

Agenda Item 2

Report to: Schools Forum

Date: 31st October 2017

Title of Report: East Sussex Funding Formula Working Group Update

By: Ed Beale

Purpose of Report: To update and make recommendations to Schools Forum on proposals for the East Sussex Schools Funding Formula for 2018/19



Recommendation: Schools Forum is asked to consider the working group proposals that will be presented for consultation with all schools and academies with regard to the local funding formula for 2018/19

Working Group Membership

Schools Forum Representatives; John Greenwood, Jane Johnson, Hugh Hennebry, Keith Pailthorpe and Monica Whitehead.

LA Officers; Jill Fisher, Ed Beale and Kirsten Coe

1. Background

- 1.1 With the exception of the 2017/18 formula, which was unchanged due to the National Funding Formula (NFF) consultation process, East Sussex has worked each year with schools and Schools Forum to agree a local formula that has apportioned the funding as appropriately and effectively as possible for the schools and academies in East Sussex.
- 1.2 A funding formula working group (made up of school representatives and Local Authority Officers) met during the summer term to review the current ESCC schools funding formula and any potential changes to the funding formula for financial year 2018/19.
- 1.3 The working group proposals were taken to the July 2017 Schools Forum and, following discussion, the Local Authority decided that a consultation should take place with all Schools and Academies in respect of the following combined proposal for the 2018/19 funding formula.
- 1.4 This consultation ran until the 17th September 2017 but the response rate was minimal; only 29 replies from all East Sussex schools and academies, and the result was marginally in favour of the proposals made at that time.
- 1.5 On 14th September the DfE issued their National Funding Formula (NFF) tables which provided important information on the funding factors, their values and the Lump Sum figure that would be used in the NFF with effect from 2020/21.
- 1.6 There was also further confirmation that the East Sussex 2018/19 Schools Block would have an estimated 2.5% increase on the 2017/18 baseline figure and that there was increased flexibility for local authorities to protect schools via the Minimum Funding Guarantee and to increase the Capping percentage to allow as much money as possible to be passed out to schools.

2. Actions following the publication of the DfE NFF rates and Schools Information.

- 2.1 The confirmation of additional funding for East Sussex schools and also of the rates that will be applied to the various funding factors in the NFF provided new context for the most effective way to support schools in the expected 2 year NFF transition period. At the Forum meeting on 29th September both the LA and Schools Forum felt it was appropriate to reconsider the East Sussex local funding formula for 2018/19 to ensure that all opportunities were explored and none were missed as we transition to the NFF. Therefore, the Funding Formula Working Group (FFWG) was reconvened and has met several times in October to discuss and review the potential implications of this new information.
- 2.2 The working group held an initial meeting on Friday 6th October 2017 at which the aims and objectives were confirmed and the principles of what the group were working towards clarified. The **principles** being that if any changes were to be made, the funding would be directed towards pupil characteristics. The **objective** would be to move the rates in the direction of the NFF proposals without creating undue turbulence to East Sussex schools.
- 2.3 To give some context and aid the decision making process, the FFWG requested LA officers to model a series of exemplifications based on the confirmed DfE NFF proposals. These were discussed and looked at in detail. The effects that each of the proposals could have were analysed and whether the proposal linked back to the aims and principles that were trying to be achieved was discussed at each of the three FFWG meetings.
- 2.4 The FFWG then made final decisions regarding their recommendation to Forum for consideration in this paper. The minutes of the final meeting can be found in **Appendix A** along with a covering letter from the FFWG members in **Appendix B**.

3. Key points for consideration: (Please refer to the table in Appendix F)

- 3.1 Minimum Funding Guarantee (MFG) and Capping changes
 - MFG: (Column A)
The DfE stipulate that, for 2018/19, LAs can protect schools from any loss in per pupil funding. That means that, for 2018/19, all East Sussex schools would be protected from incurring any loss of per pupil rate funding, rather than a school losing a maximum of 1.5% before MFG kicks in.

Note: this does not mean that the whole budget share is protected; only the pupil-led funding element of the budget share.

- CAPPING: (Column B)
The current capping limit also applies to the pupil-led funding element of the budget share. In East Sussex this 'caps' the benefit of any funding increase at 1.5% on the previous year. However, this year there is the opportunity to increase the capping limit to at least 3%.

Note: these changes to the rates for both MFG and Capping cannot be assumed to continue, or to be affordable, for the 2019/20 formula. Therefore any advantages to be gained via maximum MFG and increased capping percentages can only be proposed for the 2018/19 local formula.

- 3.2 Confirmation that the Lump Sum value for both Primary and Secondary phases will be set at £110,000 under the NFF. (Column C)

The FFWG took the opportunity to explore options to support schools to move from the current Lump Sum values of £142,000 for Primary and £145,000 for Secondary phase schools over the next 2 years before the NFF rates are introduced in 2020/21.

The application of 100% MFG and at least 3% capping rates ensures that schools have the opportunity to stabilise their budgets IN 2018/19 and reduce the impact of the inevitable further lump sum reductions needed by 2020/21.

The proposal to make significant cuts to the values of the Lump Sums in both phases in 2018/19 was in support of the principle of reducing the overall financial turbulence experienced by East Sussex schools in the NFF transition period.

3.3 Other pupil-led funding factor rates.

- **Per Pupil Rate: (Column D)**
The proposal to increase the per pupil rate for Primary phase and realigning the Key Stage (KS) 3 and 4 rates is in support of the principle of moving East Sussex towards the NFF rates as far as possible. The impact on secondary schools that will see increased numbers in KS3 and lower KS4 numbers was limited to the effect of an overall reduction in numbers on roll rather than as a direct result of the change in funding rates.
- **EALS: (Column E)**
As agreed by the original FFWG proposal, the introduction of EALS at Primary phase and the increase to the Secondary per pupil rate will ensure that this factor is funded in line with the NFF proposal at the earliest opportunity.
- **Prior Attainment: (Column F)**
The principle of supporting children with this characteristic is demonstrated by the increased rates in per pupil funding for this factor. Whilst the proposals in this paper show a significant move in values towards those in the NFF, there was not the opportunity to fully match the NFF rates for this factor. This will be a specific area of focus for the FFWG looking at the 2019/20 local formula
- **Deprivation: (Column G and H)**
East Sussex currently funds deprivation using the FSM data only (Column G). The NFF proposes that deprivation will be funded via FSM, Ever6 and IDACI. At this point, the FFWG were not able to propose introducing these additional two elements for the 2018/19 formula, but this will be a specific area of focus for the FFWG looking at the 2019/20 local formula.

It should be noted that the DfE figures published on COLLECT assume that all three elements of Deprivation funding (shown in Columns G and H) are applied to East Sussex schools. This forms part of the reason that the East Sussex exemplifications of the 2018/19 local formula vary from the DfE indicative budget figures.

4. What are the differences between schools' baseline funding in the illustrative NFF allocations published by the DfE and in LAs' exemplifications?

- 4.1 The school baselines used in the published "Impact of the schools NFF" table are based on two different data sources, depending on whether a school is a maintained school or an academy.
- Baselines for LA maintained schools are taken from LAs' 2017-18 authority proforma tool (APT) returns. However, baselines for academies are taken from their 2017/18 general annual grant (GAG). This is the main reason for differences between the NFF figures and LAs' APT returns.

(Where schools have converted to academy status since their LA's APT return was submitted to the Education and Skills Funding Agency at the start of 2017, the NFF tables list the school under its new name, but the baseline data from the APT has been used in the NFF calculations.)

- 4.2 Further differences arise from the adjustments made to these figures for the illustrative NFF allocations, including:
- If a school has a special need facility, the indicative school budget share on the DfE tables now include pupils in those high needs places in the pupil count that is used to calculate the mainstream (Schools Block) budget share. Schools with special facilities will appear to have significant budget share increases on the COLLECT tables as a result. *(These schools have been highlighted on the tables included in the consultation.)*
- 4.3 The impact of the NFF, as illustrated in the published tables and the LA exemplifications, will vary from school to school, and the impact on an individual school may well differ – in some cases significantly – from the impact on neighbouring schools or other schools in the local area. There are two common reasons for this, where it occurs.
- The first is neighbouring schools having different pupil characteristics. Where schools have different numbers of pupils on free school meals, etc, they are likely to be allocated different amounts of funding under the NFF. Depending on their current funding level under their current LA formula, the change to neighbouring schools' funding under the NFF could be markedly different. For example the DfE figures assume that FSM, Ever6 and IDACI are all applied to their estimates, whereas the ESCC exemplifications only apply FSM.
 - The second common reason is where a school is currently receiving a significant level of MFG protection as part of its 2017-18 funding allocation. The MFG is funding that schools may currently receive in addition to the amount set out by their local funding formula to ensure that, on a per-pupil basis, they do not experience a reduction in funding of more than 1.5% per pupil compared to the previous year.

5. Proposal

- 5.1 Schools Forum is asked to consider the following proposals prior to them being taken forward for consultation with all schools and academies.
- 5.2 The consultation will be issued to the relevant phase i.e. the Primary proposal will be sent to Primary phase and the Secondary proposal will be sent to Secondary phase. All through schools will be sent, and be able to respond to, BOTH proposals.
- 5.3 The outcome of the consultation with all schools and academies will be shared with Forum and, ultimately, Lead Member.
- 5.4 Summary of proposals:
- MFG at 100% and Capping at a minimum of 3% (for both phases).

Primary Phase Proposal:

Decrease lump sum by £20,000, increase the EAL pot by £300,000, increase Prior Attainment pot by £600,000, reduce FSM by £100,000 and increase the per pupil pot by £2,240,000.

Secondary Phase Proposal:

Decrease lump sum by £28,000, increase EAL pot by £169,000, increase Prior Attainment pot by £992,500, decrease the per pupil pot by £349,500 and reduce KS4 per pupil rate increase KS3 per pupil rate to match NFF KS3 and KS4 rates.

Appendix C illustrates the Primary Phase proposal for all Primaries with a sample of small, medium and large Primary Schools illustrated on **Appendix D**.

Appendix E illustrates the Secondary Phase proposal.

Appendix F contains a table showing the Current, Proposed and NFF rates for all funding factors for comparison.

5.5 The consultation will take place between 6th and 17th November. The result of the consultation will be brought back to Forum on 24th November where Forum will make a final recommendation to Lead Member who will need to decide whether to retain the existing rates (2017/18) or to adopt the rates in the FFWG proposal.