

SCHOOLS' FUNDING FORUM

SUBJECT:	School Funding Update
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SUMMARY OF REPORT:

To provide Forum members with

- 1) a reminder of the steps we have already taken in 2018-19 towards a National Funding Formula (NFF)
- 2) an overview of how all LAs are moving towards implementing the NFF, and Kent's relative position
- 3) an update on the 2019-20 School Funding arrangements following the publication by the DfE of Operational Guidance
- 4) an introduction to the requirement to consult all schools this Autumn and provides a high-level overview on the content of this consultation.

FOR:	Note and Comment
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1. Introduction

1.1 2019-20 is the second year since the Government introduces a Soft NFF. This paper provides brings Forum members up to speed on a number of related matters and has been structured into four sections, as follows:

- NFF and Kent's Local Funding Formula (LFF) for 2018-19
- National analysis of Local Authority (LA) LFF for 2018-19
- School funding arrangements update for 2019-20
- Autumn consultation with Kent schools'

2. NFF and Kent's LFF for 2018-19

- 2.1 In 2018-19, the Government allocated the Schools Block (SB) Dedicated Schools Grant (DSG) by calculating an individual budget for each school in the country using a NFF.
- 2.2 The LA SB DSG is the aggregated value of the individual school budgets using the NFF methodology.

- For 2018-19 and 2019-20, LAs will continue to operate a LFF i.e. the SB quantum of funding is passed to the LA using an NFF, which will then be passed to schools using a LFF. This methodology is called a Soft NFF.
- The longer-term aim of this government is to introduce a Hard NFF which removes the need for a LFF. A Hard NFF is where the government calculate centrally a budget for each school in the country using one formula and one set of funding rates, and this funding is then passed from government to individual schools with no (or very little) LA involvement.

2.3 The Government has not yet stated when the Hard NFF will be introduced and has committed to providing further information in the next Spending Review which commences on 1 April 2020. We expect an announcement sometime next summer on this issue.

2.4 As a result of the NFF reforms, Kent's SB DSG will increase as follows:

Table 1 <i>figures subject to rounding</i>	Increases in funding			
	Annual increase		Cumulative increase	
	£'m	%	£'m	%
2018-19	+£27.6m	+3.3%	+£27.6m	+3.3%
2019-20	+£22.3m	+2.6%	+£49.9m	+5.9%
Once NFF is fully implemented	+£12.2m	+1.4%	+£62.1m	+7.4%

Note : this excludes the impact of rising pupil numbers

- 2.5 In the Autumn of 2017 a consultation was held with all schools on proposals to change Kent's LFF. Most schools supported the direction of travel to replicate the NFF wherever possible, however take into consideration local circumstances.
- 2.6 Kent abided by this principle and in the main has mirrored the NFF in its LFF for 2018-19. Appendix 1 details Kent's LFF rates for 2018-19 and indicative funding rates for 2019-20.
- 2.7 The following factors are those where Kent's LFF has not yet replicated the NFF rates.

Minimum Funding Level

	2018-19			2019-20		
	NFF	LFF	% of NFF	NFF	LFF	% of NFF
Primary	£3,300	£3,200	97%	£3,500	£3,400	97%
Secondary	£4,600	£4,500	98%	£4,800	£4,700	98%

Lump Sum

	2018-19 & 2019-20		
	NFF	LFF	% of NFF
Primary	£110,076	£120,083	109%
Secondary	£110,076	£120,083	109%

Ever 6 Free School Meals

	2018-19			2019-20		
	NFF	LFF	% of NFF	NFF	LFF	% of NFF
Primary	£786	£338	43%	£786	£471	60%
Secondary	£540	£232	43%	£540	£324	60%

Low Prior Attainment

	2018-19			2019-20		
	NFF	LFF	% of NFF	NFF	LFF	% of NFF
Primary	£1,551	£1,044	67%	£1,551	£1,194	77%
Secondary	£1,051	£641	61%	£1,051	£734	70%

Minimum Funding Guarantee (MFG)

- 2.8 In the NFF calculation used to allocate funds to each LA, all schools received a minimum increase of +0.5% per pupil in 2018-19 and a collective increase of +1% per pupil by 2019-20. As part of the operation of a soft NFF, LAs were able to set their own MFG % anywhere between +0.5% and -1.5%. After consultation, Kent decided to set its MFG for 2018-19 and 2019-20 at -1.5%.
- 2.9 In relation to why Kent is not yet mirroring the NFF, there are primarily two reasons:

- 1) Firstly, Kent will not receive the final amount of the NFF (£12.2m) until post 2019-20.
- 2) Kent has considered local circumstances and allocated funding accordingly. These circumstances were as follows:
 - a) In accordance with DfE rules, we transferred 0.5% (£4.4m) from the SB to High Needs Block (HNB) to help meet the unfunded demand pressure caused by the continued growth in the number of High Needs pupils.
 - b) We increased our Growth Budget by £2m due to the expansion of schools to meet the rising school population (referred to as Basic Need).
 - c) We decided to retain a higher lump sum in Kent's LFF (at £120,000 plus area cost adjustment) to offer protection to our smallest primary schools. The NFF lump sum has been set £10,000 lower. The cost of this protection is around £5.5m.

3. National analysis of Local Authority (LA) LFF for 2018-19

- 3.1 Annually the DfE publish an analysis of LA LFF and appendix 2 is a copy of this document with Kent's LFF rates annotated on the various charts/diagrams.
- 3.2 The DfE published document looks at each formula factor and provides a comparison between LAs, and how we all compare to the NFF. It should be noted that these comparison to the NFF are not precise due to the effect of the Area Cost Adjustment which reflects variations in local costs. So, for example the Basic entitlement for a primary school pupil is £2,748.88. In Kent we add an ACA of £1.90 (+0.069%) to the NFF rate. An ACA can be as much as 18% which would add £494.80 to the Basic entitlement. The point is that ACA significantly distorts comparisons between LA areas.
- 3.3 Key comments and observations:
 - 73 out of 152 (48%) LAs have moved all their factors closer to the NFF with 41 (26%) of LAs replicating exactly all of the NFF factors
 - The national average of funding allocated through the formula as basic entitlement is 76.9%, in Kent we allocated 77.8% of funding through the basic entitlement - see page 7 of appendix 2
 - Nationally 8.2% of the formula is allocated through the deprivation factor, in Kent we allocate 5.8% - see page 10 of appendix 2

- Kent was a significant outlier in relation to the secondary English as an Additional Language rate – see page 14 of appendix 2
- The NFF lump sum has been set at £110k. In Kent we have retained our lump at £120k. Nationally there are 51% of LAs that have set the Primary School lump sum greater than £110k and 50% of LAs that have set their Secondary School lump sum greater than £110k. A third of all LAs have a lump sum which is 10% greater than the NFF rate of £110k. This would suggest that there is a big range in lump sums meaning there is still some way to go for all LAs to have a NFF lump sum.
- 114 (75%) LAs have introduced a Minimum Funding Level (MFL) mirroring the NFF. 40 (27%) LAs did not introduce an MFL and many of the LA that did introduce it did it at no cost as they already met the MFL threshold in their LFF - see page 23 of appendix 2
- Primary / Secondary ratio - Overall national ratio is 1:1.29 in 2017-18 and 1:1.30 in 2018-19. Kent's ratio in 2017-18 was 1:1.28 and in 2018-19 it is 1:1.34. This means that the funding differential between Kent primary and secondary schools is widening. The increase is primarily down to the increases in basic entitlement for both KS3 and KS4, and the introduction of the MFL (which has benefited some secondary schools within Kent to a greater extent) - see page 24 of appendix 2
- MFG - 62 (41%) of LAs have set their MFG at +0.5%. Kent chose to set its MFG at -1.5% along with approx. 25% of other LAs. A positive MFG will increase the level of historic protection in the formula.
- Notional SEN budget – nationally the average amount for notional SEN is 11.1% of the SB. In Kent the notional SEN is 9.9% of its SB. This is because we are not yet at full NFF rates on some of our AEN factors.

Analysis of SB Funding

- 3.4 The table below shows where Kent is ranked nationally out of 152 LAs in respect of how much SB funding it receives per pupil from the Government.

	Primary Unit of Funding (PUF)	Secondary Unit of Funding (SUF)	Combined PUF and SUF
2019-20	139	134	139
2018-19	139	141	143
2017-18			135

The above table excludes premises related factors

- 3.5 The table below compares the average national SB amount per pupil. For example, in 2017-18 Kent received 8.01% below the national average and Inner London received 35.17% above the average. As we move towards the NFF, this differential reduces.

	2017-18 Before NFF	2019-20 NFF yr 2	Movement
East Midlands	-4.62%	-3.44%	1.18%
East of England	-4.20%	-3.99%	0.21%
Inner London	35.17%	32.15%	-3.02%
North East	-0.34%	-0.18%	0.16%
North West	0.12%	0.03%	-0.09%
Outer London	7.39%	6.03%	-1.35%
South East	-6.68%	-5.92%	0.76%
South West	-6.47%	-5.28%	1.19%
West Midlands	0.41%	0.28%	-0.13%
Yorkshire and Humber	-0.94%	-1.30%	-0.36%
<i>Kent</i>	<i>-8.01%</i>	<i>-6.81%</i>	<i>1.19%</i>

An observation would be that the differences between regions remain significant and cannot be fully justified and therefore our conclusion is that the NFF has done very little to address the disparity in funding between regions / LA areas.

4. **School funding arrangements update for 2019-20**

- 4.1 In the main the 2018-19 funding announcement also covered the period 2019-20. The following are changes / updates that the DfE have announced that affect Kent's LFF in 2019-20.
- 4.2 The government has extended the period of a Soft NFF by a further year until 2020-21. They have also improved their terminology, referring to the soft NFF as a Notional Formula – we think this subtle change is helpful. They have remained silent on when a Hard NFF will be introduced.

Growth Funding

- 4.3 As you will already be aware, LAs can have a Growth Fund to recognise the additional in year costs of expanding schools for their rising pupil population. The amount of funding held in a LA Growth Fund is determined locally, however in order to comply with the Governments long term aim of moving

towards a Hard NFF the Education Skills Funding Agency (ESFA) have introduced a national way of calculating growth funding for each LA.

- 4.4 From 2019-20 LAs will receive a Growth funding allocation from the ESFA based on the NFF, although will continue to have a local formula for allocating funds to their schools (akin to a soft Growth Fund). In 2018-19 Kent received Growth funding from the ESFA of £8.8m (based on historic spend) and topped it up by £2m from the SB to make a total Growth Fund of £10.8m.
- 4.5 The ESFA methodology for calculating LA allocations will be based on the movement in pupil numbers between the October 2017 and 2018 censuses. Allocations will be confirmed in December 2018.
- 4.6 LAs will have increases and decreases capped. The maximum a LA can lose is capped at 0.5% of its DSG, and for Kent this is around £5m.
- 4.7 Modelling based on October 2017 census and October 2016 census estimates a reduction of between £0.6m and £1.3m to Kent's growth fund. We will still be able to top up our growth allocation from headroom in our SB if required.
- 4.8 We will consider the impact of any reduction alongside our best estimate of the budget requirement for 2019-20 and will discuss this with the Forum at the November meeting.

Low Prior Attainment (LPA)

- 4.8 For Primary Schools, the Early Years Foundation Stage Profile (EYFSP) is the indicator used to allocate funding for LPA. Since 2013 eligibility has been determined by a judgement "did not achieve a good level of development", and prior to 2013 eligibility was determined by a score of either 73 or 78. Nationally more children are annually recorded under the judgement criteria than the score, therefore each year more children are identified. Overall the same amount of funding is distributed using LPA and in order to ensure the LPA pot size is at the same level, the funding rate has to be adjusted down. The DfE have confirmed that the LPA NFF rate published in 2018-19 of £1,050 has now been reduced to £1,022.

DSG Year End Balances

- 4.9 An increasing number of LAs are now incurring a deficit on their overall DSG account, largely because of overspends on the HNB.
- 4.10 With effect from 2019-20 the DfE intends to tighten up the rules under which LAs must explain their plans for bringing the DSG reserve back into balance.
- 4.11 The ESFA will require a report from any LA that has a DSG deficit of more than 1% (of what is still to be confirmed) as at 31 March 2019. This report will need to be discussed with the Schools' Funding Forum and set out the authority's plans for bringing the DSG reserve back into balance.

- 4.12 The ESFA will consult LA representatives during the autumn of 2018 about the detailed implementation of these new rules, and we will hope to share these with this Forum at the November meeting.

Movement Between Blocks

- 4.13 In 2018-19 LAs, with the support from their schools and consent from the SFF, were allowed to transfer up to 0.5% from its SB to its HNB. Both Kent schools and its SFF consented to the transfer. It should be noted that the 2018-19 funding guidance did not stipulate whether the transfer would be permanent and therefore built into the base for 2019-20. Based on previous years experiences and in the absence of any information to the contrary, Kent had assumed that this transfer would be made permanent and that the facility to transfer another 0.5% would also exist in 2019-20.
- 4.14 The 2019-20 DfE funding guidance confirms that any 2018-19 block transfer have not been baselined (made permanent) and that LAs must follow similar arrangements again. The table below provides further information on this year's process.

% transfer	Schools consultation	SFF agreement	Secretary of State agreement	Agreed movement
Up to and including 0.5%	Yes	Yes	Not needed	Transfer agreed
Up to and including 0.5%	Yes	No	Yes (Disapplication required)	Transfer agreed
Over 0.5%	Yes	Yes	Yes (Disapplication required)	Transfer agreed
Over 0.5%	Yes	No	Yes (Disapplication required)	Transfer agreed

5. Autumns Schools Consultation

- 5.1 Due to the significant funding pressures that we have on the HNB, Kent would like to seek approval to move 1% of the SB to the HNBs. The 1% is made up of the £4.4m (0.5%) already transferred from the SB in 2018-19 and a further £4.4m (0.5%) in 2019-20.
- 5.2 The block transfer of 1% is within the SB cash envelope for 2019-20 and would see **no change** to the indicative Kent LFF rates (appendix 1) for 2019-20 which were consulted on in the Autumn 2017 and agreed at this Forum on 1 December 2017. There is one exception, a change to the Low Prior Attainment for Primary Schools referred to in paragraph 4.8 above.

- 5.3 In order to transfer 1% from the SB to the HNB the LA must comply with the following criteria:
- 1) Hold an all Schools consultation
 - 2) Seek SFF agreement
 - 3) Submit a disapplication to the Secretary of State (SoS)
- 5.4 Details of the DfE's expectations of the information LAs should provide to schools to inform the consultation are detailed at appendix 3. This information and the consultation responses from schools will both be presented to the SFF and SoS.
- 5.5 Although we remind schools of the 2019-20 rates we do not feel it appropriate to provide an individual school allocation, as nothing has changed. Instead we think the consultation should focus on providing schools with all of the necessary information to support our request to transfer funding from the SB.
- 5.6 It should be noted that any transfer between blocks in 2019-20 is one-off and should such a facility be available in future years, we anticipate following a similar process. And just to reiterate, we have had no information from the DfE about 2020-21 other than its going to be another Soft NFF year.

Time Table

Schools consultation	Start date – 15 October 2018, End date - 16 November 2018 (5 week duration)
Presentation of responses to the SFF	30 November 2018
Submission of disapplication to the Secretary of State	

6. Recommendation

- 6.1 Members of the Forum are asked to **NOTE & COMMENT** on the content of this report, and specifically the information regarding the forthcoming consultation with all schools.

7. Background papers

[School Funding Forum paper 28 September 2017](#)

[Schools Consultation](#)

[Minutes SFF1 December 2017](#)