

**Title of meeting:** Cabinet Member for Education

**Date of meeting:** 14 September 2017

**Subject:** Future School Funding Arrangements

**Report from:** Alison Jeffery, Director of Children, Families and Education

**Report by:** Richard Webb, Finance Manager

**Wards affected:** All Wards

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

- 1.1. This purpose of this report is to provide the Cabinet Member with an update on the latest developments in respect of the future school revenue funding arrangements for 2018-19 onwards.

**2. Recommendations**

**2.1. It is recommended that the Cabinet Member:**

- a. **Note the Department for Education's proposed changes to the school revenue funding arrangements for 2018 to 2019 and 2019 to 2020, as set out in sections 4 and 5.**
- b. **Note that full national funding formula for 2018 to 2019 and 2019 to 2020 will be confirmed by the Department for Education in September alongside the responses to the national funding formula consultations.**
- c. **Note that the Local Authority level allocation for 2018 to 2019 for the schools, central school services and high needs blocks will also be published by the Department for Education in September. Final allocations will follow as usual in December, on the basis of pupil numbers recorded in the October census.**
- d. **Endorse the proposals for implementing the funding formula arrangements locally as set out in section 6.**

### 3. Background

- 3.1. In December 2016 the Government issued its stage 2 consultation, setting out its plans for reforming the funding for schools and for high cost special educational needs and alternative provision. The consultation closed on the 22 March 2017<sup>1</sup>.
- 3.2. During March and April 2017 the Department for Education (DfE) carried out a further baseline exercise with all Local Authorities, in order to identify how the Dedicated Schools Grant (DSG) was being spent. The results of the exercise are being used to inform the 2018 to 2019 DSG allocations.
- 3.3. In early August 2017 the DfE published the 'Schools revenue funding 2018 to 2019 operational guide'<sup>2</sup>. This guide is intended to help Local Authorities and their schools forums plan the implementation of the funding system for the 2018-19 financial year; and highlights the key changes compared to the current arrangements.
- 3.4. The DfE is intending to publish the details of the full national funding formula for 2018 to 2019 and 2019 to 2020 in September, alongside the responses to the national funding formula consultations. The Local Authority level allocations for 2018 to 2019 will also be published in September, with final allocations published in December 2017.
- 3.5. This report is intended to provide Schools Forum with an overview of the main changes highlighted within the operational guide and the next steps in implementing the changes locally for the financial year 2018 to 2019.

### 4. Dedicated School Grant (DSG) Funding

- 4.1. The operational guidance has confirmed that from 2018 to 2019 the DSG will be split into four "blocks" rather than the current three, with the creation of a new 'central school services block' (CSSB). The block is intended to fund the statutory duties that the local authority has for both maintained and academy schools (such as admissions and the retained duties element of the Education Services Grant). Therefore the DSG will be comprised of the following blocks:
  - Schools Block
  - High Needs Block
  - Early Years Block
  - Central School Services Block
- 4.2. The funding through each of the four blocks will be determined by a separate national funding formula.

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<sup>1</sup> <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

<sup>2</sup> <https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

- 4.3. The DfE has published the 2017-18 baseline and minimum amounts for 2018-19. The baselines have been adjusted to take account of local authorities most recent spending patterns. This process has enabled the Department to ensure that the national spend on each block in 2018 to 2019 reflects the pattern of spend planned for 2017 to 2018.
- 4.4. In 2018 to 2019 and 2019 to 2020, the national funding formula will set the notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each local authority.
- 4.5. 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.
- 4.6. The School block allocations will be expressed as a separate per pupil primary and secondary rate for each local authority. They will also include funding at local authority level for premises, mobility and growth based on historic spend.
- 4.7. It has also been confirmed that from 2018 to 19 the schools block will be ring-fenced. Local authorities will have the ability to move funding from the schools block into other blocks, however the amount will be limited to 0.5% of the schools block and all maintained and academy schools in the City will need to be consulted, before any movement from the schools block can be approved.
- 4.8. Within the high needs block, the Government has confirmed that it will provide for a 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. For Portsmouth a 0.5% increase could equate to circa £100k; subject to the adjustments referred to.

## **5. Mainstream Funding Formula Factors**

- 5.1 The operational guidance confirms that local authorities will continue to have responsibility for determining the funding allocations for schools through a local formula for 2018 to 2019 and 2019 to 2020.
- 5.2 However, for 2018 to 2019 there are a number of changes to the factors that local authorities can use for allocating funding to schools. Of the factors currently used in Portsmouth, there are changes to the following:
  - Looked After Children (LAC)
  - Free School Meals (FSM)
  - Minimum Funding Guarantee (MFG)

### *Looked After Children*

- 5.3 The government will be removing the Looked After Children factor from the National Funding Formula and have confirmed that they will be increasing the Pupil Premium Plus rates for 2018 to 2019 instead. However the rates have not been confirmed.
- 5.4 The guidance states that local authorities may wish to consider whether they reflect this change within their local formulae.

### *Free School Meals (FSM)*

- 5.5 There are currently two FSM data sets used in the funding formula; Ever 6 and FSM. The Ever 6 measure allocates funding where a child has been eligible for free school meals at any point in the last 6 years, whereas the FSM allocates funding to those children who are currently eligible for free school meals.
- 5.6 Previously local authorities were able to use one of these measures but not both. It is now possible to use both measures within the deprivation factors. Portsmouth currently uses the Ever 6 measure to allocate funding to schools.

### *Minimum Funding Guarantee (MFG)*

- 5.7 The MFG for schools will continue to apply, but local authorities will have the flexibility to set a local MFG of between 0% and minus 1.5% per pupil in 2018 to 2019.
- 5.8 Any changes to the MFG will need to be consulted on, as with changes to the rest of the formula.

### **Other Changes**

#### *Minimum level of per pupil funding for secondary pupils*

- 5.9 The guidance states that the national funding 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.
- 5.10 There will be a new factor that will allow local authorities to implement this policy locally. It will allow local authorities to set a transitional minimum amount per pupil in 2018 to 2019, as a step towards £4,800 in 2019-20.

*High Needs places in mainstream schools*

- 5.11 The DfE have now confirmed that there will no longer be a deduction to schools block pupil numbers, for high needs places in mainstream schools (i.e. Resourced Units / Inclusion Centres). Instead the schools budget share will be determined on the basis of the total number of pupils on the roll of the school.
- 5.12 The balance of the funding (i.e. £6,000) will come from the place funding in accordance with the local authority's commissioning decisions. Where there are empty commissioned places at the time of the census count, then these will continued to be funded at £10,000 from the high needs block.
- 5.13 The DfE's diagram below, sets out the proposed change to the funding arrangements:

Figure 4: Funding of special units in mainstream schools: example

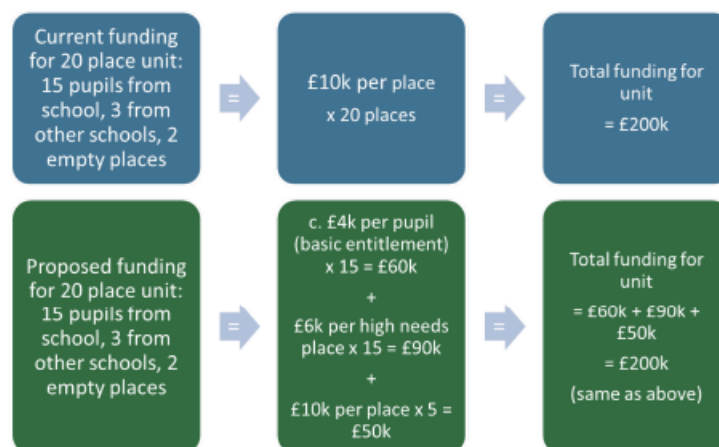


Figure 4: This diagram shows how funding would be calculated for an example unit under current arrangements, and under the new proposal.

## 6. Local Implementation

- 6.1 In line with the School and Early Years Finance (England) Regulations the authority will consult with schools on any proposed changes to local school revenue funding formula.
- 6.2 As highlighted earlier within the report, the details of the full national funding formula for 2018 to 2019 and 2019 to 2020 will not be published until September; alongside the responses to the national funding formula consultations. The Local Authority level allocations for 2018-19 will also be published in September, with final allocations published in December 2017.

- 6.3 In light of the delays in receiving the necessary information this year, it will not be possible to consult with schools on changes to the funding formula in the usual way in September. Therefore we are proposing to consult with schools on the following key areas in two phases:

**Phase 1 consultation (September 2017)**

- Any proposed changes to the funding factors used within the local funding formula.
- Changes to the growth fund criteria
- De-delegated arrangements
- To seek feedback on school preferences to changing the funding rates attached to the funding formula factors:
  - To move as close as possible towards the national funding formula in 2018 to 2019.
  - To move towards the national funding formula in a gradual process during 2018 to 2019 and 2019 to 2020.
  - To remain with the current funding rates, until the national formula is fully operational.  
(all subject to overall affordability)

**Phase 2 consultation (October/November 2017)**

- Any proposed changes to the rates attached to each funding factor
- The factors to be adjusted for overall affordability in setting the final funding allocations

- 6.1 In order to implement the funding arrangements locally by the deadline in January 2018, it will also be necessary to seek both Cabinet Member and Schools Forum approval / endorsement to any proposed changes following the consultation and feedback from schools.

**7. Reasons for recommendations**

- 7.1 This purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2018-19 onwards. The report also seeks endorsement to the proposals for implementing these arrangements locally, in order to ensure that they comply with the requirements of both the DFE's operational guidance and the School and Early Years Finance (England) Regulations.

**8. Equality impact assessment (EIA)**

- 8.1 The report does not require an Equality Impact for Assessment as the recommendations do not have any impact upon a particular equalities group.

**9. Legal comments**

9.1 The Government is reforming the current school funding system from 2018-2019 and the details of that planned reform are set out in the body of this report.

9.2 There are no legal implications arising from the implementation of this report's recommendations.

**10. Finance comments**

10.1 There are no financial implications arising directly from the recommendations within this report.

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 Signed by: Alison Jeffery, Director of Children, Families and Education

**Appendices: None**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Schools revenue funding 2018 to 2019: Operational guide, Summer 2017, DfE	<a href="https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019">https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

Signed by: Alison Jeffery, Director of Children, Families and Education