



**Subject Heading:**

**Schools and High Needs Funding  
Formula 2018-19**

**Report Author:**

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**Eligibility to vote:**

**All school members**

### SUMMARY

This report summarises the Government's decisions on a national funding formula for schools and high needs following the second stage consultation and proposes a consultation paper with Havering schools prior to final decisions being made on schools and high needs funding arrangements in Havering for financial year 2018-19.

### RECOMMENDATIONS

That the Schools Funding Forum:

- (i) notes the issues arising from the national funding formula for schools and high needs
- (ii) approves the consultation paper for circulation to all schools
- (iii) approves the transfer of £800k from the School Block to the High Needs Block in 2018-19
- (iv) approves the submission of a request to the ESFA to apply a minimum funding guarantee of greater than zero

### REPORT DETAIL

The Government launched its first stage consultation on a national funding formula for schools in March 2016 and the second stage in December 2016. In the first

stage they set out seven objectives for a new formula. These were to introduce a formula that will:

- *Support opportunity.* Fundamentally, the funding system should support schools and local authorities to extend opportunity to all pupils to achieve their potential;
- *Be fair.* It should allocate funding to schools and local authorities on the basis of objective measures of the needs and characteristics of their pupils;
- *Be efficient.* It should support efficiency within schools and local authorities, and across the system as a whole;
- *Get funding straight to schools.* It should maximise the resources available for teaching and learning and enable head teachers and local authorities to achieve value for money;
- *Be transparent.* It should be easily understood and justified;
- *Be simple.* It should rationalise funding streams as far as possible; and
- *Be predictable.* It should ensure schools and local authorities can manage and plan for year on year changes.

Following on from the second stage consultation, and after the general election result in May, the government announced in July 2017 that it would be making a number of changes to the proposals it had made for the new national funding formula. Compared to the proposals made in December 2016 and in the light of consultation responses, the government announced an additional £1.3 billion for schools and high needs and has made the following changes to the formula:

- Age-weighted pupil units are £35 higher for primary pupils, £66 higher for key stage 3 pupils and £74 higher for key stage 4 pupils;
- There will be a minimum per-pupil funding level of £4,800 for secondary schools and £3,500 for primary schools in 2019-20 with transitional levels of £4,600 and £3,300 in 2018-19. These levels are not subject to the gains cap;
- All schools will be allocated an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to their baselines. This replaces the minus 3% per pupil floor originally proposed;
- IDACI band C has been slightly increased so that it provides a higher funding rate than band D, with increases of £30 per eligible primary pupil and £45 per eligible secondary pupil;
- The government has updated the area cost adjustment to take account of more recent data; and
- The gains cap has been raised to 3% in 2019-20 (from 2.5%). The cap remains at 3% for 2018-19.

- Originally it was envisaged that there would be a 'soft' implementation in 2018-19 followed by 'hard' implementation in 2019-20. The 'soft' implementation has, however to be applied for both years and 'hard' implementation delayed until 2020-21. Under the 'soft' approach the government will use the national funding formula to calculate local authorities' funding allocations, but local authorities will determine individual schools' funding allocations through their local formula. Under the 'hard' implementation, the funding will be provided directly to schools.

The Dedicated Schools Grant will now be allocated to local authorities within four blocks as follows:

Early Years  
Schools  
High Needs  
Central Services

### Early Years

The allocation of the Early Years Block to LAs has been through a national funding formula since 2017-18 with some specific requirements including:

- a minimum percentage allocation of 93% (increasing to 95% in subsequent years) to be allocated to providers from the total LA allocation
- the same formula to be used for different types of provider in an LA area
- supplements to the basic hourly rate restricted to deprivation, EAL and quality and a maximum of 10% funded through supplements
- establishment of an inclusion fund

Following consultation with providers and the Schools Funding Forum, for 2017-18 the following was agreed:

- A basic hourly rate of £4.39 for 3 and 4 year olds
- Deprivation (using IDACI data) to be the only supplement
- £50,000 from the Early Years block to be added to the existing £50,000 from the High Needs Block to establish an inclusion fund
- Central retention of £730,000 (5%)
- A basic hourly rate of £5.28 for two year olds
- Contingencies held to fund provision not captured by either January census

The Early Years Provider Reference Group will be consulted on the funding rates and other changes to take effect in 2018-19 at their meeting on 28<sup>th</sup> November and recommendations made to the Schools Funding Forum at the meeting on 14<sup>th</sup> December.

### Schools Block

The DFE has issued provisional funding allocations to LAs based on the application of the new NFF formula values to October 2016 census data. Funding has been added separately for pupil growth, falling rolls, business rates and

mobility etc. based on LAs' planned spending in 2017-18. The provisional funding to Havering for 2018-19 is as follows:

Baseline funding				
<p>Amount LA allocated in 2017-18 through formula factors:</p> <ul style="list-style-type: none"> <li>- Pupil-led factors (basic per-pupil; deprivation; LPA; EAL)</li> <li>- School-led factors (lump sum and sparsity);</li> <li>- area cost adjustment</li> <li>- local minimum funding guarantee adjustment (i.e. MFG and gains capping/scaling)</li> </ul>	<p>Amount LA allocated in 2017-18 to funding growth in pupil numbers:</p> <ul style="list-style-type: none"> <li>- Explicit growth (growth fund, falling rolls fund)</li> <li>- Implicit growth (adjustments to APT pupil numbers)</li> </ul>	<p>Amount LA allocated in 2017-18 through premises factors:</p> <ul style="list-style-type: none"> <li>- rates</li> <li>- split sites</li> <li>- PFI</li> <li>- exceptional circumstances</li> </ul>	<p>Amount LA allocated in 2017-18 through the mobility factor</p>	<p>Total 2017-18 baseline for the schools block</p>
£163,183,617	£3,359,988	£2,036,420	£71,746	£168,651,771

Provisional NFF funding in 2018-19				
<p>Provisional 2018-19 NFF funding through the NFF pupil-led and NFF school-led factors, with transitional protections applied at individual school level</p>		<p>2018-19 NFF funding through the growth, premises and mobility factors</p>		<p>Provisional funding in 2018-19</p>
£165,990,414		£5,468,154		£171,458,568

Increase	£2,806,797
% increase over 2017-18 baseline	1.7%

This provisional funding is used to determine separate primary and secondary units of funding which for Havering are: Primary £4,004.60, Secondary £5,474.26.

These units of funding will be applied to pupil numbers from the October 2017 census to calculate the Schools Block funding that LAs will receive. An LA's Schools Block allocation for 2018-19 will not be recalculated by applying the NFF rates to October 2017 census data but will be used to calculate 2019-20 funding.

Applying the Primary and Secondary Units of Funding to the unverified pupil numbers from the October 2017 census is estimated to result in Schools Block funding of approximately:

Primary	21,969 pupils x £4,004.60 = £87,977,057
Secondary	14,465 pupils x £5,474.26 = <u>£79,199,636</u>
	£167,176,693

This is a further increase of £1,171,814 making a total estimated increase of £3,978,611 on 2017-18 although much of this is due to an increase of 402 pupils in the primary sector.

All LAs need to consider the extent to which they can implement the national funding formula rates from the ring-fenced Schools Block. LAs may implement a minimum funding guarantee (MFG) of between -1.5% and 0%. Should LAs wish to implement a higher MFG (e.g. 0.5% to apply the increase in the NFF) they must apply to the DFE for a disapplication of the MFG. Havering intends to implement a 0.5% MFG and is requesting approval from the Schools Funding Forum to do so.

The DFE will not be releasing the final school data to be used in LAs' funding formula until mid-December but Havering has modelled options for a formula distribution based on unverified local data from the October 2017 census.

In deciding on the formula for 2018-19 there are a range of options to consider, from a continuation of the local formula applied in 2017-18 to full implementation of the NFF (subject to affordability). Further background and proposals are set out in the draft consultation document attached at Appendix A.

### High Needs Block

For several years High Needs funding has been allocated to LAs based on spending patterns of over 10 years ago with no meaningful increases in spite of a growing need for provision, and an increase in the level of complexity of need. Following consultation a national funding formula is to be implemented from 2017-18. All LAs will receive at least a 0.5% increase in their High Needs allocations with higher increases capped at 3%. Without the cap, Havering would have received 8.2%.

Havering's provisional allocation is as follows:

High needs block baselines		
2017-18 high needs block baseline - elements which are used in funding floor and gains calculations	2017-18 high needs block - elements excluded from funding floor and gains calculations	Total 2017-18 baseline for the high needs block
£21,207,628	£1,169,177	£22,376,806

Provisional NFF funding in 2018-19			
Elements of the high needs NFF 2018-19 allocations included in the gains calculation - these amounts are not subject to later changes	Percentage change to elements of the 2018-19 allocations included in the gains calculation	Elements of the high needs NFF 2018-19 allocations which are excluded from the gains calculation and subject to later updates	Provisional high needs NFF allocations for 2018-19
£22,219,697	4.8%	£1,169,568	£23,389,265

	Increase	£1,012,459
% increase over 2017-18 baseline		4.5%

In 2016-17, 26 out of 31 London boroughs overspent their High Needs allocation in 2016-17 and there is a growing gap between the cost of provision and the funding allocated. Havering did not underspend in 2016-17 although £1.4m was transferred from other funding blocks in anticipation of the need to mitigate the forecast overspend.

In 2018-19 there is a one off opportunity to transfer 0.5% of an LA's Schools Block funding to the High Needs Block which requires the approval of LAs' Schools Forum.

Details of the new funding formula are set out in the draft consultation document along with evidence in support of a request to the Schools Funding Forum to transfer 0.5% of the Schools Block to the High Needs Block.

### Central School Services Block

This new funding block is to fund provision that was previously allocated as part of the Schools Block and a central Education Service Grant to local authorities.

<b>Baseline funding</b>		
Reported spend on ongoing functions in 2017-18	Reported spend on historic commitments in 2017-18	Total reported spend in 2017-18
£1,296,505	£287,490	£1,583,995

<b>Provisional NFF funding in 2018-19</b>			
Provisional amount NFF would allocate to LAs for ongoing responsibilities  Includes: - Protections and gains cap	Provisional percentage change to funding for ongoing functions in NFF 2018-19	Actual funding for historic commitments	Provisional total CSSB NFF funding
£1,269,736	-2.1%	£287,490	£1,557,226

Decrease	-£26,769
% decrease	-1.7%