

Meeting:	Herefordshire schools forum
Meeting date:	Friday 20 October 2017
Title of report:	National school funding formula
Report by:	Schools Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To inform schools forum of the government's proposals for the national school funding formula and to recommended to the council the Budget Working Group's (BWG) initial proposals for consultation with schools during October and November

Recommendation(s)

That:

- (a) Schools forum recommend that the council adopt the strategy proposed by the Budget Working Group as set out in (b), (c) and (d) below.**
- (b) the consultation on the 2018/19 budget should propose moving in the direction of the national funding formula, as far as funds allow, to prepare schools for the implementation of the 'hard' national formula; and**
- (c) the consultation letter make clear that no other sensible options could be found at this time.**
- (d) Schools forum consider the responses to the consultation with schools at its next meeting on 1 December.**

Alternative options

1. The BWG met on 22 September and considered that no sensible alternatives are possible in view of the government's intention to implement the "hard" formula from April 2020.

Key considerations

2. The government has published the national funding formula for schools and high needs and the detailed operational guidance for schools funding for 2018/19 to help councils and school forums plan the local implementation of the school funding system for the 2018/19 financial year. The Department for Education (DfE) document "The national funding formula for schools and high needs - Executive summary" is attached as Appendix 1.
3. Provisional council level allocations for 2018/19, based on October 2016 pupil numbers, have been published for the schools, central school services and high needs blocks. Final allocations will follow as usual in December 2017 on the basis of pupil numbers recorded in the October census.
4. The government has confirmed that there will be an additional £1.3bn for schools and high needs across 2018/19 and 2019/20, in addition to the schools budget set in the Spending Review in 2015. This means that all councils will receive an increase to their 2017/18 dedicated schools grant (DSG) allocations.
5. This additional investment allows the government to increase the basic amount of funding that each pupil will attract through the formula, and provide for a minimum per pupil funding level in 2019/20 of £4,800 for every secondary school and £3,500 for every primary school pupil. In 2018/19, as a step towards these minimum funding levels, secondary schools will attract at least £4,600 and primary schools £3,300. It will provide for up to 6% gains per pupil for underfunded schools by 2019/20, and as a minimum, a 0.5% per pupil cash increase in 2018/19, and a 1% increase by 2019/20 compared to their 2017/18 baselines, in respect of every school.
6. While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018/19 and 2019/20, councils will continue to determine final funding allocations for schools through a local formula. In 2018/19 and 2019/20, the national funding formula will set notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each council.
7. There are a number of significant changes to the funding system this year:
 - (i) **The central school services block (CSSB) has been created.** Councils will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**

Herefordshire's central services block is estimated to increase by 2.5%, an increase of £17k to £674.6k
 - (ii) **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine councils' schools, high needs and central school services blocks for the first time in 2018/19. Funding for early years has been allocated through a national funding formula since 2017/18.

- (iii) **Baselines have been adjusted to take account of local councils' most recent spending patterns.** DfE has undertaken an exercise with councils to 're-baseline' their DSG blocks. This enables the DfE to ensure that the national spend on each block in 2018/19 (the totals distributed through the schools, high needs and central school services formulae) reflects the pattern of 2017/18 planned spending by councils within their overall DSG allocation, and that councils are protected against what they planned to spend in 2017/18 on each block.
- (iv) **Within the schools block, the government will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the national funding formula.** Councils' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each council. They will also include funding at council level for premises, mobility and growth, based on historic spend.
- a. Herefordshire's primary unit of funding is £4,055
 - b. The secondary unit of funding is £5,007
 - c. Funding for premises, mobility and growth is £1,483,991
- (v) Previously Herefordshire was funded at a composite rate of £4,463.11p for each pupil. The new funding arrangements will provide for £97.97m compared with £97.12m previously (based on October 2016 pupil numbers).
- (vi) **Within the high needs block, the government will provide for at least a 0.5% overall increase in 2018/19 through the high needs national funding formula.** The high needs block will be protected against 2017/18 baselines, subject to some minor technical adjustments.
- It is estimated that the new high needs funding formula will provide an increase of 2.9% or approximately £0.3m extra in 2018/19 for Herefordshire.
- (vii) **The minimum funding guarantee (MFG) for schools will continue, but councils will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil.** In past years, the MFG has been set at minus 1.5% per pupil. In 2018/19, flexibility is being introduced for councils to set a local MFG between 0% and minus 1.5% per pupil. This can be used to offer higher levels of protection locally.
- (viii) **The schools block will be ring-fenced from 2018/19, but councils will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum.** Councils will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer. Whilst the other blocks are not subject to limits on transfers, councils will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.

Herefordshire does not intend asking the schools forum to exercise this option for 2018/19 and will, as an alternative, bring forward a set of proposals to reduce high needs expenditure.

8. There are a number of other smaller changes to the calculation of the schools and high needs blocks in 2018/19:
 - (i) Councils can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
 - (ii) DfE will be increasing the Pupil Premium Plus rates for 2018/19 rather than including a looked after child factor in the national funding formula. Councils will want to consider whether they reflect this in their local formulae.
9. The proposed budget strategy for 2018/19 is to move as close as possible to the DfE’s national funding formula, whilst minimising the Minimum Funding Guarantee (MFG) and to at least close half the gap in overall cost terms in implementing the minimum secondary pupil funding of £4,800 and primary pupil funding of £3,500. The intention is to fully fund the gap in 2018/19 as far as funding permits and the remainder in 2019/20.
10. The DfE school budget planning model, which is necessary to plan school budgets in detail, has not yet been finalised although a “workaround” has been submitted to the DfE for their approval. The DfE has published an assessment of the notional budgets for Herefordshire schools (based on 2017/18) and this is set out in the appendix. Overall the funding increase is 1% and given every school is entitled to a 0.5% increase, this leaves around £0.5m to share amongst the remaining schools. We very much intend to try and meet the notional budgets published by the DfE, but will not be able to confirm this until the DfE budget model is available to councils.
11. The DfE require councils to consult with schools and it is intended that this will be during October, either immediately before or after half term depending on receipt of the budget model. The consultation paper will be e-mailed to Headteachers immediately following the October half term with a closing date of Monday 20 November, so that the results of the consultation can be reported back to the schools forum on 1 December.
12. In addition to discussing the national funding formula for schools, the BWG also considered the current DSG expenditure forecast of a £300k overspend due to mainstream high needs top-ups and post-16 top-up funding. The BWG considered the high needs budget should not be allowed to overspend and schools should not be asked to bail out any overspend, the reasons for the overspend needed to be understood and addressed. The BWG has asked to discuss detailed proposals at the next meeting on the 10 November in order to reduce high needs expenditure back to budgeted levels for 2018/19. It was anticipated that the new high needs funding formula would provide an additional £300k to help balance the budget in 2018/19. Any overspend in 2017/18 would be met from DSG reserves.

Community impact

13. The school funding formula must meet the national requirements of the Department for Education and is subject to annual consultation with schools and governors. The governing bodies of schools are responsible for decisions to commit expenditure according to meet pupils' individual needs. The DSG funds schools in Herefordshire and helps the council to meet its corporate plan priority of "keeping children and young people safe and giving them a great start in life". The national school funding formula does not permit any options for the council to vary how the funding is allocated to schools and does not impact on looked after children, as it excludes funding for these children, which is being transferred to the Pupil Premium Grant for 2018/19.

Equality duty

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The Public Sector Equality Duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

16. All school funding is from within the allocation of the Dedicated Schools Grant as determined by government. The costs of carrying out the consultation are negligible as it's a by-product of the budget planning process and the cost will be covered by existing budgets.

Legal implications

17. School Forums have a consultative body on some matters and a decision making body on other matters. It has a consultative role on matters regarding changes to Local Funding Formula (the council / local authority makes the final decision). The council / local authority must consult with the Schools Forum on this matter.

Risk management

18. Risk management is effectively achieved by the two stage process of detailed consideration by the BWG followed by wider scrutiny and approval by the schools forum.

Further consideration of risk will be undertaken when detailed proposals are available from DfE.

Consultees

19. The BWG was consulted on 22 September and in view of the limited 1% increase in funding offered by the national funding formula, there was no alternative to implementing the formula to the extent funding permits. All Herefordshire schools will be consulted on these proposals during October and November, prior to the schools forum making a final recommendation to the Cabinet member for young people and children's wellbeing in January 2018.

Appendices

1. DfE – The national funding formula for schools and high needs – Executive summary
2. Notional national funding formula impact

Background papers

None