

**Report To:** **SCHOOLS FORUM**

**Date:** 23 October 2018

**Reporting Officer:** Tim Bowman – Assistant Director Education  
Tom Wilkinson – Assistant Director Finance

**Subject:** **SCHOOL FUNDING UPDATE AND ANNOUNCEMENTS FROM THE DEPARTMENT FOR EDUCATION**

**Report Summary:** This report provides an update on the Department for Education's (DfE) position on the Schools National Funding Formula (NFF) from 2019/20 and other relevant announcements.

**Recommendations:** Members of the Schools Forum are requested to note the contents of the report.

**Links to Community Strategy:** Effectively calculated and targeted resources will improve access to a quality education experience for all our children.

**Policy Implications:** Expenditure in line with financial and policy framework.

**Financial Implications:** The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.  
**(Authorised by the Section 151 Officer)** This report advises that consultation with schools will take place to assist Schools Forum in making decisions on the funding formula for 2019/20.

**Legal Implications:** It is important that the forum is aware of financial and policy framework within which it is required to work to plan for the future.  
**(Authorised by the Borough Solicitor)**

**Risk Management:** The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.

## **ACCESS TO INFORMATION**

## **NON-CONFIDENTIAL**

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

## **Background Papers**

The background papers relating to this report can be inspected by contacting Christine Mullins – Business Partner:

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## 1. BACKGROUND AND INTRODUCTION

- 1.1 The Department for Education (DfE) published the indicative National Funding Formulae (NFF) for Schools along with the Schools Revenue Funding Operational Guidance for 2019/20 at the end of July 2018. The publications provide information in regards to only 3 of the 4 Dedicated Schools Grant (DSG) areas; Schools Block; High Needs Block; and Central School Services Block (CSSB). Early Years funding is not included at this stage. Further guidance regarding the High Needs block was issued in late September 2018.
- 1.2 The DfE have used the NFF to calculate the blocks within the DSG. The indicative 2019/20 figures are based on the October 2017 census information and the high level figures are provided below in table 1. These are provisional figures as the allocations for 2019/20 will be updated by the DfE in December 2018. The updated figures will be based on pupil numbers recorded in the October 2018 census and a final update to High Needs and Early Data will be made around June 2019.

**TABLE 1**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>Increase £000</b>
Schools Block	159,018	160,225	1,207
High Needs Block	19,324	20,032	708
Central School Services Block	897	916	19
<b>TOTAL</b>	<b>179,239</b>	<b>181,173</b>	<b>1,934</b>

## 2. NATIONAL FUNDING FORMULA UPDATE

- 2.1 As previously confirmed by the DfE, local authorities will continue to set a local schools formula (soft formula) for 2019/20. The DfE have further confirmed that this will continue to be the case for 2020/21 due to the significant progress made in moving towards the NFF in its first year of implementation. There is no indication as to when the NFF (hard formula) will be fully implemented.
- 2.2 The information published in July continues to implement announcements from September 2017. Three key aspects of the schools NFF are being updated for 2019/20:
- The minimum per pupil funding levels will increase to £3,500 for primary school and £4,800 for secondary schools;
  - Within the schools block, the government will provide for at least 1% per pupil increase for each school in 2019/20 through the NFF compared with the 2017/18 baseline (so, at least 0.5% increase from 2018/19);
  - A 3% gains cap from 2018/19 levels (a total of 6.09% gains against the 2017/18 baselines).
- 2.3 The schools block element of DSG funding will continued to be ring-fenced. This means that the vast majority of funding for primary and secondary schools allocated to local authorities through the schools NFF must be passed directly to schools. However, local authorities have limited flexibility to transfer funding from the Schools Block to other areas, such as High Needs. Up to 0.5% can be transferred from schools block to other areas with agreement of the Schools Forum, following consultation with schools and academies. Local Authorities wishing to transfer more than 0.5% must submit a disapplication request to the Secretary of State for approval.

2.4 No transfer was completed for Tameside in 2018/19 although there is a pressure on the High Needs Block. This was due to the reserves brought forward from previous years which could support the 2018/19 pressure. However, the ability to transfer up to 0.5% of Schools Block funding is an option which may need to be considered during the consultation for the 2019/20 funding formula as the pressure continues and the reserve decreases.

### 3. SCHOOLS BLOCK UPDATE

3.1 The NFF factors and unit values used in 2018/19 largely remain the same for 2019/20. There are a couple of policy changes to note at 3.2 and 3.3.

3.2 The NFF primary low prior attainment (LPA) unit value has been slightly reduced from £1,050 to £1,022. The LPA cohort in primary schools that the DfE measure for school funding purposes has been increasing over the past six years, because of changes made to the Early Years Foundation Stage Profile in 2013. This increase comes from changes to the assessment, rather than changes to the underlying level of need. Therefore, the DfE are maintaining the total proportion of spend on primary LPA through the formula by balancing the increase in the eligible cohort with a reduction in the factor value.

3.3 Growth funding was previously allocated to local authorities on a historic basis. The funding formula has been amended for 2019/20 and growth will be allocated on a formulaic basis. The local authority allocation will be based on pupil numbers from October 2018 census compared to the previous year based on middle layer super output areas and the following unit values:

- £1,370 per primary 'growth' pupil
- £2,050 per secondary 'growth' pupil
- £65,000 for each brand new school that opened in the previous year

3.4 In 2018/19 the growth allocation for Tameside was £0.533m. The same amount has been included within the 2019/20 indicative schools block allocation. Table 2 below provides data on the actual allocation of growth in Tameside for 2018/19 against the 2018/19 growth allocation.

**TABLE 2**

	<b>Implicit Growth* £000</b>	<b>Explicit Growth** £000</b>	<b>Total Growth £000</b>
DfE Allocation for 2018/19	207	326	533
Actual Allocation for 2018/19	700	657	1,357
<b>Variation</b>	<b>(494)</b>	<b>(331)</b>	<b>(825)</b>

\* Implicit growth relates to adjustments to pupil numbers when calculating the funding; in this case for new and growing schools

\*\* Explicit growth relates to the specific growth fund and is allocated based on the growth criteria agreed by Schools Forum.

3.5 The growth, particularly in the secondary sector was significant in the financial year 2018/19. The new formulaic approach should take account of this and potentially increase the allocation for Tameside. However, due to the support required from the overall schools block in 2018/19 (£0.825m) and the fact that the allocation from DfE is changing; this is a

specific area we would like to review as part of the consultation for the 2019/20 funding formula. The DfE have advised local authorities will continue to manage their growth fund locally.

#### **4. HIGH NEEDS BLOCK UPDATE**

- 4.1 The gains cap increases to 6.09% in 2018/19 compared to 2017/18 baselines. Tameside's increase before the cap is 7.5%.
- 4.2 The actual allocation for High Needs will change further for changes in pupil and student numbers through the basic entitlement factor (update due December 2018) and any movement between Local Authorities will be adjusted through the import/export factor (due June 2018).

\* The import/export factor is an adjustment made by DfE to move funding between Local authorities where children reside in one borough but are educated in a different one to ensure the funding follows the pupil.

- 4.3 There are also further changes to the High Needs funding formula regarding special free school place funding, Hospital education and Post 16 high needs funding. The following may impact on Tameside:

##### **Hospital Education:**

- The provisional allocation for 2019-20 is based on 2017-18 spend plus 1% but it is the intention of the DfE to move to a formulaic allocation. Consultation is expected to commence by the end of October and subject to the outcome of this the DfE will explore the feasibility of introducing changes to the 2019-20 allocation. No local authority will see a reduction in funding compared to the provisional 2019-20 allocation.
- More details will be released by the DfE the end October 2018.

##### **Post 16 High Needs Funding:**

- From academic year 2019/20, funding for post 16 in maintained schools will remain in the DSG paid to local authorities, rather than being deducted and paid as a sixth form grant by the DfE.
- Maintained, academy and FE institutions currently receive funding of £6,000 per place high needs funding referred to as element two, from 2019/20 local authorities will now be allowed greater flexibility on how this funding can be allocated. There must be agreement on any alternative funding approach between the local authority and post-16 institution(s) involved, and this agreement should be reached in autumn 2018.
- The DfE is planning a consultation exercise later in the autumn term with special Post 16 institutions with a view to simplifying funding arrangements.

##### **High Needs Place Change Notification 2019/20**

- The local authority is currently starting to review the high needs places commissioned and will be contacting providers shortly to agree places for September 2019.
- The local authority must complete and submit a return to the DfE for all academies and FE institutions by the 16 November 2018.

## **5. THE 2019-20 FUNDING FORMULA – NEXT STEPS**

- 5.1 As a local authority we have already adopted the NFF for the secondary sector. We now need to move towards the NFF in the primary sector. We plan to carry out consultation for the 2019/20 funding formula over the next couple of months.
- 5.2 A School Funding group is being established which will have representatives for all sectors including Head Teachers, School Business Managers and Governors. The purpose of the group is to act as an advisory and technical group to Schools Forum. This should allow better consultation with schools regarding any funding formula changes as detailed discussions will take place with the representatives who should then be feeding back to their sectors to assist with responding to any consultation taking place.

## **6. OTHER ANNOUNCEMENTS**

- 6.1 With effect from 2019/20, the DfE intends to tighten the rules governing deficits in local authorities' overall DSG accounts, under which local authorities will have to explain their plans for bringing DSG account back into balance. There will be a requirement for 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. The DfE will consult local authority representatives during the autumn of 2018 about the detailed implementation of these new rules. This currently does not affect Tameside.
- 6.2 Free School Meals supplementary grant – due to the roll out of Universal Credit, an income based threshold was introduced. As a result the number of pupils eligible for free school meals will increase. The DfE have introduced this grant for 2018/19 and 2019/20 to provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up. The grant will be determined by the difference between the number of meals taken by pupils eligible for free school meals in a school as recorded October 2018 and October 2017 census and the first payment will be made to local authorities in February 2019.
- 6.3 Teachers Pay Grant – The government have announced that a grant will be available to support the additional costs due to the increased pay award for teachers agreed in September 2018 (£187 million in 2018/19 and £321 million has been made available). This will support the costs over and above the 1% the government is assuming schools have already budgeted for. The grant will be allocated to schools based on an amount per pupil and final notification is expected from the DfE by the end of October.

## **7. SCHEME OF FINANCING SCHOOLS**

- 7.1 The local authority is currently reviewing the Scheme for Financing Schools, further information on changes will follow as soon as this work is complete.

However it is worth noting 2 changes that will be included:

(1) A directed revision to the scheme by the Secretary of State in March 2018:

- 7.2 Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to

the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

(2) Revision following guidance from Internal Audit and the Schools Framework Act:

Section 50 (3) of the School Standards and Framework Act 1998 allows governing bodies to spend budget shares 'for the purposes of the school', subject to the following:

- expenses incurred in connection with staff farewell celebrations and other social events shall not be funded from the school's delegated budget.
- On no account should schools either mix funds that should be properly accounted for within the mainstream bank account (school budget share) with those in the school fund or any other account, or vice versa nor should they hold any other accounts that are not agreed in advance with the Council.

## **8. SCHOOL FINANCE VALUE STANDARD (SFVS)**

8.1 From 2019 to 2020 the school resource management self-assessment tool will replace the SFVS return that schools complete on annual basis at the end of March each year. The school resource management self-assessment tool helps to provide trusts, local authorities and school Governors with assurance that they are meeting the basic standards necessary to achieve a good level of financial health and resource management.

The assessment tool will be in 2 parts:

1. A checklist, which asks questions in six areas of resource management to provide assurance that the school is managing its resources effectively. This should be completed at school level similar to the SFVS.
2. A dashboard, which shows how a school's data compares to thresholds on a range of statistics that have been identified as indicators for good resource management and outcomes. This should be completed at school level. The data will be prepopulated with the previous year's spend.

8.2 Schools will be required to complete the assessment and submit to the LA in normal way and the LA will still be required to collate and submit a return annually to the DfE. More information will be released over the autumn term and a consultation exercise will take place. Schools will continue to submit the current SFVS assessment at the end of March 2019 and the new assessment will be required by March 2020. A version in the new format was released to academies in September 2018.

## **9. RECOMMENDATIONS**

9.1 Members of the Schools Forum are requested to note the contents of the report.