



<b>Report to:</b>	People Committee	<b>Date:</b>	6 December 2018
<b>Report title:</b>	National Funding Formula for Schools		
<b>Report from:</b>	Nick Ireland - Acting Strategic Director People Services		
<b>Ward/Areas affected:</b>	Borough wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Marian James		
<b>Author(s)/Contact Number(s):</b>	Kieran Holliday, Head of Pupil Based Commissioning, 020 8770 6553		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• An Open Council</li> <li>• A Fair Council</li> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	21 November 2018

## 1. Summary

- 1.1 The Government is introducing a National Funding Formula for all schools in the country. Local Authorities have discretion, in consultation with Schools Forum, to set local formula factors up until 2021/22 whereafter the 'hard' national funding formula will remove the role of the Local Authority and Schools Forum. This report covers the approach the Local Authority is taking in the second year of transition.

## 2. Recommendations

The People Committee is recommended to :

- 2.1 Note the responses to the consultation with schools on the preferred approach to the transition to a National Funding Formula.
- 2.2 Note the outcomes of the Schools Forum meeting on 4 December 2018.
- 2.3 Ratify the proposed local formula factors proposed by officers following discussions at Schools Forum on 4 December 2018.

### 3. Background

- 3.1. The Government is introducing a National Funding Formula (NFF) which will determine how all schools in the country will be funded in future. The Government introduced the NFF from April 2018. The Local Authority's total Schools Block allocation will be calculated using the NFF, however the actual formula upon which the schools block allocation will be made will still be based on local formula factors set by the Local Authority until 2020/21 (known as the 'soft' national funding formula). From 2021/22 the 'hard' national funding formula is expected to be implemented where both the total allocation in Sutton as well as the formula factors upon which that funding is distributed to schools will be set centrally by Government.
- 3.2. Sutton is an overall gainer from the NFF (but largely in line with inflation only) however whilst the total amount of money will increase from last year, a key decision that the Local Authority needs to make, in consultation with schools and Schools Forum, is how to manage the transition from a local formula which was in place in 2017/18 to a hard national funding formula which will be in place by 2021/22.
- 3.3. Following consultation last year, the Local Authority moved the local factors as close to the NFF as was possible within the funding available. In 2018/19, schools in the Borough were therefore funded largely on the National Funding Formula already. Further consultation has taken place this year to determine what the formula factors should be for 2019/20. All schools in 2019/20 are expected to be funded to the national funding formula factors however there remains decisions to be made for example in relation to high needs and growth funding. This report outlines the process that the Local Authority has followed, the views expressed by the Schools Forum as well as the the responses received from schools throughout the consultation.
- 3.4. The Government produced guidance for Local Authorities on the 2019/20 financial round which was published at the end of July 2018. There are a number of features to the NFF which remain the same and were announced in 2017, but are taking effect this year.
- The **minimum per pupil funding** level for secondary schools will increase to £4,800 per pupil and for primary schools this will increase to £3,500
  - The **funding floor** – the funding floor will increase to ensure that all schools will attract at least a 1% gain per pupil against their 2017-18 baselines - it being 0.5% last year (note this is the basis upon which the total DSG allocation per authority will be calculated NOT what schools will actually receive).
  - The **gains cap** – the gains cap will increase to 6.09% per pupil against 2017-18 baselines. This is in effect a 'compounded figure' e.g. schools that gain 3% on top of the 3% they gained in 2018-19. Again, this is the basis upon which the total Designated Schools Grant (DSG) allocation will be calculated NOT what schools will actually receive.
- 3.5. There are also a number of changes on the guidance published in 2018/19 including changes to the date of the full implementation of the NFF (now planned for 2021/22), changes to how growth funding is provided, the introduction of a funding floor that allows Local Authorities to



apply a minimum 1% increase for all schools on 2017/18 baselines and minor changes to primary low prior attainment and premises/mobility factors.

- 3.6. Based on October 2017 numbers on roll, Sutton will receive an estimated allocation for 2019/20 of £150.2m (excluding growth). This is against a total figure allocated in 2018/19 of £146.8m (also excluding growth). The total allocation will change once 2018 numbers on roll are known in December. Local Authorities must therefore agree what local factors they are to use for 2019/20 by modelling like for like comparisons against the October 2017 numbers on roll data.

#### **4. Issues**

- 4.1. Officers of the Local Authority met with the Formula Review Group on 11 September 2018 (a sub group of the Schools Forum in place to discuss changes to the Schools Formula) to discuss the potential options for 2019/20 and then agreed the options for consultation at the Schools Forum on 9 October 2018. The formal consultation ran from 15 October to the 12 November 2018. The consultation document which provides the background to the consultation is included in Appendix A with associated appendices.

#### **5. Options Considered**

- 5.1. Before making any recommendations, the Local Authority consulted on four broad options for the arrangements that could be considered in 2019/20. Broadly speaking these options were as follows:
- OPTION 1 - Implement the National Funding Formula Factors with all residual funding remaining for high needs and growth
  - OPTION 2 - Implement the National Funding Formula Factors and allocate some of the residual funding to primary schools by increasing the lump sum by 10k (one off)
  - OPTION 3 - Implement the National Funding Formula Factors and allocate some of the residual funding to all schools by increasing the lump sum to all schools by £5k (one off).
  - OPTION 4 - Implement the National Funding Formula Factors and allocate some of the residual funding by reducing the minimum funding guarantee to 0% (e.g. no school can see a reduction in funding on 2018/19 levels).
- 5.2. Officers have summarised the consultation responses from Schools which is included in Appendix B. The consultation responses will be considered by Schools Forum on 4 December, and therefore at the time of writing this report, Schools Forum had not made their recommendations on the preferred option. It is anticipated that an update report (Appendix C) will be issued at the People Committee meeting on 6 December indicating the recommendation provided by the Schools Forum as well as the option that officers will be seeking ratification from the Committee on.

### Next Steps

- 5.3 The table below describes the process that the Local Authority has followed in order to make a decision. It should be noted that at the time of writing that the actual DSG allocation in Sutton had not been announced but is expected at the end of December.

Date	Activity
11 September 2018	Meet with Formula Review Group to: <ul style="list-style-type: none"> <li>- Discuss and agree principles and overarching approach</li> <li>- Review options officers have modelled</li> <li>- Recommend options we should consult on / any further options Formula Review Group would wish officers to model</li> <li>- SEND Disapplication and High Needs Funding Review</li> </ul>
9 October 2018	Meet with Schools Forum to: <ul style="list-style-type: none"> <li>- Review options discussed with the FRG</li> <li>- Agree options we should consult on and consultation paper / process</li> <li>- SEND Disapplication and High Needs Funding Review</li> </ul>
15 October 2018 - November 12 November (4 weeks)	Consultation with all local maintained schools and academies on Schools block funding as part of progress to NFF
30 November 2018	Deadline for disapplication (requests to move money from schools block to high needs block)
4 December 2018	Schools Forum - to agree local formula factors for 2019-20
6 December 2018	People Committee - to ratify local formula factors for 2019-20
Mid December	Dept for Educationf/Education Skills Funding Agency (DfE/ESFA) template issued to local authorities containing October 2018 census-based pupil data and factors.
End of December	DfE/ESFA publication of DSG schools block and high needs block allocations for 2019 to 2020 (prior to academy recoupment)



## 6. Impacts and Implications

### Finance

- 6.1. The Local Authority's Dedicated Schools Grant (DSG) allocation for 2019/20 is due from the DfE/EFSA by mid/late December 2018. The Schools Block will be based on the October 2018 census data. All the modelling on the local funding formula to date has been based on October 2017 data.
- 6.2. The proposed formula factors, are expected to move our current local funding formula to the NFF within the funding allocation for 2019/20.
- 6.3. Given that there are financial pressures on the high needs block a 0.5% transfer from the schools to the high needs block was requested from Schools Forum on 4 December 2018. Sutton has experienced overspends against the high needs block allocation in every year since 2013/14. Contributory factors to these pressures include: (i) population increase / increased complexity of need, (ii) the unfunded extension of LA responsibilities from 4 to 19 to 0 to 25 (iii) increased costs of NMI and in general raised expectations as a result of the Children and Families Act 2014. Sutton is not alone in experiencing these pressures. Last year, 27 of the 32 London Boroughs reported significant overspends on high needs reporting an accumulated deficit of £72m.
- 6.4. It is recognised that schools are also under financial pressure and will be naturally reluctant to agree to a transfer of 0.5% from the schools block, however the response from the consultation suggests that there is understanding from schools on the pressures on the high needs block in the Borough and most schools that responded accepted the request.
- 6.5. A disapplication request to the Secretary of State is required in cases where the local authority wishes to move more than 0.5% of the schools block or where the Schools Forum has turned down a proposal from the authority to move funding out of the schools block, but the authority nevertheless wishes to proceed with the transfer.
- 6.6. As was also the case last year, the Government have stated that a disapplication request has to be submitted by 30 November 2018, using the best information available. This would be in advance of decisions made at Schools Forum scheduled for 4 December 2018 and at the time of writing a decision had not been made. Officers have submitted a disapplication request 'in any case' - on the basis that it will be confirmed to the Department for Education following the Schools Forum meeting on 4th December whether (i) there is an objection from schools or not, (ii) the Local Authority wishes to withdraw the disapplication request.

### Legal

- 6.7. The system of maintained school funding is set out in the School Standards and Framework Act 1998 and the Schools and Early Years Finance Regulations. Local authorities are required to set a non-schools education budget and a schools budget each year. The authority receives a specific grant to fund the schools budget, the Dedicated Schools Grant (DSG),



under the Education Act 2002. It is a condition of the grant that the DSG may only be used for the Schools Budget and for no other purpose. The non-schools budget is broadly for central education expenditure and the schools budget for expenditure on individual pupils. The Schools and Early Years Finance Regulations set out what is to be in each budget and the expenditure that can be held centrally by the LA from the Schools Budget. The remainder of the Schools Budget forms the 'Individual Schools Budget' and is allocated to individual schools according to the LA's funding formula and scheme of finance for schools. Regulations also determine the factors that may be included in funding formulae. The Schools Forum must be consulted on the School's Budget and must agree some items. Initial determination of the Schools Budget and school budget shares for maintained mainstream schools must be confirmed by the end of February each year.

- 6.8. The Government has announced that individual schools' budgets should ultimately be set on the basis of a single national formula following a transition period. However, local authorities will continue to set local formulae for determining individual schools' budgets in 2018-2019 and 2019-20 in consultation with schools in their area. The DSG and Schools Budget will now be divided into four blocks: schools, high needs, early years, and a central school services block. The four blocks of the DSG are determined by a separate national funding formula. Since 2018-2019 the schools block has been ring fenced for funding individual school budgets, but local authorities are able to transfer up to 0.5% of their schools block funding to another block with the agreement of their schools forum. DfE Guidance indicates that the Government will continue to give local authorities some flexibility to transfer funding from the schools block to other areas, particularly high needs, where there is a strong local rationale for doing so. The transfer is limited to 0.5% of the total schools block and requires the agreement of the schools forum and consultation with all local schools. A new agreement to transfer any sums out of the schools block is needed for each year. Local authorities can apply to the Secretary of State under the disapplication process to transfer more than the 0.5% limit or to make a transfer where the schools forum is not in agreement.



## 7. Appendices and Background Documents

Appendix letter	Title
A	National Funding Formula Consultation Document and Appendices A-C
B	Summary of consultation responses received 12 November 9
C	Update report on Schools Forum meeting 4 December - <i>to follow</i>

### Background documents

None

### Audit Trail

Version	Final	Date: 23 November 2018
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### Consultation with other officers

Finance	Yes	Sue Holmes
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Legal	Yes	Sarah Willis
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Equality Impact Assessment required?	No	N/A
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