

From: **Roger Gough, Cabinet Member for Children, Young People and Education**

**Patrick Leeson, Corporate Director for Children, Young People and Education**

To: **Children, Young People and Education Cabinet Committee – 5 December 2017**

Subject: **School Funding Arrangements for 2018-19 including the introduction of a National Funding Formula**

Classification: Unrestricted

Decision Number: 17/00109

Future Pathway of Paper: Executive Decision

Electoral Division: All

**Summary:**

Following the announcement by the Secretary of State on 14 September 2017 to introduce a National Funding Formula, this paper provides an update on the implications for Kent schools and this Council. It also provides an update on the consultation held with all Kent schools regarding a number of proposals to change KCC's local funding formula from 1 April 2018.

**Recommendation(s):**

**The Children's, Young People and Education Cabinet Committee** is asked to:

- (i) Consider and comment on the NFF proposals in order to inform the decision of the Executive.

**1. Introduction**

1.1 On 17 July 2017 the Secretary of State for Education announced in her speech to Parliament the schools' funding arrangements for 2018-19 and beyond. A further £1.3 billion of funding has been allocated nationally to schools for the period 2018-19 (£416m) to 2019-20 (£884m). This is in addition to the £1.3 billion already committed for this period in the 2015 spending review. Nationally, schools and high needs funding will rise from £41 billion in 2017-18 to £42.8 billion in 2018-19 and to £43.5 billion in 2019-20, a total increase of £2.6 billion between 2017-18 and 2019-20. This is an overall of increase of 6.3% over this period.

- 1.2 The Department for Education (DfE) consulted on the introduction of a National Funding Formula (NFF) for schools in the early part of 2017 and had an unprecedented 26,000 responses. The Government has listened carefully to the feedback and has decided to implement a NFF from 2018-19. Alongside this announcement they have confirmed arrangements for the 2018-19 to 2019-20 financial years. Spending plans for the years beyond 2019-20 will be set out in the next spending review.
- 1.3 For 2018-19 the Government is introducing a *soft* NFF. This means that Local Authorities will continue to set a local funding formula to distribute their schools block funding, in consultation with their local schools and their Schools' Funding Forum. Some additional local flexibility is also available and explained in more detail later in this report.
- 1.4 The Government's long term aim is to have all school budgets set on the basis of a single formula set nationally by Government, with no Local Government involvement – this is known as a *hard* NFF.

## 2. Background

- 2.1 The LA's response to the NFF consultation proposals (submitted in March 2017) can be summarised under the 5 following headings:
- **An absolute -3% funding floor, which locks in historical funding inequalities** – A fundamental principle in moving to a NFF was to have fair and transparent distribution to schools. The consultation proposals included a -3% floor which meant that a number of schools would continue to be protected on the majority of their historic funding levels.
  - **Weakness of evidence for proposals and continued use of averages** – A formula should be based on a needs led formula, not an average based on historic distribution.
  - **The proportion of weighting given to AEN rather than basic entitlement** – In a formula that was re-distributing existing funding there was no evidence that supported the rationale for reducing the basic entitlement and increasing funding into additional need.
  - **Quantum and spending cuts** – Schools have received flat cash for seven consecutive years, and schools are finding it difficult to continue to find efficiency savings to balance their budgets.
  - **Movement between blocks** – There are significant pressures on the High Needs Block and the NFF proposed that a) as a floor authority we would receive no annual increase for many years and b) the flexibility that we have utilised in previous years to transfer unallocated funding from the Schools Block is being removed.

- 2.2 The Dedicated Schools Grant (DSG) funding from 2018-19 will be allocated through 4 blocks with each block calculated using their own separate NFF. The four blocks and their calculation methodology are as follows:

**Schools Block (SB)**– Individual allocation for each school based on NFF, aggregated up to make a total allocation for the LA.

**High Needs Block (HNB)** – proxy indicators and partial historic spend.

**Central Schools Services Block (CSSB)** – National rate per pupil X no of pupils in the LA as at previous October census.

**Early Years Block (EYB)** - NFF for early years X January count.

### 3. **How will School Funding work in 2018-19?**

#### Stage 1: Department of Education (DfE) to Local Authority (LA)

- 3.1 In 2018-19, LAs will receive the NFF for each individual school, academy and free school within their area. These individual school budgets will then be adjusted to ensure they comply with the following *soft* NFF rules:
- Increases delivered through the NFF factors will be capped at +3%
  - School baselines for 2017-18 will be protected including Minimum Funding Guarantee (MFG), and all schools will receive a minimum increase of +0.5%.
  - All school allocations are checked to ensure that they are funded at, or above, the Minimum Funding Level (MFL). 2018-19 is classified as a transitional year (in the context of MFLs) and the rates have been set at £3,300 for a Primary school pupil and £4,600 for a Secondary school pupil.

These adjusted individual school budgets are then aggregated up to provide the overall total LA allocation (known as the Schools Block).

- 3.2 In 2019-20 the following criteria will be applied to the LA Schools Block calculation.
- Further increases delivered through the NFF will be capped at +3% (this represents a cumulative +6% over the two years).
  - School baselines for 2018-19 will be protected including MFG, and all schools will receive a minimum increase of +0.5%.
  - The MFL for a Primary school pupil will rise to £3,500 and for a Secondary school pupil will rise to £4,800.

- 3.3 Confirmation of when the remaining funding, for those schools that have not yet received their full entitlement to the NFF, will be provided in the next spending review.
- 3.4 It should be noted that the MFL takes precedence over the annual maximum +3% increase. This means that the allocations within the Schools Block for some schools will be significantly higher in 2018-19 and 2019-20 than the annual +3% cap (or collective +6% over the two years).
- 3.5 The analysis in table 1 below is based on the information provided by the DfE and illustrates the additional funding Kent expects to receive in both 2018-19 and 2019-20. It also shows the remaining balance expected to follow once the National Funding Formula has been fully implemented.

### Implications of the introduction of a NFF on our Schools Block

Table 1 <i>figures subject to rounding</i>	DSG Schools Block	Movement in funding from			
		previous year		current year	
	£'m	£'m	%	£'m	%
2017-18	£839.4m				
2018-19	£867.0m	+£27.6m	+3.3%	+£27.6m	+3.3%
2019-20	£889.3m	+£22.3m	+2.6%	+£49.9m	+5.9%
Once NFF is fully implemented	£901.5m	+£12.2m	+1.4%	+£62.1m	+7.4%

Note: The DSG Schools Block figures are based on the October 2016 census data and our funding will be adjusted for changes in pupil numbers. So for 2018-19, the £867.0m will increase for the expected increase in pupil numbers as recorded on the October 2017 census.

- 3.6 Once the NFF is fully implemented, Kent's Schools Block DSG per pupil increases from £4,145 per pupil to £4,452, which represents an increase of +7.4%. In 2017-18, Kent was ranked 140 out of 150, or put another way, the 10<sup>th</sup> worst funded LA. We will be ranked 114 when the NFF is fully implemented. In 2017-18 Kent's per pupil DSG is 8.8% below the national average and when the NFF is fully implemented it will be 5.5% below the national average, an increase of 3.3%.

#### Stage 2: Local Authority to Schools

- 3.7 Under the operation of a soft NFF, LAs will continue to have discretion on how they allocate/target the funding at a local level through their local funding formula. A comparison between the NFF and the local funding formula factors and rates is provided in Appendix 1. Thus, while the funding for each school under the NFF forms the basis for the total Schools Block received by the LA (and the DfE has made its projected budget for each

school public), it is for the LA to decide whether to allocate that Schools Block in line with NFF or to apply a local formula that may result in different outcomes between individual schools.

- 3.8 In addition we will also have local flexibility for the first time ever regarding the Minimum Funding Guarantee percentage rate. The percentage rate can be set locally at anywhere between 0% and -1.5%.
- 3.9 We also have the ability in 2018-19 to transfer up to 0.5% of the Schools Block total funding, which in Kent equates to approximately £4.3m, from the Schools Block into the High Needs Block. Our High Needs funding within Kent is under severe pressure currently and we are set to only receive minimal increase of 0.5%. This position is not unique to Kent and we are aware of many other local authorities who are experiencing similar pressure on their High Needs budgets.
- 3.10 We launched an all school consultation on Monday 30 October which sets out a number of proposals to change the local funding formula from 1 April 2018. This is a statutory requirement under The School and Early Years Finance (England) Regulations 2017. The consultation was open for just over four weeks and closed on Sunday 26 November. We encouraged all maintained schools, academies and free schools within the KCC area to respond with their views. Full details on our consultation are available online at [www.kent.gov.uk/schoolfundingconsultation](http://www.kent.gov.uk/schoolfundingconsultation).
- 3.11 The consultation consists of a number of documents, specifically:
- a detailed document explaining the background as well as further information about each proposal.
  - an equality impact assessment.
  - an individual school illustration model.
  - an online consultation response form.
- 3.12 A summary of the consultation responses is attached at Appendix 2. These will be shared with the Schools' Funding Forum on 1 December 2017. The Forum will be asked to review these responses before reaching a recommended set of proposals to change the local funding formula from 1 April 2018. These recommendations will also relate to the 2019-20 financial year. The recommendations will be verbally shared with this Committee at its meeting on 5 December 2017.
- 3.13 Consultation responses will be considered alongside the Forum recommendations and the views of this Committee before a key decision is taken in December. We intend to update this Cabinet Committee at its next meeting on 18 January 2018.
- 3.14 The consultation actively invited comments on the draft Equalities Impact Assessment completed prior to the start of the consultation. Attached at Appendix 3 is the latest version of this document which will accompany the consultation responses to the Forum and in the decision papers.

#### 4. Conclusions

- 4.1 The increases to the basic per pupil funding rates and the resulting increases to the Schools Block are welcome. However we are still concerned that the imbalance of funding between Kent and some better funded authorities continues under these arrangements.
- 4.2 The distribution of the additional funding presents some difficult choices, between fully implementing the NFF as soon as possible versus taking a more measured step towards the NFF whilst at the same time recognising some local priorities. For example some of the initial feedback we have received from schools concerns maintaining the lump sum at £120k per annum to offer some degree of protection to small primary schools. If we decide to maintain the lump sum at £120k, we will not be able to fully implement the NFF, as there is a cost to this protection. There are other examples of local priorities that we have included within the consultation, for example the proposal to transfer 0.5% (c. £4.3m) from the Schools Block to the High Needs Block, and we are encouraging all maintained schools, academies and free schools within Kent to respond and provide us with their views on all of our proposals. This will enable the views of the majority of schools to be presented to the Schools' Funding Forum on 1 December, this Committee on 5 December and Cabinet on 11 December before a key decision is taken.

#### 5. Recommendation:

**The Children's, Young People and Education Cabinet Committee** is asked to:

- (i) Consider and comment on the NFF proposals in order to inform the decision of the Executive.

#### 6. Background Documents (plus links to document)

The DfE executive summary documents on the introduction of a National Funding Formula for Schools Block and High Needs Block.

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

The KCC consultation with schools

<https://www.kent.gov.uk/schoolfundingconsultation>

## 7. Contact details

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