

2018-19 Schools Funding and Local Funding Formula Consultation

1. Purpose of the Report

To provide a summary of the Secretary of State for Education's announcement, the operational guidance issued to local authorities to help plan for the local implementation of the funding system in 2018-19 and to consider the impact of this for the local consultation.

2. Background

In March 2016, the government held a consultation on their proposals for the introduction of a national funding formula (NFF). The response to that consultation, and the launch of the second stage of the consultation was published on 14th December 2016 and ran until the 22nd March 2017. The response to the second stage consultation will be published in September 2017.

On 17th July 2017, the Secretary of State for Education made a verbal announcement confirming plans to introduce the national funding formula in 2018-19 supported by extra investment into the core schools budget over the next two years. Key points from the statement are as follows:

- NFF will provide a minimum 0.5% cash increase per pupil in 18-19 and 19-20 and 0.5% through the high needs national funding formula.
- Schools who have been underfunded and are due to gain significantly from the NFF will be allocated up to 3% per pupil in the next two years.
- NFF will provide per pupil funding of at least £4,800 by 2019-20 for all secondary schools that have pupils in year 10 and 11.
- 2018-19 NFF will set indicative budgets for each school and these will be aggregated to calculate a funding allocation for each authority in September 2017.
- LAs will continue to set a local funding formula for 2018-19 and 2019-20.

3. Operational Guidance – Schools Revenue Funding 2018-19

The operational guidance was issued on 4 August 2017 for LAs to start to plan the local implementation of the funding system for 2018-19. There are a number of significant changes for 2018-19 and includes the separation of the Dedicated Schools grant into four blocks, schools, high needs, early years and the new central school services block, each of which will be determined by a separate national funding formula.

Schools Block Changes

- Guaranteed minimum funding amount per pupil, £4,319.46 for Nottinghamshire, for the schools block based on 2017-18 funding levels per pupil.

- The Schools block will be ring fenced for 2018-19 but LAs will be able to transfer up to 0.5% out of this with the agreement of their schools forum and subject to consultation.
- Final funding allocations will be the higher of the guaranteed minimum per pupil amount multiplied by the October 17 census pupil numbers or the NFF primary/secondary per pupil amounts plus the historic cash factors (exceptional premises factors, rates and growth fund).
- 'Some' increase above the 2017-18 baseline.
- Flexible minimum funding guarantee (MFG) to be allowed between 0% - 1.5% to allow for greater protection (LFF currently 1.5%).
- Deprivation factor allows for the use of free school meals and 'Ever 6' in the deprivation formula. Previously only allowed to use one or the other. (LFF uses FSM Ever6)
- New factor – minimum level of per pupil funding for secondary schools. This factor is to allow LAs to move towards the NFF which will provide per pupil funding of at least £4,800 by 2019-20 for all secondary schools that have pupils in year 10 and 11. (LFF 2017-18 basic entitlement £4,957.38 plus allocations from other factors).
- *Although the Looked After Children factor is still allowed for the LFF it is not part of the NFF so there will not be any funding allocated to it. The Pupil Premium Plus grant is to be increased from 2018-19 to include this. (LFF currently allocates £3,000 per LAC).*

High Needs Block

- Guaranteed minimum amount based on 2017-18 funding levels (NCC £60.46m).
- 'Some' increase above the 2017-18 baseline.
- HN NFF will provide for at least a 0.5% overall increase.
- The funding announcement will not be made until December. Indicative figures released as part of the second stage consultation suggested that NCC would increase to £64.4m over 2 years.

Central School Services Block (CSSB)

This is new for 2018-19 and made up of two allocations, historic commitments and ongoing LA responsibilities e.g. Admissions and services previously funded by the Education Services grant. The second stage consultation was proposing an element of funding to be distributed on a per-pupil basis and a deprivation factor.

- Only the historic commitments allocation is guaranteed at its 2017-18 level (NCC £3.7m).
- Ongoing responsibilities for schools LAs may receive up to -2.5% reduction on their 2017-18 baseline (Indicative allocation received as part of the 2nd stage consultation suggested NCC would gain).
- Basis for allocation to be confirmed in the autumn and final allocations confirmed in December 2017.

- To include the Atypical School Admissions Communications grant as a LA ongoing responsibility (received as a separate grant in 2017-18 NCC £1,600).

Early Years

The Early Years NFF was introduced in 2017-18 and provisional funding allocations will be made in mid December as usual. There will still be a need to consult on the hourly rate pending that announcement and there is the outstanding requirement for all LAs to have a SEN Inclusion Fund. Work is being undertaken to establish a SEN Inclusion Fund and to change the definition/criteria for the deprivation supplement. Proposals will be made to the forum in October as part of the consultation process.

4. Implications for the Local Funding Formula (LFF) Consultation

The only funding certainty at the moment is the guaranteed minimum funding amount for the schools block, high needs block and historic commitments. Although additional funding is to be allocated it is based on the NFF and will include up to 3% gains for schools as well as the additional 0.5% funding allocation. The NFF will provide LAs with an aggregated funding allocation presented as a per pupil amount for primary and secondary plus 3 other factors allocated on historic spend i.e. exceptional premises (including rates), growth fund and mobility.

In view of the uncertainty around the timing of the NFF announcement and funding quantum this poses a number of challenges for LFF consultation as follows:

- No specific date has been given in September for the NFF announcement.
- There are too many variables to enable an estimate of the funding quantum under the NFF to be calculated with any degree of certainty.
- As the funding quantum is uncertain it is difficult to start to model any potential changes.
- Establishing proposals and a timetable for the consultation.

5. Approach to the LFF Consultation

In 2017-18 the decision was taken to make no change to the LFF to provide funding stability for schools prior to the introduction of the NFF. However there are now two further years of the local funding formula and a number of changes introduced to the funding system as outlined in section 3 above.

Although it is difficult to make proposals for LFF at the moment there are some possible options that the Forum may wish to consider in the table below. Also at Appendix A there is a reminder of the NFF proposals in the 2nd stage of the consultation.

	Possible Consultation Options	Advantages	Disadvantages
a)	Adopt the NFF in 2018-19.	Would provide stability in the transitional years before the hard formula is introduced.	It is highly likely that this will present schools with a different funding allocation to that of the LFF.
b)	Continue with LFF with no change to individual factors or criteria.	Would avoid any turbulence to current funding allocations.	It is highly likely that this will present schools with a different funding allocation to that of the NFF.
c)	Transition the LFF towards the NFF for those factors that will change the most under the NFF e.g. the deprivation factor.	May smooth the transition of some schools towards the NFF.	Reduced funding for affected schools (MFG protection).
d)	Model impact of changes introduced by the 2018-19 operational guidance outlined in Section 3.		
	MFG flexibility 0 - 1.5%	Provides schools with greater and longer protection.	Any reduction in the protection would have to be paid for by all schools as a reduction in the basic entitlement (AWPU) per pupil.
	Deprivation use of FSM and Ever 6		Turbulence
	LAC – reduction in current LFF allocation as this factor will not be included in the NFF.	Phased transition to the hard formula.	Reduced funding for affected schools (MFG protection).
		Addresses issue of double funding as the Pupil Premium Plus is to be increased for 2018-19.	LFF currently allocates £3,000 per LAC which is the highest in the Country. It is almost certain the Pupil Premium Plus will not be raised by this amount.
	Secondary amount per pupil £4,800	Phased transition to the hard formula.	Reduction in funding as current LFF basic entitlement alone gives £4,957.38 per pupil (MFG protection).
e)	Model impact of a combination of the above.		Impact can be difficult to interpret and have unintended consequences.

6. Consultation timetable

Ideally the local funding formula should receive political approval via Policy Committee before the final Authority Proforma Tool (APT) submission deadline of 19th January 2018. The last committee meeting before the submission deadline is 20th December 2017 (next meeting is the 24 January 2018).

In order to use existing Schools Forum meetings (19th October and 7th December) and to try and achieve the December Policy Committee the proposed timetable would be as follows:-

- 12th October – circulate proposed consultation documents.
- 19th October Schools Forum meeting – decide content of consultation.
- Half term 23 October – 27 October.
- 30th October to 17th November – 3 weeks consultation period.
- 30th November – circulation of consultation responses and proposed 2018-19 local funding formula.
- 4th December – draft report to Policy Committee pre-agenda meeting.
- 7th December Schools Forum meeting – recommendation of local funding formula*.
- 20th December - agreement of local funding formula at Policy Committee.
- 19th January APT submission to EFSA.

*this would still allow time for any changes to be made to the Policy Committee report if necessary or consideration could be given to moving the Forum meeting to the previous week (if the venue is available).

7. Recommendation

That the Schools Forum:

- Consider and comment on the consultation options proposed.
- Consider the establishment of a working group to make recommendations about the best transitional approach for 2018-19.
- Approve in principal the proposed timetable for the local consultation.

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APPENDIX A

2017-18	NCC Formula Values		PROPOSED NFF FORMULA VALUES PER STAGE 2 OF NFF CONSULTATION		Notes
	NCC Values	% of Funding	NFF Values	% of Funding	
Primary to Secondary Ratio	1:1.265		1:1.29		
Primary	£	3,006.95	£	2,711.64	
KS3	£	4,058.97	£	3,797.29	
KS4	£	4,957.38	£	4,311.59	
Basic per pupil funding					72.50% NFF excludes rates NCC includes rates!
FSM Primary	£	-	£	980.00	Current Formula does not allow funding for <u>both</u> FSM and FSM6
FSM Secondary	£	-	£	1,225.00	
FSM6 Primary	£	301.27	£	540.00	
FSM6 Secondary	£	301.27	£	785.00	
IDACI Primary Band 6	£	626.95	£	575.00	
IDACI Secondary Band 6	£	626.95	£	810.00	
IDACI Primary Band 5	£	626.95	£	420.00	
IDACI Secondary Band 5	£	626.95	£	600.00	
IDACI Primary Band 4	£	74.00	£	360.00	There has been a change in IDACI data set between years
IDACI Secondary Band 4	£	74.00	£	515.00	
IDACI Primary Band 3	£	74.00	£	360.00	
IDACI Secondary Band 3	£	74.00	£	515.00	
IDACI Primary Band 2	£	74.00	£	240.00	
IDACI Secondary Band 2	£	74.00	£	390.00	
IDACI Primary Band 1	£	74.00	£	200.00	
IDACI Secondary Band 1	£	74.00	£	290.00	
Deprivation Total					9.30%
Looked After Children	£	3,000.00	N/A		Not a factor in NFF, Pupil Premium plus to be increased in 2018-19.
Looked After Children Total					0.37%
LPA Primary	£	683.80	£	1,050.00	
LPA Secondary	£	683.80	£	1,550.00	
LPA Total					7.50%
EAL Primary	£	322.91	£	515.00	
EAL Secondary	£	322.91	£	1,385.00	
EAL Total					1.20%
Lump Sum	£	100,000.00	£	110,000.00	7.10%
Sparsity Primary			£	25,000.00	
Sparsity Secondary			£	65,000.00	
Sparsity Total					0.08%
Pupil Mobility	£	556.06		Historic spend	0.10%
Split Sites					
PFI				Historic spend	1.80%
Rental Rates					
Pupil Growth Fund	£	1,000,000.00		Historic spend	0.50%
Joint Use					0.12%
					100.00%
					100.08%