



Schools Funding Forum 20th September 2018 ITEM 7

Subject Heading:

**Schools and High Needs Funding
Formula 2019-20**

Report Author:

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Eligibility to vote:

All school members

SUMMARY

This report summarises the DFE's decisions on arrangements for funding schools, high needs and central services in 2019-20, the second year of the national funding formula for schools, high needs and central services and considers the likely impact on Havering and any action that may need to be taken.

RECOMMENDATIONS

That the Schools Funding Forum notes the changes in the national funding formula for schools and high needs for 2019-20

REPORT DETAIL

In July 2018 the DFE issued a number of documents setting out the funding arrangements for financial year 2019-20 for schools, high needs and central services under a national funding formula.

2019-20 is the second year of what was intended to be a two year transitional period before all schools in the country are funded according to the same formula with no opportunity for local adjustment. The DFE has decided that the transitional period will be extended by a third year so the "hard" formula will not be implemented until at least 2021-22.

Illustrative local authority level allocations for 2019 to 2020 have been published for the schools, central school services, and high needs blocks which are shown

below. These are based on October 2017 census data and will be updated in December for October 2018 pupil numbers.

The DFE’s full operation guide can be found at:

<https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>

Schools Block

	Actual primary unit of funding (PUF)	Actual secondary unit of funding (SUF)	Primary pupil numbers (2018-19 DSG schools block)*	Secondary pupil numbers (2018-19 DSG schools block)*	Actual 2019-20 funding through the premises and mobility factors	Illustrative growth funding (at 2018-19 actuals)*	Provisional NFF 2019-20 schools block funding
2019-20	4,054	5,495	21,969	21,968	2,161,496	3,359,988	173,643,254
2018-19	4,005	5,474	21,969	21,969	5,468,154	0	172,208,864
Difference	1.24%	0.38%	0	-1	-3,306,658	3,359,988	1,434,390
					53,330	combined increase	

The indicative funding allocations to LAs are based on the application of the primary and secondary units of funding through the NFF to October 2017 census data. Funding has been added separately for premises (NNDR) and mobility factors and for pupil growth (including a falling rolls allocation) which is based on LAs’ planned spending in 2018-19. The pupil growth funding will be revised following the introduction of a new formula which is likely to disadvantage Havering. This is dealt with separately below.

The rates (NNDR) allocation to LAs is through the premises factors as above but is based on the 2017-18 estimates. Since then, not only has the rates multiplier been increases but there have been several revaluations for expanded schools for which backdated charges of approximately £230k have been received during 2018-19 without the budget to fund them. The LA is in discussion with the ESFA on how this and increased costs in future years are to be funded.

The distribution of funding to schools and academies must be through a formula agreed in consultation with LAs’ Schools Forums that must meet the requirements of the DFE in terms of its use of factors and minimum amounts allocated through pupil factors. The Schools Funding Forum is reminded that in 2018-19 there was agreement for Havering to fund schools according to the national funding formula including a minimum funding guarantee of +0.5% and a gains cap of 3%.

The primary and secondary units of funding (PUFs) and (SUFs) used in the indicative Schools Block allocation will not change for the final allocation in December and will be applied to the October 2018 pupil numbers for primary and secondary schools.

In line with the approach and commitments set out last year, three key aspects of the schools national funding formula are being updated in 2019 to 2020.

- (i). Within the schools block, the government will provide for at least a 1% per pupil increase for each school in 2019 to 2020 through the national funding formula compared to their 2017 to 2018 baseline.
- (ii). The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools.
- (iii). The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017 to 2018 baselines.

Some policy changes have been made to the 2019 to 2020 national funding formula. These are:

- Pupil Growth funding will be allocated to local authorities on a formulaic basis (see below).
- The primary low prior attainment factor value has reduced to £1,022 (from £1,050) to balance the increase in the cohort.
- 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;

A number of smaller changes have been made to the arrangements for calculating local formulas to support local authorities to mirror the national funding formula. These include:

- A new funding floor factor to enable local authorities to mirror the increase of 1% per pupil against 2017 to 2018 baselines.
- Enabling local authorities to mirror the sparsity taper used in the national funding formula (not applicable to Havering).
- There is no longer a need to set a weighting for primary low prior attainment because all results have been assessed under the new framework.
- The authority pro forma tool (APT) cap now has the functionality to vary the capping and scaling to apply the alternative gains cap used in the national funding formula, meaning that local authorities can allow schools to gain the greater of either 3% of their 2018 to 2019 baseline, or 20% of their remaining gains.

The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between minus 1.5% and plus 0.5% per pupil.

The schools block will again be ring-fenced in 2019 to 2020. Local authorities are able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. Transfers of more than 0.5% may be allowed in circumstances where the Secretary of State has previously allowed a transfer between blocks and where this is again agreed by the schools forum.

The NNF funding values are attached at Appendix A.

School Block Growth funding

A significant change for Havering in the 2019-20 funding arrangements will be the introduction of formula to allocate pupil growth funding to LAs.

Funding will be allocated to local authorities based on the actual growth in pupil numbers they experienced the previous year. This will ensure that over time local authorities are funded on the basis of the actual growth they experience (albeit on a lagged basis), rather than historic spending decisions.

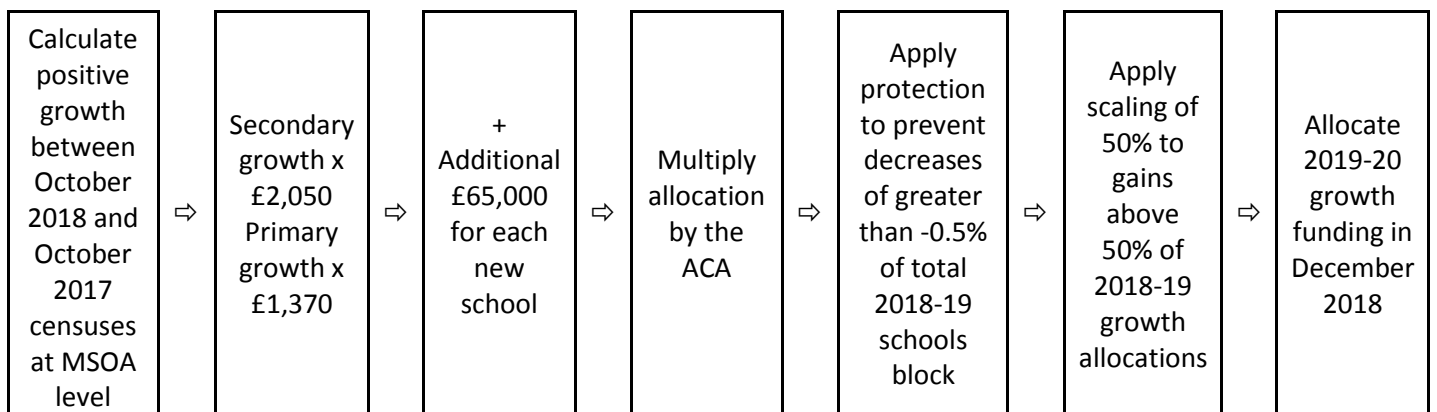
The measurement of growth will be by counting the increase in pupil numbers in each in the local authority between the two most recent October censuses. Only positive increases in pupil numbers will be included, so a local authority with positive growth in in one area, and negative growth in another, will not be denied growth funding. The count will be at middle layer super output area (MSOA) level as the DFE considers these to be small enough geographical areas to detect ‘pockets’ of growth within local authorities.

For the measured growth in each sector the growth factor will allocate:

- £1,370 for each primary ‘growth’ pupil,
- £2,050 for each secondary ‘growth’ pupil, and
- £65,000 for each brand new school that opened in the previous year (that is, any school not appearing on the October 2017 census but appearing on the October 2018 census)

Protection will be applied so that no local authority’s growth allocation will fall by more than -0.5% of their overall 2018-19 schools block funding.

In order to make this affordable, growth gains above a threshold will be scaled back. Local authorities will gain in full up to a maximum increase of 50% compared to their 2018-19 growth allocation, with gains above this scaled by a factor of 50%.



Havering's 2018-19 allocation for pupil growth is £2.7m plus £0.5m for falling rolls. Under the new formulaic approach initial calculations are that this will reduce to approximately £1.8m.

This new formula and the lagged arrangements will be a significant issue for Havering given the growing pupil population and the funding that Havering is currently able to allocate to schools with permanent expansions and bulge classes and also guarantees of funding where classes do not fill.

The DFE does not expect local authorities to use their formula to determine how much growth funding to allocate to individual schools. Local authorities should continue to make decisions about growth funding locally as they do now. It is recognised that local authorities' spending on growth will not necessarily match precisely the sum allocated to them for growth, and they will continue to have the ability to 'top slice' their overall schools block funding to fund pupil number growth.

The LA is exploring the option of estimating growth in the main schools' funding formula which would mean that growing schools would receive AWPU and other per pupil funding for the additional pupils within the main formula allocation. This would, however, mean that the Schools Block would be funding more pupils than the number for which it is funded leading to reductions in formula factor values.

High Needs Block

Funding allocations issued to LAs are based on the application of the high needs national funding formula as below:

- £4,000 per pupil in special schools adjusted for ACA
- 50% based on historical spend
- 25% on population
- 25% on a range of deprivation factors
- Additional funding for LAs providing hospital education
- Adjustments for imports and exports

Havering's indicative high needs block funding

	Actual high needs NFF allocations, excluding basic entitlement factor, import/export adjustments and hospital education spending	Actual ACA-weighted basic entitlement factor unit rate	Number of eligible pupils in special schools/academies/independent settings (based on January 2017 AP and October 2017 school census)*	Actual import/export adjustment unit rate	Net number of imported pupils/students (based on January 2018 school census and February R06 2017/18 ILR)*	2017-18 Hospital education spending with 1.0% uplift plus 2018-19 adjustments with 0.5% uplift**	Provisional NFF 2019-20 high needs block funding
2019-20	23,570,348	4,348	343	6,000	-86	78,932	24,624,757
2018-19	22,298,238	4,348	343	6,000	-86	0	23,273,715
Difference	1,272,110	0	0	0	0	78,932	1,351,042
							5.8%

The above allocation will be adjusted in December 2018 for the number of pupils in Havering's special schools as at the October census and also for imports/exports. There will be a further adjustment for imports/exports in the summer term 2019 of £6,000 per pupil.

For 2019 to 2020, the funding formula includes a funding floor that provides a minimum 1.0% increase to the amount of its DSG that it planned to spend on high needs in 2017 to 2018 on a per head of population basis. This will apply to every local authority that is not receiving more than that level of increase under the rest of the formula.

The gains cap will also continue to apply at 6.09% per pupil above the 2017-18 baseline.

Further operational guidance on High Needs funding will be issued by the DFE at a later date.

In 2019-20 there is again 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. Transfers are also permitted from the Early Years block but are subject to the compliance with the 95% pass through rate and from the Central Schools Services block which is fully committed.

In 2018-19 it was agreed to transfer £800,000 into the High Needs block from a previous year DSG underspend and consideration of transfers may need to be given again to address forecast overspends. Elsewhere in this agenda is an item reporting on the pressures on the Havering's high needs block.

Post-16 high needs funding

The DFE is considering the changes to allow local authorities more flexibility to develop bespoke arrangements with schools and colleges for funding students with special needs.

Currently all post-16 providers making special provision for students with high needs receive an amount of funding based on the post-16 national formula, and £6,000 per high needs place funded from local authorities' high needs allocation.

Some local authorities have asked if they can have more flexibility to allocate the £6,000 per place funding, either more in line with the way their pre-16 schools formula allocates funding for the additional support required by pupils with SEN, or in accordance with an alternative funding approach.

Further details of this change will be provided by the DFE at a later date but any revised funding mechanism must be agreed locally with schools, colleges and other institutions.

Consideration is also being given by the DFE to the simplification of the post-16 high needs funding arrangements for some institutions by introducing a flat rate for the element of funding normally calculated through the post-16 national funding formula. This could help to reduce the data collection requirements. The DFE will consult further with the relevant institutions and their representative organisations, in the autumn.

Central School Services Block (CSSB)

Prior to 2017-18, funding for LAs' central services was allocated within the Schools Block or through a separate Education Services Grant (ESG). Funding for areas such as School Admissions, Pupil Growth and Falling Rolls was then top sliced from the Schools Block and held centrally. ESG ceased from September 2017 with an allocation of £15 per pupil for "retained duties" transferred to the DSG, now as part of the CSSB.

Since 2018-19 pupil growth and falling rolls funding has been allocated through the Schools Block as an additional sum to the formula-generated allocation along with Pupil Mobility and Rates funding. The rest of the funding for central services is allocated at a rate per pupil with funding for historic commitments funded as an additional amount.

Havering's 'historic commitments' are support for school partnerships (£200,000) and for a 15 year old energy contract for three secondary schools (£87,490) which expires in July 2019.

	Actual CSSB unit of funding for ongoing functions	Pupil numbers (2018-19 Schools block)*	Actual funding for historic commitments	Provisional NFF 2019-20 CSSB funding
2019-20	35.23	36,356	287,490	1,568,294
2018-19	35.16	36,357	287,490	1,565,802
Difference	0.20%	-1	0	2,492

From 2002 to 2021, the DFE expects to start to reduce the historic commitments element of the CSSB. Schools Forum approval is required for historic commitments.

Schools Forum approval is also required at item 8 for some of the remaining CSSB. In Havering this is as follows:

Budget line	2018-19 budget £	2019-20 estimate £
National copyright licences negotiated centrally (Approval not required)	171,443	174,475
School Admissions (Approval required)	496,290	496,290
Servicing of Schools Forum (Approval required)	43,250	43,250
Balance for central services (Approval required)	567,329	566,789
Total	1,278,312	1,280,804
Historic commitments	287,490	287,490
Total	1,565,802	1,568,294

DSG Balances

An increasing number of local authorities are now incurring a deficit on their overall DSG account, largely because of overspends on the high needs block.

With effect from 2019 to 2020 the DFE intends to tighten up the rules under which local authorities have to explain to them their plans for bringing the DSG account back into balance.

It is intended to require a report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019. This report will need to be discussed with the schools forum and set out the authority's plans for bringing the DSG account back into balance.

The DFE will consult local authority representatives during the autumn of 2018 about the detailed implementation of these new rules.