

Title of meeting: Schools Forum

Date of meeting: 21 November 2017

Subject: School Funding Arrangements 2018 to 2019

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

Report by: Beverley Pennekett, Finance Manager

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

The main purpose of the report is to inform Schools Forum of the progress being made towards the implementation of changes to the school revenue funding arrangements for 2018-19 and to seek the necessary approvals at this stage.

2. Recommendations

It is recommended that Schools Forum:

- a) Endorse the principles proposed by the mainstream working group in Appendix 1 to guide and inform the development of the funding arrangements for 2018-19.
- b) Endorse the proposed changes to the mainstream funding formula factors, as informed by phase 1 of the consultation with schools as set out in paragraphs 6.3 and 6.4, i.e.
 - To remove the LAC funding factor
 - To adopt the revised growth fund criteria as set out in Appendix 2 of the phase 1 consultation document at Appendix 2.
 - To cease de-delegation for the licences (CLEAPPS¹ budget)
 - To limit the proposed factors whose financial value could be adjusted to maintain overall affordability following the receipt of the October 2017 census data in December 2017 i.e.
 - Basic Per Pupil Entitlement
 - Prior Attainment

¹ Consortium of Local Authorities for the Provision of Science Services

- Lump Sum
 - Percentage of the financial cap
- c) Note the revised proposal put forward in phase 2 of the consultation to add the new FSM factor to the list of proposed factors whose financial value could be adjusted to maintain overall affordability.
- d) Agree the carry-forward of the final balance of the Schools Contingency Fund from 2017-18 into 2018-19 for use for the same purpose.
- e) Agree by Phase to the de-delegation of the £1.00 per pupil for the purposes of the Schools Contingency Fund in 2018-19.
- f) Note that the authority is not proposing to make any changes to High Needs place numbers for Special Schools, Resourced Units and Alternative Provision settings for 2018 to 2019.
- g) Note that the authority is not proposing to make any changes to rates payable to Early Years providers for 2018 to 2019.
- h) Endorse the MFG exemptions submitted to the DfE by the required deadline of 30 November 2017 as set out in paragraph 9.1.

3. Background

- 3.1 As reported to Schools Forum in February 2017, the DfE published stage 2 of its consultation on the proposal to introduce a National Funding Formula for both schools and local authorities, which closed on 22 March 2017.
- 3.2 The results of the stage 2 consultation were published on 14 September along with the indicative funding allocations for 2018 to 2019. Detailed information followed during September and October 2017, which has informed the modelling required to set a balanced budget for 2018 to 2019.

4 Changes to the funding arrangements from Central to Local Government

DSG funding blocks and re-baseline 2018 to 2019

- 4.1 The results of the DfE's stage two consultation has confirmed that four proposed funding blocks, (Schools, High Needs, Early Years and a new Central School Services Block) will be implemented from 2018 to 2019. The proposed ring fencing of the Schools Block will be partially

implemented in 2018 to 2019, with the DfE allowing some restricted flexibility to enable the Council to utilise up to 0.5% of the overall schools block to support expenditure on other blocks. Therefore the DSG funding blocks for 2018 to 2019 are confirmed as:

- Schools Block
- Central schools services Block
- Early Years Block; and
- High Needs Block.

4.2 The baselining exercise carried out in early 2017 has been used by the DfE to allocate funding for 2018 to 2019. This has resulted in a reallocation of funding between the blocks which reflects the planned expenditure of the authority for 2017 to 2018. The table below sets out the 2017 to 2018 baseline funding per block and the indicative funding allocation for 2018 to 2019.

	Funding Block				
	Schools*	High Needs*	Early Years	Central	Total DSG
	£000	£000	£000	£000	£000
2017-18 budgeted baseline	107,776	19,459	8,578	762	133,258
Transfer between blocks - resource units	285	-285			0
2017-18 adjusted baseline	108,061	19,174	8,578	762	136,575
Additional funding	2,260	626		19	2,905
2018-19 funding	110,321	19,800	8,578	781	139,480
Percentage increase	2.0%	3.2%	0	2.5%	2.1%

*Includes funding for academies

4.3 The 2018 to 2019 funding above is currently based on pupil numbers as per the October 2016 census; the actual funding for 2018 to 2019 will be adjusted for October 2017 pupil numbers.

Central schools services block

4.4 The funding covers the central schools services previously funded by the schools block and includes the Education Support Grant (ESG) retained duties, plus additional funding for new duties relating to the admission of year 9 pupils to schools with atypical age ranges such as university technical colleges.

4.5 The funding is paid on a national rate per pupil with an area cost adjustment. During the transition period the DfE will protect authorities for losses up to 2.5% and limited gains to a maximum of 2.5% over the 2017 to 2018 baseline. The 2018 to 2019 indicative funding shows a 2.5% increase per pupil for Portsmouth.

5 Changes to the Local School Funding Arrangements

- 5.1 The DfE has published its model for a national funding formula (NFF) and has stated the intention of implementing a "hard" NFF in 2020 to 2021. Local authorities will continue to implement their local formula until that time.
- 5.2 The factors used in the NFF are in most cases the same as those already available to local authorities, with three notable exceptions:
- The Looked After Children factor does not appear in the NFF, although Portsmouth has used it in previous years.
 - The NFF does not use the Reception Uplift, which provides funding to schools for infant pupils who do not start school at the beginning of September.
 - The NFF uses both the Free School Meals factor and the Ever6 factor, although local authorities have had to choose one or the other in previous years.
- 5.3 The Minimum Funding Guarantee for 2018 to 2019 will remain at the nationally set rate of minus 1.5%, although local authorities have the flexibility to increase protection if appropriate. Equally, local authorities can continue to impose a cap on funding to limit gains from the formula distribution.

6 Local Consultation

- 6.1 As set out in the September 2017 report to Cabinet Member and Schools Forum, the authority has conducted a two phase consultation with schools this year.

Phase 1 consultation (September 2017)

- 6.2 The phase 1 consultation closed on 26th September 2017 and sought schools views on:
- 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 i.e to move quickly, gradually or slowly towards the national funding formula in 2018 to 2019.
 - The factors to be adjusted for overall affordability in setting the final funding allocations

- 6.3 The phase 1 consultation with Portsmouth maintained schools and academies was open between the 13 September 2017 and 26 September 2017. A copy of the consultation document is included at Appendix 2.
- 6.4 Of the 59 mainstream Portsmouth Schools and Academies, 7 schools replied to the consultation. Of those who replied:
- 100% agreed to the removal of the LAC funding factor. The respondents were also in agreement that the funding released should be added to the basic entitlement rates, although this is no longer the preferred option for primary schools -see paragraph 6.12 for more details.
 - 100% agreed with the proposed changes to the growth fund. The revised criteria are attached at Appendix 2 of the phase 1 consultation document.
 - 71% agreed to the proposals to: (section 6 of the consultation document)
 - Cease de-delegation for the licences (CLEAPPS budget)
 - Continue de-delegation for the school specific contingency budget at a rate of £1.00 per pupil.
 - 71% agreed to the proposed factors whose financial value could be adjusted to maintain overall affordability following the receipt of the October 2017 census data in December 2017 i.e.
 - Basic Per Pupil Entitlement
 - Prior Attainment
 - Lump Sum
 - Percentage of the financial cap
- 6.5 As part of the phase 1 consultation we sought schools' initial views on moving towards the national funding formula. The table below sets out the results of the feedback, which showed a preference for a gradual transition to the NFF. This feedback has informed the financial modelling and the phase 2 consultation.

Option	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 arrangements, until the national formula is fully operational
Ranking			
1	3	3	1
2	2	4	1
3	2	0	5

- 6.6 A summary of the responses and any comments can be found in Appendix 4.

Phase 2 consultation (November 2017)

- 6.7 The results of the phase 1 consultation have been used to inform the first stage of the financial modelling and the phase 2 consultation was launched on 6 November 2017, setting proposals for the 2018 to 2019 funding formula. The consultation closes on 17 November 2017. A copy of the stage 2 consultation paper can be found at Appendix 3.
- 6.8 The funding model, as proposed in the phase 2 consultation document, seeks to move Portsmouth's unit values towards those used in the NFF. A comparison of current rates, NFF rates and proposed rates are shown in the table below:

Table D - Factor funding rates						
Factor	18/19 using PCC 17/18 Rate		18/19 NFF Rate		PCC Proposed 18/19 Rate	
	Primary	Secondary	Primary	Secondary	Primary	Secondary
Reception Uplift	Y		N		Y	
AWPU (Primary)	£2,860.62		£2,747		£2,800	
AWPU KS3		£3,669.25		£3,863		£3,766
AWPU KS4		£4,278.25		£4,386		£4,332
Free School Meals (FSM)	£0	£0	£440	£440	£151.50	£93
Free School Meals - Ever 6	£237.25	£299.83	£540	£785	£388.50	£542
IDACI Band F	£0	£0	£200	£290	£0	£0
IDACI Band E	£0	£0	£240	£390	£140	£290
IDACI Band D	£785.03	£473.84	£360	£515	£460	£515
IDACI Band C	£1,100.38	£685.45	£390	£560	£785	£560
IDACI Band B	£1,415.72	£897.06	£420	£600	£1,100	£750
IDACI Band A	£1,731.07	£1,108.67	£575	£810	£1,415	£959.44
EAL	£359.45	£1,821.55	£515	£1,385	£515	£1,603
Prior Attainment	£740	£2,000	£1,050	£1,550	£1,050	£1,775
Lump Sum	£115,000	£139,150	£110,000	£110,000	£112,500	£125,000

- 6.9 One key difference between the NFF and our current formula is the level of funding used to support the most deprived pupils, since Portsmouth's unit values are significantly higher. Whilst the proposal does reduce those unit values, the level of reduction is deliberately minimal, therefore maintaining a high level of protection for our most deprived schools.
- 6.10 It became clear during the modelling that the preferred option of transferring funding formerly used in the LAC factor into Basic Entitlement would not be helpful for primary schools, since Portsmouth's primary Basic Entitlement value is already above the NFF unit value. A revised proposal

has therefore been included in the phase 2 consultation, to use "released" funding to introduce the second FSM factor which is included in the NFF.

- 6.11 The NFF does not use the reception uplift factor, which will reduce funding for those schools with delayed admissions arrangements for YR pupils. In order to protect the schools affected, it is proposed to maintain the reception uplift for next year so that schools with YR admissions have an opportunity to amend their admissions arrangements for future years.
- 6.12 Current modelling, using the values shown in the table above, suggests that it will be possible to relax the cap on gains, possibly lifting it altogether, whilst still providing protection at minus 1.5% for schools adversely affected by the formula changes.
- 6.13 The revised dataset, which provides numbers on roll and pupil characteristics at October 2017, will be released in mid-December 2017. This dataset will be used to complete a final proposed model which reflects the priorities agreed so far and those which are identified during the phase 2 consultation. As in previous years (and affirmed by the phase 1 consultation), it is proposed that adjustments to the formula are restricted to the following factors:
- Basic Per Pupil Entitlement
 - Prior Attainment
 - Lump sum
 - Percentage of the financial cap.

If additional funding is available, however, it would be unhelpful to increase the primary basic entitlement, as explained in paragraph 6.10, so it is proposed that the new FSM factor is also used to amend funding if necessary.

7 High Needs and Element 3 Top-Up Funding

- 7.1 The Element 3 Top-up rates for maintained Special Schools and Academies were agreed by Cabinet Member and endorsed by Schools Forum in September 2017.
- 7.2 It is not proposed to make any changes to High Needs place numbers for Special Schools, Resourced Units and Alternative Provision settings for 2018 to 2019. A strategic review of SEND provision is currently underway in conjunction with Southampton City Council. The review will be concluded by March 2018 and recommendations will be taken forward as part of the overall SEND strategy.
- 7.3 The arrangements for payment of place funding to resourced units will change in 2018-19, with the first £4,000 of the £10,000 place funding

being provided via the per pupil funding within the school's budget share. Following the receipt of the October 2017 data set and pupil characteristics, it is possible that some schools may not receive the full £4,000 per pupil funding required from their mainstream funding to ensure they maintain their current level of place funding for the resourced unit. In such a case, it will be possible to adjust the Element 3 Top-up payments to the resourced units to ensure they do not see a reduction in funding due to this change.

- 7.4 It will not be not possible to make final recommendations for Element 3 top up rates for Alternative Provision (AP) settings and resourced units until modelling is complete and any shortfall in mainstream funding has been identified. Proposals for these top up rates will therefore be brought to the January 2018 meetings for approval.
- 7.5 A more detailed analysis of funding and pressures in the High Needs (HN) block will be brought to the next meeting. At this stage, the indicative funding appears to be sufficient to cover known pressures; however, the ability to transfer funding from the Schools Block will be restricted to a maximum of 0.5% in 2018 to 2019 and will not be available future years. If a shortfall in HN funding is predicted, then it will be necessary to review all activity within the HN block, including allocations to schools, to ensure that the block remains affordable overall.

8 Early Years Block

- 8.1 It is not currently proposed to make any changes to rates payable to Nursery providers in 2018 to 2019 for free entitlement. Some providers have suggested that the increase in free entitlement from 15 hours to 30 hours for some pupils could place a strain on budgets, by reducing the opportunity to cross-subsidise the cost of free entitlement with income from paid provision. At this stage, however, there is insufficient data available to recognise any emerging patterns or to assess the impact on particular providers. It is therefore proposed to maintain the current rates payable to providers for 2018 to 2019.

9 Next Steps

- 9.1 The authority is proposing to apply the following Minimum Funding Guarantee (MFG) disapplications:
 - **Mayfield School - variation of pupil numbers.** To increase the pupil numbers to include the September 2018 primary cohort as part of the continuing conversion from a secondary school to an all through school. Approval for this variation has previously been sought from the ESFA; however, the operational guidance for 2018 to 2019 advises that approval is no longer required;

- **Mayfield School** - primary pupils are funded at a lower basic per pupil entitlement to secondary pupils, therefore as the primary school grows each year the additional primary pupils would otherwise be artificially protected at the "whole school" per pupil rate in the MFG calculation. As in previous years, we are asking to adjust the 2017 to 2018 baseline to ensure that the school is not overprotected in the 2018 to 2019 MFG calculation.
- **Charter** - the school is slowly increasing in size and additional pupils are protected at historically very high levels. Key Stage 3 (KS3) pupils are funded at a lower basic per pupil entitlement to Key Stage 4 (KS4) pupils, but are currently protected at the average funding rate for the school as a whole. The disapplication request seeks to provide protection at the KS3 rate, rather than the average rate for the school. It is likely that the effect will be minimal unless there is a significant change in the balance between KS3 and KS4 pupils.

10 Reasons for recommendations

Following the publication of the DfE Guidance "School Revenue Funding 2018 to 2019 - operational guidance" in September 2017, the local authority has been working closely with the School Funding Working Group. The Working Group has provided advice and guidance on the proposed changes to the local funding formula.

11 Equality impact assessment

This report does not require an Equality Impact Assessment as the proposal does not have an impact upon any particular equalities group.

12 Legal implications

The recommendations in this report are consistent with the requirements of the Department for Education Operational Guidance.

13 Director of Finance's comments

Financial comments are included in the body of the report.

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

Appendices:

Appendix 1: 2018-19 Working Group principles

Appendix 2: 2018-19 School Funding Formula consultation - phase 1

Appendix 3: 2018-19 School Funding Formula consultation - phase 2

Appendix 4: 2018-19 Consultation responses - phase 1

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, September 2017	https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019?utm_source=EFA%20e-bulletin&utm_medium=email&utm_campaign=e-bulletin&mxmroi=2305-33858-96691-0
Financial Modelling	Children's Finance Team

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

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Signed by: