

Decision maker: Cabinet Member for Education

Date of meeting: 7 December 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 the Cabinet Member of the progress being made towards the implementation of changes to the school revenue funding arrangements for 2018 to 2019 and to seek the necessary approvals at this stage.

2. Recommendations

It is recommended that the Cabinet Member:

- a) Approves the proposed changes to the mainstream funding formula factors, as informed by consultation with schools as set out in section 6, specifically:
- To remove the Looked After Children (LAC) funding factor.
 - To retain the Reception Uplift factor.
To calculate initial funding allocations for 2018 to 2019 based on the proposed unit values shown in the table at paragraph 6.16.
 - 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 to:
 - Basic Per Pupil Entitlement
 - Prior Attainment
 - Lump Sum
 - Percentage of the financial cap
 - Primary Free School Meal factor

- b) 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.
- c) Note that the authority is not proposing to make any changes to rates payable to Early Years providers for 2018 to 2019.
- d) Note the MFG disapplication requests set out in paragraph 10.2, as endorsed by Schools Forum and submitted to the DfE.

3. Background

- 3.1 As reported 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. The consultation closed on 22 March 2017.
- 3.2 The results of the stage 2 consultation were published on 14 September 2017, along with the indicative funding allocations for 2018 to 2019. Detailed information followed during September and October 2017 and this has informed the financial 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				Total DSG
	Schools*	High Needs*	Early Years	Central	
	£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 indicative 2018 to 2019 funding shown above is based on pupil numbers as per the October 2016 census; the final allocation 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 plus an area cost adjustment. During the transition period the DfE will protect authorities for losses up to 2.5% and will limit 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 (LAC) 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 (Portsmouth has historically used the Ever6 factor).
- 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. The results of both consultations are shown below.

Phase 1 consultation (September 2017)

- 6.2 The phase 1 consultation with Portsmouth maintained schools and academies ran from 13 September 2017 to 26 September 2017. A copy of the consultation document is included at Appendix 1. Information from the DfE was limited at the time of the consultation, which focussed mainly on principles and direction of travel.
- 6.3 Of the 59 mainstream Portsmouth Schools and Academies, 7 schools replied to the consultation. The results are shown in paragraphs 6.4 to 6.9 below:
- 6.4 100% agreed with the proposed changes to the growth fund. In summary, it is proposed that growth fund will be payable only when it meets the basic need requirement of the local authority. Where this condition is met, growth will be payable at a fixed rate of £54,000 per year, pro rata. The revised criteria are attached in full at Appendix 2 of the phase 1 consultation document.
- 6.5 100% agreed to the removal of the LAC funding factor, since it does not feature in the NFF. The respondents also agreed that the funding released should be added to the basic entitlement rates. Unfortunately, it later became clear that this would not be helpful for primary schools, since Portsmouth's primary Basic Entitlement value is already above the NFF unit value. A revised proposal was therefore included in the phase 2 consultation, to use "released" funding to introduce the additional FSM factor which is included in the NFF.
- 6.6 As part of the consultation, schools were advised that the local authority is proposing to cease to de-delegate funding from maintained schools for

CLEAPSS¹ licences from April 2018. The Education Service has agreed to temporarily fund the licence costs for the remaining maintained schools and Academy schools will continue to be able to purchase the service themselves direct from CLEAPSS or via the Council's traded service arrangements.

- 6.7 71% agreed to the proposal to continue de-delegation for the school specific contingency budget at a rate of £1.00 per pupil.
- 6.8 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
- 6.9 We also sought schools' initial views on the speed at which we should move towards the NFF. The table below sets out the results of the feedback, which showed a preference for a gradual transition to the NFF.

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

6.10 Feedback from phase 1 was used to inform the subsequent financial modelling and the phase 2 consultation. The results of the phase 1 consultation were presented to Schools Forum on 21 November 2017 and all of the results shown above were endorsed by the Forum.

6.11 A summary of the responses and comments can be found in Appendix 2.

Phase 2 consultation (November 2017)

6.12 The phase 2 consultation with Portsmouth maintained schools and academies ran from 6 November 2017 to 17 November 2017, setting out

¹ Consortium of Local Authorities for the Provision of Science Services

more detailed proposals for the 2018 to 2019 funding formula. A copy of the consultation document is included at Appendix 3.

6.13 Of the 59 mainstream Portsmouth Schools and Academies, 22 schools replied to the consultation, although one school provided only one comment and did not answer any of the questions. The results are shown below:

6.14 90% agreed to maintain the reception uplift factor for 2018 to 2019 so that schools with Year R admissions will receive funding next year in recognition of late admissions and will have an opportunity to amend their admissions arrangements in future years to ensure that they maximise their funding.

6.15 90% agreed to use funding "released" from the discontinued LAC factor to introduce the additional FSM factor which is included in the NFF, rather than adding it into Basic Entitlement, which was the phase 1 proposal.

6.16 The consultation included the table below, showing Portsmouth's current unit values, the NFF values and the proposed values for 2018 to 2019. 71% of schools agreed to the proposals shown below. 19% (4 schools) disagreed with the proposal. Of these, three were secondary schools, who wanted to see a faster transition to the NFF as it would increase their funding and one was a primary school who was concerned about the reduction in their IDACI funding.

Table D - Factor funding rates

Factor	PCC Current 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

- 6.17 It is worth noting that a 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.
- 6.18 76% of schools agreed with our proposal to add a further factor to the list of factors which could be adjusted to ensure affordability of the formula, following the release of the new dataset in mid-December. This dataset will provide numbers on roll and pupil characteristics at October 2017. 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.
 - Primary (new) Free School Meal Factor
- 6.19 95% agreed to maintain the Minimum Funding Guarantee at minus 1.5% to support the agreed objective of making a gradual transition towards the NFF.
- 6.20 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. 86% of schools agreed with the principle of removing the cap as far as possible, which will allow "gaining" schools to benefit more fully from the redistribution.

7 Responsibilities held by the local authority for maintained schools

- 7.1 In the 2017 to 2018 funding period the DfE recognised that local authorities will need to use other resources to pay for education functions following the removal of the Education Services Grant (ESG) in September 2017. The government allowed local authorities increased flexibility to use part of the schools budget to support the cost of education functions through a contribution from maintained schools. In 2017 to 2018, Schools Forum agreed to a contribution rate of £11.95 per pupil which related to the 7 month period from September 2017 to March 2018.
- 7.1 In setting the Council's budget for 2018 to 2019, the Council is planning to continue to absorb over 80% of the anticipated funding shortfall and is seeking a full year contribution from maintained schools of £188,000 towards the City Council services that support maintained schools. This

equates to £20.50 per pupil for maintained schools only and the proposal was included in the phase 2 consultation.

- 7.2 If agreed, this contribution would support the following services to schools:
- KS1 and KS2 moderation of national curriculum assessments
 - Investigation and resolution of complaints relating to maintained schools
 - Inspection / monitoring of attendance
 - Financial advice and support, including for schools in financial difficulty
 - Procurement support and advice
 - Asset management activities in relation to maintained schools
 - Internal audit and other tasks relating to the chief finance officers responsibilities
 - Other support and advice from the education service.
 - Overheads relating to the above services.
- 7.3 11 maintained schools responded, of which 7 (64%) agreed to the proposed charge, 3 disagreed and 1 did not express a preference. Schools Forum will vote on the proposal at the meeting to be held on 13 December 2017.

8 High Needs and Element 3 Top-Up Funding

- 8.1 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.
- 8.2 It is not proposed to make any changes to High Needs place numbers for Special Schools, Resourced Units or Alternative Provision (AP) settings for 2018 to 2019, since 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.
- 8.3 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 primary 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. The changes are explained in more detail in Appendix 2 of the phase 2 consultation document.

- 8.4 It will not be possible to make final recommendations for Element 3 top up rates for 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.
- 8.5 A more detailed analysis of funding and pressures in the High Needs (HN) block will be brought to the January 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 in 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.

9 Early Years Block

- 9.1 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.

10 Schools Forum

10.1 The Schools Forum met on Tuesday 21 November and made the following decisions:

- To carry forward the final balance of the schools contingency fund from 2017 to 2018 into 2018 to 2019, to be used for the same purpose.
- To de-delegate £1.00 per pupil for the purposes of the schools contingency fund in 2018 to 2019.
- To amend the criteria for allocating growth funding as set out in Appendix 2 of the phase 1 consultation document.

10.2 Schools Forum also endorsed proposals for Minimum Funding Guarantee (MFG) disapplications, which have now been made to the DfE.

- **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 Academy** - 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.

11 Next Steps

11.1 The DfE is expected to release the updated pupil data in the middle of December 2017. This will allow officers to model the effects of the funding formula outlined above and to bring final recommendations for approval to the January meeting.

12 Reasons for recommendations

Following the publication of the DfE Guidance "School Revenue Funding 2018 to 2019 - operational guidance" in September 2017, the local authority began to work closely with the School Funding Working Group. The Working Group provided advice and guidance on the proposed changes to the local funding formula, which informed the 2-stage consultation with schools and which underpin the recommendations contained in this report.

13 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.

14 Legal implications

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

15 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 School Funding Formula consultation - phase 1

Appendix 2: 2018-19 Consultation responses - phase 1

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

Appendix 4: 2018-19 Consultation responses - phase 2

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: