

## **SCHOOLS FORUM**

**Date of Meeting:** 12<sup>th</sup> October 2017

**Subject:** **National Funding Formula Update, School Funding and DSG Arrangements 2018/19**

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**Confidential:** Not applicable

### **Introduction and Context**

This report summarises the recent publication on the National Funding Formula for schools and high needs together with Dedicated Schools Grant (DSG) arrangements for 2018/19.

### **Summary**

Dedicated Schools Grant (DSG) will be allocated in four blocks based on national formulae from April 2018. These are Schools, High Needs, Early Years and Central Schools Services. Funding in the Schools Block will be based on a national formula but Local Authorities (LA's) can continue to fund schools on local formula for 2018/19 and 2019/20. Based on indicative modelling Rochdale's DSG for Schools Block will increase by 1.1% and High Needs Block by 2.3% in 2018/19. There are continuing pressures on the High Needs Block which are currently being quantified – a report will be submitted to a future Forum on this. Funding for Central Services will reduce by 2.5% despite there being no reduction in functions LA's are required to provide. De-delegation of funding to LA's for central provision of services is still permitted with agreement of Schools Forum and LA's can offer services to schools on a Service Level Agreement basis.

### **Recommendations**

Schools Forum notes the report

### **Implementation Date:**

April 2018.

### **Reference to Key Documents/Previous Papers:**

The national funding formula for schools and high needs – Policy document September 2017.

## **Report to the Schools Forum**

**Date**            **12<sup>th</sup> October 2017**

**Title**            **National Funding Formula Update, School Funding and DSG Arrangements 2018/19**

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### **1. Purpose of the report**

1.1. This report summarises the recent publication on the National Funding Formula (NFF) for schools and high needs together with Dedicated Schools Grant (DSG) arrangements for 2018/19.

### **2. Background**

2.1. On 17<sup>th</sup> July 2017 the Secretary of State made an announcement with regard to school funding re-iterating that there would be a national funding formula for schools and providing a basic outline of national funding levels for 2018/19 onwards. She stated that operational guidance would follow shortly; this was released on 4<sup>th</sup> August 2017. A policy document on the schools national funding formula, modelling and indicative DSG allocations was released on 14<sup>th</sup> September.

### **3. Strategy and Context**

3.1. Optimum allocation of funding is essential to ensure effective use of resources to support pupil outcomes whilst also supporting the most vulnerable pupils in the Borough.

### **4. Findings**

#### *School Revenue Funding 2018/19 and National Funding Formula - General.*

4.1. The guidance and policy document re-iterate that there will be a national funding formula for calculating Dedicated Schools Grant (DSG) from 2018/19. The amount of DSG an LA receives will be the cumulative of the individual schools funding in its area calculated under the national formula. Details of the formula together with LA level allocations for schools, central services and high needs block was published on 14<sup>th</sup> September. Although the DfE stated in August that publishing the guidance would allow LA's to plan over the summer it was not possible to do this without knowledge of the formula and overall level of DSG Blocks funding to enable the impact on both the LA and schools to be evaluated.

4.2 The government have confirmed there will be an additional £1.3bn for schools and high needs across 2018-19 and 2019-20; this will mean all LA's will receive additional funding.

- 4.3 Whilst the Schools Block DSG which the LA receives will be based on the national formula, funding to individual schools will be based on the local formula which will continue to be set by the LA. Notional budgets for individual schools will be published. The discussions in formula review will be around how closely / quickly the local formula should move towards the national formula in 2018/19. Details of the national formula and review of the local formula are subject to a separate report.

#### *Changes to DSG Blocks*

- 4.4 There will be 4 Blocks for DSG Funding in 2018/19. These will be:
- Schools
  - Early Years
  - High Needs
  - Central Schools
- 4.5 Funding for LA's will be allocated through the Central School Services Block which will be made up of ongoing responsibilities (i.e. former Education Services Retained Grant) together with previously agreed centrally retained funding. Baselines for the Blocks have already been re-aligned to ensure they match current spend. Arrangements for the Early Years Block remain unchanged from those outlined for 2017/18.

#### *Schools Block*

- 4.6 Within the Schools Block the government will provide for at least a 0.5% per pupil increase in 2018/19 through the national funding formula. In addition the formula will provide per pupil funding for secondary school pupils in years 10 and 11 of at least £4,800 by 2019/20. Rochdale's per pupil funding for all secondary schools is currently above this so, as long as there is some protection in the formula, it is unlikely this will need to apply for our schools.
- 4.7 The minimum funding guarantee (MFG) for schools will continue with LA's having the flexibility to set a local MFG between 0% and -1.5% so LA's have the flexibility to offer higher levels of protection locally than previously.
- 4.8 Whilst there are a few minor changes to the national funding formula outlined earlier in the year, broadly speaking, the formula and arrangements for funding to schools in 2018/19 remain as current. The DfE will be replacing the looked-after-children factor in 2018-19 with an increase in the Pupil Premium Plus rates.
- 4.9 As part of the policy document the DfE have issued details of modelling on the national funding formula at an individual school and LA level. This modelling has been based on static October 2016 pupil numbers so the changes are not due to any pupil number changes. The Schools Block allocation will be updated and finalised in December, based on October 2017 pupil numbers. The modelling provides funding for the LA as follows - note the funding includes the Growth Fund.

#### *Schools Block DSG*

	<b>Allocation</b>	<b>Variation to Baseline</b>	<b>%</b>
	<b>£m</b>	<b>£m</b>	
Baseline 2017-18	154.644		
Indicative 2018-19	156.422	+1.778	+1.1%
Indicative 2019/20	157.329	+2.685	+1.7%
At Full NFF Implementation	157.329	+2.685	+1.7%

It must be noted that the position is much better than that outlined in the consultation document earlier in the year.

4.10 With regard to individual schools the increase in funding in 2018-19 under the national formula over the baseline position is as outlined below:

% Change	No of schools
0.4% (minimum)	28
0.5% - 1.0%	26
1.1% - 1.5%	2
1.6% - 2.0%	5
2.1% - 2.5%	1
2.6% - 2.8%	19

4.11 It can be seen that, under the national formula modelling, the majority of schools will receive increases at the lower end (up to 1%) with 28 schools at the full MFG protected rate. However, the final funding received for 2018/19 will differ from this dependent on whether the local formula is retained or there is a move to the national formula; this is subject to a separate report.

#### *Growth Fund*

4.12 The Growth Fund sits within the Schools Block so a movement from formula funding to the Growth Fund would not be treated as a transfer. Arrangements for this are as current. However for 2018/19 an increase in the amount needed for the Growth Fund will be required; this is currently estimated at £1.5m.

#### *High Needs Block*

4.13 As outlined in the consultation the funding for High Needs will be calculated on a formula based on the needs and mix of pupils in the Borough. The government will provide for at least a 0.5% increase overall in the High Needs Block funding in 2018-19. Funding under the formula shows the LA getting an increase in the High Needs Block of 2.3% in 2018/19 with further increases to full implementation as outlined below:

#### High Needs Block

	Allocation	Variation to Baseline	%
	£m	£m	
Baseline 2017-18	21.538		
Indicative 2018-19	22.025	+0.487	+2.3%
Indicative 2019/20	22.636	+1.098	+5.1%
At Full NFF Implementation	24.739	+3.201	+14.9%

4.14 It can be seen that Rochdale is expected to get increased funding for high needs under the formula. However, this is unlikely to be sufficient to fund increasing pressures in this area. The LA is currently quantifying these pressures and will report to a future Forum; it is likely this will include a request to transfer funding from the Schools Block to High Needs Block to fund pressures.

### *Central School Services Block (CSSB)*

- 4.15 The Central Schools Services Block (CSSB) will be introduced in 2018/19 to fund LA's for the statutory duties they hold. This will be made up of:
- Funding previously allocated through the retained duties element of the ESG
  - Funding previously centrally retained from the Schools Block for central functions such as admissions
  - Residual funding for historical commitments
- 4.16 This effectively provides funding for what is currently classed as centrally held funding. Details of the functions covering this are:
- Statutory and Regulatory duties
  - Education welfare
  - Central support functions
  - Other
    - Licences negotiated by the DfE
    - Admissions
    - Places in independent schools for non-SEN pupils
    - Boarding fess
    - Servicing of Schools Forum
    - Back pay for Equal Pay claims
    - Historic commitments (require Forum approval)
- 4.17 Funding will be calculated on a simple formula basis with 2 elements, a per pupil basis and weighting for deprivation. Protection will be in place to ensure there are no reductions more than 2.5%. The LA hits this floor so therefore, will get reduced funding of £1.183m in 2018/19 and £1.153m in 2019/20 despite there being no reductions in functions.
- 4.18 Schools Forum approval is required on a line by line basis for centrally retained funding covered in the Central Schools Services Block which is subject to a separate report.

### *Early Years Block*

- 4.19 Arrangements for the Early Years Block remain as outlined for 2017/18; the only difference to 2018/19 being that the rate for passing funding to providers is 95% (93% in 2017/18). Indicative DSG for Early Years will be notified in December with the final DSG being based on actual participation levels. A report will be submitted to a future Forum on central retention and contingency levels for Early Years for 2018/19.

### *Summary and Movements Between Blocks*

- 4.19 A summary of the total DSG position is provided at Appendix A.
- 4.20 From 2018/19 the Schools Block will be ring-fenced with the only flexibility being that LA's will have the ability to transfer up to 0.5% of their schools block funding to another block with the agreement of their Schools Forum. This equates to around £725k for Rochdale. LA's will also be required to consult with all schools (including academies) on this. Where there is objection to the transfer the LA can apply to the Secretary of State. The document also acknowledges pressures on high needs and that LA's may wish to transfer more funding for this; this would require an application to the Secretary of State.

4.21 Movements from the Central School Services Block to the Schools Block or from High Needs Block to any other Block are not subject to any limit and can be made in consultation with Schools Forum.

*De-delegation (Services to Schools)*

4.22 LA's are able to fund services previously funded by the ESG General Grant by de-delegating funding from maintained schools, by agreement with the maintained schools members of schools forum. If the LA and schools forum are unable to agree on the amount to be retained the matter can be referred to the Secretary of State.

4.23 In addition there can be de-delegation of funding by agreement from the relevant sector of schools forum members for the following:

- Additional school improvement services
- Contingencies
- Behaviour support services
- Support to underperforming ethnic and bilingual learners
- Free schools meals eligibility
- Insurance
- Museum and library services
- Licences/ subscriptions (other than those paid by the DfE)
- Staff cost supply cover (e.g. sickness, maternity, trade union and public duties)

*Timelines*

4.19 The LA received details of the national funding formula and funding rates on September 2017. The final submission to the DfE of the schools formula will need submitting to the DfE by 19<sup>th</sup> January 2018. During this time the LA will be required to review and agree the formula, agree amounts to be centrally retained and de-delegated (including the Growth Fund) together with any funding transfers required for the High Needs Block. The timelines for achieving this will be challenging. Consideration of review of the local funding formula forms part of a separate report to Forum.

**5 Recommendation**

5.1 Schools Forum notes the report.