

Schools Forum 3rd October 2017

Agenda Item: Schools Funding 2018/19

1 Introduction

1.1 Over the last few months, details of school funding for 2018/19 have gradually been released by the DfE. The ministerial statement to Parliament about school funding on 17 July described a commitment to a minimum increase in funding per school of 0.5% under the National Funding Formula (although see 2.2. below regarding why this does not quite mean what it sounds for 2018/19).

1.2 On 4 August 2017, the DfE published the Operational Guide for 'Schools revenue funding 2018 to 2019' which can be found here:

<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

1.3 This describes the principles of how the arrangements will work in 2018/19. In September the DfE published allocation details, which can be found here:

<https://www.gov.uk/government/policies/school-and-college-funding>

Whilst this does not represent the final schools block allocations, which will be based on October 2017 census data, it does provide the basis upon which formula funding will be calculated, and therefore allows budget modelling to take place. Similarly the new central school services block and high needs block budgets have been identified at LA level, subject to revisions based on October census data.

1.4 The introduction to the operational guide contains a summary of "significant changes to the funding system this year" and this is included as Appendix A to this paper.

2 Schools Block - Mainstream Schools Funding Details

2.1 Forum is reminded that this applies both to maintained schools and academies, albeit taking effect from April 2018 for maintained schools and September 2018 for academies.

2.2 The government has made much of a commitment to a 0.5% per pupil increase in funding for every school. However, this will not translate directly to school budgets. It will be applied to the National Funding Formula calculations for each individual school's budget, which when summed by local authority, will form the Schools Block for that authority. For 2018/19 and 2019/20, the total schools block will then continue to be allocated using a local funding formula.

2.3 The DfE could have ensured a minimum increase per school by increasing the MFG to 0.5% from its current minus 1.5%, but from their perspective this would either have been much more expensive or frozen existing formulas for next year.

2.4 The MFG protection rules have however been relaxed, in that local authorities can decide to have a higher level of protection than the current minus 1.5% per pupil. The maximum loss can be set at anything up to 0%. The implication of setting a higher MFG is that more funds are applied to protection and so less funds are available for the other formula factors.

- 2.5 The DfE is also introducing minimum levels of funding for primary and secondary pupils, in 2018/19 £3,300 for primary schools and £4,600 for secondary schools. These will increase in 2019/20 to £3,500 for primary schools and £4,800 for secondary schools.
- 2.6 Now that the basis of funding allocations has been published, it can be seen that the significant increase in T&W schools block funding suggested by modelling in the consultation is to be delivered.
- 2.7 The illustrative figures from the DfE (illustrative as they are based on October 2016 data) show schools block funding increasing by 2.7% in 2018/19, 5.6% in 2019/20 and 7.0% once fully implemented. All these percentages are compared to the 2017/18 baseline. Nationally, only 12 local authorities (of around 150) are modelled to receive a higher increase than T&W once the formula is fully implemented.
- 2.8 An extract from the ESFA's Operational Guide showing the timetable for determining 2018/19 school funding is shown at Appendix B.

3 Schools Block – Formula Modelling

- 3.1 The DfE have published NFF school level allocations. However they have not published the details of the formula for each school that has resulted in this figure – this has to be specifically requested. We have done this, but as yet not had a reply (other than an acknowledgement of the request). Therefore at present we only have the total allocation figure.
- 3.2 In addition, there is a discrepancy of around £100,000 between the total schools block allocation and the total of the individual school allocations – again, without seeing the details of how each figure has been arrived, it is not possible to establish why.
- 3.3 Whilst the above situation is not ideal, we have undertaken modelling by taking the total of the individual school allocation figures published by the DfE and running our existing funding formula. All the extra funds have been added to the basic per pupil element of the funding formula (i.e. the AWPU), maintaining the existing secondary to primary proportion in this element, as the most 'neutral' way of allocating the additional funds.
- 3.4 The results of this exercise are shown at Appendix C.
- 3.5 For many schools the difference between the two funding alternatives is relatively modest. Firstly in terms of £:

£ Difference (+/-)	Number of schools (total 66)
£0 - £10,000	37
£10,000 - £20,000	11
£20,000 - £50,000	11
£50,000 - £100,000	6
£100,000 +	1

Secondly in terms of percentages:

Percentage (+/-)	Number of schools (total 66)
< 0.5%	18
0.5% - 1%	24
1% - 2%	16
2% - 3%	4
3% +	4

- 3.6 As noted above, all the above modelling is based upon October 2016 data. The October 2017 data will be used for the actual formula and will alter the individual calculations of school budgets. The modelling in Appendix C and summarised above is therefore only illustrative.
- 3.7 Nonetheless, in the context that the difference between the NFF and T&W's existing formula, based on additional funds being added to the AWPU, is modest for most schools, we could consider moving directly to the NFF, at least as far as is possible, in 2018/19. An advantage of doing this is to ease the transition once a school level NFF is introduced (which could be in 2020/21, although the DfE has not specifically said this). A disadvantage is that it could prevent us from taking advantage of the remaining period of local flexibility, by encouraging acceptance of the DfE's model without considering alternative approaches.
- 3.8 Forum is asked to express any views on the 2018/19 T&W funding formula for schools

4 Central School Services Block

- 4.1 The illustrative amount in this block is £1.059m. The final amount will be similar - it will be adjusted for pupil numbers in the 2017 census compared to 2016.
- 4.2 Despite creating this block specifically for central services, LAs will still need to get line by line Forum approval of any funds used to fund central services, i.e. in exactly the same way as when these services were funded from the Schools Block.
- 4.3 We had assumed that this would not be the case and so to date our preparatory work for the services formerly funded by the Education Services Grant had focussed on those for which a de-delegation vote would be still required in 2018/19, i.e. those statutory duties applying to maintained schools only. Further information on services provided to all schools including academies will therefore also need to be provided.
- 4.4 Any remaining funds can be moved by LAs to other blocks after consultation with the Forum – but without specific approval being required. Further details regarding central services are provided in the separate paper covering 2018/19 funding of statutory LA services for schools.

5 High Needs Block

- 5.1 The government has published details of its funding formula for high needs and the resulting illustrative allocations. The final allocations will be adjusted for actual numbers of pupils in special schools in the October 2017 census, although this is unlikely to make a very large difference to the published figures.
- 5.2 For T&W, the illustrative figures are showing an increase of 2.8% in both 2018/19 and when fully implemented. 2.8% represents around £585,000 for T&W. Whilst this is a welcome increase, over the next few years it is clearly substantially less than the schools block. It also seems likely that there will be an overspend on high needs in 2017/18, due to significant pressures in such areas as number of pupils in special schools and in the costs of post 16 provision.
- 5.3 Up to and including 2017/18, local authorities could move funds between the schools and high needs blocks without a requirement for specific Forum approval. For 2018/19, up to 0.5% of the Schools Block can be moved to high needs, but only after consultation with all schools and then a Forum vote in favour. For T&W 0.5% represents around £530,000.
- 5.4 If a local authority proposal to move funds is not agreed by the Forum, or if more than 0.5% is proposed, the final decision is made by the Secretary of State, in response to an appeal from the local authority.

- 5.5 For T&W, as for many other LAs, high needs is currently an area of significant concern, due to the upwards trend in the number and complexity of children and young people with high needs and the forthcoming reduction in the financial flexibility to respond to these pressures. A number of strands of work are underway to identify strategies to deal with this situation.

Tim Davis
Finance Team Leader
September 2017

Appendix A – Extract from the ‘Schools revenue funding 2018 to 2019 operational guide’, July 2017

6. There are a number of significant changes to the funding system this year:
- (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 services¹ 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.** We 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) **Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018 to 2019 through the high needs national funding formula.** The high needs block will be protected against 2017 to 2018 baselines, subject to some adjustments explained below in paragraph 150.
 - (vii) **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, we’re 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.
 - (viii) **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

¹ For the ongoing responsibilities element of the block only.

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.

7. There are a number of other smaller changes to the calculation of the schools and high needs blocks in 2018 to 2019:
- (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) we will be increasing the Pupil Premium Plus rates 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;
 - (iv) we have included an explanation of adjustments to school budgets relating to excluded pupils, at paragraphs 78 to 93, because we receive many enquiries about this issue;
 - (v) 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 this 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;
 - (vi) we have included an clarification of the approach taken where an academy that is funded on estimates is expanding to meet basic need growth within the local authority. Please see paragraph 95.

Appendix B – Extract from ESFA Operational Guide for 2018/19 showing timetables for school budgets

Date	DfE/ESFA	Local authorities
August 2017	Operational guidance published setting out arrangements for 5-16 mainstream schools implementation for 2018 to 2019. Local authority level baselines published.	
August 2017	Example APT issued to local authorities	
September 2017	Allocations issued for schools, central school services and high needs blocks	
Autumn 2017	High needs funding guide for 2018 to 2019 issued to local authorities	
5 October 2017	School census day	
October / November 2017	DfE and local authorities check and validate school census	
30 November 2017	School census database closed	Deadline for submitting requests for: <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factors • lump sum variations for amalgamating schools • pupil number reductions • movement of funding out of the schools block above the limit of 0.5% and/or which the schools forum has not approved
Mid-December 2017	APT issued to local authorities, containing October 2017 census-based pupil data and factors Publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment) Publication of provisional early years block allocations	
Mid-January 2018		Schools forum consultation / political approval required for final 2018 to 2019 funding formula
19 January 2018		Deadline for submission of final 2018 to 2019 APT to ESFA
28 February 2018		Deadline for confirmation of schools budget shares to mainstream maintained schools
February/March 2018	2018 to 2019 allocations to post-16 institutions, academies and NMSS to be issued	

Date	DfE/ESFA	Local authorities
February 2018	Publication of 2018 to 2019 high needs place numbers at institution level	
30 March 2018	Confirmation of 2018 to 2019 general annual grant for academies open by 9 January 2018	
April 2018	First DSG payments to local authorities based on 2018 to 2019 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions), FE high needs place funding deductions and other adjustments	
Summer 2018	Early years block updated for January 2018 early years pupil numbers	
Summer 2019	Early years block updated for January 2019 early years pupil numbers (pro rata 7/12ths as this relates only to the period September 2018- March 2019)	