

12 December 2018		ITEM: 3
Decision: 110487		
Cabinet		
Schools Funding Formula 2019/20		
Wards and communities affected: All	Key Decision: Yes	
Report of: Councillor James Halden, Cabinet Member for Education and Health		
Accountable Assistant Director: Jonathan Wilson, Assistant Director – Finance, Corporate Finance		
Accountable Director: Sean Clark, Director of Finance and IT and Rory Patterson, Corporate Director of Children’s Services		
This report is Public		

Executive Summary

In 2018/19, after extensive consultation, the Department for Education introduced a new national funding formula for the allocation of schools funding to local authorities (“soft” formula). In July 2018, Department for Education announced that Local authorities will continue to determine local formulae (soft formula) until at least 2020/21. This recognised the significant progress made in the formula’s first year of introduction, with 73 local authorities have moved every one of their factor values in their local formulae closer to the national funding formula, with 41 already mirroring it almost exactly.

In 2018/19, Thurrock continued with its own local formula with significant variance from the National Funding Formula. In considering the local formula for schools in 2019/20 and 2020/21, Officers have engaged with Thurrock Schools Forum and held consultation sessions with 54 attendees representing 28 schools and academies. The responses to the consultation demonstrated a good overview of the schools funding system that allowed informed decision making. The main agreement was that Thurrock should move towards the National Funding Formula but maintain some localisation to support schools in this transition period.

Thurrock schools are expected, based on indicative allocations, to receive additional funding once the National Funding formula is fully implemented.

Recommendations;

1. Thurrock Council is asked to decide changes to the local funding formula to be implemented from April 2019. The Schools Forum have been consulted and the proposed changes take their comments into consideration:

- **The National funding formula, with the exception of Free School Meals, to be implemented in 2019/20;**
- **Minimum Funding Guarantee to be implemented at 1.5%, in line with the National funding formula guidelines. Any unallocated funds once the National funding formula has been implemented will be used to reduce the Minimum Funding Guarantee to the lowest possible figure to afford more protection to schools. The options presented showed this as -0.57%.**
- **A revised calculation for Notional Special Educational Needs to be implemented consistent with the new funding formula.**
- **The National funding formula to be implemented in full from 2020/21.**

2 Introduction and Background

- 2.1 Since 2010, the Department for Education has been progressing the reform of the schools funding system to make it simpler, fairer and more transparent.
- 2.2 In spring 2016, Department for Education consulted on the principles that should underpin the funding system and the factors that the new formulae should contain. This was followed in December 2016, with extensive consultation on the details of the formulae and illustrated its potential impact. The Department for Education received over 26,000 responses to the consultations.
- 2.3 In July 2017, Department for Education confirmed that they would introduce the national funding formulae in 2018/19 and this would be supported by additional investment of £1.3 billion across 2018/19 and 2019/20.
- 2.4 In July 2018, Department for Education announced that local authorities will continue to determine local formulae (soft formula) until at least 2020/21. This recognised the significant progress made in the formula's first year of introduction, with 73 local authorities have moved every one of their factor values in their local formulae closer to the national funding formula, with 41 already mirroring it almost exactly.
- 2.5 Thurrock, in 2018/19, continued with its own local formula with significant variance from the National Funding Formula.

3 Structure of the Funding System

- 3.1 From 2018/19, the dedicated schools grant for local authorities is allocated in four blocks (schools, high needs, early years and central schools services). Each is calculated on the basis of a different national formula. It remains the Department for Education long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' formula).
- 3.2 Local budget flexibility arrangements associated with the schools block ring fence allows for the Schools forums to agree transferring up to 0.5% of their schools block funding to the High Needs Block. In addition where the Department for Education have previously approved a request to move more than 0.5%, and where there is continuing schools forum support agreement to the transfer, the local authority will not need to submit a further request this year up to the level previously agreed.

4 National Funding Formula Weightings and Values

- 4.1 The national funding formula introduces values for all 14 factors of the formula; these values differ from those included within Thurrock's current funding formula. The overall level of funding is forecasted to increase, however it is the potential turbulence at individual school level that has required detailed discussions with the Schools Forum and Schools and Academies through the consultation process.
- 4.2 The key areas of change are reductions to the basic entitlement and lump sum values with an increase in funding distributed through additional needs.
- 4.3 The Looked after Children funding allocation has been removed from the national funding formula and distributed through a new pupil premium plus grant, which was introduced from April 2018 at £2,300 per pupil, an increase of £400.
- 4.4 The English as an additional language factor as part of the consultation process has been realigned to reflect the National Funding Formula to children who entered the state education system during the last three years for both primary and secondary sectors.
- 4.5 Appendix A shows both the change in values and overall quantum distributed within each factor:

5 Notional Special Educational Needs

- 5.1 Included within the budget allocation is a notional special educational needs allocation, this is not additional budget but an amount that is deemed to be for low level, high incidence SEND in mainstream classes (not SEN units). This is determined locally and based on a percentage of various factors within the local formula. As the funding formula changes so too must the percentage allocated to each factor. Appendix B shows the information presented at consultation.

- 5.2 The Appendix shows that by continuing to use 2018/19 individual factor percentages, the notional special educational needs allocation would increase from £15.625m in 2018/19 to £24.752m in 2019/20. The Schools Forum recommended that Option C, which aligns the percentages with Free School Meals and Low Prior Attainment, should be implemented. The revised notional special educational needs allocation is estimated at £17.340m.

6 High Needs Block

- 6.1 The High Needs Block has experienced significant increase in demand for both commissioned places and Education Health and Care Plans. Detailed discussions have been held with the Schools Forum with a focus on the following key points:
- 6.2 High Need funding block is not linked to demand
 - 6.3 Overspend in 2016/17 and 2017/18;
 - 6.4 Ongoing funding gap;
 - 6.5 Agreed transfer of £1.843m in 2018/19;
 - 6.6 A number of pupils to be funded in 2019/20 from the high needs block are in the schools block at the time of October 2018 census
 - 6.7 Increase in the number of placements and Education Health and Care Plans
 - 6.8 Increases to High Needs funding is delayed and insufficient to meet demand.
- 6.9 The Schools Forum agreed to the continued transfer of £1.843m from the Schools Block to support High Need funding. This is recognised as a short term option whilst a long term plan is developed.
- 6.10 The long term plan will demonstrate the steps to be taken to control high needs expenditure within the funding allocation and include:
- 6.11 Review of existing provision and development of a more localised offer through the Special Free Schools Programme and review of resource based provisions;
 - 6.12 Initiatives taken in 2018/19 by the Schools Forum to contain cost pressures;
 - 6.13 Initiatives to be developed to manage demand in the system;
 - 6.14 One off funding of £0.500m provided by Local Authority to support High Needs funding pressures in 2018/19;
 - 6.15 Outcome of budget discussions following confirmation of the funding to be received in 2019/20.

7 Schools Consultation

- 7.1 Following discussion at the Schools Forum meeting held on the 13 September it was agreed that the following models and impact would be consulted on to inform future decision making:
- 7.2 National funding formula 2019/20 with no floor protection
 - 7.3 National funding formula 2019/20 with Thurrock lump sums, No Free School Meals, No Floor Protection and Minimum Funding Guarantee of -1.3%.
 - 7.4 National funding formula 2019/20 with No Free School Meals, No Floor Protection and Minimum Funding Guarantee of -0.57%.

- 7.5 Thurrock 2018/19 values with no Looked after Children factor, English as Additional Language ever 3 years, No Floor Protection and Minimum Funding Guarantee of -1.5%.
- 7.6 At the consultation sessions held, a total of 54 delegates attended representing 28 schools and academies. The responses to the consultation demonstrated a good overview of the schools funding system that allowed informed decision making. The main agreement was that Thurrock should move towards the National Funding Formula but maintain some localisation to support schools in this transition period. The responses showed:
- 7.7 100% agreement that the sessions provided an overview of the National Funding Formula. .
- 7.8 80% agreement with the decision to transfer funds from the school to high needs block. The Local Authority has been asked to develop a long term strategy for the High Needs Block.
- 7.9 100% agreement to the removal of the Looked after Children factor
- 7.10 100% agreement to the alignment of the English as an Additional Language with the National Funding Formula to children who entered the state education system during the last three years
- 7.11 60% think it is the correct time for Thurrock to move to the national funding formula
- 7.12 At the Schools Forum meeting on the 15 November, members provided feedback from the Primary and Secondary Headteachers groups. There was significant support for implementation of the National Funding Formula with the exception of Free School Meals and protecting schools through a reduction to the Minimum Funding guarantee.
- 7.13 This option is consistent with what other local authorities are implementing; National funding formula with minor changes to protect local schools. This is an excellent step forward and positions schools well for full implementation.
- 7.14 The Schools Forum at its meeting on the 15 November considered the representations from schools. As a result of the consultation with Schools Forum Cabinet is asked to agree the following principles to be applied to Thurrock Schools Funding Formula in 219/20:
- The National funding formula, with the exception of Free School Meals to be implemented in 2019/;
 - Minimum Funding Guarantee to be implemented at 1.5%, in line with the National funding formula guidelines. Any unallocated funds once the National funding formula has been implemented will be used to reduce the Minimum Funding Guarantee to the lowest possible figure to afford more protection to schools.
 - A revised calculation for Notional Special Educational Needs to be implemented consistent with the new funding formula.

- 7.15 Following the School Forum meeting discussions with the Cabinet member for Education and Health have concluded support in 2019/20 for some local discretion to provide time for schools to transition to the National Funding Formula. In 2020/21 it is proposed that the National Funding Formula is implemented in full.

8 Reasons for Recommendation

- 8.1 To approve the principles of Thurrock Schools Funding Formula for 2019/20 that will allow Officers to implement the change and make a formal return to the Department for Education by 21 January 2019.

9 Consultation (including Overview and Scrutiny, if applicable)

- 9.1 This report was reviewed by Children's Overview and Scrutiny Committee on 4 December 2018.

10 Impact on corporate policies, priorities, performance and community impact

- 10.1 This report fulfils the Local Authority statutory responsibility for approval of the Local Schools Funding Formula.

11 Implications:

11.1 Financial

Implications verified by: **David May**

Management Accountant

The funding allocation is provided annually by the ESFA in December of each year. The recommended formula will be used to distribute the 2019/20 DSG schools funding allocation received.

11.2 Legal

Implications verified by: **Lucinda Bell**

Education Lawyer

Cabinet must decide changes in Schools Funding Formula, as requested in this report. It is required to do so by the Local Government Act 2000. Schools Forum has a consultative role. Formula changes must be proposed and decided by the Council which must consult schools forum who must inform governing bodies of all consultations.

The Education and Skills Funding Agency (ESFA) have published "Schools revenue funding 2019 to 2020 Operational guide", which helps the Council and its schools forum plan the local implementation of the funding system for

the 2019 to 2020 financial year. This details departmental advice and expectations.

11.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**

Community Engagement Officer

The data sets used are mandatory, school and child specific and provided by the Department for Education. No local discretion is available.

12 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- 12.1 School Forum 28th June 2018 – DSG Outturn 2017/18
- 12.2 Schools Forum 28th June 2018 – School Funding Formula and Update on High Needs following DFE meeting.
- 12.3 Schools Forum 13th September 2018 – DSG 2019-20
- 12.4 Schools Forum 15th November 2018 – Schools Funding Formula 2019/20

13. Appendices to the report:

- 13.1 Appendix A – Change in Factor Values and Amount to be Distributed
- 13.2 Appendix B – Notional SEN Percentages Allocated Against Each Factor

Report Author:

David May,

Management Accountant – Dedicated School Grant

Appendix A

Change in Factor values and amount to be distributed						
Thurrock Funding Formula Options	Thurrock 2018/19			NFF 2019/20		
	P:S	£m	%	P:S	£m	%
Basic Entitlement – Primary	£3,155	£93.878	83%	£2,747	£84.502	75%
Basic Entitlement - KS3	£4,017			£3,863		
Basic Entitlement - KS4	£4,830			£4,386		
FSM	£1,600:£0	£3.308	3%	£440	£1.426	1%
FSM6	£0:£750	£1.960	2%	£540:£785	£4.239	4%
IDACI Band F	£110:£200	£0.531	0%	£200:£290	£0.871	1%
IDACI Band E	£110:£200	£0.755	1%	£240:£290	£1.567	1%
IDACI Band D	£110:£200	£0.388	0%	£240:£390	£1.137	1%
IDACI Band C	£110:£200	£0.081	0%	£360:£515	£0.262	0%
IDACI Band B	£110:£200	£0.274	0%	£390:560	£0.936	1%
IDACI Band A	£110:£200	£0.050	0%	£575:£810	£0.232	0%
Looked after Children	£2,300	£0.330	0%	£0	£0.000	0%
EAL	£300:£450	£0.322	0%	£515:£1,385	£1.344	1%
Prior Attainment	£300:£700	£2.930	3%	£1,050:£1,550	£8.512	8%
Lump Sum	£125k:£175k	£6.800	6%	£110k	£5.500	5%
Premises		£0.842	1%		£0.842	1%
Total Funding for Schools Block Formula		£112.451			£111.371	
Protection – All		£0.208	0%		£1.283	1%
Schools Block Formula		£112.659	100%		£112.654	100%

Notional SEN percentages allocated against each factor			
	Thurrock	Proposals 2019/20	
	A	B	C
	2018/19	Thurrock	Proposed
	Notional	Notional	Notional
	SEN	SEN	SEN
Basic Entitlement	5.00%	5.00%	2.50%
FSM	100.00%	100.00%	100.00%
FSM6	100.00%	100.00%	100.00%
IDACI Band A - F	100.00%	100.00%	25.00%
LAC	100.00%	100.00%	0.00%
EAL	100.00%	100.00%	0.00%
Mobility	0.00%	0.00%	0.00%
Low Attainment - Primary	100.00%	100.00%	100.00%
Low Attainment - Secondary	100.00%	100.00%	100.00%
Notional SEN Value	15,624,651	24,752,241	17,340,300
Schools Block Formula	112,658,766	112,645,015	112,645,015
	13.87%	21.97%	15.39%