**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.

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**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.  |