

<b>Date: 18 January 2018</b>	<b>Item 8</b>	<b>Type of report: For decision</b>
<b>Report title:</b>	<b>Local Authority Formula Factor Submission and School Budgets 2018-19</b>	
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## Executive Summary

This report provides the Schools Forum with the details of the mainstream school funding formula for 2018-19 and its associated school budgets. This will be formally submitted to the Education & Skills Funding Agency (ESFA) using their template Authority Proforma Tool (APT) on 19<sup>th</sup> January 2018.

## Schools Forum Actions

The Schools Forum is asked to note:

- the current position regarding the APT and give advice as necessary;
- the use of estimated numbers in the APT pro forma template;
- the financing of the anticipated DSG schools block deficit position and approve carry forward and funding of this from 18-19 DSG schools block
- the LA proposal for further block transfers to, although this would be a disapplication request requiring Secretary of State approval
- matters on high needs top ups and also EYSFF rates

### 1 Background

- 1.1 The local authority is required to submit each year details of the mainstream school funding formula to the ESFA.

### 2 Establishing the Overall Individual Schools Budget

- 2.1 As noted in the previous report on the agenda, the overall DSG settlement for the schools block is £241.9m. This represents the resources available for deployment to schools. However, there are a number of commitments against that total as set out below:

- Growth Fund/ Falling Rolls Fund (as is considered in the earlier report) - £0.7m
- Schools Block to High Needs Block transfer (as approved at previous meeting) - £1.2m
- Additional block transfer (as considered in the earlier reporting noting that this is subject to the Schools Forum and Secretary of State approval) for licenses and subscriptions - £0.1m
- Fund the schools block element of the DSG deficit of £0.5m – this requires the agreement of Schools Forum to carry forward the deficit from 2017-18 to 2018-19 and to fund that from the schools block allocation in 2018-19.

- 2.2 The Schools Block also continues to be impacted on by the need to fund growing free schools on an estimates rather than a lagged basis which is a cost of £2.3m to the schools block (i.e. we have to fund pupils who are not on the census). In particular, in 18-19, the growth of the Charter Free School East Dulwich (a secondary school) has a significant impact upon cost due to 180 pupils needing to be funded from September 2018 at a cost of £0.7m.
- 2.3 In addition, it is now a new requirement to fund an opening free school in its first year of operation when this was previously funded by the ESFA following a rule change, despite most LA's not being in agreement with this when consulted. From September 2018 John Keates Free School (Primary) will open meaning that 60 pupils need to be funded on an estimates basis, when previously ESFA would have funded this. That is at cost of £0.25m to the schools block.
- 2.4 The Authority has previously made strong representations to ESFA about the need to be funded in advance for growing free schools given the disproportionately large impact upon the borough and its schools. This matter has not been addressed by the ESFA. The opening of free schools is outside the control of the LA and not only has an impact upon costs but can also impact upon the rolls of already established and sometimes expanded schools.
- 2.5 The increasing costs of business rates also impacts upon the costs to the DSG. In 2018-19 there has been an increase of £0.3m to the DSG and this may increase further in future years. In addition, the borough is also being impacted by lower levels of deprivation with further decreases in the number of ever 6 free school meals pupils in particular within the primary phase. This can be attributed to a combination of factors including government policies, changing demographics and development within the borough.
- 2.6 The Formula includes mandated changes by the ESFA most notably on prior attainment. In addition areas decided on by the LA and the Schools Forum in previous meetings are also built in most notably the following areas:
- No change to deprivation indicators
  - A reduction in the lump sum as previously agreed – this may reduce further subject to the matter on licenses and subscriptions to be consulted on at this matter. A reduction in the lump sum is compliant with the direction of travel on the NFF which will set a rate of £110k per school.
  - Continue with MFG at -1.5%
  - Split site funding taken out for Belham Free School (and out of MFG) and added back in in for Ilydale School. This has a broadly neutral impact in terms of costs.
- 2.7 The proposed unit values for the formula in 2018-19 are shown at Appendix 1 with a comparison against the 2017-18 unit values at Appendix 2. These rates continue to compare favourably with national benchmarking conducted in previous years.
- 2.8 The current costing of the 2018-19 APT and reconciliation to the grant funding and other hard and potential commitments is as follows:

**2018-19 schools block DSG, APT and costings (indicative figures subject to verification by ESFA)**

	£m
DSG School Block allocation 2018-19	(241.897)
Less School block allocation as per APT	238.597
DSG Headroom	(3.300)
0.5% Budget transferred to HN Block – already agreed by Schools Forum as within permissible limit	1.200
License fee – subject to Schools Forum agreement & disapplication request as would take us above the limit	0.110
Growth/Falling Roll Fund – subject to Schools Forum on previous report	0.700
Funding of schools block deficit being carried forward from 2017-18 as forecasted – subject to agreement by Schools Forum to carry forward and fund as permitted by the regulations	0.500
Remaining Headroom	(0.790)

2.9 The following are the options for the remaining schools block headroom noted above:

- There could be a further block transfer from the schools block to the high needs block to assist with the high needs block deficit position – similar to licenses and subscriptions this would take the % transfer above the limit. This would be the LA preferred option as this would help to address the high needs deficit position and it would also address the quantum of the transfer from the high needs block to the schools block previously identified as part of the 2018-19 baselining exercise.
- Increase the level of Primary AWPU – this would be to move the current secondary to primary ratio from 1:1.39 towards 1.1.29 as will be a requirement under the new NFF.

2.10 Therefore the key decisions and consultations required of the Schools Forum in summary are as follows:

- Give a view on a disapplication request to transfer £110k from the Schools Block to the Central Block to fully fund licenses and subscriptions, noting that this would be a Secretary of State decision
- Agree to carry forward the forecast £0.5m schools block deficit in 2017-18 into 2018-19 and to use the 2018-19 schools block to fund that deficit before allocating the schools block out, as is permitted by the regulation
- Give a view on the options for the remaining schools block headroom 2018-19 outlined at paragraph 9.

### 3 Final school budget pro-forma

3.1 The pro forma APT template containing the unit values will need to be submitted to the EFA on 19 January 2018. Following this the ESFA can make changes and therefore the estimates provided at this meeting can be subject to change.

#### **4 De-delegated budgets (for information)**

- 4.1 A previous report on the agenda considered de-delegations. This funding is initially allocated to all schools in the funding formula and then “de-delegated” or retained by the LA in relation to maintained schools, where agreed to by the Schools Forum. This means that two different funding formula rates exist for maintained schools – before and after de-delegation. The Schools Forum is asked to note that the rates included in the pro-forma APT are before de-delegation.

#### **5 Estimated numbers – new and growing schools**

- 5.1 As noted previously a number of eligible schools are funded on the basis of estimates. This is subject to a relevant clawback mechanism where census numbers are lower than estimates in subsequent years. The use of estimates in funding schools is an iterative process between the LA (place planning), the affected schools themselves and the ESFA. Therefore this may be subject to subsequent adjustment following this meeting.

#### **6 Transitional arrangements: Minimum Funding Guarantee (MFG and Ceilings)**

- 6.1 The minimum funding guarantee (MFG) for mainstream schools remains at minus 1.5% per pupil in 2018-19, the same rate as 2017-18. There are local measures in place to assist schools in financial difficulty, most notably the schools in difficulty fund, intervention fund (both maintained schools only) and the falling rolls fund (all schools).
- 6.2 The LA has continued to apply a ceiling to ensure that the MFG is self-funding, in the same way as was applied in 2017-18 and to cap and scale any gains.
- 6.3 Further work will need to start early on the 2019-20 formula given the requirement to comply with the new national funding formula arrangements.

#### **7 Early Years Single Funding Formula**

- 7.1 The requirements for the EYSFF are set out in the Early Years entitlements: local authority funding of providers: operational guide 2018 to 2019 which was issued in November 2017 and is published on the Schools Forum website.
- 7.2 The 2018-19 settlement within the DSG early years block is shown at Appendix 3 to this report. The hourly funding rate paid to Southwark for 3 & 4 year old children has been reduced further, while the rate for 2 year old remains the same as in 2017-18. Overall the funding within London is decreasing between years following transitional support in 2017-18 and there is an overall decline in participation rates which is putting pressure on this block meaning that any increase in rates would not be affordable.
- 7.3 The future direction of travel for EYSFF rates was largely agreed at the January 2017 meeting of Schools Forum. For both the PVI and nursery classes in Primary Schools, the base and deprivation rates will remain the same in 2018-19 as they were in 2017-18, namely a base hourly rate of £5.95 and deprivation rates as set out in the January 2017 report.
- 7.4 At the January 2017 meeting it was agreed that the base rate for Maintained Nursery Schools (MNS) in 2018-19 would reduce from the 2017-18 rate of £6.43 per hour to £5.95, which would mean a uniform base rate was set across the sector in line with requirements. Given overall

affordability considerations, the deprivation rates for MNS would also move to the same levels as the PVI and nursery classes within primary schools.

- 7.5 The MNS supplementary funding of £1.58m in 2018-19 would be used to fund the lump sum, EAL factor and business rates, with the balance (which includes a small uplift from 2017-18) being allocated on a formula basis in accordance with the requirements of the MNS and being targeted at assisting with the planned reductions in the base rate and also in deprivation rates as noted above.
- 7.6 With regard to 2 year old funding the Authority proposes to continue the rate at £6.25 per hour for all settings compared to a funding rate of £6.50. The reason for the difference is to allow for a small level of contingency to be built up given potential pressures due to falling participation rates overall.
- 7.7 The proposed funding rates for the EYSFF in 2018-19 are set out in Appendix 4 to this report.
- 7.8 The requirements for passing through funding, now set at 95% and for 5% central retentions, and the proposed allocations has been set out for approval in a previous report on the agenda.

## 8. High Needs Funding

- 8.1 The funding of high needs pupils in 2018-19 will continue to be based on the “place-plus” funding model, where the funding for providers is based on two separate elements; a) the place funding and b) a top-up to meet pupil needs. For Local Authority (LA) settings, the home LA pays for the place funding; for the majority of other settings the Education Funding Agency (EFA) pay the setting the place funding. In all settings the LA pays the top up based on actual pupil participation.
- 8.2 The Southwark schools funding rates for 2017-18 are set out the tables below. It is recommended that these be regularly reviewed as part of the range of options outlined in appendix C within the previous report on the agenda.

### A) Special School 2017-18 top-up funding rates

DfE	School	2017-18 top-up rate
7007	Highshore	£13,212
7048	Spa	£19,030
7064	Newlands	£20,247
7126	Haymerle	£18,906
7167	Beormund	£17,568
7174	Tuke	£19,629
7186	Cherry Gardens	£21,634

### B) Resource Bases and SEN units top up funding rates

DfE	School	2017-18 top-up rate
2500	Redriff	£14,430
2560	Snowsfield	£14,430
2858	Brunswick Park	£14,430

3670	Rye Oak	£14,430
2339	John Ruskin	£5,688
2392	Lyndhurst	£6,746
3460	St Johns and St Clements	£8,228

### C) High Needs Funding in Mainstream Schools

**Table: 2017-18 EHCP Top-up Bands**

<b>Band</b>	<b>2017-18 Top-up Rate</b>
1	£4,000
2	£8,000
3	£12,000
4	£16,000

### D) Alternative Provision - PRU funding

For SILS the rates for 2017-18 are set as £10k per place and a top up of £11k per pupil.

#### Schools Forum Actions

1. The Schools Forum is asked to:
2. Address the matters at para 2.10 on the schools funding formula. This will inform the APT submission to the EFA on 19 January 2018 and any disapplication requests made by the LA.
3. Agree the EYSFF rates set out in Appendix 4.
4. Give views to the LA on whether high needs top up rates should stay the same or be reduced given overall pressures on the high needs block.

#### Appendix 1 - 2018-19 proposed unit values

See separate excel sheet

#### Appendix 2 – 2017-18 Unit Values

See separate excel sheet

#### Appendix 3 – Early Years Block Settlement 2018-19 v 2017-18

See separate excel sheet

**Appendix 4 – EYSFF proposed rates 2018-19 v 2017-18****EYSFF base rates – 3 and 4 year olds**

Provider	2017-18 Base Rates £	Proposed 2018-19 Base Rates £
MNS	6.43	5.95
Primary	5.95	5.95
PVI	5.95	5.95

**EYSFF deprivation rates**

Provider	2017-18 Hourly Rates			2018-19 Proposed Hourly Rates		
	MNS £	Primary £	PVI £	MNS £	Primary £	PVI £
IDACI 1	0.65	0.31	0.31	0.31	0.31	0.31
IDACI 2	1.29	0.62	0.62	0.62	0.62	0.62
IDACI 3	1.94	0.94	0.94	0.94	0.94	0.94
IDACI 4	2.59	1.25	1.25	1.25	1.25	1.25

**EYSFF – 2 year old rates**

Rate across all settings was £6.25 per hour in 2017-18 and this is proposed to remain the same for 2018-19.