

Cabinet

25 January 2018

Schools National Funding Formula

Recommendation

Cabinet are recommended to:

- (1) Implement the National Funding Formula at school level for 2018/19.
- (2) In doing so, agree that the Minimum Funding Guarantee should be set at +0.5%.
- (3) Not take forward the transfer of 0.5% of the Schools Block funding to the High Needs Block funding and note that a review of the High Needs Block will be a central part of the review of DSG.
- (4) Support the view of the School's Forum that any Schools Block funding not needed to deliver the "hard" National Funding Formula is set aside to meet the additional costs of growth in pupil numbers/schools during 2018/19.

1. Introduction

- 1.1. Under the current school funding framework, the Government allocates amounts to each local authority through the Dedicated Schools Grant (DSG), based on three notional blocks.
 - Schools Block
 - High Needs Block
 - Early Years Block
- 1.2. Originally, the Government had intended to introduce revised national funding arrangements for all funding blocks from April 2017. However, announcements made by the Secretary of State for Education in summer 2016 delayed the introduction of a Schools National Funding Formula (NFF) and High Needs Funding Reform until April 2018.
- 1.3. Stage 2 of the Government's consultation was launched on 14 December 2016, with a closing date of 22 March 2017. The outcome of the consultation

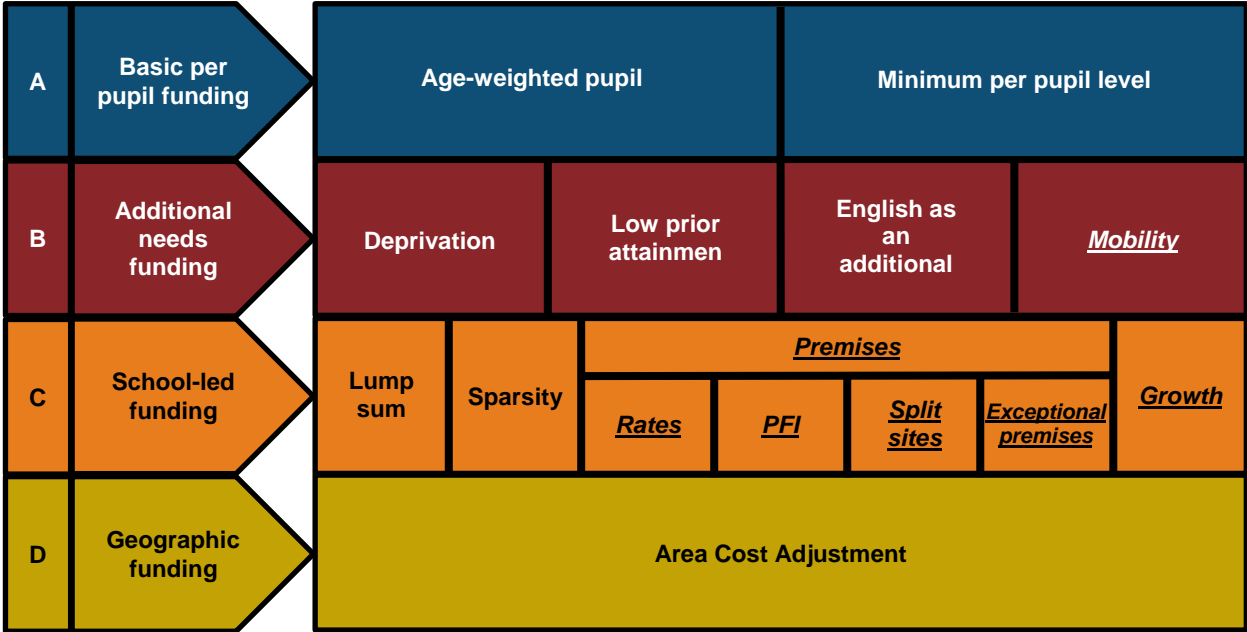
was due mid-summer, but this was delayed due to the General Election. On the 14 September 2017 the Government published their response to the consultation.

- 1.4. Changes to the funding formula for Early Years in Warwickshire are covered in a separate report elsewhere on today's agenda.
- 1.5. The National Funding Formula will no longer be fully implemented before 2020/21 at school level. In the intervening two years there will be a school-level formula, but it will only be used to calculate how much each local authority receives. Local authorities will have the flexibility to continue to allocate this through a local funding formula if they so wish.

2. Changes to the Proposed Formula

- 2.1. In response to the consultation the Government made a number of changes and refinements to the funding formula.
- 2.2. An additional £1.3 billion investment in all schools nationally was announced. Most of this funding has come from cutting the capital budgets to schools and reducing funding set aside for the creation of new free schools, with a small amount of money coming from the sugar levy on canned fizzy drinks.
- 2.3. The vast majority (99.5%) of the Schools Block is ring-fenced and must be distributed through a formula directly to schools. In consultation with their Schools Forum, local authorities can move 0.5% of funding into the High Needs Block. In doing so, local authorities are expected to demonstrate to their Schools Forum that they have consulted with all maintained schools and academies when seeking to transfer funds out of the Schools Block.
- 2.4. The Government's intention is for schools' budgets to be set on the basis of a single, national formula (a 'hard' formula) from 2020/21. To ensure some transitional stability, local authorities can continue to set a local formula for schools in both 2018/19 and 2019/20.
- 2.5. The NFF also proposes the creation of a Central Services Block for local authority functions which will give four blocks including the three blocks listed in paragraph 1.1.
- 2.6. The Schools NFF will now comprise 14 factors – the minimum per pupil level is an additional factor to the 13 included in the original proposals. Table 1 shows the make-up of the NFF for schools.

Table 1: The 4 building blocks and 14 Factors in the national formula funding for schools



Note: It does not represent the scale of funding for each factor. Funding for factors in *italics* and underlined will be allocated to local authorities on the basis of historic spend in 2018/19

The minimum per pupil funding factor in the formula will provide the following funding over the next two years (the top-right box in the table above).

Table 2: Minimum per pupil funding

Phase	2018/19 £	2019/20 £
Primary	3,300	3,500
Secondary	4,600	4,800

In addition there will also be a minimum of a 0.5% cash increase per pupil in 2018/19 and a minimum 1% cash increase per pupil in 2019/20 compared to schools baselines.

2.7. High Needs Block

Historically the size of the Authority’s High Needs Block (HNB) has been determined locally in consultation with the Schools Forum. Nationally, the percentage size of local authorities HNB in proportion to their total DSG, range from 8% to 20% with 13% being the average. Warwickshire’s proportion is 14%.

The HNB DSG for 2018/19 was announced before Christmas and is £59.911 million an increase of £0.760 million or 1.28% above the allocation in 2017/18.

As a result of the introduction of the NFF, the only flexibility is to transfer up to 0.5% of the Schools Block to the HNB. This could allocate up to an additional £1.582 million or 2.6% above the existing 2018/19 funding.

2.8. Central Services Block

This new block sets out the funding for central functions carried out by local authorities for both maintained schools and academies.

The Central Services Block brings together:

- Funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- Funding for ongoing central functions, such as admissions, previously top sliced from the Schools Block
- Residual funding for historic commitments, previously top sliced from the Schools Block.

Analysis of the funding would suggest there is likely to be a significant budget pressure on Warwickshire with a reduction of 12.42% or £552,400 on the Central Services Block by 2020/21. There is no flexibility to change the funding allocated to this block

3. Consultation with Schools and Responses

- 3.1. The authority is required to consult with schools on the proposed allocation of Schools Block funding during the two transitional years before the hard NFF is implemented at school level. Consultation took place from Friday 17 November 2017 and lasted for 3 weeks. The consultation questionnaire is included at **Appendix A**.
- 3.2. There were 38 responders to the NFF consultation questions and 23 maintained schools responded to the de-delegation consultation. **Appendix B** outlines the responses to the questionnaire.

3.3. Moving to the National Funding Formula

Question 1: Do you agree Warwickshire should move to the NFF as soon as possible?

All 38 responses agreed that Warwickshire County Council should move to the NFF.

3.4. Minimum Funding Guarantee (MFG) set to +0.5%

Question 2: Do you agree that the minimum funding guarantee should be set at +0.5%?

There were 37 responses to this question with 34 agreeing to the MFG being set to +0.5% with 3 schools disagreeing.

One school did not answer as they would only agree to the MFG being set at +0.5% if the transfer from the Schools Block to High Need Block did not happen. The school went on to say '...any MFG must not override the need for the transfer to be shared equitable across all schools, otherwise the cost of the transfer would fall unfairly on the schools which are currently the lowest funded (which would negate the point of the NFF).'

Another school responded that the +0.5% MFG needed to be the absolute minimum. (To go above +0.5% would have required a disapplication to the DfE in December 2017. We did not consider this to be a viable option given the overall level of funding available and so did not register a disapplication with the DfE).

3.5. Move funding from the Schools Block to the High Needs Block

Question 4: Do you agree that the 0.5% of the Schools Block funding should be transferred to the High Needs Block?

There were 38 responses to this question and the responses were almost split down the middle, with only 2 more schools disagreeing with moving the funding as opposed to those agreeing.

Transferring 0.5% of funding from the Schools Block would reduce the funding directly allocated to schools by £1.582 million and increase the funding for high needs by an equivalent amount.

One school was concerned that no school should dip below the +0.5% MFG if this transfer took place.

3.6. De-delegation

Question 3 of the consultation was only for maintained schools to answer and sought agreement on which services maintained schools wanted to continue to be de-delegated in 2017/18. The final decision on this question is for the

representatives on maintained schools on the Schools Forum and is only included here for completeness.

The only area where maintained schools did not agree to the continued de-delegation was medical referrals for employees in secondary schools. Only three secondary schools responded to the question with 1 in favour and 2 against.

It should be noted that de-delegation can only take place for the next two years before the NFF is fully adopted in 2020/21.

4. Views of Schools Forum

- 4.1. The Schools Forum met on 15 January 2018 to discuss and agree their response to the proposals for the allocation of the DSG Schools Block funding for 2018/19. In reaching their agreed position they took into account the results of the financial modelling and the responses from the wider consultation with schools that are included as Section 3 of this report.
- 4.2. The view of the Schools Forum is that they unanimously support Warwickshire implementing the hard NFF for the 2018/19 financial year at school level, including agreeing that the Minimum Funding Guarantee per pupil should be set at +0.5% to meet schools expectations in light of Government announcements.
- 4.3. The Schools Forum did not support the transfer of 0.5% of Schools Block funding to the High Needs Block.
- 4.4. The Schools Forum were of the view that schools receiving the funding levels implicit in the NFF were the priority and therefore moving the 0.5% funding to the High Needs Block was unaffordable. In making this decision the Schools Forum recognised the underlying pressure on high needs funding and that the High Needs Block was currently forecasting an overspend. The Schools Forum felt that moving the 0.5% of funding to the High Needs block was, at best, a two-year temporary solution that would not resolve the issue and that more fundamental change was needed to put high needs spending on a sustainable footing before the ability to make the transfer was removed in 2020/21.
- 4.5. It was also recognised that schools would be impacted differently depending on the proportion of their pupils with additional needs. The view of the Schools Forum was that maximising the ability of schools to flexibly manage their resources to meet their local needs, including being able to provide support to pupils with high needs whilst the assessment process was being undertaken

and EHC plans agreed, would both provide capacity and reduce some of the current frustration and delays in the high needs process from the schools' perspective. This was the view of the Schools Forum representatives from schools with above and below average numbers of pupils in receipt of high needs funding.

- 4.6. If Cabinet decides to move the 0.5% (£1.6 million) out of the Schools Block to the High Needs Block, the Schools Forum requested that they are consulted about the fairest way of doing this before a final decision is made.
- 4.7. The Schools Forum supported the £1.2 million Schools Block funding not needed to allocate funding at school level in line with the hard NFF being put into a Growth Fund for meeting pre-16 basic need in terms of additional classes needed to meet infant class size regulations and to meet the cost of new schools. In allocating the £1.2 million in this way it was recognised growth funding would need to be scaled back to ensure this element of schools funding did not overspend. (Current estimates of the likely demand for growth funding are £1.6 million).
- 4.8. In terms of the continuation of de-delegation to maintained schools the Schools Forum supported the results of the consultation that de-delegation should continue in line with current arrangements except for medical referrals for employees in secondary schools which should revert to being the responsibility of schools directly.

5. Considerations for Cabinet

- 5.1. In taking the decision as to how to allocate Schools Block funding for 2018/19 Cabinet are required to take into account the views of the Schools Forum and the results of the consultation, but ultimately the allocation of funding is a decision for the County Council.
- 5.2. The views of the Schools Forum and the wider consultation with schools were conclusive that there should be a move to the hard NFF straight away and that the minimum funding guarantee should be set at +0.5%. There was more debate and discussion about the funding of high needs, but ultimately the Schools Forum decided there should be no transfer of funding from the Schools Block to the High Needs Block.
- 5.3. The debate at the Schools Forum reflects the fact that the most difficult decision is whether to transfer funding from the Schools Block to the High Needs Block. As stated earlier in this report having a soft locally determined formula will only be allowed for the next two years, 2018/19 and 2019/20.

When the hard formula has to be adopted in 2020/21 there will be no more flexibility to move any funding between blocks.

- 5.4. There is currently a overspend on the high needs budget of £1.394 million in 2017/18, as reported in the Quarter 3 OOP Progress Report elsewhere on today's agenda. This is a structural problem that has existed for a number of years, suggesting that the transfer of funding would help in ensuring such an overspend does not recur in 2018/19. The transfer of funding would provide capacity and breathing space whilst the review of DSG spending already set in train takes place.
- 5.5. The DSG review will look at our current spending funded from the DSG against the Government's Operational Guidance and the authority's strategic outcomes with a view to improving the deployment of DSG resources for the maximum impact. The review will include consideration of:
 - The Schools Block from April 2018 insofar as these resources are retained for local authority use (rather than delegated to schools)
 - The (new) Central Services Block
 - The High Needs Block including the use and outcome of the High Need Strategic Review
 - The Early Years Block including use of the 5% of resources that can be retained centrally
- 5.6. The provisional DSG settlement announced shortly before Christmas indicates that the High Need Block allocation will increase by £0.760 million or 1.28% in 2018/19. Moving the 0.5% would increase the budget for high needs by a further £1.582 million, giving a total increase of £2.342 million or 3.94%.
- 5.7. The impact on the Schools Block of making the transfer is that it would not be possible to implement the hard NFF as unanimously supported in the consultation and by the Schools Forum. There are a number of options as to how the necessary reductions in funding for schools could be identified including:
 - Changing the minimum funding guarantee from +0.5% to between -1.0% and -1.5%
 - Reducing the age weighted funding per pupil by 1.5%
 - Reducing the importance of low prior attainment in the formula
 - Reducing the lump sum given to each school or
 - A combination of the above.
- 5.8. Each of these options would impact differentially on schools, depending on their local characteristics, and all would be unpopular with the schools affected. Further work would be needed to model the impact at individual

school level and the Schools Forum has requested to be consulted if the local authority chooses this route.

- 5.9. Given the strong views of schools and the Schools Forum that they wish to move to the hard NFF and the fact that any transfer from the Schools Block to the High Needs Block is only a temporary solution to the problem of overspending in high needs which needs to be resolved as a matter of urgency, Corporate Board recommend that on balance Cabinet allocate the Schools Funding Block as supported by the Schools Forum.
- 5.10. If Cabinet wish to transfer any funding from the Schools Block to the High Needs Block then a dis-application must be sent to the DfE seeking their agreement. The dis-application will need to demonstrate how the transfer is consistent with the local authority's long term planning for provision for children and young people with SEN and disabilities. The DfE will take into account the views of the Schools Forum.

6. Timescales associated with the decision/Next steps

- 6.1. Following Cabinet's decision we will inform the DfE of our proposed distribution of the Schools Block funding for 2018/19. Then, once all school level data has been checked and verified, allocations for individual schools will be calculated and distributed by mid-February.

7. Background Papers

- 7.1. None

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Warwickshire County Council

National Funding Formula Consultation Questionnaire

Please note only one response per School

Name of Respondent	
School or Body you are responding on behalf	
Position	
Type of School (where applicable)	

Question 1

Do you agree with Schools Forum that Warwickshire County Council should move to the National Funding Formula as quick as possible?

Yes/No – Delete as appropriate

If your answer is no then please outline what transitional arrangement you would like to see in place before the full formula has to be implemented in 2020/21.

Question 2

Do you agree that the Minimum Funding Guarantee should be set at 0.5%?

Yes/No – Delete as appropriate

If your answer is no then please outline what transitional arrangement you would like to see in place before the full formula has to be implemented in 2020/21.

Question 3

This covers de-delegation and should only be completed by maintained schools. Which services do you want to continue to be de-delegated in 2018/19?

Primary Schools

Service	Yes/No
School Improvement	
Free Schools Meal Eligibility	
Trade Union Facility Time Funding	
Medical Referrals for Employees	
Gypsy and Romany Travellers	
English as an Additional Language	
Behaviour Support Services	

Secondary Schools

Service	Yes/No
Free Schools Meal Eligibility	
Trade Union Facility Time Funding	
Medical Referrals for Employees	
English as an Additional Language	

Question 4

Do you agree that 0.5% of Schools Block funding should be transferred to the High Needs Block?

Yes/No – Delete as appropriate

Please return your completed questionnaire to:
corporatefinanceandadvice@warwickshire.gov.uk

by 6pm on Friday 8 December 2017

National Funding Formula - Consultation Responses

Question 1 - Do you agree with Schools Forum that Warwickshire County Council should move to the National Funding Formula as quick as possible?

Yes	No
38	

If your answer is no then please outline what transitional arrangement you would like to see in place before the full formula has to be implemented in 2020/21.

No Comments received

Question 2 - Do you agree that the Minimum Funding Guarantee should be set at 0.5%?

Yes	No
34	3

If your answer is no then please outline what transitional arrangement you would like to see in place before the full formula has to be implemented in 2020/21.

Higham Lane School - (NO) I perhaps come at this question from a slightly different angle, in that we are a School that has capping applied to us every year. I am assuming this MFG is paid for, at least in part by the capping that schools like our own face. Since 2013/14 our budgets have been capped as follows: 13/14 £112k - 14/15 £33k - 15/16 £0 - 16/17 £17k - 17/18 £25k - Total since £13/14 £185k. I therefore would like to see MFG further reduced each year. can see the merits of an MFG being in place to protect schools in the short-term. However, I do think there should be a mechanism that repays schools in future year where they have lost out on capping as we have.

Alcester Grammar School - (DIDN'T ANSWER) This depends on the transfer to high needs. If that doesn't happen, then Yes. If that does happen, then any MFG must not override the need for the transfer to be shared equitably across all schools, otherwise the cost of the transfer would fall unfairly on the schools which are currently the lowest funded (which would negate the point of the NFF!)

Stratford upon Avon School - Yes – but consider 0.5% to be an absolute minimum.

Ilmington C of E Primary School - I think the Minimum Funding Guarantee should be much closer to what the full formula would be so that small rural schools in particular, which are seriously underfunded, and have very little in the way of additional income streams, are able to remain viable. We are nearly full and yet are unable to meet our budget commitments.

Paddox Primary School - While we understand the need for MFG, we do not feel it is appropriate that these funds are accrued by capping other schools, who themselves are growing. This needs to be part of the decision process when considering whether to expand a school and the potential financial implications of doing so and what will happen if it is not full.

Cubbington Primary School - It is unclear from the supporting documentation what other options are available and as a school we clearly do not have access or sufficient knowledge to suggest an alternative. So we have answered yes to this question as it would appear there is little other choice or arrangement available. We also feel as a school that is set to gain from the NFF that we would not want other schools to be placed in difficult financial positions as a result of the changes.

Question 3 - This covers de-delegation and should only be completed by maintained schools. Which services do you want to continue to be de-delegated in 2018/19?

Primary Schools:		
Service	Yes	No
School Improvement	15	5
Free Schools Meal Eligibility	15	5
Trade Union Facility Time Funding	12	8
Medical Referrals for Employees	16	4
Gypsy and Romany Travellers	13	7
English as an Additional Language	12	8
Behaviour Support Services	15	5

Secondary Schools:		
Service	Yes	No
Free Schools Meal Eligibility	3	
Trade Union Facility Time Funding	2	1
Medical Referrals for Employees	1	2
English as an Additional Language	3	

Schools not commenting: The Priors School, The Community Trust (8 schools), Higham Lane School, Myton School, Burton Green C of E Primary School, All Saints School

Question 4 - Do you agree that 0.5% of Schools Block funding should be transferred to the High Needs Block?

Yes	No
18	20

Alcester Grammar School - see comments on question 2. If there is a transfer, the burden must be shared across all schools.

Stratford upon Avon School - Yes in principle, although we would like to appreciate / understand the impact of not doing it, and felt unsure we really had sufficient information to form a reliable opinion. In the event it is transferred from the Schools Block, we should like to see this 0.5% being taken from the biggest gainers. Also, need to be sure that the transfer doesn't cause any school to dip under the MFG 0.5% baseline.

Paddox Primary School - This is because Warwickshire LA want to reduce their ISP spending commitments, to do that they will need to increase their High Needs Funding and Specialist Support Services, eg. Accept that there will be an increased number of EHC Plans, rather than continually trying to reduce them as well.

Cubbington Primary School - Governors at Cubbington have answered yes to this question but would like to see a commitment from the County Council that this increased funding for the High Needs Block will lead to some clear improvements in the support for children with complex needs. As a result we would like the Local Authority to identify some specific objectives that will be met following this transfer.