

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

Report to:	Lincolnshire Schools' Forum
Date:	11 October 2018
Subject:	National Funding Formula for Schools - Update for 2019/20

Summary:

The purpose of this report is to provide a summary of the updates from the DfE relating to the national funding formula for schools, central school service and high needs for 2019/20.

Recommendation(s):

The Schools' Forum is asked to note the content of the report.

Background

On the 14 September 2017, the government announced the introduction of the national funding formula for schools and high needs in 2018/19. Through the national funding formula the government plan to implement a fairer settlement for each school. The government however planned to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities (LAs) would continue to be responsible for calculating schools funding allocations. LAs were 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.

The LA consulted with mainstream schools and academies during November 2017 on the proposal to replicate the national funding formula in 2018/19. Although Lincolnshire schools overall remained in the lowest quartile for school funding levels nationally from central government, the implementation of the national funding formula increased Lincolnshire mainstream school funding levels by c.3.7% in 2018/19 compared to the 2017/18 baseline funding, which was positive, and is planned to grow by a further 2.9% as schools move towards the national funding formula.

Schools that responded to the LA consultation proposals to replicate the government's national funding formula in 2018/19 and the direction of travel was supportive of this position. The LA funding formula proposals were considered at the Schools Forum and Children & Young Peoples Scrutiny committee meeting,

before the Executive Councillor on the 10 January 2018 gave approval to replicate the schools national funding formula for 2018/19.

Lincolnshire mainstream schools are receiving the same funding formula factors and monetary values as the national funding formula in 2018/19 along with the government's agreed floors and ceilings approach to enable incremental steps for schools to move towards the hard formula allowing for a sustainable re-distribution of funding across the country.

School funding announcements

The schools revenue funding 2019/20 operational guidance published by the DfE on 25 July 2018 can be found at:

<https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>

The information confirms that:

- Significant progress has been made across the system in moving towards the national funding formula in its first year of operation.
- LAs will continue to determine local formulas to 2020/21 – originally the 'soft' transition period was to end in 2019/20.
- Three key aspects of the schools national funding formula are being updated in 2019/20, which are in line with the DfE's original national funding formula intentions. These key updates will influence the LAs Schools block allocation, which is the overall funding used to set an LAs funding formula for mainstream school:
 1. Within the Schools block, the government will provide for at least a 1% per pupil increase for each notional school allocation in 2019/20 through the national funding formula compared to their 2017/18 baseline. The DfE has introduced a new funding floor factor to enable LAs to mirror the increase of 1% per pupil against 2017/18 baselines.
 2. The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11.
 3. The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017/18 baselines. The DfE has used compounded figures so that underfunded LAs can gain a further 3% on top of the 3% they gained in 2018/19.
- The DfE has reduced through the national funding formula the Primary low prior attainment factor monetary value to £1,022 (from £1,050). All results are now being assessed under the new framework¹ and there is no longer a need to use a weighting – this monetary adjustment is to keep the overall funding on a comparable basis.
- Schools will continue to receive funding based primarily on the preceding October census data.

¹ Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP).

- The LA will have flexibility to set the Minimum Funding Guarantee (MFG) between minus 1.5% and plus 0.5% per pupil. LAs must allocate at least 80% of the delegated Schools block funding through pupil-led factors.
- Premises factors of rates and split-site will continue to be calculated using the LAs prior year spend in 2019/20. The DfE are continuing to consider the long-term approach to premises factors in the national funding formula.
- Growth funding will be allocated to LAs using a new formulaic method based on lagged growth data, as opposed to LAs setting an agreed budget annually to meet local needs – this will affect the funding for planned school reorganisations for the primary and secondary sector. Further details are still to be shared by the DfE including the level of funding Lincolnshire will receive in 2019/20. The LA can then understand the implications to financially fulfilling its agreed School Reorganisation policy going forward. The formula is intended to be a proxy for overall growth costs at an LA level, and the DfE acknowledge that LA spending on growth will not necessarily match the sum allocated. For 2019/20, the DfE will apply LA protection; however the approach is presently being challenged by the LA. The LA will continue to have the ability to move monies within their overall Schools block funding to fund pupil number growth.

Lincolnshire's mainstream schools funding formula for 2019/20

The LA will continue to be responsible for setting the mainstream school funding formula for all Lincolnshire schools including academies in 2019/20. The approval process in January 2018 agreed to 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. The LA remains committed to replicating the national funding formula in 2019/20 with the protection arrangements (floors and ceiling) in place².

It is crucial that the overall funding delegated to schools is affordable based on the allocation made through the Schools block of the Dedicated Schools Grant (DSG) to the LA from central government. There remain a number of uncertainties due to the use of lagged data in determining the LA Schools block allocation, and DfE funding changes (such as the growth funding), which will need to be assessed when the government release the DSG block allocations in December 2018. The LA will consider all options available to ensure individual school level implications are minimised, if affordability is an issue, as outlined in the November 2017 national funding formula schools consultation document.

It is to be noted that the LA will be required to apply for a disapplication request to remove the £3m DSG one-off underspend allocated to all Lincolnshire schools in 2018/19 from their baseline funding for 2019/20 funding comparisons.

Future school funding levels

The schools funding levels from 2020/21 will be subject to the decisions taken at the next spending review, which will impact the speed of gaining schools and downward trajectory of funding for losing schools.

² The application of the government's protection arrangements (floors and ceiling) enable the national funding formula to be replicated and ensures that it is affordable for the LA based on the government's funding allocated through the Schools block.

Key factors that will require clarity from the government:

- 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.
- How the government intends to fund school cost increases relating to pay and general inflation going forward.

The LA and schools still have an important role to play on elements of the national funding formula which are still under review by central government.

Local Authority Dedicated Schools Grant (DSG)

The LA DSG will continue to comprise of four blocks: Schools, Central School Services, High Needs, and Early Years block. Each of the four blocks of the DSG is determined by a separate national funding formula.

The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations.

The Schools block will again be ring-fenced in 2019/20. LA's are able to transfer up to 0.5% of their Schools block funding to an alternative block with the agreement of their Schools Forum following consultation with all schools and academies.

Movements of budget from the Central Schools Services block to the Schools block, or from the High Needs block to any other block are not subject to any limit, and can be made in consultation with Schools Forum.

Schools block

LA Schools block allocations for 2019/20 will be calculated by aggregating schools' notional allocations under the national funding formula using the 2018/19 funding data. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each LA by the DfE. Lincolnshire's rates are outlined below for 2019/20:

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£3,914	£4,155	-£241	48
Secondary	£5,069	£5,403	-£335	56

Lincolnshire's schools funding levels are increasing through the national funding formula, which is improving Lincolnshire's position nationally when making comparisons. Lincolnshire primary schools overall are 48th lowest out of 150 LAs overall, and Lincolnshire secondary schools are 56th lowest out of 150 LAs overall.

The Schools block will also include funding at a LA level for premises (e.g. rates and split-site) based on historic spend, and a growth factor using a new formulaic method.

Central School Services block (CSSB)

The LA is allocated funding via the CSSB for central services provided to schools to reflect the ongoing LA role in education.

Funding will continue to cover two distinct elements which will be handled separately within the formula:

- ongoing responsibilities: distributes funding to LAs using a simple formula which distributes 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. The funding supports: admissions service; servicing the Schools Forum; nationally agreed schools copyright licences, and Education Service Grant retained duties for all schools.

Illustrative allocations provided by the government for ongoing responsibilities show Lincolnshire as continuing to have a marginal increase in funding for 2019/20 by 1.3%.

- historic commitments: the government will fund historic commitments at the same level as in 2018/19 to LAs, which is positive for Lincolnshire. Lincolnshire's 2018/19 budget is £2.780m, which funds the aggregated broadband provision for all schools (including academies) in Lincolnshire, and the funding gap for 7 PFI schools.

The government's expectations are that the historical contracts and other commitments will reduce over time as they reach their end points. From 2020/21, the government intend to reduce the historical commitments funding allocations where LAs expenditure has not reduced. At this stage the government are not proposing any changes to the regulation.

The LA position for broadband provision is outlined in the 'Schools Broadband Services' October 2018 Schools Forum paper.

The DfE has asked the LA to review the PFI 'affordability gap' budget with the intention of establishing a Schools PFI factor. The PFI factor would delegate funding to those designated schools for the PFI 'affordability gap', of which will be paid back to the LA to meet the contractual obligation. The government request is to ensure consistency of LA practices as the government move to the 'hard' national funding formula. The LA is in the process of reviewing this.

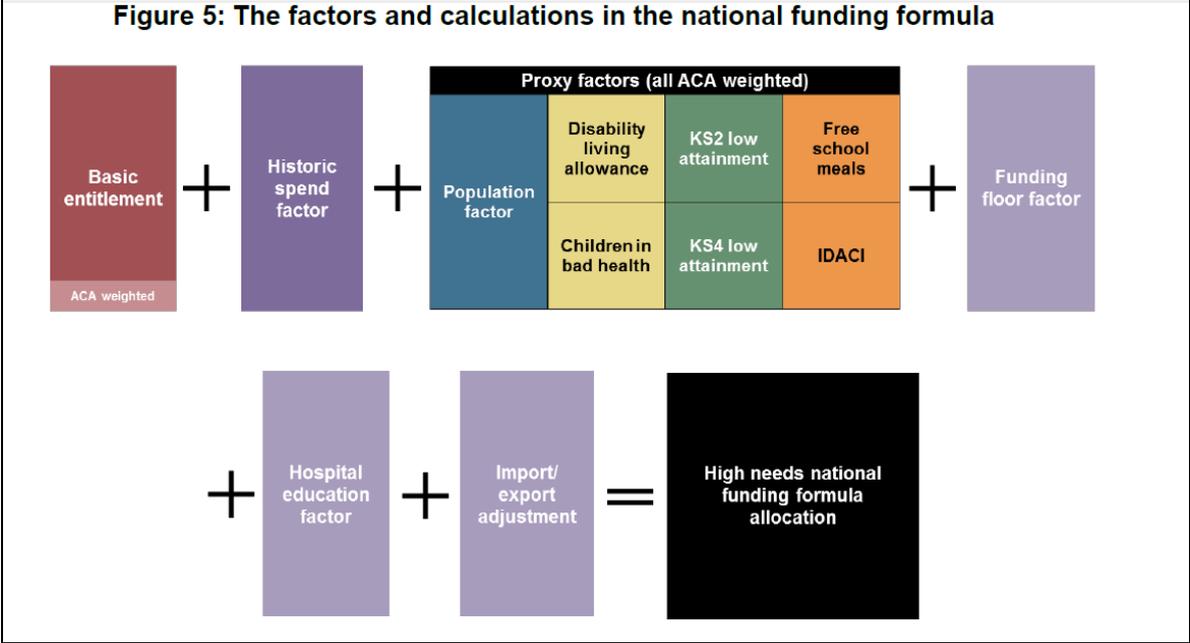
High Needs block

The basic structure of the High Needs national funding formula in 2019/20 is not changing. Figure 5 sets out the factors and adjustments that comprise the formula.

The government's direction of travel is to move to a basis for distributing funding to LAs for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending.

LAs will be protected from losing funding under the formula and will instead see minimum increases of 1% per head in 2019/20, on their planned high needs spending levels from 2017/18 DSG.

Structure of the High Needs funding formula for LAs:



- Basic Entitlement: to provide a per pupil amount of £4,000 for all pupils in special schools taken from the school census data collection in the October prior to the year for which allocations are made.
- Historic funding: to allocate 50% of the remaining funding on the basis of historic spending. This provides every LA with an amount based on its existing high needs costs, and particularly those costs that may not be reflected by indicators of need used in the other formula factors.
- Proxy Factors: to allocate the other 50% on the basis of proxy factors, such as population, low prior attainment, deprivation factors etc.

In 2018/19, Lincolnshire is in receipt of £38 per pupil (or £5.201m) of protection funding when comparing the national funding formula to Lincolnshire's current High Needs block. Lincolnshire's indicative protection is planned to be £41 per pupil (£5.776m) in 2019/20, and an overall High Needs block increase in funding of £1.232m compared to the current year budget. The government are aware of the growing demands in the area of high needs.

No further information has been provided from 2020/21, however the LA expects that incremental reductions (similar to the schools minimum funding guarantee) will be applied in future years for losing LAs to ensure reductions are manageable and can be planned for. The Special Educational Needs & Disability (SEND) strategy, which involves a comprehensive review of special educational needs provision in Lincolnshire will assist with driving efficiencies and value for money.

An increasing number of LAs are now incurring a deficit on their overall DSG account, largely because of overspends on the High Needs block. With effect from 2019/20 the department intends to tighten up the rules under which LAs have to explain to the DfE their plans for bringing the DSG account back into balance. Lincolnshire is currently not in this position; however the position needs to be carefully and prudently managed particularly in light of the uncertainty of High Needs block protection funding post 2019/20 and the growth in demands and complexities of young people.

The DfE are reviewing hospital education spending and data to develop a new formulaic hospital education factor in the high needs national funding formula, which is designed to better respond to the number of patients needing education. The DfE intends to consult on options in the autumn and, subject to the outcome of the consultation, could introduce changes in 2019/20. Any changes would not result in LAs seeing a reduction in the hospital education factor amounts in 2019/20.

High needs funding that is directly influenced by the schools delegated funding, such as targeted notional SEN is currently being reviewed in light of the schools national funding formula implementation to ensure schools with a higher number of pupils with SEND are funded at the appropriate level overall.

Early Years block

The government implemented the early year's national funding formula in 2017/18. Lincolnshire is funded at the 'minimum funding rate' of £4.30 per hour. The LA universal rate is presently £3.84 per hour to providers, and the funding formula also includes a mandatory deprivation supplement.

The Early Years block covers the 15 hours 3 & 4 year old free entitlement; the additional hours for working families up to 30 hours; disability access fund, early years pupil premium, and disadvantaged 2 year old funding.

The DfE has confirmed the intention to continue with the 'supplementary funding' until at least 2019/20 for nursery schools, whilst research is undertaken on the cost structure. A government report is planned for later in the year, and it is hoped that the LA and nursery schools will be engaged at each stage of the process.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Background Papers

Document title	Where the document can be viewed
School Funding Arrangements 2018/19 (January 2018)	http://lincolnshire.moderngov.co.uk/documents/s20941/Schools%20Funding%20Arrangements%20201819.pdf
National Funding Formula for schools – Schools Forum (December 2017)	http://lincolnshire.moderngov.co.uk/documents/s20516/3.0%20National%20Funding%20Formula%20for%200Schools.pdf
National Funding Formula for schools – Schools Forum (October 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	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

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