

Consultation on the 2018-19 Schools Local Funding Formula

1. Purpose of the Report

To:

- Provide an update and overview of the consultation proposals for the 2018-19 Schools Block funding,
- highlight the difficulties experienced with financial modelling and the limitations this presents.
- Highlight further decisions to be made.

2. Background

A report was considered by the forum in September 2017 which outlined the position with the national funding formula (NFF) announcements and possible consultation options. The consensus of the forum was that the consultation should be with a view to transitioning to the national funding formula in 2018/19.

3. Consultation Proposals

- 3.1 It is proposed to ask a single question of schools to see if they agree to adopting the national funding formula as the local funding formula (LFF) for 2018-19. The financial modelling that has been provided is the illustrative NFF allocations per school and LFF including the additional funding.
- 3.2 Under the existing LFF even with the injection of the extra cash, some schools will continue to lose. Conversely, some gainers will gain more than their final NFF allocation so may require a reduction in funding once the 'hard' formula is in place.
- 3.3 It is important to note that the illustrative NFF figures provided by the EFSA were based on the data for schools 2017-18 funding i.e. October 2016 census for pupil numbers and characteristics and 2017-18 premises allocations (rates, mobility, split sites, joint use and rental). When the actual funding is calculated for 2018-19 any pupil numbers, pupil characteristics, inflationary (rates) or other adjustment needed e.g. new split site allocation or pupil number variations; will impact on the actual funding that a school receives.
- 3.4 There are some differences between the NFF and LFF factors which need highlighting and are reflected on Table 2 of the draft consultation document.
- 3.5 The reception up lift factor is used by Nottinghamshire but it is not part of the NFF. This allows local authorities to increase the pupil number count for schools with higher reception pupil numbers in the January census compared to the October census. The number of schools in receipt of this in 2017/18 is 70 with total funding of £211,000.

- 3.6 The guidance states that schools with reception uplift will not be financially disadvantaged by the NFF calculations, as the funding will remain in their protected baselines. It is therefore proposed that this factor is removed from the Nottinghamshire formula.

Minimum Funding Guarantee

- 3.7 The current Minimum Funding Guarantee (MFG) is set at -1.5% in order to limit the per pupil loss that a school can incur in a year. The ESFA are to introduce greater flexibility for local authorities to set an MFG of between 0% and minus 1.5%. This is to allow LAs to make local decisions about the distribution of funding, and enable them to manage any losses for reasons such as where a transfer is made out of the schools block or from changes in pupil characteristics when the datasets are updated in December.
- 3.8 In a recent communication from the ESFA some local authorities are requesting an MFG limit of between 0% and 0.5% (positive). Until additional modelling has been carried out it is uncertain what MFG percentage to propose for Nottinghamshire. Any change to the MFG will need to be consulted on. Furthermore in order for a positive MFG to be adopted a disapplication request would need to be submitted, to the Secretary of State, before the 30 November because this would be outside of the range provided by the regulations.
- 3.9 Further work is needed to ascertain the % that the MFG should be set at for 2018-19.

Transfer to the High Needs Block

- 3.10 There is a proposal to transfer 0.5% of funding from the schools block to the high needs block and there are a number of possible options in which to facilitate this reduction in funding:
- a) A per pupil reduction which is the same amount for primary and secondary (indicative figure of £21.95 per pupil and would be subject to agreement with the ESFA).
 - b) A per pupil reduction which reflects the primary/secondary ratio 1:1.266 (primary £19.94 and secondary £25.25 per pupil indicative figures). This would be a reduction in the AWPU and is the ESFA suggested approach.
 - c) To pass the reduction through the full funding formula which would give a different result for each school (not modelled).
- 3.11 In all of the above options there is limited confidence in the financial modelling provided because the indicative allocations may be influenced by the minimum per pupil amount and the MFG particularly with regard to option c).
- 3.12 As this would be a one off adjustment an MFG exemption would need to be requested from the EFSA to ensure that all schools contribute.

Financial Modelling

- 3.13 The operational and technical guidance has been received and work is ongoing to reconcile and understand the basis for the NFF calculations and the illustrative figures for individual schools. This has been problematic because the financial modelling tool provided has not been able to replicate all the functionality required to replicate the calculations within the NFF without significant manual intervention. A supplementary tool is to be released by the ESFA before 20 October to assist with this. This supplementary tool is needed to assess the MFG implications and the transfer out of the schools block as mentioned above.

4. Recommendation

That the Schools Forum:

- Considers the contents of the report.
- Gives their view on the removal of the reception uplift factor from the LFF.
- Notes that further work is required to set the percentage for the MFG.
- Reviews the content of the draft consultation document and the modelling provided.
- Considers the methodology to be used to facilitate the 0.5% transfer from the schools block.

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