

CABINET
14 DECEMBER 2017**FAIR FUNDING CONSULTATION OUTCOMES FOR 2018-19
AND 2019-20 – NATIONAL AND LOCAL CHANGES TO THE
FUNDING ARRANGEMENTS FOR SCHOOLS**

Relevant Cabinet Member
Mr M J Hart

Relevant Officer
Director of Children, Families and Communities

Recommendation

- 1. The Cabinet Member with Responsibility for Education and Skills recommends that Cabinet:**
 - (a) has regard to the consultation undertaken between 17 October and 24 November 2017;**
 - (b) notes the consultation feedback in Appendices 2, 3, 4 and 5;**
 - (c) notes the involvement of the Worcestershire Schools Forum members and schools during the consultation;**
 - (d) notes the views of the Worcestershire Schools Forum on the Local Schools Funding Formula issues for 2018-19 and 2019-20 and other matters which are outlined in Appendix 6;**
 - (e) approves the Local Schools Funding Formula for Worcestershire mainstream schools from April 2018 to apply for 2018-19 and 2019-20 to be consultation Option 2 based as far as is practicable and affordable upon the National Funding Formula parameters and approves other matters as detailed in paragraphs 32 to 42 having regard to the consultation feedback from schools detailed in Appendix 3, 4 and 5 and views of the Worcestershire Schools Forum in Appendix 6; and**
 - (f) authorises the Director of Children, Families and Communities, in consultation with the Cabinet Member with Responsibility for Education and Skills, to make the required submission to the national executive body, the Education and Skills Funding Agency by 19 January 2018 for the approved Local Schools Funding Formula for 2018-19 taking account of any impact and change on the approved units of resource, Minimum Funding Guarantee and capping arrangements in paragraph 34 as a consequence of the October 2017 census and other 2017 data changes and the final 2018-19 Dedicated School Grant and similarly for 2019-20 when the timescales are known.**

Background

2. The Council receives funding for schools through the Dedicated School Grant (DSG). This is a ring-fenced grant and has historically been allocated by the Department for Education (DfE) in notional 3 blocks – Schools, High Needs and Early Years.

3. The majority of the Schools Block DSG is delegated to mainstream schools – Local Authority (LA) maintained and Education and Skills Funding Agency (ESFA) academies – through Worcestershire's Local Schools Funding Formula (LSFF). The amount remaining not delegated is centrally retained to provide designated services e.g. co-ordinated admissions scheme.

4. The Government made significant changes to the funding formula factors for schools from April 2013. The changes have had an impact both for the schools and central LA services. Cabinet at its meetings on 18 October 2012, 7 November 2013, 16 October 2014, 15 October 2015 and 17 November 2016 resolved to introduce a Local Schools Funding Formula for mainstream schools for 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 respectively.

5. The Council is required to consult the Worcestershire Schools Forum (WSF) on any changes to the LSFF in order to comply with the national requirements for school and LA funding with the need to inform Governing Bodies of the consultation. However, the Council has always chosen to expand this requirement to consult with all schools, governing bodies and other interested parties in order to inform Cabinet's ultimate decision in recognition that changes could potentially impact upon the quality of education provision in schools.

6. The important difference for the 2 year period 2018-19 to 2019-20 is that the Government has issued a significant change in policy direction by the introduction of a National Funding Formula (NFF) arrangement for both the Schools and High Needs DSG blocks and the introduction of a new Central School Services Block (CSSB). For schools this extends to a proposed NFF for individual schools. Within the two year period LAs are still able to set a local LSFF or consider moving to the NFF parameters. It is important to note whichever option is chosen by LAs this will have to be contained within the overall Schools Block DSG allocated by the DfE. For the High Needs DSG Block the NFF is for the overall quantum only. Early Years DSG funding has already been subject to a new NFF arrangement from 2017-18.

7. The constraint placed on LAs by the DfE on the number of permitted factors for the LSFF continues to severely impact upon the scope to reflect specific local circumstances. The continued use of nationally prescribed data sets for the LSFF also continues to impact. These national changes will continue to create budget uncertainty for individual schools, phases and districts.

DfE Decisions School Funding 2018-19 and 2019-20

8. On 17 July 2017, the Education Secretary made an initial announcement on School Funding for 2018-19 and 2019-20. This was followed up on 14 September 2017 when the Education Secretary made a further announcement. Also, as part of this both the DfE and ESFA published a number of operational guidance and technical documents to support the national policy changes. These confirmed the national policy direction for the Schools and High Needs Blocks DSG and other funding matters for the period.

9. A summary of the policy decisions are detailed in **Appendix 1**. Schools have been provided with a summary of the key headline issues confirming the issues made in the July 2017 and September 2017 Ministerial statements. The main issues are as follows:

- The Government announced their decisions on their Stage 2 education funding consultation
- Confirmation of baseline levels of funding for each Dedicated Schools Grant (DSG) Block (Schools, High Needs and Central Services, no changes to Early Years). Details are provided in **Table 1**.

Table 1: DfE NFF Illustrations

Detail	2017-18 Baseline £'m	2018-19 Provisional £'m	Variance to 2017-18 £'m	2019-20 Illustrative £'m	Variance to 2017-18 £'m
Schools Block	304.569	311.840	+7.271	315.772	+11.203
Centrally Services Schools Block (CSSB)	3.796	3.742	-0.054	3.742	-0.054
High Needs Block	47.353	48.716	+1.363	50.018	+2.665
TOTAL	355.718	364.298	+8.580	369.532	+13.814
			+2.4%		+3.9%

10. Beyond 2019-20, the DfE have indicated the NFF policy from 2020-21 will be subject to the new Comprehensive Spending Review (CSR) round.

11. The Council's current LSFF for 2017-18 was approved by Cabinet in November 2016 being based upon stability from the 2016-17 local formula approved by Cabinet in October 2015.

12. The Council in conjunction with all its key partners, particularly the F40 Group representing the lowest funded LAs, continues to lobby central Government for a fairer allocation of the total national allocation of funding as part of the NFF consultation process.

Consideration of Issues for 2018-19 and 2019-20

13. In respect of proposed formula development for 2018-19 and 2019-20 there was a balance of considerations between the need for stability given the number and scale of changes since 2012-13, the desire for a LSFF that can appropriately serve all schools in Worcestershire and the impact of the DfE NFF proposals.

14. Stability provides a period of no change for individual schools, apart from the impact of changes in mix and number of pupils per school, other data changes and the continuing impact of the Minimum Funding Guarantee (MFG); whereas the NFF is a national model.

15. LAs are required to consult on their LSFF and proposals for centrally retained services. This has been particularly challenging in the absence of a robust national modelling tool although the DfE did publish NFF schools illustrations. This consultation as advised to schools is on principles.

Consultation for 2018-19 and 2019-20

16. At its meetings on 7 September 2017 and 12 October 2017 the Worcestershire Schools Forum (WSF) discussed in detail the LSFF issues and potential for change. They concluded that although stability may be in the best interest of schools the NFF has the potential to significantly affect that policy. However, at that time it was not possible to make a definitive judgement on principles without the detailed NFF being available, the WSF requested the Council to consider stability vs. the NFF.

17. The DfE have confirmed that in the period 2018-19 and 2019-20 LAs are still able to continue to set their own LSFF and if LAs do so then the NFF requirements such as primary and secondary minimum funding levels and minimum per pupil cash increases do **not** necessarily apply.

18. In considering the NFF and the LSFF key considerations include:

- The potential impact of the DfE NFF in terms of DSG and individual school allocations for LAs and schools and how does this compare to the current LSFF
- Do the Council and its schools want to move from the existing LSFF to the NFF?
- The current policy of LSFF stability apart from annual data changes vs. the impact of the NFF and the potential conflict of this for individual schools
- The LSFF Minimum Funding Guarantee (MFG) between -1.5% per pupil and +0.5% per pupil to be determined locally
- The DfE NFF providing for a 0.5% per pupil cash increase for every school for 2018-19 and minimum per pupil funding levels for the primary and secondary sectors
- The continuing impact of budget and funding pressures for all schools
- The NFF policy from 2020-21 not yet being confirmed and being subject to the next Comprehensive Spending Review (CSR). Effectively this means if LAs opt for the NFF it is still a LSFF but using the current NFF parameters. How the NFF policy might or could change from 2020-21 is unclear at this stage and it might not be in the current form. The DfE have indicated the introduction of a nationally prescribed NFF will require changes to primary legislation
- Although the NFF provides an increase in funding for the High Needs Block this area is under significant pressure in terms of commissioned places and independent provision. To support this, the DfE are allowing LAs to consider transferring up to 0.5% of the Schools Block to High Needs.

19. Given all the above DfE requirements and issues and in line with the previous policy of LSFF stability, the Council and the WSF concluded there were effectively only 2 options of principle to consider:

- Option 1 – Retain the current Council LSFF for 2018-19 and 2019-20, whether a more protective MFG is required to support schools and the redistribution of any additional Schools Block DSG as a consequence of the NFF

- Option 2 – Introduce the NFF as far as is practicable and affordable as the Council LSFF in 2018-19 and 2019-20.

20. With both options the final allocations in 2018-19 and 2019-20 for individual schools will be affected and differ from the existing 2017-18 allocations and the DfE exemplifications due to:

- The MFG baseline having to roll forward with its start point being the 2017-18 and 2018-19 budgets
- Data not yet available from the October 2017 and 2018 census and other 2017 and 2018 updated data sets that have to be used for the 2018-19 and 2019-20 allocations
- Any MFG per pupil and associated capping calculation for 2018-19 and 2019-20 having to be based upon this revised data
- For some academies the ESFA will use a different 2017-18 baseline for the calculation of the MFG and capping
- The final Schools Block DSG for 2018-19 and 2019-20 will be based upon the October 2017 and 2018 pupil numbers and NFF arrangements
- The final Schools Block DSG quantum for 2018-19 and 2019-20 which will not be notified by the DfE until late December 2017 and 2018.

21. A detailed consultation document was circulated on 17 October 2017 to all maintained schools, academies, other providers, members of the Council, staff associations and the Worcestershire Association of Governors. Consultation responses were requested by 24 November 2017.

22. The following table shows the number of formal responses received from the consultation. The WSF has taken account of these responses and the views of the schools they represent when making their recommendations to Cabinet.

Type of school	Total Number of Providers (As at 1 September 2017)	Number of Responses	Percentage of Responses %
Mainstream			
Maintained First/Primary	128	40	31
Academy First/Primary	48	25	52
Maintained Middle	9	3	33
Academy Middle	11	5	45
Maintained Secondary/High	5	3	60
Academy Secondary/High	24	20	83
Free School	1	0	0
Total Mainstream	226	96	42
Other	N/A		N/A

The response rate last year was 8%

23. Consultees were requested to comment on the 2 options for the LSFF and to respond to a further 3 questions that related to specific issues for consideration relating to 2018-19 and 2019-20 on other statutory matters. A summary of the outcomes is at **Appendix 2**.

24. The consultation response main issues from the school returns have been summarised in **Appendices 3 and 4** (references to named individuals and schools are excluded). The outcomes arising from the consultation are detailed in **Appendix 5**. The deliberations of the WSF are in **Appendix 6**.

Recommendations for the Worcestershire Local Schools Funding Formula for Mainstream Schools and Other Statutory Matters for 2018-19 and 2019-20

25. The Council recognises the diverse range of schools in the county and Cabinet has previously discussed the issues in endeavouring to have a local funding formula that is appropriate for all schools. Having considered the outcomes of the consultation received from individual schools, the views of the WSF in **Appendix 6** and Cabinet's strategic view, the option which is recommended to be approved is Option 2 as the LSFF for 2018-19 and 2019-20. Cabinet is aware that this is not the preferred option for all schools but that has also been the case previously. This option is the favoured one from the consultation responses being supported overall in terms of numbers of schools, the majority of school phases and significantly more in terms of numbers of affected pupils, thereby giving the more favourable outcome for the majority of schools and pupils. The option will also support the DfE intention to move to a prescribed NFF in the future. The LSFF will then be based as far as is practicable and affordable on the NFF parameters. In doing this it is recognised that applying all the NFF parameters will depend upon the amount of Schools Block DSG available in 2018-19 and 2019-20, which will impact on how the NFF can be applied in the LSFF. In particular the affordability or otherwise of the NFF in respect of:

- The DfE sector minimum funding levels for the primary and secondary sectors
- The requirements for a minimum per pupil increase of +0.5% in both years
- The need to set a cap for gaining schools in both years as the NFF only provides funding for a 3% per pupil maximum increase on the previous year.

26. In terms of the LSFF the DfE have recently indicated a +0.5% per pupil MFG floor will not require their approval. Similarly implementation of the NFF parameters as the LSFF in Option 2 will require a funding cap given the DSG quantum will not be able to fund the full NFF in 2018-19. As a consequence the DfE have further indicated LAs can apply a cap estimated to be about 3% based on their maximum gains in their illustrations in 2018-19 with a further cap in 2019-20. Unlike now, this can be higher than the cash amount required for the MFG in order for the LSFF to be contained within the Schools Block DSG available.

27. The overall feedback from the consultation questions is detailed in **Appendix 2**. On the consultation questions issues raised are detailed in:

- For the LSFF 2018-19 and 2019-20 – **Appendix 3** summarises the main issues raised and the differing views on the consultation options. In recommending Option 2 it is recognised some schools supported the continuation of the current local formula. However, Option 2 was supported by more schools and numbers of pupils as detailed with many comments supporting the move to a local formula based upon NFF parameters

- For centrally retained services – **Appendix 4** summarises the main issues raised for:
 - continuing with the existing arrangements in 2017-18 into 2018-19 and 2019-20 as permitted by the DfE for maintained schools only for de-delegated services
 - no further central retention (de-delegation) for maintained schools only to cover any statutory duties previously funded through the general duties Education Services Grant
 - continuing with the existing arrangements in 2017-18 into 2018-19 and 2019-20 as permitted by the DfE for all schools for other centrally retained services.

28. The summary of the consultation outcomes is detailed in **Appendix 5**.

The Role of the Worcestershire Schools Forum (WSF)

29. As required, the WSF continues to fulfil its statutory role as the principal consultation body for matters relating to school funding. There is a statutory requirement to consult them on these funding proposals.

30. The WSF has met on 7 September 2017, 12 October 2017 and 29 November 2017. The latter meeting discussed the consultation responses and, whilst non unanimous, on a majority decision endorsed the formal recommendation for the LSFF for 2018-19 and 2019-20 together with approvals for the required statutory decisions on de-delegated and centrally retained services.

31. Details of these discussions and outcomes at the meetings are attached at **Appendix 6**.

Cabinet's Detailed Approvals

32. Approve for 2018-19 and 2019-20 the LSFF as supported by the WSF and the consultation responses to be consultation Option 2, with the **estimated** units of resource detailed below (**as per consultation question 1**).

33. Approve the following as the factors for inclusion in the LSFF for Council mainstream schools – LA maintained and ESFA academies – to be based upon required DfE data sets from the October 2017 and 2018 census and other 2017 and 2018 DfE data sources, including any in year or prior year changes and the final DSG for 2018-19 and 2019-20 when this is confirmed (**as per consultation question 1**).

34. Approve the model to contain from April 2018 and 2019, the following formula factors and **estimated** units of resource using the prescribed DfE data sets from the October 2017 and 2018 census, other DfE 2017 and 2018 data sources including any in year or prior year data changes and estimated data as required for schools changing their age range from September 2018 and September 2019 (**as per consultation question 1**):

Age Weighted Pupil Unit (AWPU):

[The same per pupil amount for the following age groups]

Primary £2,746.99; Key Stage 3 £3,862.65; Key Stage 4 £4,385.81

Deprivation:

Free School Meals (FSM) Annual: Primary £440.00; Secondary £440.00

Free School Meals (FSM) Ever 6: Primary £540.00; Secondary £785.00

Income Deprivation Affecting Children Index (IDACI) [6 bands A to F]:

Primary £575.00; £420.00; £390.00; £360.00; £240.00; £200.00

Secondary £810.00; £600.00; £560.00; £515.00; £390.00; £290.00

Low Cost/High Incidence Special Educational Need (SEN) – Low Prior Attainment:

Primary £1,050.00

[Combination of Early Years Foundation Stage Profile – New Profile % to be determined; Old Profile 78 Points];

Secondary £1,550.00

[Not achieving level 4 Key Stage 2 English or Maths]

English as an Additional Language (EAL) – maximum of 3 years:

Primary £515.00; Secondary £1,385.00

Lump Sum for Every School:

All School Phases £110,000

Sparsity based on a tapered approach:

Primary £25,000; Secondary £65,000

Minimum Funding Levels:

Primary £3,300 2018-19 £3,500 2019-20; Secondary £4,600 2018-19 £4,800 2019-20

[Middle and All Through average based upon number of phase year groups]

Split Site:

An individual school cash sum allocated via the approved 2017-18 formula with schools having to meet the qualifying criteria

Rates:

Actual Costs individual to each school

Private Finance Initiative (PFI):

Agreed Costs for those schools in the PFI contract

Exceptional Premises Costs:

An individual school cash sum for those qualifying schools as approved by the Education and Skills Funding Agency

Minimum Funding Guarantee (MFG):

+0.5% per pupil in each year on a formula as prescribed by the Education and Skills Funding Agency

Capping:

At the required % level to scale back gains for some schools to fund the LSFF Option 2 on the NFF parameters as prescribed by the Education and Skills Funding Agency

[The rate is estimated to be +3% per pupil and a scaling factor of 100% in 2018-19 and 2019-20 to comply with the with NFF parameters – this could change in both years with the impact of the revised data sets and Schools Block DSG].

35. Approve that the current **estimated** Local Schools Funding Formula units of resource as detailed above and **estimated** MFG and capping % be adjusted in January 2018 and 2019, as required, to take account of the impact of the:
- October 2017 and 2018 census and requirements including use of estimated data for changes in school age ranges if required
 - Other DfE prescribed 2017 and 2018 data and changes including those from prior years
 - Final Schools Block DSG for 2018-19 and 2019-20

- Statutory requirements relating to the MFG/Capping and/or the School and Early Years Finance (England) Regulations.

36. Approve the initial delegation of the following centrally retained services for all mainstream schools in 2018-19 and 2019-20 as in 2017-18 (**as per consultation question 2**):

FACTOR	SERVICE
Basic Per Pupil	School Specific Contingencies (not Early Years) Support for Schools in Financial Difficulties 14-16 Practical Learning Options Insurance Staff Costs Supply Cover Licences and Subscriptions
Deprivation	FSM Eligibility
EAL	Support for Minority Ethnic Pupils
Low Cost High Incidence SEN Prior Attainment	Support for Underachieving Groups Behaviour Support Services

37. Approve the decision of the WSF maintained mainstream school members to continue in 2018-19 and 2019-20 the delegation and de-delegation (centrally retained) of the above services for LA maintained mainstream schools only by phase (**as per consultation question 2**):

Phase/Service	Primary Delegation	Primary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	N/A	N/A
Behaviour Support Services	N/A	N/A
Schools Insurance	Yes	No
Licenses and Subscriptions (DfE Prescribed)	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes
Staff Costs Supply Cover – Trade Union Duties	No	Yes
Staff Costs Supply Cover – HR Related Duties	No	Yes

School Improvement	No	No
Phase/Service	Secondary Delegation	Secondary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	Yes	No
Behaviour Support Services	Yes	No
Schools Insurance	Yes	No
Licenses and Subscriptions (DfE Prescribed)	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes
Staff Costs Supply Cover – Trade Union Duties	No	Yes
Staff Costs Supply Cover – HR Related Duties	No	Yes
School Improvement	No	No

38. Approve for those services subject to de-delegation using the formula factors by reducing the formula amounts in 2018-19 and 2019-20 for LA maintained mainstream schools only on the basis detailed above.

39. Note the decision of the WSF not to de-delegate further Schools Block funding to cover the statutory duties for LA maintained schools only carried out by the LA which were previously funded through the general duties Education Services Grant. This issue is referenced in the draft budget report earlier on this agenda (**as per consultation question 3**).

40. Approve the decision of the WSF to the continued central retention in 2018-19 and 2019-20 of the centrally retained services as detailed below either limited to the 2017-18 budget level or as prescribed by the DfE (indicative budgets are shown either limited to previous year levels or **estimated** with final funding subject to clarification and change) for (**as per consultation question 4**):

- Funding for significant pre-16 pupil growth to meet basic need and to enable all schools to meet the infant class size requirement i.e. pupil growth fund – £0.7m **estimated**
- Copyright Licensing Agency (CLA) and Music Publishers Association (MPA) licences (subject to DfE prescription) – £0.38m **estimated**

- Contributions to Combined Services – the Early Intervention Family Support (EIFS) service budget – £1.50m **actual**
- Co-ordinated admissions scheme – £0.70m **actual**
- Servicing of the Schools Forum – £0.06m **actual**
- Services previously funded by the retained rate of the Education Services Grant – £1.16m **actual**.

41. The final LSFF units of resource and capping for 2018-19 and 2019-20 are subject to final confirmation with the Education and Skills Funding Agency and may change when the impact of the October 2017 and 2018 census, other 2017 and 2018 DfE data and prior year data changes and the final Schools Block DSG for 2018-19 and 2019-20 are confirmed.

42. As in previous years the LSFF for 2018-19 and 2019-20 will **not** include factors for:
- Pupil Mobility – not deemed to be a significant issue
 - Looked After Children (LAC) – funded via the separate LAC Pupil Premium Grant
 - Post-16 top up – not permitted as not a pre-2013 formula factor and no longer a permitted Local Schools Funding Formula from 2017-18
 - Higher Teacher Costs – only applies to London fringe LAs.

Legal, Financial and HR Implications

43. The Council is required to adhere to the DfE prescribed arrangements for school and LA funding in 2018-19 and 2019-20 to be contained within the School and Early Years Finance (England) Regulations 2017 and 2018 including any impact of any prescribed changes to the regulations.

Privacy and Public Health Impact Assessments

44. Not applicable in this case.

Equality and Diversity Implications

45. Given the recommendations in 2018-19 and 2019-20 for the LSFF and the arrangements for de-delegated and centrally retained services are made following detailed consultation with all schools and the WSF there are no such implications.

Supporting Information

- **Appendix 1** – Education Secretary Announcements and DfE Documents July 2017, August 2017 and September 2017 – Summary of the Key Issues.
- **Appendix 2** – Summary of the Consultation Responses November 2017.
- **Appendix 3** – Summary of the main issues from the Consultation Responses Relating to the Local Schools Funding Formula (LSFF) 2018-19 and 2019-20 November 2017.
- **Appendix 4** – Summary of the main issues from the Consultation Responses on the Other Consultation Issues November 2017.
- **Appendix 5** – Fair Funding Consultation Outcomes 2018-19 and 2019-20 November 2017.

- **Appendix 6** – Fair Funding Consultation 2018-19 and 2019-20 Worcestershire Schools Forum Issues, Decisions and Recommendations September, October and November 2017.

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Background Papers

In the opinion of the proper officer (in this case the Director of Children, Families and Communities) the following are the background papers relating to the subject matter of this report:

Fair Funding Consultation Documents – October 2017

Agenda and background papers for the meetings of the Cabinet held on 18 October 2012, 7 November 2013, 16 October 2014, 15 October 2015 and 17 November 2016