

Open Report on behalf of Debbie Barnes, Executive Director of Children's Services

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| Report to: | Schools Forum |
| Date: | 11 December 2017 |
| Subject: | National Funding Formula for Schools |

Summary:

The purpose of this report is to consult the Schools' Forum on the Local Authority's funding formula proposals for 2018/19 and direction of travel following the government's implementation of a national funding formula for schools in 2018/19 and 2019/20.

The outcomes of the Local Authority's consultation with mainstream schools (enclosed) have been considered, and the Local Authority is now in a position to present its latest proposals for schools funding in 2018/19, for Schools' Forum consideration.

Executive Councillor approval will be required to agree the schools funding formula for 2018/19.

Recommendation(s):

The Schools Forum is asked to:

1. to note the content of the report;
2. support the Local Authority's funding formula proposals for 2018/19; and
3. support the direction of travel of replicating the government's national funding formula to ensure schools' allocations are on a sensible trajectory towards the move to the 'hard' formula from 2020/21.

Background

On the 14 September 2017, the government announced the implementation of the national funding formula for schools in 2018/19. This follows the governments:

- stage 1 consultation on the 7 March 2016, which outlined the principles that would underpin the proposed formula and the pupil characteristics and factors to be included within the formula;
- stage 2 consultation on the 14 December 2016, which provided details of the proposed funding formula including illustrative school funding allocations. The

consultation however outlined that its implementation would be pushed back to 2018/19, and

- in July 2017, the government confirmed that the introduction of the national funding formula would be supported by additional investment in 2018/19 and 2019/20. An additional £1.3bn for schools and high needs (£416m in 2018/19, and £884 million in 2019/20) would be provided, over and above the schools budget set at the 2015 Spending Review (overall the total schools budget will increase by £2.6 billion between this year to 2019/20).

Local Authority 'schools block' funding

Through the national funding formula the government plan to implement a fairer settlement for each school. The changes are to be implemented in 2018/19. The government however plan to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities will continue to be responsible for calculating schools' funding allocations.

The overall funding will be determined at a Local Authority level by the government's national funding formula by calculating notional budgets for each school. Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21. Each local area will therefore be funded on a fair and equitable basis, according to the national funding formula, subject to funding protection floors and ceilings through the transition period.

Local Authority 'schools block' allocations of the Dedicated Schools Grant will be calculated by aggregating schools' notional allocations under the national funding formula. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each Local Authority.

Table 1 below outlines Lincolnshire's schools overall funding level for 2018/19 through the implementation of the national funding formula compared to other Local Authorities.

Table 1

| | Lincolnshire's Unit of Funding | England National Average | Difference | Rank |
|-------------------|--------------------------------|--------------------------|------------|------|
| Primary Schools | £3,811 | £4,114 | -£303 | 33 |
| Secondary Schools | £4,933 | £5,343 | -£410 | 37 |

Lincolnshire continues to remain in the lowest quartile for school funding levels with Lincolnshire primary schools overall being the 33rd lowest funded Local Authority, and Lincolnshire secondary schools being the 37th lowest out of 150 Local Authorities overall¹. The floors and ceiling arrangements adopted by the government during the transition to the national funding formula are limiting the re-distribution of funding nationally, however the implementation of the national funding formula is forecast to bring in more monies into Lincolnshire schools by an overall increase of 3.7% in 2018/19, and a 6.6% increase overall in 2019/20 from the current 2017/18 schools baseline funding, which is a positive position.

¹ The individual schools financial modelling is compared against Lincolnshire's local funding formula (not academy schools baseline data), since funding to Local Authorities are based on this treatment.

Implementing the government's national funding formula in full (i.e. without the ceiling restricting gains) and applying the government's increases for all schools by 0.5% per pupil in each of the next two years, Lincolnshire schools are forecast to gain by 7.4% overall. This would increase Lincolnshire's average unit of funding for primary schools and secondary schools to £3,977 and £5,085 respectively². Although the average unit of funding rates would still be below the England national average, the injection of funding for Lincolnshire schools is encouraging.

A report to the Schools Forum on 4 October 2017, included in the Background Papers to this Report, explained the background to the national funding formula for schools, and the building blocks and formula factors. The detail behind the formula can also be found within Appendix A – Schools National Funding Formula Consultation Document.

Proposed Lincolnshire's schools funding for 2018/19 and direction of travel

Detailed modelling work has been undertaken by the Local Authority to understand the government's proposed national funding formula. The current funding settlement is up to 2019/20, and funding levels beyond 2019/20 will be subject to decisions taken at the next spending review, however the introduction of the national funding formula is beneficial overall for Lincolnshire schools based on the local formula funding levels. The government's funding commitment for 2018/19 and 2019/20 is a minimum increase for all schools of 0.5% per pupil in each of the next two years, therefore all schools will receive additional funding (subject to pupil number changes and the outcome of the schools consultation) providing financial certainty and stability for this period of change.

The Local Authority has consulted with mainstream schools on the proposal to replicate the national funding formula in 2018/19 ensuring schools' allocations are on a sensible trajectory towards the move to a 'hard' formula from 2020/21. There were a series of questions that schools were asked to respond to that would help shape the formula for 2018/19.

The schools consultation period covered the period 9 November to the 22 November 2017. The consultation period timescales were tight due to the lateness in the government releasing the national funding formula information and datasets (September / October) leaving limited time for consultation and the Local Authority decision-making process. Schools were however forewarned on the 17 October 2017 informing all county schools of the Local Authority's intention to conduct this consultation exercise.

The consultation document that was circulated to all mainstream schools can be found in Appendix A. As part of the consultation exercise, the Education & Skills Funding Agency required Local Authorities to illustrate the likely financial impact of the proposals upon individual schools. This was enclosed within the supporting documentation using the schools October 2016 census data (due to the October

² The funding at a Local Authority level for premises (e.g. rates, split-site, and growth) are outside the average unit funding, since they are based on historic spend levels.

2017 census date not available at this time), and the 2017/18 baseline information for illustrative funding purposes.

Tables 2 & 3 below show the monetary gains at school level from replicating the national funding formula in 2018/19 using October 2016 census data, which is compared against Lincolnshire's local funding formula. Had the governments implemented the national funding formula without protection of losses, 11 primary schools and 6 secondary schools would lose funding – these schools were in receipt of protection therefore the Local Authority would have expected those schools to have planned for funding reductions in the medium term, and the minimum funding guarantee would have ensured manageable funding reductions take place (i.e. up to minus 1.5% per pupil).

Replicating the government's national funding formula in 2018/19 for Lincolnshire schools using 2017/18 census data and the Local Authority funding formula baseline, the tables below show the monetary gains by sector in year 1.

Table 2

| Primary Schools (£) | Gains |
|---------------------|-------|
| 0 - 5,000 | 20 |
| 5,001 - 10,000 | 86 |
| 10,001 - 15,000 | 32 |
| 15,001 - 20,000 | 41 |
| 20,001 - 25,000 | 26 |
| 25,001 - 30,000 | 15 |
| 30,001 - 40,000 | 21 |
| 40,001 - 50,000 | 19 |
| 50,001 - 100,000 | 12 |
| 100,001 - 150,000 | 2 |
| 150,001 - 200,000 | 2 |

Table 3

| Secondary Schools (£) | Gains |
|-----------------------|-------|
| 0 - 10,000 | 6 |
| 10,001 - 60,000 | 8 |
| 60,001 - 110,000 | 10 |
| 110,001 - 160,000 | 12 |
| 160,001 - 210,000 | 5 |
| 210,001 - 260,000 | 5 |
| 260,001 - 310,000 | 1 |
| 310,001 - 400,000 | 4 |
| 400,001 - 500,000 | 2 |
| 500,001 - 600,000 | 1 |
| 600,001 - 700,000 | 1 |

Schools Consultation

Owing to the government's tight timescales for the completion of this work, the consultation with schools had to be conducted in a relatively short period of time. However, in anticipation of that, the Local Authority forewarned schools of the consultation that was due to take place. The response rate to the consultation was however disappointing (9% of primary schools and 20% of secondary schools). The overall response rate of 11% across the sectors was lower than the 2013/14 school funding reform consultation response rate of 17%³.

The Local Authority set out in the consultation document 11 questions covering 8 subject areas, and these are shown in Appendix A. Also shown is the percentage

³ The response rates to consultations are typically below 30%. Since its creation in 2003, the Schools Forum has been responsible for considering school funding arrangements on behalf of schools, and acts an effective consultative body when proposing funding changes. It must also be added that the school funding arrangements are rather complex, and some schools may have found this difficult to understand.

of schools in favour, against or not sure, together with an outline of the key comments that emerged from schools. All of this information has been considered by the Local Authority and Appendix A sets out the Local Authority's current proposals for consideration by the Children & Young Peoples Scrutiny committee and the Schools Forum in December 2017.

It is clear from Appendix A, that of the schools that responded the vast majority supported the Local Authority's proposals to replicate the government's national funding formula in 2018/19 and the direction of travel to adopt the government's 'hard' NFF. Where schools identified issues, these were more national matters as opposed to local issues, which are covered in the 'direction of travel' section. The Local Authority's proposal is to adopt the national funding formula from 2018/19.

Schools have been aware for some time of the government intentions to implement changes to schools funding, which was finally confirmed by the Secretary of State in July 2017. The national funding formula changes are positive for Lincolnshire schools overall bringing an increase in funding of 3.7% in 2018/19. The Local Authority has through the consultation exercise provided schools with illustrative funding for 2018/19 using the 2017/18 baseline information, which will allow schools to forecast their budgets over the next two years.

Funding from 2020/21 will be subject to decisions taken at the next spending review, however the government's intentions are to move towards the 'hard' funding formula, therefore allowing the gaining schools to move to the national funding formula or to be on a sensible trajectory (subject to overall affordability at a national level), and losing schools likely seeing manageable per pupil reductions through the operation of the minimum funding guarantee (i.e. of up to minus 1.5% per pupil).

Next Steps – Schools National Funding Formula

- to table a report at an Children & Young Peoples Scrutiny committee meeting (1 December 2017) on the consultation findings, and the proposed 2018/19 funding formula for the committees' consideration.
- to table a report at an extraordinary Schools Forum meeting (11 December 2017) on the consultation findings, and the proposed 2018/19 funding formula for Schools Forum consideration.
- the Education & Skills Funding Agency issue October 2017 census-based pupil data and factors to Local Authorities and Dedicated Schools Grant funding.
- Executive Councillor approval to agree the schools funding formula for 2018/19 on the 10 January 2018.
- submission of the Authority Proforma Tool by the 19 January 2018 to the Education & Skills Funding Agency outlining 2018/19 Lincolnshire's schools delegated funding to ensure compliance with regulations.
- the Local Authority Finance Team to provide further information on the implementation of the national funding formula to schools and academies to aid their understanding of the new funding formula.
- the Local Authority to calculate individual schools budgets by the 28 February 2018.

Direction of travel

The Council understands the impact of the national funding formula for 2018/19 and 2019/20 and it is proposed to replicate the national funding formula in each of those two years to ensure a sensible trajectory for schools towards the 'hard formula' due to take effect in 2020/21.

At the same time there are still elements of the national funding formula which are under review and therefore may change between now and the move to the 'hard' formula in 2020/21. The Local Authority will continue to respond to the government's schools funding consultations representing the position of Lincolnshire schools to achieve fairer levels of funding when comparing nationally.

Key factors to consider following the proposed implementation of the national funding formula:

- the speed of which gaining schools (in excess of 6% per pupil gains) will be funded directly through the national funding formula.
- for losing schools nationally, the downward trajectory of funding through the operation of the minimum funding guarantee to move away from the historical funding arrangements and for all schools funded through the national funding formula.
- the schools funding levels from 2020/21 following the decisions taken at the next spending review, and how the government intends to fund school cost increases relating to pay and inflation.
- how the government intends to make changes to the historic funding arrangements, such as mobility, growth funding, split-site funding.
- how the government intends to re-invest monies released into schools budgets through the ending of existing school commitments.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

School illustrative financial modelling has been undertaken and shared with all schools through the Local Authority consultation exercise on the national funding formula for 2018/19 using 2016/17 census data and baselines. The school illustrative allocations will have assisted schools in understanding the national funding formula and to help inform their consultation response.

The government's funding commitment in 2018/19 and 2019/20 is a minimum increase for all schools of 0.5% per pupil in each of the next two years, therefore all schools will receive additional per pupil funding providing financial certainty and stability during this period of change, which the Local Authority is proposing to adopt.

Lincolnshire schools are gaining overall through the NFF compared to the local funding formula by 3.7% in 2018/19.

Schools are required to respond to pupil number and pupil characteristic changes, which is currently the case for schools.

Appendices

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| These are listed below and attached at the back of the report | |
| Appendix A | Schools National Funding Formula consultation document and school responses |

Background Papers

| Document title | Where the document can be viewed |
|---|---|
| National Funding Formula for schools – Schools Forum (4 October 2017) | http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4876&Ver=4 |
| Schools National Funding Formula - Announcement | http://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs |
| National Funding Formula for schools – Schools Forum (22 February 2017) | http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4876&Ver=4 |
| Schools National Funding Formula – stage 2 | https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/ |
| National Funding Formula for schools – Schools Forum (27 April 2016) | http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4439&Ver=4 |
| Schools National Funding Formula – stage 1 | https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula |
| DfE: the National Funding Formula for schools and high needs: equalities impact assessment (September 2017) | https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-equalities-impact-assessment |

This report was written by Mark Popplewell, Head of Finance, who can be contacted on 01522 553326 or mark.popplewell@lincolnshire.gov.uk.

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