
Schools Funding Formula 2018/19

Report being considered by: Schools Forum
On: 30/10/2017
Report Author: Claire White
Item for: Decision **By:** All Forum Members

1. Purpose of the Report

- 1.1 To set out the requirements for setting the primary and secondary school funding formula for 2018/19 and to set out the funding proposal to go out to consultation with all schools.

2. Recommendation(s)

- 2.1 Approve the following proposal for setting the school funding formula for 2018/19, to go out to consultation with schools:
- Use the National Funding Formula rates for every formula factor, applying a funding cap on gains of 3% per pupil and minimum funding guarantee of 0%.
 - Apply to the Secretary of State for Education to increase the minimum funding guarantee up to 0.5% should more funding be available.
 - Scale every formula factor upwards or downwards in order to match the final funding allocation available for distribution to schools.
- 2.2 Approve the consultation document and timescale for the consultation.

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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3. Introduction

- 3.1 The Government has made a number of announcements over the summer and produced a number of policy and operational documents alongside the outcomes of the consultation on school funding. These documents can be found on this webpage: <https://www.gov.uk/government/policies/school-and-college-funding>
- 3.2 The funding arrangements for 2018/19 (including the introduction of the National Funding Formula for 2018/19) have been released by ESFA very late this year (the final piece of information needed in order to commence modelling was received early October). This gives limited time to review, model, and consult with all schools.
- 3.3 The biggest change following the consultation earlier this year is the announcement that nationally an additional £2.6billion is to go towards education funding over the next two years, rising to a total of £43.5 billion in 2019/20. Additional funding has been put into the National Funding Formula meaning that no school should lose on

a per pupil basis. For West Berkshire schools this is a significant improvement, as the previous proposal meant that around half of West Berkshire schools would have seen a reduction in funding.

- 3.4 Another paper on this agenda set out the changes to the DSG and how the schools block DSG will be calculated. For the next two years the National Funding Formula will operate as a “soft” system – this means that the local authority will receive a total allocation and then allocate this out to schools according to a local formula, which is determined after consulting with all schools and the Schools’ Forum.
- 3.5 The other paper also set out why it is impossible for local authorities to just replicate the National Funding Formula through its own local formula.

4. Changes

- 4.1 The national formula assigns funding rates to each of the current formula factors. For some local authorities these will be uplifted by an area cost adjustment – for West Berkshire this is 1.0341.
- 4.2 In determining the pupil numbers and other pupil characteristics, the October census will continue to be used, but there is no longer a reception uplift applied (where pupils have deferred their place from September to January), and resource unit pupils are now included in the count (but the resource unit place funding is reduced from £10,000 to £6,000).
- 4.3 Table 1 sets out the national rates compared to West Berkshire’s current rates.

Table 1: National Funding Formula Rates compared to West Berkshire Current rates

Factor	National Rate	WBC National Rate (with ACA)	Current WBC Rate
1.Basic Entitlement:			
Primary	£2,747	£2,841	£2,945
Secondary KS3	£3,863	£3,995	£4,372
Secondary KS4	£4,386	£4,536	£4,372
2.Deprivation:			
Primary current FSM	£440	£455	£0
Primary FSM Ever 6	£540	£558	£875
Primary IDACI Band F (0.2 – 0.25)	£200	£207	£40
Primary IDACI Band E (0.25 – 0.3)	£240	£248	£120
Primary IDACI Band D (0.3 – 0.4)	£360	£372	£240
Primary IDACI Band C (0.4 – 0.5)	£390	£403	£240
Primary IDACI Band B (0.5 – 0.6)	£420	£434	£240
Primary IDACI Band A (over 0.6)	£575	£595	£240
Secondary current FSM	£440	£455	£0
Secondary FSM Ever 6	£785	£812	£670
Secondary IDACI Band F	£290	£300	£60
Secondary IDACI Band E	£390	£403	£180
Secondary IDACI Band D	£515	£533	£360
Secondary IDACI Band C	£560	£579	£360
Secondary IDACI Band B	£600	£620	£360
Secondary IDACI Band A	£810	£838	£360
3.Prior Attainment:			
Primary	£1,050	£1,086	£284

Secondary	£1,550	£1,603	£1,125
4.English as an Additional Language:			
Primary EAL 3	£515	£532	£345
Secondary EAL 3	£1,385	£1,432	£345
5.Sparsity			
Primary	£25,000	£25,852	£0
Secondary	£65,000	£67,216	£100,000
6.Lump Sum:			
Primary	£110,000	£113,747	£122,800
Secondary	£110,000	£113,747	£122,800
7.Rates:			
Primary	17/18 estimate		
Secondary	17/18 estimate		

4.4 It can be seen that for West Berkshire schools there is a shift in funding from basic entitlement and lump sum funding to additional needs funding. Annex A of Appendix A shows for each school a breakdown per formula factor using the national funding formula rates. The schools that gain funding are generally those with the following characteristics:

- High number of pupils from deprived backgrounds (particularly those on the IDACI bands).
- High number of pupils with low prior attainment.
- Small rural school meeting the sparsity criteria – the pupils live more than two miles from their next nearest school.

4.5 The following explains why there is this shift for some factors:

- West Berkshire is ranked one of the lowest in terms of deprivation, which was replicated in lower relative funding when the DSG was first put in place – the funding received did not recognise the needs of pupils which this new formula is now addressing.
- When the current West Berkshire formula was set in 2013 it was a School Forum decision that the prior attainment factor for primary schools was not, on its own, a reasonable proxy factor for additional need, and so more funding was added to the AWPU and deprivation.
- It has been a School Forum decision not to use the sparsity factor for primary schools, as most of our small schools fall just outside the criteria and it was felt unfair that just a few would gain and at the expense of the others.

4.6 The national formula delivers a minimum increase of 0.5% per pupil in the DSG being allocated to the local authority. For schools that gain, a funding cap of 3% per pupil has been set for 2018/19. These increase to 1% and 6% respectively in 2019/20.

4.7 There will be a minimum per pupil funding level of £3,300 for primary and £4,600 for secondary (this will go up in 2019/20 to £3,500 for primary and £4,800 for secondary). It is therefore possible to gain more than 3% per pupil, but all West

Berkshire schools will be on at least this level without this factor added. Note that this calculation is based on **all** formula funding including the lump sum, it is **not** the basic entitlement.

5. Funding

- 5.1 Based on the October 2016 census data and pupil numbers, the schools block DSG would be £97.5m. Growth funding and increases in business rates would need to be deducted, with the balance available to allocate to schools. There is no intention to move funding from this block to any other block:

Schools block DSG	£97,518,000
Less Growth Funding	-£200,000
Less increase in Business Rates	-£200,000
Balance available to allocate	£97,118,000

- 5.2 This figure could go up or down depending on the changes in pupil numbers in the October 2017 census.
- 5.3 The amount of funding required to allocate to schools using the national formula rates could also go up or down, not just in proportion to changes in pupil numbers, but if pupil characteristics used in other formula factors have significantly changed compared to October 2016 (because the funding being received does not recognise this change).
- 5.4 In addition to agreeing on the funding formula, a decision needs to be taken on how to allocate any surplus or shortfall, as the final funding will not be known until mid December and after the consultation with schools has taken place.

6. Proposals

- 6.1 It remains a local authority decision (for at least the next two years) on how the funding is allocated to schools through the formula factors. There is no requirement to stick to the national funding formula rates, or to use all the factors.
- 6.2 Although it will be almost impossible to replicate the national funding formula as shown in the DfE tables for each school, it is proposed that in principle the aim will be to move as close as possible to the national rates, using all the formula factors, and using the highest minimum funding guarantee possible, and applying the 3% per pupil cap on gains. There is no advantage in doing anything different; this will give schools certainty in funding allocations in future years, the minimum funding guarantee will protect schools that lose, and schools that gain should receive this funding as soon as possible. All Heads Funding Group agreed on this principle.
- 6.3 This model (using 0% minimum funding guarantee) is shown in Annex C of Appendix A. The cost of this model is £96,972k. The impact is as follows:

	Primary	Secondary
No. of schools gaining nil	21	4
Gains £1k to £5k	9	0
Gains £5k to £15k	15	1
Gains £15k to £30k	16	0
Gains over £30k	5	5
Highest Gain	£39,628	£70,377
Average Gain	£10,634	£25,025

- 6.4 The minimum funding guarantee that can be set in the school formula is between 0% to -1.5%; if the local authority wishes to set a minimum funding guarantee of between 0% and +0.5%, an application needs to be made to the Secretary of State for Education, following a consultation with schools and subject to Schools' Forum approval. Heads Funding Group felt that due to current funding shortfalls in all schools, if funding was available, all schools should see an increase in the per pupil funding, no matter how small, and is proposing that this option be pursued.
- 6.5 If there is enough funding to allow a minimum funding guarantee of 0.5%, this is shown in Annex D of Appendix A. The cost of this model is £97,127k so could be affordable. The impact is as follows:

	Primary	Secondary
No. of schools gaining nil	0	0
Gains £1k to £5k	29	1
Gains £5k to £15k	16	1
Gains £15k to £30k	16	3
Gains over £30k	5	5
Highest Gain	£39,628	£86,720
Average Gain	£11,495	£34,828

- 6.6 Heads Funding Group also looked at a model which showed setting funding rates for each formula factor at half way between current rates and national formula rates. Interestingly, this was the least favourable for schools, showing that the national formula rates do benefit the majority of our schools.

6.7 Any surplus or shortfall in funding has to be allocated through the formula factors. Heads Funding Group looked at options for adding additional funding through the basic entitlement, lump sum, or increasing the cap on gains. There was no consensus as in each scenario certain groups of schools gained at the expense of others. The agreed proposal is that the funding rates for all formula factors be scaled upwards or downwards in order to match the final funding allocation. This is because:

- It is fair and equitable for all schools – no particular type of school is advantaged or disadvantaged.
- It is logical – the area cost adjustment is applied to every formula factor, so it makes sense to add or remove funding in the same way.
- It keeps the funding for all factors in the same proportion to the national funding rates and thus in proportion to the relative needs of pupils in each school.
- It will make setting of the 2019/20 formula more straightforward, rather than having to address any anomalies that may have arisen, and which could cost more in minimum funding guarantee in future years.

7. Next Steps

- 7.1 A consultation document will go out to schools containing these proposals. The document is set out in Appendix A for approval.
- 7.2 The consultation will last for three weeks, and the results will be brought back to the next Heads Funding Group to review before determining a final proposal to take to the December meeting of the Schools' Forum for approval. The Council's Executive will make the final decision in January. The formula has to be submitted to ESFA by 19th January 2018.
- 7.3 The consultation will also ask schools their views on the criteria currently used for additional funds, and on de-delegations. Final proposals on these will also come back to Schools' Forum for final decision in December.

8. Appendices

Appendix A – Primary and Secondary Schools Funding – Proposed Funding Arrangements for 2018/19: Briefing and Consultation Document for Schools