

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

Date:	2nd November 2017	AGENDA	06
		ITEM:	
Title:	Schools Budget Funding Arrangements 2018/19 and beyond		
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1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to make the Forum aware of the Parliamentary Statements on schools funding made by the Education Secretary 17 July 2017 and 14 September 2017.
- 1.2 The key points of the paper are:
 - to inform the Forum of the recent Education & Skills Funding Agency (ESFA) document "Schools revenue funding 2018 to 2019: operational guide" which provides guidance on the National Funding Formula (NFF) changes for 2018/19
 - to update the Forum on the changes proposed for the implementation of the NFF
 - to update the Forum on the responsibilities of Schools Forum within the new funding system

2 RECOMMENDATIONS

- 2.1 That the Forum:
 - notes the details regarding schools funding in 2018/19
 - notes the timetable of events for schools funding as detailed within Appendix A
 - notes the responsibilities of schools forum as detailed within Appendix B
 - agrees for the Local Authority to consult schools on the adoption of the NFF model

3 Background

- 3.1 In March 2012, the DfE published a consultation document "School funding reform: Next steps towards a fairer system" and took the first steps towards the introduction of a NFF.
- 3.2 The DfE have completed two consultations on the introduction of the NFF. Schools Forum have been kept up to date on progress regarding

implementation including changes to proposed implementation dates. The DfE have also undertaken two baselining exercises against the DSG blocks.

3.3 The latest NFF consultation introduced the following proposals:

- a school-level ('hard') NFF from April 2020/21
- a NFF to be used to determine local authorities schools block allocations in 2018/19 and 2019/20 but authorities to set formulae locally (a 'soft' formula).

3.4 The School Funding methodology for the current and next three financial years is set out in table 1.

Table 1. School Funding methodology

Year	Schools Block funding allocated to LA by	Schools Funding allocated via
2017/18	Schools Block Unit Funding *	Local formula
2018/19	Primary & Secondary pupil rate - Determined via pseudo NFF	Local formula
2019/20	Primary & Secondary pupil rate - Determined via pseudo NFF	Local formula
2020/21	NFF	NFF

*Schools Block Unit of Funding;

The per pupil rate the ESFA uses to allocate funding to an authority for its schools block DSG.

3.5 The per pupil rate the ESFA uses to allocate funding to an authority for its schools block DSG. This differs for each authority; the Royal Borough's 2017/18 rate was £4,421.73 per pupil.

3.6 During 2018/19 & 2019/20 the local authority will receive funding via a per pupil rate for primary and secondary pupils. The rates will be derived by calculating the funding each local authority school would receive using the NFF calculation. Authorities will receive schools block allocations based on a derived primary pupil rate and derived secondary pupil rate.

3.7 The DfE have set a minimum value of £4,800 for secondary pupils and £3,500 for primary schools for 2019/20 with interim rates of £4,600 and £3,300 for 2018/19. The DfE have also said that the per pupil rates will include a 0.5% increase per pupil per school on the preceding years per pupil funding.

- 3.8 Forum are asked to note that funding has been transferred from the High Needs block to the schools block to offset the change to the funding source of “Element 1” within Place Plus for a provision. The funding rates will also include the historic funding of growth and premises.
- 3.9 The ESFA “Re-Baselining” exercise to re-apportion the DSG between four funding blocks, following the creation of an additional central block, was constrained to balancing the existing DSG budget value.
- 3.10 The schools block element was pre-set by the ESFA, the early years block was based on actual figures and the central block, although adjustable, was based on the Section 251 return. The balancing figure was applied to the high needs block but made no allowance for true spend and no opportunity to detail any overspend.

4 SCHOOLS REVENUE FUNDING 2018/19: OPERATIONAL GUIDE

- 4.1 The guide details a number of significant changes to the existing funding system. The creation of a fourth DSG block; the Central School Services Block (CSSB). The Royal Borough will be allocated funding for central services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. It brings together:
- funding previously allocated through the retained duties element of the Educational Services Grant (ESG)
 - funding for ongoing central functions, such as admissions, previously topslice from the schools block
 - residual funding for historical commitments, previously top-sliced from the schools block
- 4.2 Each of the four blocks that comprise the DSG will be determined by a separate NFF. Early years is currently allocated on the basis of a NFF. From 2018/19, the remaining three blocks will also be calculated using national formulae.
- 4.3 Within the schools block allocation, the Government will provide for at least a 0.5% per pupil increase for each school in 2018/19 and an equivalent increase in 2019/20.
- 4.4 Within the High Needs block allocation, the Government will provide for at least a 0.5% overall increase in 2018/19 based on the adjusted 2017/18 baseline figure.
- 4.5 This formula does not take into account the DSG deficit experienced by the authority. The baseline exercise only recognised funding to the allocated amount and did not allow for actual expenditure greater than the allocation.
- 4.6 The adjustments to the high needs baseline are:
- the transfer of funding from high needs to the schools block to offset the

- change in funding “Element 1” of Place Plus
 - pupil number changes from 2016/17 to 2017/18 for pupils in special education establishments
 - import/export adjustment for pupils attending provisions outside their home authority
 - the Minimum Funding Guarantee (MFG) has been set by the DfE at minus 1.5% since the introduction of the fair funding policy. During 2018/19 and 2019/20 local authorities will be allowed to set the MFG between 0% and minus 1.5% for calculation of the schools block
 - transfers of funds from the schools block will be limited. Forum may agree a transfer of up to 0.5%
 - transfers above this amount or where Forum disagrees with the movement require permission from the Secretary of State
- 4.7 A number of less significant changes will also occur:
- for the deprivation factor of the local formula, authorities may now use “FSM” and “Ever6”
 - the Looked after Child (LAC) factor of the formula has been removed. Pupil premium rates will be increased in 2018/19
 - the Schools block pupil numbers will no longer be reduced for high needs places. Funding for a school will be calculated on the non-adjusted pupil roll. Place funding will continue to be £10,000 (£4,000 + £6,000). But the £4,000 will now be within the schools block funding
- 4.8 The list of allowable funding factors remains the same as present in the 2018/19 guide with the exception that the authority may set a minimum per pupil amount for secondary schools. The local factor values and parameters may continue to differ from those used in the NFF because local authorities retain discretion in 2018/19 and 2019/20.
- 4.9 Appendix C details the allowable factors. The main difference between the current local formula and those used in the NFF are:
- RBWM currently only utilise “Ever6” (Children eligible for Free School Meals within the past 6 years) as an indicator for deprivation. Under the NFF the Index of Deprivation Affecting Children (IDACI) is used as well as both Free School Meals (FSM) and Ever6
 - NFF does not use the Looked-after-Children (LAC) factor. Currently RBWM funds each LAC pupil at £1,900
 - funding for split site is not rate driven within the NFF and will initially be based on historic spend. At least one additional school will qualify for split site funding during 2018/19. RBWM does not use this formula factor
 - funding for Non-Domestic rates is cost neutral for schools. The allocation to the authority to fund Rates within its maintained schools will be based on historical spend and increases due to revaluations are likely to be lagged. The method of claiming increases from the ESFA for Rates has not yet been determined
 - the Minimum NFF rate of £4,600 per pupil for secondary schools and £3,300 for Primary schools

- 4.10 The early years funding formula allocates funding for the three and four-year-old entitlement, both for the universal 15 hour entitlement and the new 30 hour entitlement for working parents on a formulaic basis. It commenced, for the existing 15 hours, in April 2017 and for the additional 15 hours, in September 2017.
- 4.11 The high needs block supports provision for pupils and students with Special Educational Needs (SEN) and Disabilities (SEND), from their early years to age 25 and alternative provision (AP) for pupils who cannot receive their education in schools.
- 4.12 The Education Skills & Funding Agency (ESFA) state that local authorities should:
- engage in open and transparent consultation with all their schools and academies as well as schools forum about any proposed changes to the local funding formula including method, principle and rules adopted
 - any consultation should include a demonstration of the effect of modelling such changes
 - authorities should ensure they allow sufficient time for wider consultations if they wish to transfer funds out of the schools block and/or submit a disapplication request to the Secretary of State

5 PROVISIONAL 2018/19 SCHOOLS FUNDING SETTLEMENT

- 5.1 The indicative DSG allocation for 2018/19 is £103,042,001 consisting of the following block elements as set out in table 2.

Table 2. Indicative NFF funding in 2018/19

Block	Indicative NFF funding in 2018/19 £000
Schools	83,184
High Needs	18,725
Central School Services	1,133
TOTAL Provisional Funding 2018/19	103,042

- 5.2 The above shows provisional NFF 2018/19 allocations for each of the schools, high needs and central school services blocks. These allocations include funding floors and gains capping policies relevant to each block. Allocations in 2018/19 will be updated to reflect up to date pupil numbers.

6 SCHOOLS FUNDING ARRANGEMENTS FOR 2018/19

Other Funding Allocations

6.1 In addition to the mainstream Schools Budget Share (or General Annual Grant for Academies), schools and academies may receive other types of funding. The most common sources of additional funding are shown below.

- **Early years funding:** this applies to schools or academies with a nursery class. This is paid directly by local authorities to all early years providers, through the early years single funding formula (EYSFF)
- **Post-16 mainstream funding:** calculated by the EFA according to a national formula
- **High needs place funding:** this applies to mainstream schools or academies with a designated special unit or resourced provision. £10,000 place funding is provided for each agreed pre-16 high needs place. This is paid directly to academies by the EFA and forms part of the budget share for maintained schools. Post-16 high needs places – in special units, resourced provision or sixth forms – are funded through the national post-16 formula. Funding for academies is paid directly by the EFA. Where place funding is payable to maintained mainstream schools for post-16 pupils, it forms part of the sixth form grant that the local authority pays to its school sixth forms on behalf of the EFA
- **High-needs top-up funding:** This is paid directly by the commissioning local authority for pre-16 high needs pupils where the total cost exceeds the thresholds. In the case of special units, the cost threshold is £10,000 and includes the costs of all pupils' basic educational entitlement, which is funded through the place funding. If the pupil is not in a unit, the cost threshold is £6,000, which covers the costs of additional SEN support. Schools are expected to meet any cost of support below these thresholds from their budget allocations. For post-16 pupils, the top-up funding is paid in addition to the amounts paid to providers through the national post-16 formula
- **Pupil Premium:** A premium is payable for each pupil who has been eligible for free school meals at any time in the last six years, or is looked after / adopted from care or who has been a service child in the last four years (including children whose parents have died in service and who are in receipt of pensions under the Armed Forces Compensation Scheme (AFCS) and the War Pensions Scheme (WPS). Allocation is based on the spring census proceeding the financial year. Rates for 2018/19 are not available at the time of writing
- **Universal Infant Free School Meals Grant:** This funding is available to provide all infant-age pupils with a free school meal. The rate for 2016/17 is £2.30 per meal taken. The rates for 2017/18 are yet to be announced

De-delegated Services

- 6.2 De-delegation remains an option during the soft implementation years and the authority is reviewing the requirement and level of this. Details will be provided over the coming months and this will be formally considered at the January 2018 Schools Forum.

High Needs Funding

- 6.3 Indicative funding examples have been released by the ESFA regarding High Needs Funding. This shows a small increase for high needs funding being allocated to the authority; a baseline increase of 1.3%. However, the indicative figures do not allow for historical spend, increasing unit costs and expected pupil growth within high needs.

Central School Services

- 6.4 In respect of the Central School Services the overall indicative funding 2018/19 of £1,133,000 reflects a year on year budget reduction of £22,000.

Growth Fund, Falling Rolls and Targeted High Needs Funding

- 6.5 Growth funding forms a separate funding element to the schools block. Criteria for the issuing of the growth fund remains unchanged.
- 6.6 Falling rolls funding remains available within the Royal Borough.
- 6.7 Local authorities may continue to provide additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their high needs pupils cannot be reflected adequately in their formula funding.
- 6.8 Additional funding can also be provided where there are a disproportionate number of pupils with a particular type of SEN. However, no additional funding is made available by the DfE and any such award has to be found from the overall DSG. Although not specifically mentioned in the recent DfE documentation, DfE have confirmed that this facility will remain available to the authority during the “soft” year. However, it will count towards any transfer from the schools block.

Minimum Funding Guarantee Protection and Funding Cap

- 6.9 The option has been created to allow authorities to set the Minimum Funding Guarantee (MFG) between 0% and minus 1.5% in 2018/19. This applies only to the schools block formula.

- 6.10 The MFG applies to pupils in age ranges 5-16, therefore, excludes funding for early years children and young people over 16. The only formula factors which will be automatically excluded from the MFG baseline are:
- Lump sum
 - Rates (NNDR)
- 6.11 The DfE will again be allowing overall gains for individual schools to be capped as well as scaled back to make it easier to run the formula. Capping and scaling must be applied on the same basis to all schools, so cannot be differentiated by phase. Also, capping and scaling factors must not be applied to schools which have opened in the last seven years and have not reached their full number of year groups.
- 6.12 The DfE continue to stipulate that local authorities must cap or scale schools budgets only to the extent that is required to fund the minimum funding guarantee. There is no intention to consult on a proposed MFG level as this will be determined by the need to balance the schools funding formula expenditure to available funding.

Dedicated Schools Grant (DSG) projected deficit

- 6.13 The Forum will be aware that the projected balance as at 31st March 2018 is a deficit of £1,235,000.
- 6.14 The reasons for this deficit position and the actions already being undertaken in mitigation have been the subject of previous detailed reports to Forum.
- 6.15 The level of overspend remains financially unsustainable for the Council in the long term.
- 6.16 AfC officers are developing detailed cost reduction options for consideration by both the Council and schools. These will be discussed with the Council and head teachers over the coming months. AfC officers will arrange a dedicated session with headteachers to ensure that all partners work together in the consideration of appropriate options and are kept well informed. Forum members will also have an important role to play in filtering out information to colleagues in other schools.

7 SCHOOLS CONSULTATION

- 7.1 A separate report on the contents, process and timescales of the consultation will be shared. Key features of the consultation will include:
- the level of migration to the NFF methodology
 - support for growth fund allocations
 - transfer of block funding
- 7.2 Consultation will include anonymised models for the impact of adopting each changed factor.

Appendix A

Timetable

The timetable for the data checking and calculation of the blocks is shown below:

Date	DfE/ESFA	Local authorities
August 2017	Operational guidance published setting out arrangements for 5-16 mainstream schools implementation for 2018 to 2019. Local authority level baselines published.	
August 2017	Example APT issued to local authorities	
September 2017	Allocations issued for schools, central school services and high needs blocks	
Autumn 2017	High needs funding guide for 2018 to 2019 issued to local authorities	
5 October 2017	School census day	
October / November 2017	DfE and local authorities check and validate school census	
30 November 2017	School census database closed	Deadline for submitting requests for: <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factors • lump sum variations for amalgamating schools • pupil number reductions • movement of funding out of the schools block above the limit of 0.5% and/or which the schools forum has not approved
Mid-December 2017	APT issued to local authorities, containing October 2017 census-based pupil data and factors Publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment) Publication of provisional early years block allocations	

Mid-January 2018		Schools forum consultation / political approval required for final 2018 to 2019 funding formula
19 January 2018		Deadline for submission of final 2018 to 2019 APT to ESFA
28 February 2018		Deadline for confirmation of schools budget shares to mainstream maintained schools
February/March 2018	2018 to 2019 allocations to post-16 institutions, academies and NMSS to be issued	
February 2018	Publication of 2018 to 2019 high needs place numbers at institution level	
30 March 2018	Confirmation of 2018 to 2019 general annual grant for academies open by 9 January 2018	
April 2018	First DSG payments to local authorities based on 2018 to 2019 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions), FE high needs place funding deductions and other adjustments	
Summer 2018	Early years block updated for January 2018 early years pupil numbers	
Summer 2019	Early years block updated for January 2019 early years pupil numbers (pro rata 7/12ths as this relates only to the period September 2018- March 2019)	

Appendix B

Schools Forum Level of Approval

Approval required	Services covered (and funding block)
Schools forum approval is not required (although they should be consulted)	<ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State
Schools forum approval is required on a line-by-line basis	<ul style="list-style-type: none"> • funding to enable all schools to meet the infant class size requirement • back-pay for equal pay claims • remission of boarding fees at maintained schools and academies • places in independent schools for non-SEN pupils • admissions • servicing of schools forum • contribution to responsibilities that local authorities hold for all schools • contribution to responsibilities that local authorities hold for maintained schools (voted on by relevant maintained school members of the forum only) • de-delegated services from the schools block (voted on by the relevant maintained school members of the forum only)
Schools forum approval is required	<ul style="list-style-type: none"> • central early years block provision • any movement of funding out of the schools block • any deficit from the previous funding period that reduces the amount of the schools budget • any brought forward deficit on de-delegated services which is to be met by the overall schools budget
Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into. Read establishing local authority DSG baselines for more information	<ul style="list-style-type: none"> • capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged. Details of the remaining costs should be presented • contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources • existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged) • prudential borrowing costs – the

	commitment must have been approved prior to April 2013. Details of the remaining costs should be presented
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools	<ul style="list-style-type: none">• funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy• funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years

Schools Funding Factors

Factor	Further information
<p>1. Basic entitlement A compulsory factor</p>	<ul style="list-style-type: none"> • this factor assigns funding on the basis of individual pupils, with the number of pupils for each school or academy based on the October pupil census. • funding allocated according to an age-weighted pupil unit (AWPU). There is a single rate for primary age pupils, which must be at least £2,000. There may be different rates for key stage 3 and key stage 4, with a minimum of £3,000 for each. Local authorities may choose to increase the pupil number count where schools had previously had higher reception pupil numbers in January 2017 than in the October 2016 census. • the reception uplift will not be included in the NFF calculations, Local authorities currently using a reception uplift factor may want to consider whether they continue to do so. • schools will not be financially disadvantaged in the NFF calculations as the funding will remain in their baselines.
<p>2. Deprivation A compulsory factor</p>	<ul style="list-style-type: none"> • local authorities may choose to use free school meals (FSM) and/or the income deprivation affecting children index (IDACI). Eligibility for current free school meals is derived from the previous October census, and Ever6 FSM (pupils entitled to free meals at any time in the last 6 years) is measured at the previous January census. If using FSM, local authorities can choose to use either current or Ever6 FSM, or both. • the IDACI measure uses 6 bands and different values can be attached to each band. Different unit values can be used for primary and secondary within each band. • in schools where the FSM Ever6 rate is recorded as lower than the FSM rate we will automatically set the FSM Ever6 rate equal to the FSM rate.
<p>3. Prior attainment An optional factor (although it's used by almost all local authorities)</p>	<ul style="list-style-type: none"> • the prior attainment factor acts as a proxy indicator for low level, high incidence special educational needs. • there will be a separate weighting for new year 7 pupils which will be confirmed later in the year.
<p>4. Looked-after children (LAC)</p>	<ul style="list-style-type: none"> • a single unit value may be applied for any child who has been looked after for one day or more

<p>An optional factor</p>	<p>as recorded on the LA SSDA903 return at 31 March 2017.</p> <ul style="list-style-type: none"> • this data is mapped to schools using the January school census, enabling identification of the number of looked-after children in each school or academy. • we will be increasing the Pupil Premium Plus rates for 2018/19, rather than including a LAC factor in the national funding formula. Local authorities using this factor may want to consider whether they continue to do so in light of the new arrangements.
<p>5. English as an additional language (EAL) An optional factor</p>	<ul style="list-style-type: none"> • pupils that have been identified on the October census as having a mother tongue other than English may attract funding for up to three years after they enter the statutory school system. Local authorities can choose to use indicators based on one, two or three years and there can be separate unit values for primary and secondary.
<p>6. Pupil mobility An optional factor</p>	<ul style="list-style-type: none"> • this measure counts pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils). • there is a 10% threshold and funding is allocated based on the proportion above the threshold; so if a school has 12% mobility, then 2% of pupils would attract funding.
<p>Proportion allocated through pupil-led factors</p>	<ul style="list-style-type: none"> • local authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors (the factors in lines 1-6 above, and London fringe uplift where relevant).
<p>7. Sparsity An optional factor</p>	<ul style="list-style-type: none"> • schools that are eligible for sparsity funding must meet two criteria: first, they are located in areas where pupils would have to travel a significant distance to an alternative should the school close, and second, they are small schools.
<p>8. Lump sum An optional factor (although it's used by all local authorities)</p>	<ul style="list-style-type: none"> • local authorities can set a flat lump sum for all phases, or differentiate the sums for primary and secondary (and give middle schools a weighted average based on the number of year groups in each phase). The maximum lump sum is £175,000, including London fringe uplift.
<p>9. Split sites An optional factor</p>	<ul style="list-style-type: none"> • the purpose of this factor is to support schools that have unavoidable extra costs because the school buildings are on separate sites. Allocations must be based on objective criteria for the definition of a split site and for how much is paid.

<p>10. Rates</p> <p>An optional factor (although it's used by all local authorities)</p>	<ul style="list-style-type: none"> • these must be funded at the authority's estimate of the actual cost. Adjustments to rates may be made during the financial year but outside of the funding formula. • for example, an additional allocation could be made to a school (for example, from balances brought forward). This should be reflected in the Section 251 outturn statement and in each school's accounts. The effect on the school would be zero since any rates adjustment will be offset by a change in the cost of the rates.
<p>11. Private finance initiative (PFI) contracts</p> <p>An optional factor</p>	<ul style="list-style-type: none"> • the purpose of this factor is to support schools that have unavoidable extra premises costs because they are a PFI school and/or to cover situations where the PFI "affordability gap" is delegated and paid back to the local authority.
<p>12. London fringe</p> <p>An optional factor, but only for the five local authorities to which it applies (Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex)</p>	<ul style="list-style-type: none"> • the purpose of this factor is to support schools that have to pay higher teacher salaries because they are in the London fringe area, and where only part of the authority is in this area. It's applied as a multiplier of 1.0156 to the relevant factors, which are the pupil-led factors, the lump sum and sparsity.
<p>13. Exceptional premises factors</p> <p>Local authorities can apply to ESFA to use exceptional factors relating to premises. The most frequently approved factors are for rents and for joint-use sports facilities</p>	<ul style="list-style-type: none"> • the exceptional factors must relate to premises costs. Applications should only be submitted where the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the authority's area. • any factors that were used in 2017/18 can automatically be used for pre-existing and newly-qualifying schools in 2018/19, provided that the qualification criteria are still met.
<p>14. Minimum level of per pupil funding for secondary schools</p> <p>An optional factor</p>	<ul style="list-style-type: none"> • the formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019/20. • the purpose of this new factor is to allow local authorities to implement this policy locally. It will allow them to set a transitional minimum amount of per pupil funding in 2018/19, as a step towards £4,800 in 2019/20. • where local authorities choose to use this factor, any capping and scaling cannot take the school below the minimum value set in the local formula.