

Report to: East Riding Schools Forum
23 November 2017

Schools Budget 2018/19 and 2019/20 – Local Schools Funding Formula

Report of the Interim Director of Corporate Resources and Director of Children, Families and Schools

A. Executive Summary

- The Department for Education (DfE) have confirmed that new national schools funding formulae for the schools, high needs and central school services blocks will be introduced in 2018/19.
- For 2018/19 and 2019/20 local authorities will continue to set a local formula to distribute their schools block funding.
- Three local funding formula options were included in a consultation with schools.
- A recommendation on the preferred local funding formula option will be presented to Cabinet on 12 December 2017 for approval.

B. Corporate Priorities

Reducing Costs, Raising Performance

C. Portfolio Holder

Children, Young People and Education

D. Recommendations

1. The Forum supports the submission of the various disapplication requests reported in paragraph 2.9.
2. The Forum provides its view to Cabinet regarding, which of the local schools funding formula options it supports for 2018/19 and 2019/20.

1. Background

- 1.1 On 14 September 2017 the DfE confirmed that new national schools funding formulae would be used to calculate local authorities schools, high needs and central school services blocks from 2018/19. The new national funding formula for the early years block was introduced in 2017/18.
- 1.2 It remains the DfE's long term intention that all schools' budgets will be set on the basis of a single national formula (a 'hard' national funding formula). However, the DfE also

recognises that this represents a significant change and the importance of stability for schools. Therefore the DfE have confirmed that for both 2018/19 and 2019/20 the schools formula will be calculated using the ‘soft’ approach.

- 1.3 Under the ‘soft’ system, the national funding formula is used to set notional budgets for each school. These notional budgets are then aggregated to give the total schools block budget for each local authority. For 2018/19 and 2019/20, local authorities will continue to set a local formula to distribute their schools block funding, in consultation with their local schools and their schools forum.
- 1.4 The DfE have adjusted the rules governing the setting of local formulae so that the national formula can be more closely mirrored. This includes the introduction of a further local formula factor allowing for the inclusion of minimum per pupil funding levels (£3,300 for a Primary school and £4,600 for a Secondary school in 2018/19).
- 1.5 The DfE have confirmed that the vast majority of schools block funding allocated to local authorities must be passed directly to schools. However, the DfE will allow up to 0.5% of the schools block to be transferred to another block following consultation with local schools and the agreement of the Schools Forum. Movements between the other blocks are not subject to a limit and can be made with the agreement of the Schools Forum.
- 1.6 Included below is a summary of the allocations for 2018/19 and 2019/20 under the national funding formulae for each of the three blocks. These allocations will be amended in December following confirmation of October 2017 pupil numbers.

ERYC - Schools National Funding Formula Provisional Allocations As At 14 September 2017

Block	2017/18	2018/19	Increase		2019/20	Increase		Overall Increase	
	Baseline	Provisional	£m	%	Provisional	£m	%	£m	%
Schools	175.282	180.172	4.890	2.8%	184.122	3.950	2.2%	8.840	5.0%
High Needs	21.526	22.124	0.598	2.8%	22.752	0.628	2.8%	1.226	5.7%
Central School	2.152	2.115	-0.037	1.7%	2.079	-0.036	-1.7%	-0.073	-3.4%
Total	198.960	204.411	5.451	2.7%	208.953	4.542	2.2%	9.993	5.0%

- 1.7 The notional budgets for each school within the national funding formula include the following assumptions –
 - a. That each school will receive a minimum 0.5% cash increase in 2018/19 and a 1% increase by 2019/20.
 - b. There will be a cap on gains of 3% per pupil in 2018/19 and 3% in 2019/20.
 - c. The cap on gains will not apply to the lowest funded schools, where they are funded below the minimum per-pupil levels of £3,300 for primary and £4,600 for secondary in 2018/19 and £3,500 for primary and £4,800 for secondary in 2019/20.

2. Local Schools Funding Formula 2018/19 and 2019/20

- 2.1 Following the DfE’s announcement on 14 September 2017, a consultation exercise was undertaken with schools in the East Riding as to their preferred ‘soft’ formula option for

2018/19 and 2019/20. A copy of the consultation is attached at Appendix 1. The consultation listed 3 options –

Option 1 – Replicate the values in the DfE’s ‘hard’ national funding formula

Option 2 – Allocate current funding levels using East Riding’s existing local schools funding formula with a modification to include national funding formula deprivation values, and allocate the remaining funding increase for 2018/19 and 2019/20 through the age weighted pupil unit values.

Option 3 – Allocate current funding levels using East Riding’s existing local schools funding formula without any modifications, and allocate the funding increases for 2018/19 and 2019/20 through the age weighted pupil unit values.

For each of the three options, figures presented include a minimum increase of 0.5% per pupil and a cap of 3% has been applied, except for option 1 where those lowest funded schools would continue to be protected by the minimum funding levels per pupil.

2.2 Option 2 is the Local Authority’s preferred option as this redistributes the additional schools block resource more evenly across the greatest number of East Riding schools. The following table shows the number of schools for each option receiving the highest allocation under each option for 2018/19.

	Option 1	Option 2	Option 3
Primary	7	93*	39*
Secondary	5	8	7
Total	12	101	46

*For options 2 and 3 a number of Primary schools receive the same allocation.

2.3 Options 2 and 3 allow for a more equitable distribution of the increased resource, which is more in line with the current distribution between the primary and secondary phases in the 2017/18 baseline.

	Primary		Secondary		Rates/Growth		Total
	£m	%	£m	%	£m	%	£m
2017/18 Baseline	93.242	53.2%	81.286	46.4%	0.673	0.4%	175.201
2018/19 - Option 1 (NFF)	95.049	52.8%	83.984	46.6%	1.141	0.6%	180.174
2018/19 - Option 2	95.509	53.0%	83.522	46.4%	1.141	0.6%	180.172
2019/20 - Option 3	95.463	53.0%	83.570	46.4%	1.141	0.6%	180.174

2.4 The consultation paper and proposals contained within it were discussed at a meeting of the Schools Forum on 5 October. At this meeting, Secondary representatives indicated their preference for an immediate introduction of option 1, a replication of ‘hard’ national funding formula values within the local funding formula.

2.5 Primary representatives requested more time to consider their response, which will be delivered at today’s meeting of the Schools Forum.

- 2.6 Details of the East Riding's final local funding formula for 2018/19 need to be communicated to the Education and Skills Funding Agency (ESFA) on a funding pro-forma by 19 January 2018. Whilst it is technically possible within the pro-forma to report formula factor values under options 2 or 3 for the primary phase and option 1 for the secondary phase, choosing option 1 for the secondary phase would prevent the equitable redistribution of resources envisaged in options 2 and 3, thus making these options untenable. Therefore the same option will need to be applied to both the primary and secondary phases.
- 2.7 Any change to our local schools funding formula will require Cabinet approval. It is currently proposed that a report be taken to Cabinet on 12 December 2017.
- 2.8 The DfE supplied an updated Authority Proforma Tool (APT) on 25 October 2017, to allow local authorities to model a proposed funding formula for 2018/19. Final allocations through the local schools funding formula are calculated using the APT. Unfortunately due to limitations with the APT, it is currently not possible to mirror the values reported in any of the 3 options in the consultation paper. Consequently final funding allocations for schools are likely to be slightly different to those reported in the consultation paper.
- 2.9 Within the APT for 2018/19 the DfE have allowed local authorities to apply a minimum increase of 0.5% per pupil. However, in order to do so local authorities must apply to the DfE for a disapplication. The 0.5% increase applies to all three options. All three options also assume premises funding is excluded from the minimum 0.5% increase per pupil. Permission to do so also needs to be the subject of a separate disapplication request. Any disapplication request needs to be submitted to the DfE by 30 November.
- 2.10 The DfE have yet to provide any indication of their plans for school funding and the national funding formula for the period after 2019/20. DfE officers have indicated informally, however that actual allocations through the local funding formula for 2018/19 and 2019/20 will need to be taken into consideration when the national funding formula is fully introduced in 2020/21.

3. Schools National Funding Formula 2018/19 and 2019/20 – Consultation Responses

- 3.1 At the time of writing 77 responses have been received from East Riding primary schools. Of these responses 2 favoured option 1, 72 favoured option 2 and 3 favoured option 3.

Secondary schools have collectively indicated their preference for Option 1.

4. Transfers between Funding Blocks

- 4.1 Currently no transfers between funding blocks are being proposed. However, on 18 October 2017 the ESFA confirmed that the maintained nursery school lump sum will reduce by £0.074m in 2017/18 and 2018/19. There is currently no plan to retrospectively reduce each of the four East Riding nursery schools lump sum in 2017/18 by £0.019m but this may be something that needs to be actioned in 2018/19. Alternatively funding could be redirected into the Early Years block from another funding block, possibly high needs. Sufficient high needs resource may be available in 2018/19 to meet this transfer as a result of the decision to fund Special School residency costs entirely from the council's general fund starting in 2018/19.

4.2 Any proposals to transfer resources between blocks will be brought back to the next meeting of the Schools Forum on 11 January 2018. There are currently no plans to transfer resource out of the Schools block.

5. Schools Budget Reduction Strategy Paper 2018-22

5.1 A copy of the current version of the Schools budget reduction strategy paper can be found at Appendix 2.

6. Conclusions

6.1 The DfE have stated throughout their schools revenue funding 2018-19 operational guidance, that the final decision on which local schools funding formula should be used for 2018/19 and 2019/20 is a local decision. Although local authorities may replicate as much as possible of the 'hard' national funding formula within their local funding formula for 2018/19, this is not a DfE expectation.

6.2 The 'hard' national funding formula cannot be replicated exactly within the local funding formula, as the Authority Proforma Tool provided by the DfE does not allow an exact match.

6.3 Options 2 and 3 will continue to use many of the formula factor values previously approved by the Schools Forum, including the current lump sum values of £0.130m for Primary schools and £0.175m for Secondary schools.

6.4 Whilst no formal information has yet been provided by the DfE as to what will happen to the schools national funding formula after 2019/20, officers of the DfE have indicated that the 2020/21 schools funding formula will need to reflect and be based around the final 2019/20 local authority funding formula allocation. It is likely they will replicate the MFG and cap on gains approach as previously.

6.5 Option 2 provides for a smoother redistribution of the additional schools block allocation of £4.890m across the greatest number of East Riding schools.

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