

Update on Proposed Implementation of a Schools National Funding Formula and Potential Impact on the local funding formula for 2018/19

19th September 2017

1. Purpose of report

- 1.1 Following the consultation undertaken by DfE during 2016 and 2017 regarding the move to a Schools National Funding Formula (NFF), on 17 July 2017 the Secretary of State for Education announced schools funding arrangements for 2018/19 in a speech to parliament.
- 1.2 The speech set out that the DfE will respond in full to the consultations that have been undertaken in September 2017 at which point they will publish indicative allocations for schools under the final national funding formula - these will be aggregated to calculate an allocation for each local authority.
- 1.3 The speech also advised that supporting operational guidance was now available which confirms that local authorities will continue to set a local formula to distribute the funding allocated to them through the NFF to the schools in their area in 2018/19 and 2019/20, and advised that the guidance should therefore be used to start to plan the local implementation of the funding system for the 2018/19 financial year.
- 1.4 It should also be noted that the guidance is clear that the local authority is ultimately responsible for making the final decision on the local funding formula that will be operated.
- 1.5 This report therefore aims to make Schools Forum aware of the current position and guidance, and sets out the authorities proposals regarding the direction for the local funding formula for 2018/19.

2. Recommendations

- 2.1 To note the update provided by the DfE, the content of the operational guidance, and the changes to the funding system for 2018/19 that are included within it.
- 2.2 To note the authorities proposed direction with regard to the local funding formula that will be used for 2018/19.
- 2.3 To confirm that the relevant members of Schools Forum will form part of a working group to review the current local funding formula with the authority and provide input and views with regards to those funding factors where financial values may need to be amended.

Members previously identified to take part in this working group were as follows:

Mr. M. Vlahakis - Primary Head Teacher, Alumwell Junior School
Mrs. M. Sheehy - Primary Head Teacher, Millfield Primary School
Ms. T. Coles - Primary Head Teacher, Blackwood Primary School
Dr. A. Bruton - Academy Head Teacher, Queen Mary's High School
Mr. K. Whittlestone - Academy Head Teacher, Joseph Leckie Academy
Mrs. C. Draper - Primary Head Teacher, Short Heath Federation

3. Background

- 3.1 During 2016 and 2017 the DfE undertook two consultations on a proposed move to a Schools National Funding Formula (NFF).
- 3.2 The DfE have now published operational guidance for the 2018/19 financial year that confirms that the implementation of the NFF will commence in April 2018, and provides further details on the NFF and the changes to the current funding system.
- 3.3 The guidance also confirms that local authorities will continue to set a local formula to distribute the funding allocated to them through the NFF to the schools in their area in 2018/19 and 2019/20.

4. Significant Changes set out in the 2018/19 Operational Guidance

- 4.1 There are a number of significant changes to the funding system for 2018/19 that are set out in the operational guidance. These are as follows:
 - (i) **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.**
 - (ii) **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 to 2019. Funding for early years has been allocated through a national funding formula since 2017 to 2018.
 - (iii) **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 Department to ensure that the national spend on each block in 2018 to 2019 (the totals distributed through the schools, high needs and central school services formulae) reflects the pattern of 2017 to 2018 planned spending by local authorities within their overall DSG allocation, and that local authorities are protected against what they planned to spend in 2017 to 2018 on each block.

- (iv) **Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 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.
- (v) **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 to 2019, as a step towards £4,800 in 2019 to 2020.
- (vi) **The minimum funding guarantee (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 to 2019, the DfE are introducing flexibility for local authorities to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally.
- (vii) **The schools block will be ring-fenced from 2018 to 2019, 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.** 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. Whilst the other blocks are not subject to limits on transfers, local authorities will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.

4.2 There are also a number of other smaller changes to the calculation of the schools block in 2018/19, which are as follows:

- (i) local authorities can now use both current free school meals and "ever 6" free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
- (ii) Pupil Premium Plus rates will be increasing for 2018 to 2019 rather than including a looked-after children factor in the national funding formula. Local authorities will want to consider whether they reflect this in their local formulae;

- (iii) local authorities will no longer need to request a disapplication to increase pupil numbers where there is an increase in a school's admission limit or a local reorganisation;

the EFSA have included an explanation of adjustments to school budgets relating to excluded pupils, at paragraphs 78 to 93 of the operational guidance;

- (iv) there will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school's budget share (or the equivalent academy funding) will be determined on the basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision. An adjustment has been made between the high needs block and schools block for each local authority to reflect this change. The 2017 to 2018 baselines and 2018 to 2019 minimum funding amounts table published alongside the guidance explains the adjustment for each local authority. The balance of funding for this kind of special provision will come from the place funding decided in accordance with the local authority's commissioning decisions, and the top-up funding for individual pupils. The place funding will be £6,000 per place where the place is occupied by pupils in years reception to 11 on the roll of the school at the time of the October school census return. Places not filled by such pupils will still be funded at £10,000. Further information for local authorities on this change will be included in the high needs operational guide;
- (v) the EFSA have included a clarification of the approach taken where an academy that is funded on estimates is expanding to meet basic need growth within the local authority (see paragraph 95 of the guidance)

4.3 In addition to the above it should also be noted that, although it is not explicitly set out in the operational guidance that has been issued, although most of the funding factor values that are currently utilised for 2017/18 within the Walsall local schools funding formula were very similar to those proposed under the NFF there were some areas that would see larger variances. These were as follows:

- (i) **Low Prior Attainment** – The annual value per eligible pupil that was proposed under the NFF was £1,050 for primary and £1,550 for secondary, compared to the £215 currently included within the 2017/18 local funding formula.
- (ii) **English as an Additional Language** – The annual value per eligible pupil that was proposed under the NFF was £515 for primary and £1,385 for secondary, compared to the £438.85 currently included within the 2017/18 local funding formula.
- (iii) **Lump Sum** – The annual value per school proposed under the NFF was £110,000, compared to the £175,000 currently included within the 2017/18 local funding formula.

As such when allocations for individual schools are calculated under the NFF for 2018/19 and aggregated to calculate a funding allocation for the local authority as a whole, it will utilise funding rates based of the NFF values for these areas.

5. Requirements for reviewing and consulting on the local school funding formula if changes are proposed

5.1 If changes are to be proposed to the local funding formula (for clarity this refers to the factors that make up the local funding formula, and not the values associated with each factor) the operational guidance is clear that the local authority must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its Schools Forum, about any proposed changes.

5.2 The guidance also sets out that any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. Local authorities should, therefore, ensure that they communicate proposed formula changes to all bodies affected by the changes.

5.3 Finally the guidance is clear that the local authority is responsible for making the final decisions on the formula, and that the Schools Forum does not decide on the formula. Each authority must therefore ensure that if they are proposing any changes to the local formula that there is sufficient time to gain political approval before the due deadlines.

5.4 Given the above if changes are proposed to the current local funding formula for 2018/19 (again, for clarity, this refers to the factors that make up the local funding formula, and not the values associated with each factor) then the timescale for consulting on, approving and implementing these changes would be very tight.

5.5 Given the tight timescales that would be involved with seeking to adopt changes to the local funding formula most authorities that we have consulted with on this issue have set out that at this stage for 2018/19 they will be seeking to retain their current local funding formula, or to retain the existing local formula factors but make amendments to the current units of resource.

6. Proposed Approach to the 2018/19 Local Funding Formula

6.1 As set out within sections 4 and 5 of this report, there will be significant changes to the way in which funding will be allocated to the local authority for 2018/19, however as there has been a delay in DfE providing this confirmation it is unlikely that there will be sufficient time in which to carry out the process required to make changes to the factors that are utilised within the local funding formula for 2018/19.

6.2 As such the authority is therefore proposing to retain the existing funding formula factors for 2018/19, but to identify amendments that may be required to the current units of resource to take account of the changes to the way in which funding will be allocated to the authority via the NFF, for example:

- Should any unit of resource currently allocated to LAC be reviewed as this will also be funded through the Pupil Premium Plus?
- Should the unit of resource allocated to AWPU be reviewed as additional funding will be provided within the NFF allocations for 2018/19?
- Should the unit of resource currently allocated to Low Prior Attainment be reviewed?
- Should the unit of resource currently allocated to English as an Additional Language be reviewed?
- Should the level of Lump Sum be reviewed from the current value of £175,000 per school to be more in line with the funding that will be allocated within the NFF?
- Should the level of MFG be reviewed from -1.5%?

6.3 This approach would have the benefit of providing some level of consistency for schools during 2018/19, but would start the move toward the potential allocations that schools are likely to see once the NFF is fully embedded, which DfE argue is based on a fairer measure of need rather than the historical allocation of funding.

6.4 An indicative timeline for this proposal is set out in the table below:

Area	Indicative Date
Report / update to Schools Forum on outcome of DfE consultation and operational guidance for 2018/19	19 September 2017
Working Group review of funding formula factor values	20 September 2017 to 20 November 2017
Prepare report to Schools Forum providing update on working group review to date	9 October 2017
Release of Schools Forum papers for 17 October 2017 meeting	10 October 2017
Report to Schools Forum providing update on working group review	17 October 2017
Review outcome of working group and prepare report to Schools Forum providing outcome and proposals for local funding formula for 2018/19	20 November 2017 to 27 November 2017
Release of Schools Forum papers for 5 December 2017 meeting	28 November 2017
Prepare report to Cabinet with outcome of working group / Schools Forum work and release of papers for 13 December 2017 meeting	28 November 2017
Consultation with / report to Schools Forum regarding outcome of working group and proposals for local	5 December 2017

funding formula for 2018/19	
Report to Cabinet with outcome of working group / Schools Forum work and proposed local funding formula for 2018/19	13 December 2017
Provision of final DSG allocations for 2018/19 by EFA	Mid to late December 2017
Review of DSG allocations and confirmation that proposed local funding formula units of resource are affordable within overall allocation	3 January 2018 to 6 January 2018
Prepare report to Schools Forum confirming proposed funding formula is affordable or setting out amendments to units of resource that are required by the LA	8 January 2018
Release of Schools Forum papers for 16 January 2018 meeting	9 January 2018
Final report to Schools Forum to confirm local funding formula is affordable or setting out amendments to units of resource that are required by the LA	16 January 2018
Finalisation and submission of Authority Proforma Tool template to EFA	19 January 2018

- 6.5 Following the above process to confirm the formula for 2018/19 the authority is also proposing that work to identify proposals for the local funding formula for 2019/20 begins immediately.

7. Financial implications

- 7.1 The exact financial impact on individual schools cannot be predicted at this time. This will become known once funding calculations have been modelled based on updated pupil data and any revised local funding formula has been agreed. However any overall impact will need to be contained within the funding that is available within the Dedicated Schools Grant.

8. Legal Implications

- 8.1 The review of the schools funding formula for primary and secondary schools should ensure that all requirements, as determined by The Schools and Early Years Funding regulations, are adhered to.
- 8.2 Where there are any proposed changes to the local funding formula (which refers to the factors that make up the local funding formula, and not the values associated with each factor) the Local Authority must consult with all maintained schools and academies in their area, along with Schools Forum.

9. School Improvement

- 9.1 As part of making any decisions regarding possible changes to the funding formula factor values, consideration should be made of the potential impact on the desired outcomes of the Walsall school improvement programme.

10. Members eligible to vote

- 10.1 All elected members with voting rights are eligible to vote on this matter.