

SCHOOLS FORUM

Date of Meeting: 12th October 2017

Subject: Schools Funding Formula Review 2018/19

Report of: Christine Clarkson

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Confidential: Not applicable

Introduction and Context

The purpose of this report is to update Forum on the national funding formula (NFF), implications for schools and ask Forum to consider if they wish to review the formula used for allocation of funding to schools for 2018/19.

Summary

School funding arrangements for 2018/19 are that Dedicated Schools Grant (DSG) funding will be based on a national formula but Local Authorities (LA's) have the option to retain a local formula. Modelling demonstrates significant turbulence in a move to the NFF from the local formula although protections and capping will smooth this. LA's can agree MFG levels (protections) between 0% and -1.5% and capping levels to the amount of the MFG. To assist in moving to the NFF the LA recommends a formula review with a Sub Group of Schools Members to consider options for the formula for 2018/19.

Recommendations

Schools Forum agree to a review of the local formula for 2018/19; this to be undertaken by a Sub Group of Schools Members of Forum.

Implementation Date:

April 2019

Reference to Key Documents/Previous Papers:

Announcement by Justine Greening on Schools Funding July 2018
DfE - The national funding formula for schools and high needs policy document – September 2018

Report to the Schools Forum**12th October 2017****Schools Funding Formula Review 2018/19**

1. Purpose of the report

- 1.1 To update Forum on the national funding formula (NFF), implications for schools and ask Forum to consider if they wish to review the formula used for allocation of funding to schools for 2018/19.

2. Background

- 2.1. The DfE released the outcome of the consultation and policy document on the national funding formula (NFF) for schools and high needs in September 2018. Included in this was the commitment to move towards a NFF for schools together with details of the formula to be used to calculate Dedicated Schools Grant (DSG) funding for schools for 2018/19.
- 2.2. Based on this information it is necessary to decide whether to retain or review the local formula for allocating funding to schools for 2018/19. This is a Local Authority (LA) decision in consultation with Schools Forum and all schools.

3. Strategy and Context

- 3.1. Equitable allocation of funding to schools is important in ensuring funding matches local priorities and supports opportunities and outcomes for all pupils in the Borough.

4. Findings

- 4.1. The policy document issued by the DfE in September included details of the national formula for calculating Schools Block DSG. As outlined in the report on school funding arrangements for 2018/19, whilst the DSG is based on the accumulation of individual school allocations under the NFF, LA's have the flexibility to allocate funding on a local formula for 2018/19 and 2019/20. The purpose of this is to manage turbulence whilst moving to the NFF.
- 4.2. The NFF is largely unchanged from the proposals outlined earlier in the year. The main changes are:
 - A minimum basic per pupil amount for primary of £2,747, KS3 of £3,863 and KS4 of £4,386. Rochdale's current local formula amounts are above this.
 - An additional factor to provide a minimum pupil led funding amount (all pupil led factors) of £4,600 for secondary and £3,300 for primary in 2018/19.
 - Increase in the funding floor so that DSG funding to LA's provides for an increase of at least 0.5% per pupil in 2018/19 and at least 1% in 2019/20.
- 4.3 The details of the NFF factors and values together with the local formula are outlined below:

Local and NFF Factors and Values

	Current		NFF <i>Factor values as per proposed NFF with 0% MFG 3% CAP</i>	
	£		£	
Factor Values	Pri	Sec	Pri	Sec
Primary	3,050	-	2,747	-
KS3	-	4,448	-	3,863
KS4	-	5,168	-	4,386
<i>Deprivation</i>			-	-
FSM	-	-	440	440
FSM6	798	881	540	785
IDACI Band F	-	-	200	290
IDACI Band E	-	-	240	390
IDACI Band D	-	-	360	515
IDACI Band C	-	-	390	560
IDACI Band B	-	-	420	600
IDACI Band A	-	-	575	810
LAC	679	679	-	-
EAL	366	701	515	1385
Prior Attainment	821	1,127	1,050	1,550
Lump sum	120,000	160,000	110,000	110,000
Rates				
PFI				
MFG Rate	-1.5%		0%	
MFG £	432,017		1,695,780	
Capping Rate	3%		3%	
Capping £	0		(993,684)	

- 4.4 This shows that the basic per pupil amount in the current local formula is significantly higher than that in the national formula especially at KS3 and KS4 which will have implications for schools once the NFF is fully in place. Conversely, the factor values for deprivation are higher under the national formula. Whilst the lump sum has reduced for both sectors and will impact on funding levels for individual schools it is likely to have less effect than the per pupil amount change.
- 4.5 In addition to the policy document the DfE have provided indicative funding under the NFF for individual schools and LA's Schools Block DSG for 2018/19, 2019/20 and at full implementation ; this is based on October 2016 data which will updated for 2017 data in November. This provides an indicative Schools Block DSG allocation for 2018/19 of £155.470m, an increase of £1.8m over 2017/18 (1.1%).
- 4.6 As outlined previously the Regulations allow for a 'soft' national formula in 2018/19 and 2019/20 which means that LA's have the flexibility to allocate funding to schools either on the basis of the NFF or retain a local formula. This is to aid turbulence whilst moving towards the NFF. In a change from previous years the MFG will not be prescribed nationally for 2018/19 but LA's are able to set an MFG level at between 0% and -1.5% per pupil and have some form of capping to fund this. Rochdale's local formula currently has an MFG of -1.5% and capping at 3%.

4.7 The LA has undertaken modelling to compare the allocations to schools under both the NFF and current local formula and current formula with 0% MFG (i.e. no loss per pupil) and a 3% cap. The options modelled are:

Option 1 – current local formula with current factor values and MFG (-1.5%) and capping (3%)

Option 2 - current local formula with current factors and *MFG of 0%*, capping at 3%

Option 3 - NFF with change in *factor values to NFF for the basic per pupil amount and deprivation over a 3 year period, MFG of 0%*, capping at 3%

Option 4 – *NFF with MFG of 0%*, capping at 3%

Blue indicates changes

Details of this modelling are provided in Appendix A; a summary is provided below.

	Current APT**	Local formula	Local Formula	Hybrid	NFF
		-1.5% MFG 3% CAP	0% MFG 3% CAP	0% MFG 3% CAP	0% MFG 3% CAP
Primary	-				
Total Allocated	£86.168m	£86.950m	£87.009m	£87.770m	£87.550m
Highest gain			1.40%	3.14%	4.11%
Highest loss			0.08%	1.34%	1.45%
No of schools gaining			60	48	12
No of schools protected or losing			9	21	57
Secondary					
Total Allocated	£67.476m	£68.520m	£68.461m	£67.700m	£67.920m
Highest gain			n/a	0.09%	1.56%
Highest loss			0.09	1.49%	1.49%
No of schools gaining			0	1	2
No of schools protected or losing			12	11	10
Total Allocated	£153.644m	£155.470m	£155.470m	£155.470m	£155.470m
Value of Protection (MFG)	£0.432m	£0.105m	£0.226m	£0.861m	£1.670m
Value of Capping				£-0.511m	£-1.009m

** comparison to 2018/19 to indicate changes from this year's funding levels – does not form part of the options modelling.

4.8 It should be noted that the modelling only provides comparisons of funding under different formulae and is not an indication of what an individual school will receive in 2018/19 as the final DSG will differ from that modelled due to changes in pupil numbers and underlying data. The data on which the formulae are calculated will be updated to October 2017 data. However, it should be noted that, as the government has put more funding into the Schools Block overall, most individual schools should obtain more funding in 2018/19 over 2017/18 except those on the MFG.

- 4.9 The modelling demonstrates there is significant turbulence between the local formula and NFF with some schools gaining up to 4.1% and losses of up to 1.4%. The true indicator of turbulence for each school is measured by the level of funding required for protection under the MFG and the amount capped. These amounts indicate the true losses and gains to schools in the move towards the NFF on current funding levels. The level of protection given to schools under the MFG increases from £432k currently to £1,670k under the NFF. Currently no schools gain more than the 3% cap but under the NFF £1,009k will be capped (i.e. a number of schools would gain more than 3% under full implementation of the NFF). All except two secondary schools lose under the NFF (due to the reduction in the basic per pupil amount).
- 4.9 The modelling demonstrates that there is a relationship between levels of deprivation and losses / gains under the NFF. Appendix B plot losses / gains under the NFF against Free Schools Meals data and, although there are some outlier schools, this clearly shows a trend that schools with high levels of deprivation have higher gains than those with lower levels of deprivation. To establish if these schools also currently have high surplus balances a further exercise was undertaken plotting surplus balances against Free School Meals data; this is shown in Appendix C. The graph provides no evidence that there is any strong relationship
- 4.9 The arrangements provide for protections for schools in 2018/19. LA's are able to provide for a Minimum Funding Guarantee (MFG) calculation in their formula of between 0% to -1.5%; amounts aside this would need separate approval from the Secretary of state. It is also permissible to limit gains under capping arrangements; capping to be no greater than the amount of MFG.
- 4.10 In considering the formula for 2018/19 the options are whether to move to the NFF immediately retain the current local formula or undertake a review to change some of the factors to start to move to the NFF. The pro and cons of these options are that retaining the local formula will reduce turbulence in the short term but could lead to more significant turbulence when the NFF is fully introduced in 2020.
- 4.11 There are also options for the LA on the level of protections and capping to be used in the formula. If the MFG is set at 0% this will mean no school will lose the current level of per pupil funding in 2018/19. Protection longer term is less certain as it is not known what future MFG levels will be.
- 4.10 The LA is of the view that there should be some move to the NFF to assist transition to the NFF and reduce turbulence when the NFF is fully introduced in 2020/21. It is considered changes to the basic per pupil amount and deprivation values would achieve this as these are the two factors most significantly different in the local formula to the NFF. The LA recommends a review of the formula for 2018/19 with establishment of a Sub Group for schools members to consider this. Formula decisions are an LA decision in consultation with Schools Forum and all schools.

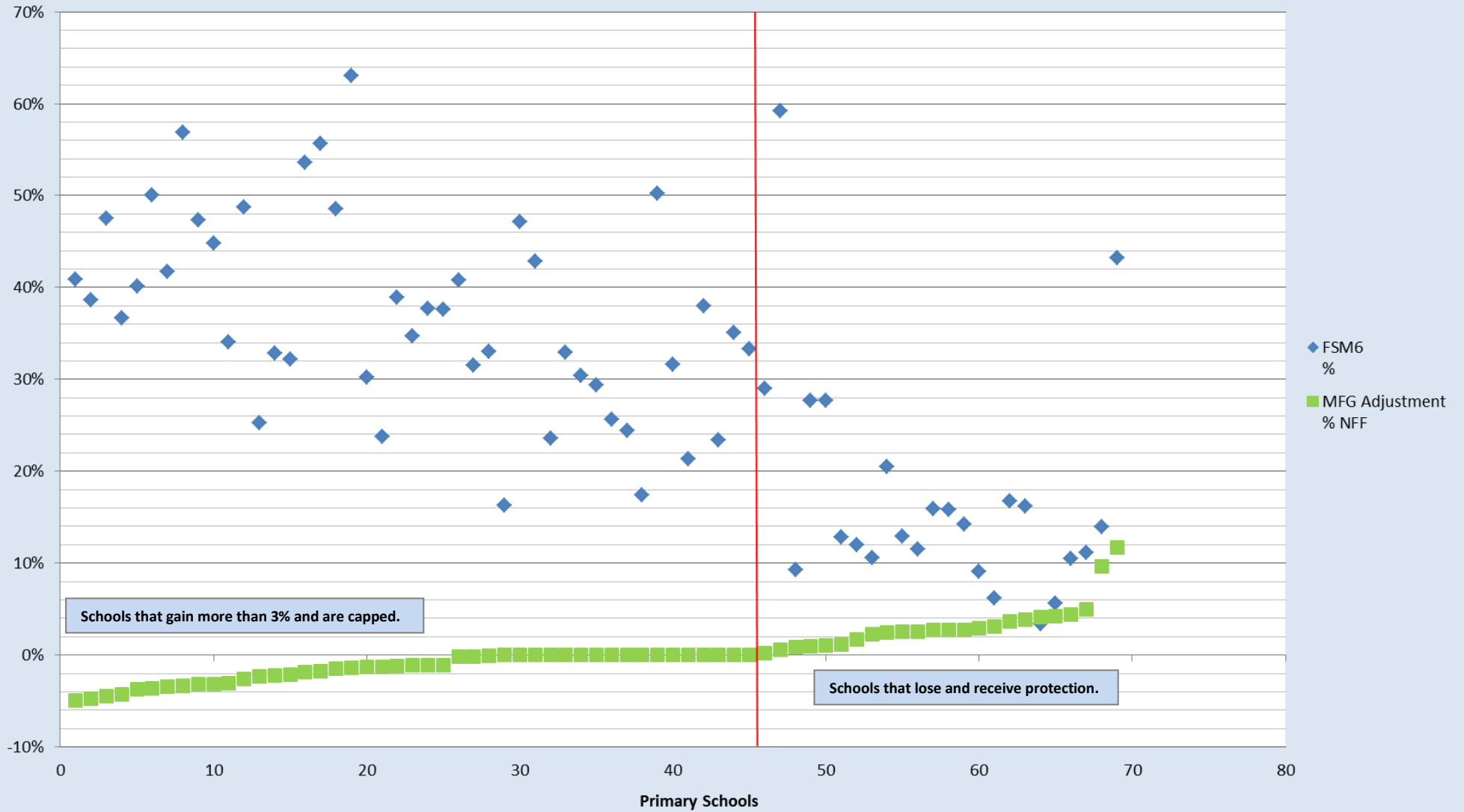
5. Summary

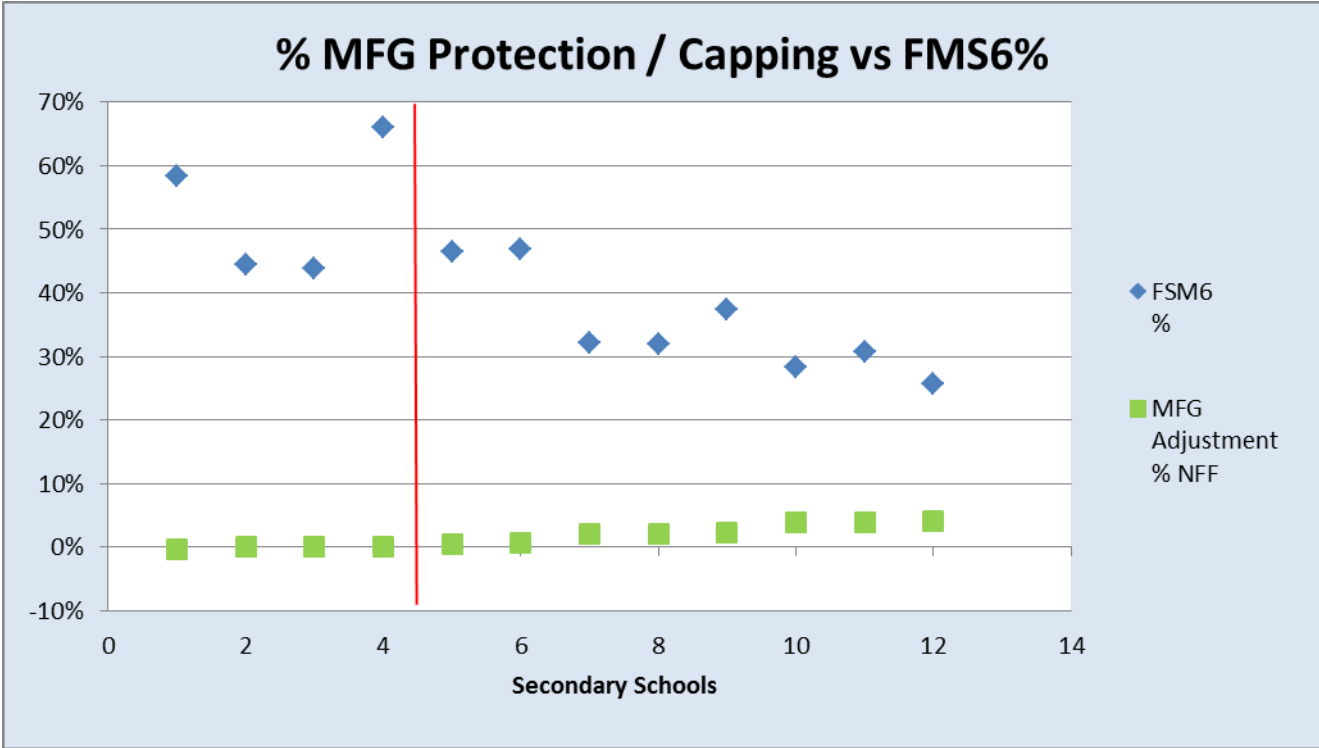
- 5.1. School funding arrangements for 2018/19 are that DSG funding will be based on a national formula but LA's have the option to retain local formula. Modelling demonstrates significant turbulence in a move to the NFF from the local formula although protections and capping will smooth this. LA's can agree MFG levels (protections) between 0% and -1.5% and capping levels to the amount of the MFG. To assist in moving to the NFF the LA recommends a formula review with a Sub Group of Schools Members to consider options for the formula for 2018/19.

6. Recommendations

- 6.1. Schools Forum agree to a review of the local formula for 2018/19; this to be undertaken by a Sub Group of Schools Members of Forum.

% MFG Protection / Capping vs FMS6%





Primary Suplus % of ISB v FMS6%

