

**Title of meeting:** Schools Forum

**Date of meeting:** 11 July 2018

**Subject:** Future School Funding Arrangements 2019-20

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

**Report by:** Beverley Pennekett, 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 Schools Forum with an update on the latest developments in respect of the future school revenue funding arrangements for 2019-20 onwards.

**2. Recommendations**

**2.1. It is recommended that Schools Forum:**

- a. Note the progress being made towards the 2019 to 2020 local funding formula including the issue of the consultation to mainstream schools as set out in Appendix A.
- b. Note the outcomes of the consultation issued to mainstream primary schools and agree the proposals set out in section 6.
- c. Note that the Department for Education (DfE) are reviewing the methods of funding the local authority for Growth and the High Needs Block and a further update will be provided following the publication of information from the DfE.
- d. Note the progress being made towards the strategic review of the High Needs budgets in light of the 2018-19 pressures.
- e. Note the progress being made towards the review of early years funding for 2019-20 as set out in section 8.

### **3. Background**

- 3.1. In December 2016 the Department for Education (DfE) issued its stage 2 national consultation, setting out its plans for reforming the funding for schools and for high cost special educational needs and alternative provision. This was followed in September 2017 by the publication of the outcome of the national consultation along with details of the arrangements regarding the transition to the full National Funding Formula (NFF) which is due to be implemented from 2020-21.
- 3.2. The transition arrangements provide local authorities with some limited flexibility with regards to the local formula, for the financial years 2018-19 and 2019-20.
- 3.3. In early December 2017 Schools Forum agreed to smooth the transition to the National Funding Formula, for both primary and secondary schools, by spreading the impact of the change over the 2018-19 and 2019-20 financial years. Following the receipt of the authority's funding allocation for 2018-19 in late December, the January 2018 Schools Forum meeting agreed to move all secondary schools to the National Funding Formula for 2018-19 as this provided all secondary schools with additional funding. They agreed to maintain the transitional approach for primary schools to protect those schools that were seeing a reduction in funding due to the implementation of the NFF.
- 3.4. The DfE 'Schools revenue funding 2019 to 2020 operational guide', is due to be published in June/July 2018 and the authority understands that the DfE are not proposing any major changes to school funding arrangements as set out in the information published in December 2017.
- 3.5. This report is intended to provide Schools Forum with an overview of the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2019-20.

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

- 4.1. At this stage there are not expected to be any major changes to the method of calculating the funding of the DSG for 2019-20. Therefore it is expected that the DSG will continue to be comprised of the following four funding 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.

- 4.3. The authority has not been requested to adjust the baselines underpinning the current funding blocks, for Schools, Early Years and Central School Services and it is expected that they will reflect the spending pattern as at 2017-18 with any adjustments made to reflect the 2018-19 funding changes.
- 4.4. In 2019-20 it is expected that 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. 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, and mobility based on historic spend.
- 4.6. The DfE has confirmed it is reviewing how it allocates funding for growth within the schools block as it acknowledges that historic spend may not be the most appropriate method. A number of workshops have been held across the country which the Council has participated in. Guidance is currently awaited from the DfE and further consultation with schools may be undertaken in the Autumn Term.
- 4.7. It is expected as in 2018-19, the 2019-20 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. Due to the removal of this flexibility in 2020-21, the authority is not proposing to use option in 2019-20.
- 4.8. The authority understands that the DfE is considering how medical tuition is funded within the high needs block funding formula. This follows the baselining exercise which was submitted in April 2018. It is expected that, with the exception of the medical tuition element of the high needs block, the authority's funding will continue to be protected at the 2017-18 baselines and subsequent 2018-19 adjustments for net movements between authorities.
- 4.9. A further update will be brought in October 2018 to both the Cabinet Member for Education and Schools Forum following the publication of the operational guidance for 2019 to 2020.

## **5. Mainstream Funding Formula**

- 5.1 As stated above The DfE 'Schools revenue funding 2019 to 2020 operational guide', is due to be published in June/July 2018 and the authority understands that the DfE are not proposing any major changes

to school funding arrangements as set out in the information published in December 2017.

- 5.2 As secondary schools are already being funded under the national funding formula it is proposed to continue to use the NFF rates for secondary schools in 2019-20. The current NFF rates are set out in Appendix 1 off the attached consultation document at Appendix A.
- 5.3 The authority has decided to consult with primary schools now on the next stage of the transition to the NFF for the 2019-20 budget period. This should help primary schools affected by the proposals to effectively manage their future spending plans.
- 5.4 The attached consultation (Appendix A) sets out the actions taken by Schools Forum in agreeing the 2018-19 Funding Formula and the proposal to continue the transition of primary schools towards the national funding formula in 2019-20. The main change to the 2019-20 funding formula relates to the reception uplift.
- 5.5 As highlighted when setting the budget for 2018-19, the DfE have indicated that the reception uplift will not form part of the NFF. Schools were advised in January 2018 that they should plan for the removal of the reception uplift factor from April 2019. The attached consultation for 2019-20 therefore does not include the reception uplift in line with the NFF.
- 5.6 As part of the financial modelling for the consultation, the authority reviewed the potential to move primary schools directly to the NFF in 2019-20. The consultation sets out the financial impact of this option and that moving to the NFF earlier than planned would create further turbulence for those schools that are seeing a reduction in funding. The consultation therefore proposes to maintain the transitional approach for 2019-20.

## **6. 2019 to 2020 Consultation**

- 6.1 In line with the School and Early Years Finance (England) Regulations the authority has consulted with schools on any proposed changes to local school revenue funding formula.
- 6.2 The consultation was circulated to all mainstream schools on 24 May 2018, lasted for three weeks and closed on 13 June 2018. The results of the consultation are set out below and summarised in Appendix B.
- 6.3 In total 10 out of 59 (17%) maintained and academy mainstream schools responded to the consultation, of which 8 were primary and 2 secondary schools. One Academy Trust provided a combined response for 5 primary and one secondary school. Questions 1 and 2 of the consultation

applied specifically to the primary formula, therefore only responses for primary schools have been taken into account for these questions.

- 6.4 All 8 (100%) primary responses agreed to continue the transitional approach to the NFF during 2019-20. It is therefore proposed to set the 2019-20 mainstream funding formula based on the transitional approach using the formula factor funding rates as set out in Appendix C.
- 6.5 3 (38%) primary schools agreed that the Reception Uplift factor should be removed, in line with the NFF and as previously communicated to schools. 5 (62%) primary schools disagreed with the proposal, although this was within one combined response from a single Academy Trust. The authority notes the disagreement on this issue; however the recommendation stands to cease the use of the reception uplift in the 2019-20 mainstream funding formula. This recommendation is consistent with the DfE published NFF formula and notification sent to Portsmouth schools in January 2018.
- 6.6 All 10 (100%) schools, including the secondary schools, agreed to maintain the minimum funding guarantee at minus 1.5% for 2019-20
- 6.7 The implementation of the outcomes of the consultation will be subject to overall affordability and any further changes proposed following the publication of the 2019-20 operational guidance by the DfE. If the guidance identifies further changes, then a consultation may be undertaken in the autumn term.

## **7. High Needs Budgets**

- 7.1. When agreeing the 2018-19 DSG budget in January 2018, it was reported that it had not been possible to set a balanced budget for the High needs block and that the overspend of £400,000 would be met from 2017-18 DSG carry forward in 2018-19. This would allow time for the Education Department to work with schools to review the current use of the High needs block funding and agree a plan of action to reduce costs.
- 7.2. Over the summer term the Head of Inclusion has set up two task and finish groups with school representatives including Headteachers, SEN Co-ordinators (SENCOs) and special school representatives to review the following areas:
  - High needs block/Element 3 funding for mainstream schools
  - Inclusion centre funding
- 7.3. The initial meetings in May 2018 discussed a number of potential options that could be considered, that would continue to support schools to deliver the service but could reduce the funding requirement on the DSG. Initial financial modelling has been undertaken and will be taken back to

further meetings in late June<sup>1</sup> for review and agreement on the next steps. Following these meetings it is proposed to take the outcomes to the Autumn Headteachers briefing and to both the Cabinet Member for Education and Schools Forum in October 2018.

## **8. Early Years funding review**

- 8.1. Following the introduction of the Early Years fair funding formula in April 2017, it was agreed that the rates allocated to each element of the agreed formula would be reviewed for 2018-19. As reported in November 2017 and January 2018, it was not possible to review the formula funding rates at this time, due to the introduction of the additional 15 hours for eligible children in September 2017 and insufficient pupil data.
- 8.2. The authority now has sufficient pupil data to enable robust and effective financial modelling to be undertaken. The Children's Finance Team are currently working with the Early Years team to review the rates allocated to each element of the agreed funding formula rates 2019-20 with a view to engaging with providers over the course of the summer and early autumn. A further update on progress will be brought to the October 2018 Schools Forum.

## **9. Reasons for recommendations**

- 9.1. This purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2019-20 onwards. Further reports will be brought to future meetings, following publication of guidance from the Department for Education.

## **10. Equality impact assessment (EIA)**

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

## **11. Legal comments**

- 11.1. 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.
- 11.2. The School and Early Years Finance (England) Regulations 2018 apply specifically in relation to the financial year beginning on 1 April 2018. However it is anticipated that the Government will update those regulations in advance of the 2019/20 financial year.

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<sup>1</sup> Meetings to discuss the financial modelling are scheduled after the publication of this report.

- 11.3. In the meantime, as indicated in the report, the Department for Education is expected to issue updated Operational Guidance for local authorities shortly and this will address matters relating to school and early years budget setting for the 2019/20 financial year.
- 11.4. The Council will need in due course to have regard to the content of the updated regulations and guidance in making final budget decisions for the forthcoming financial year.

## 12. Finance comments

- 12.1. The financial implications are included within the report.

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

### Appendices:

**Appendix A - 2019-20 School Funding Formula Consultation**

**Appendix B - 2019-20 School Funding Formula consultation results**

**Appendix C - 2019-20 Primary formula factor funding rates**

### 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, December 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:

## **Appendix A**

See separate documents



## Appendix B - 2019-220 School funding formula consultation results.

### 2019-20 School Funding Formula Consultation

#### Questions:

Funding Formula Proposals									
1	Do you agree with the proposal to smooth the transition of primary schools to the NFF by adjusting the funding factor rates for the basic per pupil entitlement, IDACI bands A to D and the Lump Sum and using the funding released to increase both Free School meal factors and IDACI band E and F.?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
		3				5	2		
Please add any further comments - S1 - There is a clear rationale for supporting vulnerable schools and helping to manage the negative impact.  P1 - This seems fair, particularly for those schools who stand to lose funding. It gives them time to plan for their reductions in funding									
2	Do you agree with the removal of the reception up-lift and the use of funding to support the deprivation funding factors?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
		3					1	5	1

Please add any further comments -

A-S1 - This has been appropriately signposted and is in line with DFE recommendations

M-P1 - As schools who this applies to have already been told, it shouldn't come as a surprise! The new funding formula amounts for different bands of deprivation, seems much fairer.

3	Do you agree to maintain the MFG at minus 1.5% for 2019-20?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
		3				5	2		

Please add any further comments -

A-S1 - This provides an essential "safety net"

4	Do you have any other comments?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
				3			1	5	1

Please add any further comments -

A-S1 - Secondary Funding-Whilst I appreciate that the focus is with the primary sector the allocations for secondary funding 2019-20 lay bare the staggering inequality of funding in favour of one school. I have no doubt that justification for such disproportionate favouring of one school has been explained previously but to continue such blatant inequality, particularly when budgets are so pressed, is grotesque.

## Appendix C

### Mainstream Primary funding formula factors 2019-20

	PCC 2018-19 Rate	NFF 2019-20 Rate	PCC Consultation Proposed 2019/20 Rate
Factor	Primary	Primary	Primary
Reception Uplift	Y	N	N
AWPU (Primary)	£2,800	£2,747	£2,782
Free School Meals (FSM)	£151.50	£440	£313
Free School Meals - Ever 6	£388.50	£540	£470
IDACI Band F	£0	£200	£105
IDACI Band E	£140	£240	£190
IDACI Band D	£460	£360	£390
IDACI Band C	£785	£390	£560
IDACI Band B	£1,100	£420	£715
IDACI Band A	£1,415	£575	£950
EAL	£515	£515	£515
Prior Attainment	£1,050	£1,050	£1,050
Lump Sum	£112,500	£110,000	£110,000