

SOLIHULL METROPOLITAN BOROUGH COUNCIL

Meeting date:	27 September 2018
Report to:	Forum Finance Group
Subject/Report Title:	NFF 2019-20 - DFE UPDATE (2)
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Schools affected:	<input checked="" type="checkbox"/> All Schools <input checked="" type="checkbox"/> All Primary <input type="checkbox"/> <input checked="" type="checkbox"/> All Secondary <input type="checkbox"/> All Special <input type="checkbox"/> All Primary and Secondary <input type="checkbox"/> Maintained Schools Only <input type="checkbox"/> Academy Schools Only <input type="checkbox"/> PVI Settings <input type="checkbox"/> PRUs <input type="checkbox"/> Other (specify)
Type of Report	For information
Forum Voting	Not a voting matter - for information
Public/Private report:	Public
Exempt by virtue of Paragraph:	N/A

1. Purpose of Report

- 1.1 To confirm to Forum the DfE proposals for 2019-20 Dedicated Schools Grant (DSG) and schools' funding.

2. Decision(s) recommended

- 2.1 For information only, but views of Forum welcomed

3. What is the issue?

- 3.1 At the Forum meeting on 9th July 2018, I brought a report detailing an 18th June 2018 briefing I attended for LAs on the DfE thinking around National Funding Formula (NFF) proposals for 2019-20. The briefing (they are not consulting) covered NFF, Central Services, High Needs blocks, but not Early Years.
- 3.2 Subsequently the DfE published formal proposals and financial details on 25th July 2018. The publication included a LA Operational Guide, tables showing the revised levels of Grant for Schools Block, High Needs Block and Central Services. There was no information for Early Years. In addition the government published tables showing indicative school funding for 2019-20.
- 3.3 The school level illustrative allocations are shown in Appendix 1. The illustrative

Solihull Block grant amounts are shown in Appendix 2.

4. What are the main changes for 2019-20?

5. Schools Block

5.1 The DfE confirmed that for the NFF for school:

- (a) The funding floor will increase to 1% against 2017-18
- (b) The gains cap will increase to 6.09% against 2017-18
- (c) The minimum per pupil funding levels will increase to £3,500 and £4,800 for primary and secondary schools respectively
- (d) The main change will be the way LAs are funded for the Growth fund element of the Schools Block DSG.

5.2 New Growth Factor – LA funding factor:

- (a) The DfE will be introducing a growth formula factor (2018-19 based on lagged actual data):
- (b) Formula to be based on lagged pupil growth data
- (c) Measured at the level of middle super output areas
- (d) With an additional amount to recognise the cost of new schools (“new new” schools, not new schools from amalgamations)
- (e) With protection against large losses compared to 2018-19 allocations as we transition to the factor and a cap on gains.
- (f) Formula maintains the national spend on growth in 2017-18 per pupil.
- (g) DfE are not making any changes to the local arrangements for funding growth. These changes only affect how we will determine each LA’s allocation. Therefore the DfE will not publish any table showing growth funding by school; neither is there any implication at all that schools “should” receive formula funding element if they reside in a MSOA experiencing growth.

5.3 How the growth factor will be calculated:

- (a) The DfE will calculate a *proxy* for growth by comparing pupil numbers between the two most recent October censuses in each middle super output area (MSOA).
- (b) Only positive increases will be counted. MSOAs are areas used by the Office of the National Statistics and based on population data.
- (c) Proposed unit values (subject to confirmation) for each measured ‘growth’ pupil are:
- (d) £1,370 for each primary pupil, £2,050 for each secondary pupil
- (e) The growth factor will provide an additional amount of £65,000 (7/12 of lump sum) for each new school recorded on the October census.
- (f) DfE will also apply the area cost adjustment to the growth factor

5.4 Premises factors

- (a) DfE are continuing to consider the long term approach to premises factors in the NFF.
- (b) Premises factors in 2019-20 will be calculated using the same approach as for

2018-19: i.e. local authorities' actual spend through their local factors in 2018-19, plus an RPIX uplift for PFI.

5.5 **Minor changes:**

- (a) Primary Low Prior Attainment: - the DfE will make a small reduction to the primary LPA factor value. This is to reflect the cohort increase that has followed changes to the Early Years Foundation Stage Profile made in 2012. DfE will maintain the total proportion of spend on primary LPA (so data change means numbers counted will increase, so value reduces).
- (b) Changing the minimum per pupil levels for middle schools, KS3-only and KS4-only schools:- DfE will introduce a new minimum per pupil level for KS4-only schools, and increase the minimum used for the KS3 year groups in middle schools (we will also apply this KS3 rate to KS3-only schools).

5.6 **2019-20 allocations**

- (a) For Solihull the DfE have confirmed a 2019-20 PUFs (Primary Unit of Funding) of £3838 (increase of £62.30) and a SUF value of £4994 (increase of £176.64) . The DfE have published illustrative school level allocations, which for Solihull are shown in Appendix 1.
- (b) Schools need to bear in mind that these figures are based on October 2018-19 budgets and October 2017 pupil data. Actual school budgets will be based on October 2018 pupil data, and a Solihull implementation of the NFF, which will include revised growth adjustments, actual values for rates, respond to the 2018-19 School Block overspend and a gains scaling cap dependent on what is affordable.

5.7 **Next steps beyond 2019-20**

- (a) DfE will continue to develop our approach to premises and mobility, and keep other factors under review.
- (b) In particular, DfE will continue to develop an approach to growth that is consistent with a 'hard' NFF.
- (c) The DfE have confirmed that LAs will continue to operate a local funding formula for 2020-21, an additional year to that previously indicated.

6. **High Needs Block**

6.1 The 2019-20 HNB NFF will be broadly the same as 2018-19, with the following key differences (as previously announced):

- (a) The funding floor will increase to 1% against 2017-18 baselines
- (b) The gains cap will increase to 6.09% against 2017-18 baselines – equivalent to 3% year-on-year (not applicable to Solihull)

6.2 **Special Free Schools** – DfE proposal – the funding for special free schools is moved into the HNB formula and academy allocation arrangements:

- (a) Special free school place numbers would be included in the information on special academy places collected from LAs in October/November 2018
- (b) Basic entitlement factor update in December 2018 would include pupil numbers in special free schools
- (c) Deductions from LAs' high needs allocations, notified to LAs in March 2019, for places in special academies would include deductions for special free schools places
- (d) Final import/export adjustment would include additional funding for pupils in

special free schools

- (e) Extra adjustments to the formula to make sure that the impact for LAs was cost neutral. DfE would do this for pipeline schools, as well as those currently open.

6.3 Hospital Education:

- (a) DfE have collected information about LAs' planned spending on hospital education in 2018-19
- (b) Building on this information, DfE are working on options for a future formula allocation to LAs, with the intention of consulting further in the autumn
- (c) Depending on the results of the autumn consultation, DfE could introduce changes in the final high needs funding allocations for 2019-20
- (d) Also in the autumn, DfE intend to repeat the process in which LAs can notify the ESFA of changes to hospital provision that impacts on the costs of education required.
- (e) DfE are also considering how to respond to LAs' concerns about the funding arrangements for independent hospital schools.

6.4 Post-16 High Needs

- (a) DfE are proposing to move the high needs funding currently paid as sixth form grant for maintained schools, into the DSG in 2019-20
Other developments under consideration:
- (b) More flexible ways of allocating the £6k place funding
- (c) How the place change process works for merged FE colleges and other FE providers with delivery across geographically distant LA areas
- (d) Flat rate options for post-16 formula element (1) of allocations to post-16 institutions
- (e) Criteria for ESFA funding of special post-16 institutions

7. Central Services Block

7.1 The 2019-20 CSSB will be very similar to 2018-19, with the following differences:

- (a) The 2018-19 DSG allocations published in December 2017 will form the 2018-19 baselines for CSSB in 2019-20
- (b) Minor adjustments will be made to baselines to reflect corrections submitted by LAs to ESFA
- (c) In 2019-20 LAs will be allowed to gain a maximum of 2.14% on a per-pupil basis. Permitted gains in per-pupil funding are set at the highest level possible that ensures the total CSSB funding does not exceed the available budget
- (d) The maximum per-pupil reduction in funding for ongoing functions each LA will receive is 2.5%, as in 2018-19.
- (e) In 2019-20 DfE will fund LAs on the basis of the full historic commitments budget agreed for 2018-19 and allow them to use elsewhere any savings made within this allocation as they reduce budgets
- (f) DfE have already confirmed that funding for historic commitments will be allocated based on evidence, with the expectation that historic commitments will reduce over time, for example when a contract has reached its end point. Therefore there is no continuing protection for historic commitments in the central school services block.

7.2 From 2020-21 onwards, DfE expect to start reducing the funding given to authorities for historic commitments by a set percentage, where authorities do not reduce the expenditure of their own accord. So there is no impact for 2019-20, but for 2020-21, the LA and Forum will have to consider how to implement any reductions announced by the DfE, which I presume will be announced in July 2019.

8. Ring fencing of Blocks

- (a) Similar arrangements to 2018-19
- (b) Up to 0.5% allowed with agreement of schools forum
- (c) No re-baselining (re-assessment of transfers between blocks to reflect current spending levels)
- (d) DfE reviewing guidance following review of 18-19 process but requirements likely to be similar, including consultation with schools
- (e) Solihull may have to bring a proposal to Forum, depending on the level of a HNB overspend forecast for 2019-20.

9. Implications and Considerations

9.1 Schools Funding – the DfE have confirmed continuation of the announcements made last year. Solihull proposes to continue to emulate the NFF as closely as possible for 2019-20. All mainstream schools will receive a 0.05% minimum per pupil increase; some schools may receive a minimum per pupil level of funding; gaining schools will receive a greater proportion of their gains. There may not be sufficient funding to increase special school top-up rates.

9.2 The growth fund will not impact on commitments Solihull has previously given to schools receiving, or expecting to receive growth funding. The development of a national formula to fund LAs will just mean Solihull will lose or gain some funding that will add or subtract from the Schools Block available to fund at the NFF for mainstream schools.

9.3 The HNB will be effectively unchanged for 2019-20, although there is a £394,000 indication of demographic growth increase; so it will be imperative that plans to reduce HNB spending are implemented for 2019-20.

9.4 Central Budgets – Solihull will await to see the detail on the proposal to reduce historic commitment grant for 2020-21 – the Council could not contemplate the possibility that the prudential borrowing commitment would be reneged upon by the DfE; however there would clearly be an impact on the current combined services.

9.5 Consultation and Scrutiny:

(a) The LA will continue to work with School Forum to determine the funding of schools for 2019-20, and if the regulations or guidance requires it, Solihull will consult with all schools on specific issues.

9.6 Financial implications:

(a) There should be no significant financial implications for schools in terms of expected funding for 2019-20, other than what schools were already expecting from the announcements last year.

- (b) The implication for the HNB is disappointing that the DfE are not recognising the widely reported funding issues, so it is looking likely that significant spending reductions will have to be put in place for 2019-20.

9.7 Legal implications:

- (a) LAs are required to fund schools according to the School Funding Regulations and within the guidance outlined in the DfE Operational Guidance published each year.

9.8 Risk implications:

- (a) No formal risk analysis has been undertaken for this report.