

SCHOOLS FORUM AGENDA ITEM

For Action

For Information



Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

This report provides an update on announcements on the implementation of the National Funding Formula. This update is provided in advance of the fuller announcement by the DfE, expected this month, which should enable more detailed consideration and for a fuller report to be presented to the School Forum at the October 2017 meeting. If the DfE's fuller announcement is made in time, the Business Advisor will present more information to the meeting.

Date (s) of any Previous Discussion at the Forum

The Schools Forum received assessment and analysis of the impact of the National Funding Formula proposals in January 2017, from the DfE's 2nd stage consultation published in December 2016.

Background / Context

The DfE published its 2nd stage of consultation on National Funding Formula for the Schools and High Needs Blocks in December 2016. The Local Authority, with the Schools Forum's support, responded to this consultation in March 2017. We assessed the main areas of challenge to be:

Schools Block:

- 1) The size of the un-dampened loss (£12.5m), especially in primary school budgets affected by the reduction in the value of the lump sum.
- 2) Any risk to the permanence of the 3% protection damping factor (limiting per pupil funding losses to no greater than 3%).
- 3) The lack of response to the growth in costs in real terms (this is the major financial problem in all schools across 2016-2020). For clarity, this is not a formula issue. It is an issue that is arising as a result of the quantum of education funding falling behind as costs (of salaries and services) increase.
- 4) The lack of available headroom that will be present in Bradford's 2018/19 Schools Block position (and the requirement to move to NFF at April 2018).
- 5) The adequacy of the funding of in year pupil numbers growth with this being based on the spend level in the previous year.

High Needs Block:

- 6) That damping halves our gain from £16m to £8m and that there is no view about whether / when this damping will be lifted.
- 7) Our planned 2017/18 HNB spending level already exceeds what our dampened NFF HNB allocation will be at 2022/23. Our spending position is set to further increase across 2018-2023. It does not appear that the DSG HNB will be sufficient to cover this.

The DfE also proposed to establish a 4th 'Central Schools Block' within the DSG from April 2018, which would provide a national formula funding basis specifically for centrally managed Schools Block activities.

For reference, the DfE conducted a separate consultation in 2016 on national formula arrangements for the Early Years Block, the outcomes of which have begun to be implemented from April 2018. There is no suggestion that these outcomes are to be revisited although there is still some uncertainty (and promised further consultation) on the future funding position of maintained nursery schools.

Details of the Item for Consideration

The final detail of the National Funding Formula (NFF) for the Schools and High Needs Blocks is critical to our medium to longer term DSG financial planning as well as how we shape spending and formula funding decisions for 2018/19.

There have been 2 announcements regarding NFF over the summer:

- An oral statement by the Secretary of State to Parliament on 17 July
- The publication of operational guidance for local authorities for 2018/19 in August

The Secretary of State announced:

- A £1.3billion boost for core school funding; £416million in 2018-19 and £884million in 2019-20, “The new formula will maintain overall per pupil funding in real terms for the next two years; and it will allow for a cash increase for every school”:
 - Increases the basic amount that every pupil will attract in 2018-19 and 2019-20.
 - Allows for gains of up to 3% per pupil for “underfunded schools” for the next two years.
 - Provides at least a 0.5% a year per pupil cash increase for every school in 2018-19 and 2019-20.
 - Continues to protect funding for pupils with additional needs, as proposed in the consultation published in December.
 - Provides at least £4,800 per pupil for every secondary school.
- A new National Funding Formula will be introduced in 2018, but the ‘hard’ NFF will not be introduced until April 2020 (previously this was April 2019) meaning a longer transition:
 - In 2018-19 and 2019-20, the National Funding Formula will set indicative budgets for each school, and the total schools funding received by each local authority will be allocated according to the national fair funding formula.
 - Local authorities will continue to set a local formula to distribute that funding, and to determine individual schools’ budgets in 2018 19 and 2019-20, in consultation with schools.
 - The vast majority of funding provided for primary and secondary schools will be ring-fenced, although local authorities, in agreement with their local schools forum, will be able to move some limited amounts of funding to other areas, such as special schools, where this better matches local need.
 - In 2018 19, all local authorities will receive some increase to the amount they plan to spend on schools and high needs in 2017-18.
- A detailed announcement on the construct of the NFF (and impact on local authorities) will be made in September 2017.
- The PE and Sports Premium for primary schools will increase from £160million to £320million. All primary schools will receive an increase in their PE and sports premium funding in the next academic year
- Spending plans beyond 2019-20 will be set in a future Spending Review.

The Operational Guidance for 2018/19 has set out / confirmed:

- The creation of a new 4th block within the DSG – the Central Schools Block.
- The implementation of NFF at DSG Block level at April 2018, based on 2017/18 spending baselines, with the detail of the formula for each Block (and floors and ceilings) to be announced in September.
- Within the Schools Block, the DfE will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the NFF. Within the High Needs Block nationally, the DfE will provide for at least 0.5% overall increase in 2018/19.
- The Schools Block formula will provide local authorities will per pupil funding of at least £4,800 for secondary schools that have pupils in years 10 and 11. A new formula factor is permitted so that authorities can begin to pass this onto eligible schools in 2018/19 as a step towards a minimum of £4,800 in 2019/20. *For reference, we have 2 secondary schools that are currently funded at lower than £4,800 per pupil.*
- Local authorities will be permitted to use both the clean FSM and Ever 6 FSM factors in their formulae for 2018/19, meaning that full replication at local level of NFF is enabled.
- Local authorities have flexibility to set a value of Minimum Funding Guarantee (MFG) of between 0% and minus 1.5% per pupil in 2018/19. Authorities must consult with schools on the value of the MFG. This is a different approach / additional responsibility than that of previous years, when the DfE has set a national value of MFG (at minus 1.5%) without flexibility for local variation.

Details of the Item for Consideration

- The Schools Block is ring-fenced from April 2018, but local authorities are permitted to transfer up to 0.5% of their Schools Block funding out to other blocks e.g. High Needs Block with the agreement of their Schools Forum and having demonstrated that they have consulted locally with all maintained schools and academies. There is an exceptions process, which will require Secretary of State approval for considering transfers greater than 0.5% and / or where the Schools Forum is opposed to the transfer. Other Blocks are not subject to restriction i.e. money can be moved flexibly between them. *For reference 0.5% of our Schools Block is c. £2m.*
- The proposed technical adjustment to the funding of high needs places in resourced provisions will be implemented.
- The rates of funding for Pupil Premium Plus (Looked After Children) will increase at April 2018.

Following these announcements it is evident that:

- There is still a lot of uncertainty. Sight of the detail, to be published in September 2017, regarding 2018/19 DSG and NFF is critical to our assessment of affordability and decision making for 2018/19 and beyond. It is difficult to set out firm spending and formula funding options and proposals without this detail.
- There continues to be significant risk around the funding position of our High Needs Block and the adequacy of the NFF settlement.
- It is unclear how the “0.5% per pupil increase for every school” (statement made by the Secretary of State) translates to guarantee *every school* a 0.5% per pupil increase in 2018/19.
- Once we have the detailed announcement we have some big decisions to take for 2018/19 on top of the usual decisions regarding the refresh of smaller aspects of our funding schemes:
 - Whether, as we have previously set out for schools, we replicate the NFF locally for the calculation of our primary and secondary school and academy budget shares from April 2018, or whether we stick to our current formula, or whether we do something in between or in transition leading up to hard NFF at April 2020.
 - The value of MFG we provide in 2018/19 (set between 0% and minus 1.5%) and managing expectations around this.
 - The value of the ceiling we adopt, which will cap gains and helps to afford the MFG.
 - The extent to which we begin transition to the £4,800 per pupil minimum for secondary schools and academies.
 - How we balance the High Needs Block where the NFF settlement may not be sufficient to meet spending demand due to damping. The extent to which we must consider a contribution from the Schools Block to the High Needs Block in 2018/19, up to the 0.5% maximum; under what conditions / circumstances could this be supported. How we continue to lobby Government on this issue.
 - How we communicate as early as possible and consult effectively on these matters across the autumn term in time for the Schools Forum to make its recommendations for 2018/19 in January 2018.

The separate Document HS outlines the proposed outline and draft working principles for the management of this, and other DSG, work across the autumn term.

Implications for the Dedicated Schools Grant (DSG) (if any)

As set out in the report (this is an item for information)

Recommendations

The Schools Forum is asked to note the information presented and to begin to consider the implications for the 2018/19 DSG budget planning round.

List of Supporting Appendices / Papers (where applicable)

None

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