

DARLINGTON SCHOOLS FORUM

10th October 2017

ITEM NO 6

2018/19 FUNDING FORMULA & BUDGET SETTING

Purpose of Report

1. To update Schools Forum regarding the two consultations concerning the school and high needs national funding formulas.
2. To update Schools Forum on setting of schools budget shares for 2018/19.
3. To update Schools Forum on the high needs and early years budgets for 2018/19.

Background

4. In December 2016 the Department for Education (DFE) launched two second round consultations regarding funding for a School National Funding Formula and a National High Needs Funding Formula. Schools Forum was provided with summaries of both sets of proposals at their meeting in January 2017.
5. On 14th September 2017 the DFE provided responses to the two consultations and indicative funding allocations.
6. The results of the consultation followed the production of an “Operational guide regarding school revenue funding 2018 to 2019” by the DFE in August. The DFE will produce further guidance regarding the high needs formula in the near future.
7. The DFE publications regarding the consultations and the outcomes can be found on the following link.

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

Results of the consultation

8. The majority of the final proposals for school and high needs funding are as was outlined within the consultation, however there are some changes, in particular concerning some of the funding unit values and protections following the Government announcing additional £1.3 billion of resources to be invested nationally in school and high needs funding for 2018/19 and 2019/20. The following paragraphs capture the main items that will be of interest to schools and Forum.

9. As proposed a fourth block will be added to the Dedicated Schools Grant (DSG), namely the central schools block. This block will be paid to local authorities to fund their statutory duties for both academy and maintained schools.
10. There will now be four blocks in the DSG (including the schools, high needs, early years and central schools). All four blocks will be calculated using a national formula approach from April 2018. (Early years block national formula was introduced in April 2017).
11. For the schools block the allocation of DSG for each local authority will be calculated using the national funding formula (NFF). This means that the Education and Skills Funding Agency (ESFA) will calculate a “notional” budget for each school in the authority’s area using the principles and unit values within the NFF and add all the individual budgets together (for each school) to create a schools block allocation. The Local Authority will continue to allocate the funding within the schools block to all schools in its area using a local formula. This is known as the “soft” NFF.
12. The local formula will continue to use the same principles/factors etc. as in 2017/18, though there are some slight changes. These changes are outlined in paragraphs 47 (onwards) below. As Forum members will recall the local formula is on the whole in line with the NFF as it is produced using a ESFA set template and data sets. There does remain local discretions over the unit rates.
13. The schools block will be ring fenced to school budgets from April 2018, however it has been recognised that a number of areas are facing significant pressures with high needs, therefore for 2018/19 up to 0.5% of the schools block can be moved to another block in consultation with all schools and School Forum. Local authorities do have the ability to move more resources, but only with the consent of the Secretary of State.
14. In moving funds from the schools block the Local Authority must set out clear reasons for the transfer and for high needs how this sits in the Authority’s long term plans for providing support for SEN and disabilities.
15. All other blocks of the DSG are not ring fenced, though there is a requirement in the early years block to passport 95% of funding to providers (Darlington exceed this minimum).
16. Illustrative allocations for each block (excluding early years) were published by ESFA in September, these show the amount each local authority will receive for each block. The allocations are illustrative as they use the October 2016 census, they provide an allocation for 2017/18 using the NFF (that will be implemented from April 18) and therefore can be compared to the allocations received in 2017/18 to see what changes there are to resources.
17. These allocations are illustrative and will be updated in December to give the actual 2018/19 allocations. The allocations will be updated for the pupil characteristics at the October 2017 census.
18. Forum should note that although the NFF is introduced from April 18, the NFF is used to calculate the block funding to each local authority. The full NFF will be implemented later (expected April 2020) at which point the NFF will set individual schools budgets.

19. The table below shows the indicative DSG allocation received for 2017/18 using the NFF, these are compared to the 2017/18 actual allocations. Final allocations for 2018/19 will be received in December.
20. The table should be viewed with the following notes,
- The schools block, the 2017/18 actual allocation includes an adjustment for children in resource bases to ensure comparison with the NFF. This change is noted below in paragraph 57
 - The high needs block, under the NFF the allocation is based on a number of formula rather than one historic figure as now. This change is noted below in paragraph 38
 - The high needs block, the 2017/18 actual allocation includes an adjustment for children in resource bases to ensure comparison with the NFF. This change is noted below in paragraph 57

	2017/18 Actual Allocation	2017/18 Allocations under NFF	Change
Schools Block			
Pupil Led	62,206,228	63,519,516	1,313,288
Rates	469,200	469,200	0
Growth Fund	193,036	193,036	0
Schools block transfer for resource bases	217,205	0	-217,205
Total Schools Block	63,085,669	64,181,752	1,096,083
High Needs Block			
Base	12,132,500	10,795,565	-1,336,935
Special schools	0	1,084,000	1,084,000
Imports	0	150,000	150,000
Schools block transfer for resource bases	-217,205	0	217,205
Total High Needs Block	11,915,295	12,029,565	114,270
Central Schools Block			
Per Pupil	475,000	476,372	1,372
Historic commitments	972,000	972,000	0
Total Central Schools Block	1,447,000	1,448,372	1,372

Schools Block

21. The additional investment by the Government has resulted in some of the unit rates that were consulted upon being changed. The table below shows the unit rates that are to be used in setting the funding blocks from April 18. For comparison, the table below shows the consulted unit rates, the revised rates and the unit rates currently used in Darlington's formula.
22. Forum members are reminded that the rates below (for the NFF) are how ESFA have calculated the total schools block for Darlington rather than the rates that will be used to calculate each schools budget share. ESFA have published notional budgets for each school using the NFF.

Factors	NFF Consulted	NFF Actual	Change in NFF	2017/18 Darlington	Difference actual NFF /Darlington
<u>PRIMARY</u>					
Per Pupil Funding					
Primary	£2,712	£2,747	£35	£2,491	£256
Deprivation					
Current FSM	£980	£440	-£540	n/a	£440
Ever6 FSM	£540	£540	£0	£809	-£269
IDACI A	£575	£575	£0	£690	-£115
IDACI B	£420	£420	£0	£690	-£270
IDACI C	£360	£390	£30	£690	-£300
IDACI D	£360	£360	£0	£690	-£330
IDACI E	£240	£240	£0	£377	-£137
IDACI F	£200	£200	£0	£0	£200
Looked After Children	£0	£0	£0	£866	-£866
Low Prior Attainment	£1,050	£1,050	£0	£809	£241
EAL	£515	£515	£0	£277	£238
Lump Sum	£110,000	£110,000	£0	£175,000	-£65,000
Sparsity*	£0 - £25,000	£0 - £25,000	£0	£35,000	-£10,000
<u>SECONDARY</u>					
Per Pupil Funding					
Key Stage 3	£3,797	£3,863	£66	£4,333	-£470
Key Stage 4	£4,312	£4,386	£74	£4,288	£98
Deprivation					
Current FSM	£1,225	£440	-£785	n/a	£440
Ever6 FSM	£785	£785	£0	£996	-£211
IDACI A	£810	£810	£0	£556	£254
IDACI B	£600	£600	£0	£556	£44
IDACI C	£515	£560	£45	£556	£4
IDACI D	£515	£515	£0	£556	-£41
IDACI E	£390	£390	£0	£413	-£23
IDACI F	£290	£290	£0	£0	£290
Looked After Children	£0	£0	£0	£866	-£866
Low Prior Attainment	£1,550	£1,550	£0	£40	£1,510
EAL	£1,385	£1,385	£0	£241	£1,144
Lump Sum	£110,000	£110,000	£0	£175,000	-£65,000
Sparsity*	£0 - £65,000	£0 - £65,000	£0	n/a	n/a

* minimum decrease

23. The 2018/19 schools block will be calculated using a minimum of £3,300 per primary pupil and £4,600 per secondary pupil. Members should be aware that these figures are not the “AWPU” amounts as these amounts include resources within the other factors (e.g. deprivation etc.).

24. The 2019/20 schools block will be calculated using a minimum of £3,500 per primary pupil and £4,800 per secondary pupil.
25. In 2018/19 a cash increase of 0.5% per pupil is included within the block calculation and in 2019/20 an increase of 1%. Within the consultation there was a cash decrease floor of 3%, therefore additional protection has been applied.
26. As consulted the NFF does not include a factor for LAC children. In the soft formula period however local authorities can continue to use this factor in their local formula. This factor has been removed from the NFF as additional funding has been invested in the Pupil Premium plus grant for LAC children. This rate will be £2,300 per child in 2018/19.
27. Currently, nationally the primary secondary ratio averages at 1:1.29. In creating the NFF this ratio has been maintained and is therefore built into the schools block allocation formula. Currently, locally the primary secondary ratio can be different to the national rate due to local pupil characteristics. There is no requirement during the soft NFF period for local formulas to reflect the national average primary secondary ration.
28. As can be seen in the table the AWPU for all phases has been increased from that originally consulted. This reflects feedback from the consultation and the additional Government investment.
29. The rate for current free school meals (FSM) has decreased, however the NFF now calculates deprivation funding for FSM based on ever 6 **and** current (previously it was one or the other) therefore the decrease is nullified.
30. The rate for IDACI band C has been increased to reflect differences between children in band C & D.
31. All other rates remain the same as consulted.
32. Premises factors (Darlington only has rates) will be funded on the 2017/18 actual amounts i.e. there will be no increase. The Government plans to review the way premises factors are funded in the NFF and will provide further information for 2019/20 at a later date.
33. Like premises, growth will be funded on historic amounts, so the 2018/19 allocation will be based on 2017/18 levels, with further reviews to determine future years funding.
34. The area cost adjustment will remain.
35. During the soft funding formula gains will capped at 3%, though there will be adjustments to make sure that minimum gains (announced) are not capped for small schools.

High Needs Block

36. The high needs block allocation received by the Local Authority will be calculated using a formula from April 2018.
37. For 2018/19 authorities that lose out under the NFF will now see an increase of 0.5% per head and 1% per head in 2019/20 against the planned spend in 2017/18. Forum members

should note that the planned spend is the budget allocated, not the actual spend, therefore current pressures are not included in this calculation.

38. The high needs formula will be calculated using the following
- a. No. pupils in special schools/institutions at £4,000 per pupil based on October census.(Alternative Provision children will be from January census)
 - b. Population 2-18 population
 - c. Health & Disability, DLA & children in bad health
 - d. Low Attainment, key stage 2 results & key stage 4 results
 - e. Deprivation, FSM IDACI
 - f. Historic funding – 50% of 17/18 planned spend
 - g. Area cost adjustment
 - h. Import/export £6k for place funding for children in out of area placements
 - i. Hospital Education
39. The high needs allocations will take account of growth in the number of children requiring SEN support through the “proxy” factors (2, 3, 4 & 5 above). Any Local Authority that is capped or at the cash floor will still receive an increase in funding as the overall calculation is per head.
40. Imports/exports for 2018/19 will be updated for the January 18 census so final high needs block allocations will be adjusted by updating DSG allocations later in the year.
41. The Local Authority will decide how the high needs block is allocated/spent in line with local requirements/need.

Central Block

42. The central schools block will be calculated using a formula from April 2018. This funding replaces funding previously received through Education Services Grant (paid through DSG in 2017/18) and DSG top slice.
43. The formula will be based 90% on pupil numbers and 10% on deprivation.
44. In addition the central schools block will include an allocation for historic commitments, though this funding is expected to decrease over time. ESFA will monitor and challenge historic commitments recorded on the S251 returns to ensure they decrease over time. As in previous years no new commitments will be allowed.
45. Local authorities will need to consult with School Forum on the use of central blocks.
46. Allocations will be subject to floors and caps of 2.5%. Historic commitments will be based on actual spend with no protection.

Schools Budget Shares calculation 2018/19

47. The funding formula arrangements for 2018/19 are broadly similar to the current (2017/18) arrangements.
48. Local authorities can continue to use a local formula in line with the nationally set parameters.
49. Details of the 2018/19 funding formula arrangements are summarised in the following paragraphs.
50. As in previous years a local authority must engage in consultation with all schools and it's School Forum about any proposed changes to the local authority funding formula. The Local Authority remains responsible for making the final decision on the local formula.
51. The funding formula factors that are available to use in 2018/19 are as follows,
 - Basic Entitlement (AWPU)
 - Deprivation
 - Prior Attainment
 - Looked After Children
 - English as an additional language
 - Pupil Mobility
 - Sparsity
 - Lump Sum
 - Split Sites
 - Rates
 - Private Finance Initiative
 - London Fringe
 - Exceptional premises
52. The following table shows the factors that are used in Darlington's 2017/18 formula and notes any changes in the criteria for 2018/19.

Factor	Note
Basic Entitlement	The formula must use the following values as a minimum. Primary AWPU £2,000 Key Stage 3 AWPU £3,000 Key Stage 4 AWPU £3,000 This represents no change.
Deprivation	Can use FSM or IDACI or both. Both FSM ever 6 and current FSM can now be used (previously it was one or the other FSM measures).
Prior Attainment	No change There will be a new weighting for the year 7 cohort in 2018/19 dataset which will have some effects on the distribution of funding. ESFA will confirm the data at a later point. Local formula must continue to use the ESFA dataset.
Looked After Children	Although this disappears from the NFF this factor can still be used locally. No change
English as an additional language	No change
Sparsity	No change
Lump Sum	No change All through schools receive the lump sum at the secondary value. Maximum lump sum in each phase £175,000
Rates	No change Funded at estimated rates value

53. A new factor is introduced into the formula. The “minimum level per secondary school”. This is an optional factor, which allows the Local Authority to implement a transitional amount towards the £4,800 per pupil 2019/20 funding target. If capping or scaling is used in a local formula this will not reduce secondary funding below this level.
54. As in previous years ESFA will continue to provide the datasets for use in calculating the funding formula. These datasets must be used by all authorities. The ESFA formula tool will be issued to local authorities in December updated for the October 17 census data.
55. In order to ensure that the funding formula is affordable it is still possible to cap those schools whose budget share increase, however as in the current year, the total value of the cap cannot be more in value than the total cost of the minimum funding guarantee (MFG).
56. Local authorities will be able to set the value of the minimum funding guarantee locally, though this must be set between minus 1.5% and 0%.
57. Places in resource bases will no longer be deducted from school pupil numbers in mainstream schools SBS calculation. Instead those schools will receive an SBS calculated based on the total pupils on the October census. Funding has been transferred from the high needs block to the schools block to take account of this (see table at paragraph 20). As a result of this schools with a resource base will only receive £6,000 for place funding from the high needs lock for children included on their role in the resource base. Places not filled will continue to be funded at £10,000 per place, funded through the high needs block.

58. School Forums will continue to need to agree any growth fund and the criteria for operation.

Darlington's Formula in 2018/19

59. As the NFF has been introduced as soft formula for 2018/19 there are changes to the way that funding is received in 2018/19 to previous years. In addition as there are currently major pressures on high needs funding, decisions will need to be made on Darlington's approach for 2018/19.

High Needs Block

60. Appendix 1A shows the current 2017/18 projected spend on high needs against the illustrative allocation for 2018/19 (at 2017/18 values). The spend budgets have been adjusted to reflect all funding including those paid direct to schools from ESFA. Although the figures included in appendix one at this stage are subject to change (there will be some areas of the budget that may spend different in 2018/19 to 2017/18), when taking account of agenda item 5, it is clear that there will continue to be a large gap between funding received and spent within the high needs area.
61. Although work is ongoing to review high needs and produce a strategy going forward, it is clear that any strategy to bring high needs spend in line with budget in future years will not be fully in place for 2018/19. As a result it is expected that funding will need to transfer from the schools block to the high needs block within 2018/19. Based on the illustrative allocation this could be up to £321,000 without Secretary of State approval.
62. Even with a transfer from the schools block to the high needs block there will continue to be pressures in this area of the budget in 2018/19. It is clear that a financial recovery plan will be needed in order to bring any deficit in funding brought forward from 2017/18 and pressures in 2018/19 back into line with budget from April 2019 onwards. A strategy is currently being worked upon regarding high needs that will be shared with stakeholders in the future.

Central Block

63. Appendix 1B shows the current 2017/18 budget for central schools block against the illustrative allocation through the new central schools block allocation for 2017/18. This allocation will be updated in December following the October census.
64. As can be seen for the formula element of the block there is a small increase in allocation over current budget (£1,633). This small increase will likely be used up by inflationary rises to license costs and admissions staff pay awards. It is felt however at this stage that this element of the budget should be without issue in 2018/19, however this is dependent on the actual allocation received.
65. The historic commitments element of the budget appears to have additional resources of approximately £50,000. This arises as the allocation for secondary school transport ceases by 2018/19. As ESFA are only paying historic commitments on actual budget requirements this additional resource is expected to be removed in 2018/19.

66. Overall the central schools block seems to have no issue in 2018/19, though there are no additional resources. Forum members should be aware however that the historic commitments will be scrutinised by ESFA in future years and therefore it likely that funding will be reduced in this area and therefore services funded in this block will need to cease.

Schools Block

67. Appendix 1 C shows the current SBS calculated for 2017/18. This has been updated to show the effect of another year of the current formula using the same formula factors, but adjusting for any mandatory changes resulting from the introduction of the NFF. This gives an illustrative SBS for each school.
68. The result of this calculation effects only seven schools as follows,
- a. Four schools budgets are increased for the change in place funding for children within their resource base.
 - b. Two schools have a reduction resulting from the next year of their MFG protection
 - c. One school has an increase resulting from the next year of their capping.
69. As can be seen if the formula remains as is there is little effect on schools, however when comparing the total cost of the formula to the illustrative allocation there is approximately £1.3 million of unallocated funding.
70. This funding will need to be distributed to schools through the funding formula, however decisions will need to be made on how this approached and what funding is transferred to the high needs block.
71. Whatever decisions are made, the final SBS will be different from those included at appendix 1C as the actual SBS for 2018/19 will be updated for the October census datasets and the actual 2018/19 schools block allocation.
72. It is possible to introduce the NFF and fund all schools at the level of notionally calculated budgets from ESFA. If this was introduced then there would be no scope to move funding to the high needs block and in addition there would be no transition period from the current to the national formula.
73. At the time of writing ESFA have produced illustrative allocations for each school using the NFF. For maintained schools these have been calculated using the Darlington SBS, for academy schools the calculation uses the schools “General Academy Grant” (GAG). As Darlington’s schools are in the majority academies it has as yet not been possible to review the illustrative allocations calculation, as the Local Authority does not have academy GAG calculations. ESFA are to issue further detail on illustrative figures for notional budget shares soon, which will allow further investigation in Darlington.
74. Although at this stage it is expected that in Darlington for 2018/19 that the current formula will be continued there are a number of decisions to be made. As a result following this meeting a consultation will be issued to all schools illustrating the various options available for 2018/19, providing a breakdown of the figures (i.e. individual SBS) in order to allow comparison. A preferred option will be consulted upon, before being brought to a Special School Forum on 21st November 2017.

75. The consultation document will detail all the decisions to be made, the list below gives Forum members a brief view of the decisions that will be required.
- a. Do we continue with the same factors?
 - b. Do we stop using the LAC factor?
 - c. Do we use both FSM measures?
 - d. Do we change any unit values to move towards the NFF rates?
 - e. How much do we transfer to the high needs block?
 - f. What MFG level do we use?
 - g. Do we introduce the new minimum secondary funding factor?
 - h. How do we allocate any spare funding (if any)?

Timetable

76. As EFA have made only minor changes to the funding formula there is no requirement to submit a provisional formula in October for approval. However if Darlington intends to make any changes to the formula consultation needs to be made, which starts with this Forum paper. As mentioned above a consultation will follow this meeting to be considered by Forum in November.
77. Any changes to Darlington's formula for 2018/19 (from 2017/18) will be presented to Forum at their January meeting, using the updated datasets received from ESFA in December.
78. As in previous years a final funding formula needs to be submitted to ESFA in January. Once approved this submission will be the final funding formula for 2018/19.
79. The table below outlines the key dates in the setting of school budget shares for 2018/19.

Action	Deadline
Additional high needs guidance	September
Circulation of School Forum paper outlining changes to the school funding formula for 2018/19 (this paper)	29th September
School Forum	10 th October
Circulation of Darlington's proposals for 2018/19	By the end October
Special School Forum	21 st November
Requests for additional transfers (i.e. over 0.5%) of funding from the schools block to the high needs block if required.	30 th November
Issue of formula tool by the EFA including the October 17 census data	Mid December
Publication of Schools block & High Needs block DSG allocations	Mid December
Circulation of School Forum paper with final funding formula for 2018/19 to all schools	9 th January
School Forum	16 th January
Submission of final funding formula to the EFA	19th January

Early Years Funding

80. No allocations have been issued for 2018/19 at this stage. It is however expected that no additional funding will be made available in 2018/19 and that funding will be made at the same unit rates as in 2017/18
81. In the current year there are pressures on the inclusion funding within early years and as the autumn term has only just started it is unknown what the take up of the additional entitlement is. Both of these elements have an effect on the resources available and therefore could potentially impact on the 2018/19 local funding rate.
82. At this stage no proposals have been made to change any of the Darlington early years rates for 2018/19, however this will need to be reviewed in line with actual funding received and the issues outlined above. Any proposals regarding early years rates will be brought to Forum at their January meeting

Summary

83. The NFF is introduced from April 2018 to calculate the four blocks of the DSG.
84. School budget shares continue to be set locally within the national constraints for 2018/19.
85. There are ongoing pressures in high needs as the new funding formula for high needs block does not significantly increase resources available, meaning pressures will be ongoing.
86. A consultation will take place during October/November with all schools and School Forum to outline the proposed local school funding formula for 2018/19.
87. Forum will receive details of any proposed changes at a special meeting in November which will then be used to calculate the actual budget shares for 2018/19.

Recommendations

88. That Forum notes the changes to how funding is received following the introduction of the NFF.
89. That Forum notes the pressures on high needs and the ability to move resources from the schools block to the high needs block in 2018/19.
90. That Forum notes that consultation will take place on proposed changes to Darlington's formula and notes the special meeting set for 21st November.

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