 390 | 390 |
| IDACI Band B - Primary | 420 | 420 |
| IDACI Band A - Primary | 575 | 575 |
| IDACI Band F - Secondary | 290 | 290 |
| IDACI Band E - Secondary | 390 | 390 |
| IDACI Band D - Secondary | 515 | 515 |
| IDACI Band C - Secondary | 560 | 560 |
| IDACI Band B - Secondary | 600 | 600 |
| IDACI Band A - Secondary | 810 | 810 |
| Low prior attainment - primary | 1,022 | 700 |
| Low prior attainment – secondary | 1,550 | 1,550 |
| EAL – primary | 515 | 515 |
| EAL - secondary | 1,385 | 1,385 |
| Lump sum – primary & secondary | 110,000 | 110,000 |
| Sparsity - primary | 25,000 | 25,000 |
| Sparsity - secondary | 65,000 | 65,000 |
| Primary: Secondary ratio DfE expectation | 1: 1.28 | 1: 1.28 |

**Appendix A**

**SCHOOLS FORUM MEETING – 15th NOVEMBER 2018**

**2019-20 Schools Funding Formula arrangements**

**Introduction**

The purpose of this report is to provide members of the Schools Forum with information in respect of the 2019-20 Schools Funding arrangements as detailed in the Operational Guide which was issued in July 2018.

**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. The original deadline for the full introduction of the NFF was from the financial year 2019-20 but the DfE have now confirmed Local authority’s will still be required to set their local formula in 2020-21.

Details of changes for the 2019-20 schools funding as per the Operational Guide are summarised below:

**Summary**

* Local Authority’s will still be required to set their local formula in 2020-21.
* Within the Schools Block the Government will provide for at least a 1.0% per pupil increase for each school in 2019-20 compared to their 2017-18 baselines.
* The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11.
* The primary low attainment factor value has been reduced to £1,022 to balance the increase in the cohort.
* A new funding floor factor has been introduced to enable local authorities to mirror the increase of 1% per pupil against 2017-18 baselines.
* Local authorities will be able to mirror the sparsity factor in their formula as it used in the national funding formula allocations.
* The weighting for primary low attainment will no longer be able to be used as all results have been assessed under the new framework and as such there is no longer a need to use a weighting.
* The schools block will remain ring fenced but LA’s will be able to transfer up to 0.5% of their schools block funding with the agreement of their Schools Forum.
* DSG balances – due to an increasing number of Local authorities incurring a deficit on their DSG account the DfE intends to tighten the rules under which they have to explain to the Department their plans for bringing the DSG account back into balance. Where the deficit exceeds 1% a report will be required which details plans as to how the account will be brought back into balance. This report will need to be discussed with the schools forum.

A summary of the unchanged requirements are as follows:

* No other changes to the allowable factors excepted as detailed above.
* Minimum AWPU’s remain (£2,000 per primary pupil, £3,000 KS3 & KS4).
* Proportion of funding allocated through pupil led factors retained at 80%.
* The Minimum Funding Guarantee (MFG) for schools will continue the same as in 2018-19, all LA’s will have the flexibility to set a local MFG between 0% and -1.5%.
* Consultation requirements with schools is unchanged from last year.
* 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**

In preparing the schools funding formula for 2018-19 a number of significant changes were made. For the year 2019-20 there are no plans to change the formula values themselves other than the primary low attainment factor value which has nationally been reduced to £1,022 from £1,050 to balance the increase in the cohort.

Because of the increasing and continuing demand and financial pressures around the high needs block the authority is proposing to top slice the schools block to meet the high needs block pressures. To do this it is not proposing to change any of the current factor values instead looking at the application of the Minimum Funding Guarantee (MFG).

At an informal meeting of the Schools Forum this matter was discussed including the reasons for it and the impact on schools. The meeting concluded that officers would undertake further financial modelling and would also explore with heads / principals whether they would be prepared to meet the “real” cost of exclusions.

The Primary Heads meeting was held on the 3rd October and the background and proposal was discussed. The overwhelming view of those present was that they would not be happy to progress and proceed on this basis and could not agree to it.

The Secondary Heads meeting was held on the 11th October and the background and proposal was discussed. All those present agreed that they would not be happy to progress and proceed on this basis and could not agree to it.

Following the views expressed at the Heads meeting the authority now proposes to implement a 0.4% top slice of the Schools Block. It does not propose to top slice for the usual growth / falling roles (combined value £100k). In respect of this there would be no allocated in year funding for meeting falling rolls and growth pressures. The impact of this, based on the October 2017 census data is a reduction in funding of £71k across all schools on the 2018-19 funding. This is as a result of holding back the increase in national funding and the actions around the growth and falling roles fund.

As in previous years there is a tight timescale between the issuing of the October 2018 data (mid December 2017) and the final proforma submission date (21st January 2019).

**Consultation with Schools**

As in previous years consultation with schools took place in October and November 2018 in respect of the proposed changes to the funding formula and this covered the proposed top slice from the schools block to fund pressures on the high needs block. The usual caveat that at this time of the year the financial data shown will be based on old year student number data remains.

The 3 sessions were held on the 16th and 17th October and the 7th November. The sessions were attended by 21 primary schools and 1 secondary school. Copies of the slides and the consultation questions were made available to all schools with a deadline for comments of the 12th November. To date five formal responses have been received however each of the sessions generated a good debate. The general view is that whilst not pleased they appeared to accept the rational and logic presented together with the fact there were no obvious further actions the Council could undertake in the short term.

**Growth Fund / Falling Roll Fund**

As a result of the need to top slice the schools block to meet high needs pressures for this year only the Council is not proposing a top slice for the above two funds. In respect of this there would be no allocated in year funding for meeting falling rolls and growth pressures. Whilst this does present a risk it is felt manageable. In 2018-19 there was one call on these funds.

**One-off distribution from contingency**

Discussions and the report on the High Needs spending position and the impact on the central DSG contingency and possible actions to bring this back into balance together with the much reduced amounts held in the DSG central contingency mean that there will be no one off to schools in the 2019-20 funding formula distribution.

**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 2018 / January 2019. 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** |
| July 2018 | Operational Guidance for 5 – 16 mainstream schools for 2019 - 20 issued by DfE.  Draft APT issued to LA’s |
| September 2018 | Operational Guidance for high needs funding for 2019-20 issued by DfE.. |
| 28 September 2018 | Deadline for submitting requests (for response by December) for MFG exclusions |
| 4 October 2017 | School Census day. |
| October to November 2018 | DfE and LA check and validate schools census returns. |
| 28 November 2018 | School census database closed |
| 28 November 2018 | Deadline for submitting requests (for response by APT submission deadline) for MFG exclusions |
| 30 November 2018 | Deadline for submitting requests for movements of the Schools Block which is above the 0.5% limit or which the schools forum has not approved, or both. |
| Mid December 2018 | Final APT issued to LA’s containing October 2018 census based pupil data and factors. |
| Mid December 2017 | ESFA confirms DSG Schools Block, Central Schools Services Block and High Needs Block allocations for 2019-20.. |
| Late 2018 | Publication of initial EY Block allocations |
| Mid-January 2019 | Schools Forum consultation / political approval required for final 2019 – 20 funding formula. |
| 21 January 2018 | Deadline for the submission by the LA of the final 2019 – 20 APT to the ESFA. |
| 28 February 2018 | Deadline for the confirmation of school budget shares to maintained schools. |
| February 2019 | Publication of 2018-19 high needs place numbers at institution level. |
| 29 March 2019 | Deadline for the confirmation of the annual general grant to academies open by 9 January 2019. |

**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 2018.

**Recommendations**

It is recommended that:

1. Schools Forum note this report,
2. Schools Forum makes comment on the approach,
3. Schools Forum agree to a 0.4% top slice of the Schools Block to be transferred to the High Needs Block,
4. No in year top slice in respect of the growth or falling rolls fund be made for the 2019-29 financial year,
5. Schools Forum agree to the re-establishment of a small working party to work with officers to review the 2019-20 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 – Finance Business Partnering.

7th November 2018

**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 from the previous funding period that is being brought forward and is to be funded from the new financial years 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. |