

Consultation on the Schools Funding Formula 2018/19

Introduction

As you will be aware the Education and Skills Funding Agency (ESFA) has gone through a process of consultation on setting a national funding formula for schools. This consultation was completed in March 2017 and the results were published in September 2017. Following the consultation ESFA published updated operation guides for Schools Revenue Funding and High Needs. These documents can be found in the following links;

<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

<https://www.gov.uk/government/publications/high-needs-funding-arrangements-2018-to-2019>

This consultation paper seeks views from schools and academies on changes to the local funding formula in 2018/19. It outlines the key decisions that the local authority needs to take in order to set the local funding formula for the next financial year. This affects academies as well as local authority maintained schools, because the local formula will be used by the ESFA as the basis for determining the 2018/19 funding.

While it is the government's intention that school budgets should be set on a single national basis, in financial years 2018-19 and 2019-20, local authorities will continue to determine final funding allocations through a local funding formula. There has been no announcement of any primary legislation that would allow the introduction of direct funding of schools (the 'Hard National Funding Formula, NFF') before 2020/21.

At this stage, we are looking for **views in principle**, since it is not possible to test the affordability of various options until we know how much Dedicated Schools Grant the LA will receive for 2018/19. This will be determined by the most recent census data which will be October 2017. The final funding allocations will be published in December 2017.

The key questions being asked in this consultation relate to the proposed move towards the NFF as published in the ESFA operational guide and the transfer of funding to support high needs pressures. Please note that the NFF formula factors values will need to be proportionally adjusted to match the available funding.

Overall the proposals in this consultation will try to maintain stability whilst balancing pressures in High Needs relating to some of our most vulnerable children with the greatest need and recognising pressures at an individual school level and from pupil growth.

A session will be held on Wednesday 15th November to explain the changes in more detail and enable school staff and governors to discuss the issues and ask questions before submitting your responses. This will be held in **Room A at the Education Centre, Stockton 6th Form College between 4.30pm and 5.30pm.**

The outputs from the consultation will be reported to the School Forum meeting on the 28th of November. The final decision on the funding formula rests with the LA whilst the transfer of funding relating to High Needs is a school forum decision. Although on the latter the LA can appeal to the Secretary of State if the forum does not approve.

The National Funding Formula

The Government intends that all schools and academies will be funded via the National Funding Formula (NFF) by 2020/21. In order to maintain stability, the introduction of the NFF will be phased, with the DfE calculating the funding under the NFF at individual school level, but requiring local authorities to maintain a local funding formula during 2018-19 and 2019-20. The DfE expects LA's to use their local formulae to achieve a smooth transition to the NFF.

Following concerns nationally regarding the adequacy of schools funding with rising pressures across the sector, the Governments September 2017 announcement proposed an increase of £1.3bn nationally. This is in addition to £1.2bn already proposed in the 2015 Spending Review.

A move from one funding formula to another can cause instability at individual school level. To avoid significant fluctuations in funding, local authorities are to manage the transition to the National Funding Formula during 2018/19 and 2019/20.

For 2018/19, the DfE has provided LA's with funding for schools calculated by applying the NFF at individual school level on the basis of:

- A minimum gain of 0.5% per pupil
- A minimum per pupil level of funding of £4,600 per secondary pupil and £3,300 per primary pupil
- A cap (ceiling) on any gains of 3% per pupil at individual school level

Although the funding is allocated to local authorities on one basis, the allocation to schools by local authorities in 2018/19 must follow separate DfE regulations as follows:

	DfE's funding to LA's based on:	LA's must determine allocations to schools on the following basis:
Minimum Funding Guarantee (MFG) (Additional funding provided to schools facing losses)	MFG of +0.5% per pupil	MFG cannot exceed zero (without a disapplication request) and could be set at a loss of up to 1.5% per pupil

Minimum per pupil level (MPPL) funding (This overrides the ceiling)	Secondary £4,600 Primary £3,300	LA's may determine MPPL funding
Ceiling (Cap on gains)	Maximum gain per pupil of 3%	LA's may determine cap (although this cannot exceed the cost of the MFG)

From a financial point of view the local authority has to act responsibly and be fair and equitable to all schools. Therefore the local formula proposed in this consultation has been developed so that no school loses out through the transition to the NNF.

Consultation Questions

Move to the National Funding Formula

A decision will need to be made about whether the current locally determined formula should remain in place until the 'hard' national funding formula is introduced, or whether we should move immediately towards the national funding formula.

The proposal for Stockton is that we move to the NFF with effect from 2018/19 with relevant proportional reduction to the NFF factors so that individual school allocations remain affordable. **(See proposed factors at Appendix A)**. Please also see question on the Minimum Funding Guarantee (MFG) below.

To aid understanding of the changes proposed in this paper, I have provided at an individual primary and secondary maintained schools, academies and free schools level illustrations showing the estimated funding which they would receive in 2018/19, compared to the adjusted 2017/18 **(See Appendix B)**. These figures are based on the formula funding proposals in this consultation, if pupil numbers and other data were unchanged from 2017/18. These are based on DfE data taken from the October 2016 census.

As noted above schools need to be aware that actual funding for 2018/19 will be based on the October 2017 pupil census and year on year changes in data may have a significant impact. Therefore, in responding to this consultation, schools are advised to concentrate on the principles rather than simply on the illustrative cash changes.

Question 1

Do you agree with the proposal to move immediately towards the national funding formula?

	Response	Comments (if any)
Yes		
No		
No Views		

Minimum Funding Guarantee

The Minimum Funding Guarantee (MFG) protects schools from excessive year on year changes to per pupil funding while allowing changes in funding rates and pupil characteristics (for example reducing levels of deprivation in a school) to flow through. This has been set nationally at minus 1.5% per pupil for some years. Greater flexibility is being introduced in 2018-19 to allow LAs to set the MFG between 0% and minus 1.5% per pupil. Local Authorities can apply a positive MFG but this requires a disapplication request to the ESFA.

The MFG applies to pupils in reception to year 11. Early years pupils and ESFA funded post-16 pupils are excluded from the calculation as are the Lump Sum and rates. The cost of protecting schools through the MFG is met by capping the increases of schools that are gaining through the formula. Capping can only be applied to the extent that it offsets the cost of the MFG, and it must be applied on the same basis to all schools.

So that all schools see an increase in funding following the allocation of additional funds by the government the proposal is to set a local **MFG of 0.25%** as this protects all schools in the current financial climate.

Question 2

It is proposed that the Minimum Funding Guarantee (MFG) is set at 0.25% in Stockton, thereby ensuring all schools and academies gain at a per pupil level in 2018/19. This would replace the current MFG which limits losses to minus 1.5% per pupil. Do you support this proposal?

	Response	Comments (if any)
Yes		
No		
No Views		

Minimum per Pupil Level

The national funding formula will provide local authorities with per pupil funding of at least £3,500 for each primary school and £4,800 for each secondary school in 2019/20. It will provide for a transitional amount of £3,300 for primary and £4,600 for secondary schools in 2018/19.

The proposal is to set a minimum per pupil funding as close as possible to £3,300 for primary schools and £4,600 for secondary schools in 2018/19 as a transition towards the 2019/20 minimum per pupil amounts.

Question 3

Do you support the proposal to set a minimum per pupil funding level as close as possible of £3,300 for primary schools and £4,600 for secondary schools in 2018/19 as a transition towards the 2019/20 minimum per pupil amounts?

	Response	Comments
Yes		
No		
No views		

Transfer of Funding Between Blocks

The increasing pressures on High Needs Budgets were discussed at the Schools Forum on 31st October 2017. This showed High Needs pressures in the current year supporting the Borough's most vulnerable children of £1.1m. The report can be found in the following link;

<http://www.egenda.stockton.gov.uk/aksstockton/users/public/admin/kab14.pl?operation=SUBMIT&meet=32&cmte=SCH&grpid=public&arc=71>

Following changes in government funding regulations, 0.5% of the Schools Budget (£600k based on current indicative funding) can be transferred from the Schools Block to support High Needs if approved by the Schools Forum.

Given the constraints of the financial position schools opinions are sought on whether you would support a transfer of £600k from the schools block (0.5%) in 2018/19. It should be noted that even with this measure the pressures are so great that a plan is needed to develop and implement initiatives that will achieve long term savings, and reduce the pressure on High Needs budgets. The views of schools will inform decisions at the Schools Forum. However, the decision-making body for any such transfer is the Schools Forum.

If there is a transfer of £600k from schools block to high needs block the additional funding to be delegated to schools will be reduced. The main impact would be a reduced level of ceiling for gainers.

Please note that the local authority can submit a disapplication request to the Secretary of State in cases where the schools forum has turned down a proposal from the authority to move funding out of the schools block, but the authority nevertheless wishes to proceed with the transfer.

Question 4

Do you support the transfer of 0.5% of the Schools Budget (Approximately £600k) to meet High Needs pressures?

	Response	Comments
Yes		
No		
No views		

The individual school figures provided at Appendix B assume that the transfer is approved.

Please complete and certify this sheet and return with your consultation replies to:
andy.bryson@stockton.gov.uk by 5pm on Friday 24th November 2017 at the very latest.

Or by post to:
Andy Bryson
Finance and Business Services
Municipal Buildings
Church Road
Stockton on Tees
TS18 1LD

You may download an electronic copy of this document from the schools forum section of Stockton Council's website.

If you submit a signed copy by email you need not also return a paper copy. We will accept unsigned electronic copies received before the deadline provided that the covering email confirms that a signed copy has been sent and that the signed copy reaches us within two days of the above deadline.

You do not need to answer every question if you would prefer not to do so.

Name of School:

.....
Chair or Clerk to Governors (Please specify)

.....
Headteacher

.....
Print Name

.....
Print Name

APPENDIX A

Funding Factors	Current SBC Formula Unit values (£)	NFF Unit values (£)	Indicative Scaled-back NFF factors 2018-19 (£)
<u>PRIMARY</u>			
<u>Basic per-pupil funding</u>			
Age Weighted Pupil Unit (AWPU)	£2,566	£2,747	£2,708
<u>Deprivation</u>			
Current FSM	n/a	£440	£434
FSM6	£1,565	£540	£532
IDACI band F	n/a	£200	£197
IDACI band E	n/a	£240	£237
IDACI band D	n/a	£360	£355
IDACI band C	n/a	£390	£384
IDACI band B	n/a	£420	£414
IDACI band A	n/a	£575	£567
Looked After Children	£1,295	n/a	n/a
Low Prior Attainment	£1,037	£1,050	£1,035
English as an additional language (SBC use EAL3)	£601	£515	£508
Lump Sum	£169,410	£110,000	£110,000
Sparsity	n/a	£0-£25,000	£0-£25,000
<u>SECONDARY</u>			
Age Weighted Pupil Unit (AWPU): KS3	£3,287	£3,863	£3,808
Age Weighted Pupil Unit (AWPU): KS4	£4,790	£4,386	£4,324
<u>Deprivation</u>			
Current FSM	n/a	£440	£434
FSM6	£2,332	£785	£774
IDACI band F	n/a	£290	£286
IDACI band E	n/a	£390	£384
IDACI band D	n/a	£515	£508
IDACI band C	n/a	£560	£552
IDACI band B	n/a	£600	£591
IDACI band A	n/a	£810	£798
Looked After Children	£1,295	n/a	n/a
Low Prior Attainment	£1,033	£1,550	£1,528
English as an additional language (SBC use EAL3)	£2,624	£1,385	£1,365
Lump Sum	£169,410	£110,000	£110,000
Sparsity	n/a	£0-£65,000	£0-£65,000