

**TELFORD & WREKIN COUNCIL**

**CABINET – 3 JANUARY 2019**

**SCHOOL FUNDING FORMULA 2019/20**

**REPORT OF THE ASSISTANT DIRECTOR: EDUCATION & CORPORATE PARENTING**

**LEAD CABINET MEMBER – COUNCILLOR SHIRLEY REYNOLDS**

**PART A) – SUMMARY REPORT**

**1. SUMMARY OF MAIN PROPOSALS**

- 1.1 Each year we review the local funding formula for mainstream schools in the context of revisions to Department for Education (DfE) regulations or any other relevant developments. Although we consult with schools and the Schools Forum regarding any changes, the Council makes the final decision on the funding formula. The local funding formula applies both to academies and maintained schools and in 2019/20 will determine the distribution of around £116m of funding.
- 1.2 The following is proposed for 2019/20:  

We continue to use the additional funding allocated by the DfE to move towards the DfE's National Funding Formula (NFF) model for school funding, details of which were published in 2017, and maintain local minimum funding guarantee protection at 0%, more generous than the national minimum of -1.5%.
- 1.3 The revised funding formula has to be submitted to the Education & Skills Funding Agency (ESFA), a DfE agency, by 21 January 2019.
- 1.4 This report seeks Cabinet approval for the proposed 2019/20 funding formula for Telford & Wrekin mainstream schools.

**2. RECOMMENDATION**

- 2.1 **That the 2019/20 funding formula for Telford & Wrekin mainstream schools, as consulted on with the Schools Forum, be approved.**

**3 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Co-operative Council priority objective(s)?	
	Yes	By ensuring that as far as is possible schools receive fair funding for their pupils, this supports the objective to improve local people's prospects through education and skills training.
	Will the proposals impact on specific groups of people?	
	Yes	Children, young people, parents and the wider community served by schools.
<b>TARGET COMPLETION/DELIVERY DATE</b>	The revised funding formula will take effect from 1 April 2019 for maintained schools and from 1 September 2019 for academies. Details of the formula have to be provided to the ESFA by 21 January 2019.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	Most mainstream schools in Telford & Wrekin (T&W) are forecast to again receive an increase in funding in 2019/20, both in funding per pupil and in total funding. This is because the revised method of allocating funds to local authorities for their mainstream schools has benefited Telford & Wrekin and also because many local schools are experiencing increases in pupil numbers. For the small number of schools with a potential reduction in funding per pupil there is a Minimum Funding Guarantee (MFG). The national minimum is minus 1.5%, but in the context of the increasing funding for T&W, we propose to continue to set the local MFG at 0%, meaning that no school in T&W will experience a reduction in funding per pupil in 2019/20.
<b>LEGAL ISSUES</b>	Yes	The revised arrangements have to comply with the Government's School Finance Regulations.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough.

## **PART B) – ADDITIONAL INFORMATION**

### **4 THE FUNDING SYSTEM FOR SCHOOLS**

4.1 Dedicated Schools Grant (DSG) is allocated to local authorities by the DfE in four blocks; Schools, High Needs, Early Years and Central School Services, using the following bases:

- Schools Block: Calculated by multiplying the number of pupils at the preceding October census (i.e. October 2018 for 2019/20) by a unit of funding, which is different for each local authority. The 2019/20 allocation for T&W is £117m
- High Needs Block: Calculated by a combination of historic allocations and a national funding formula. The 2019/20 allocation for T&W is £22m.
- Early Years Block: Calculated by taking the average pupils in the relevant two January censuses (i.e. January 2019 and January 2020 for 2019/20) and then multiplying by a unit of funding. The 2019/20 allocation for T&W is £12m.
- Central School Services block: Calculated by a mixture of historic expenditure levels and number of pupils. The grant was introduced in 2018/19 replacing (albeit at a much reduced level) the abolished Education Services Grant. The 2019/20 allocation for T&W is £1m.

4.2 There is some flexibility to move money between blocks, but any movement out of the Schools and Early Years blocks is limited in scale and subject to a Schools Forum vote. DSG as a whole is ring-fenced for schools.

4.3 The final distributions of DSG are notified in December, based upon October census data.

4.4 DSG is distributed to institutions as follows:

- Mainstream schools - via a locally determined funding formula, within the constraints of DfE regulations. The details of this are discussed in section 5 below.
- Special schools and pupil referral units (PRUs) - via a place plus top-up system, the place element being set nationally at £10,000, the top-up element being locally determined. The number of places is determined by a combination of the local authority and the ESFA.
- Nurseries, nursery classes and private, voluntary and independent early years providers – via an Early Years Single Funding Formula for 3 and 4 year olds, a locally determined formula, within the constraints of DfE regulations, calculated on the basis of a single hourly rate for 2 year olds (currently set at £5.11 in T&W).

4.5 A significant and increasingly high profile issue in the school funding system is the inadequacy of high needs funding allocations from the DfE, given legislative change and demographics. In recent years the DfE has extended the potential right to high needs support from 19 to 25, and reduced flexibility around DSG, whilst there are increasing

numbers of children and young people with high needs and higher expectations for provision. Recent research for the Local Government Association (LGA) and the Association of Directors of Children's Services (ADCS) show rapidly increasing levels of DSG deficits in local authorities as a result. T&W has a number of initiatives in place with the aim of delivering the most effective and cost efficient provision possible, but is experiencing similar difficulties to most other LAs in dealing with the fundamental problems in the system.

- 4.6 In response to this issue, the DfE allocated an additional – and unexpected - £250m to high needs revenue allocations in the December DSG settlement. T&W's share of this is £0.84m, £0.42m in each of 2018/19 and 2019/20. This will help to alleviate high needs pressures and this will be discussed at the Schools Forum in January.

## **5 T&W 2019/20 FUNDING FORMULA**

- 5.1 The DfE is calculating 2019/20 Schools Block funding allocations to local authorities by continuing to move towards a National Funding Formula (NFF). This revised methodology replaced the existing historically based allocations in 2018/19.
- 5.2 The NFF is benefiting T&W schools. If fully implemented the DfE's illustrative increase for T&W is 6.8% per pupil. It will take at least a further two years to be fully implemented, but in 2018/19 the increase was 2.7% with a similar further increase in funding in 2019/20. This meant approximately £3m of additional resources in 2018/19 and will mean a further £3m being allocated in 2019/20. It is in addition to any increases arising from increasing pupil numbers. The 6.8% increase represents the 13<sup>th</sup> largest out of 152 local authorities in England. It is good news for our schools and provides some vindication for our long-standing belief that mainstream school funding for T&W has previously been held at an unjustifiably low level by the DfE. In 2019/20 mainstream funding per pupil in T&W ranks 84<sup>th</sup> out of 150 local authorities – still slightly below the mid-point, but in the context of much higher funding for London authorities due to area cost adjustments around the 'average' level for non-London authorities.
- 5.3 The local funding formula for 2019/20 was discussed with the Schools Forum on 20 September. The Forum agreed that we should continue with the agreed principles in 2018/19, which is to continue to move our local funding formula towards the NFF model, as more funding is allocated by the DfE and continue with a local minimum funding guarantee (MFG) of 0% per pupil, offering more protection than the minus 1.5% per pupil set nationally. An MFG set at 0% means that no school will experience a decrease in funding per pupil (subject to the possible top-slice outlined in paragraph 5.4 below).
- 5.4 The actual allocations to schools can only be finalised once the confirmed data from the October 2018 census is released by the DfE in December. The amounts received by schools will also depend upon the amount top-sliced from mainstream school budgets to support High Needs. The Forum has already agreed, at the meeting held on 22 November, a top-slice of 0.5% of the total mainstream school budget (i.e. around £570,000) in order to alleviate high needs budget pressures (see paragraphs 4.5 and 4.6 above).
- 5.5 Allocations to schools are also influenced by the amount allocated to growth funding. A number of secondary schools have agreed to increase their pupil numbers intakes from September 2019 in response to demographic pressures and we plan to fund such schools using estimated pupil numbers.

- 5.6 Cabinet approval is therefore for the principles behind the local funding formula for schools, rather than the precise amounts allocated to each school.

## **6 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 6.1 Schools continue to be protected by the national Minimum Funding Guarantee, which prevents any year on year reduction in funding for a school exceeding 1.5% per pupil. As noted above, T&W is proposing to continue with a local protection that amends this to 0%, a more generous level of protection.
- 6.2 Under current regulations, the formula can be reviewed and if desirable it can be amended by the local authority each year. This may change from 2021/22 if an NFF at school level is introduced by the DfE.

## **7. PREVIOUS MINUTES**

- 7.1 Minutes of the meetings of the Cabinet held on 12 November 2015 (concerning the 2016/17 funding formula), 15 January 2017 (concerning the 2017/18 funding formula) and 4 January 2018 (concerning the 2018/19 funding formula).

## **8. BACKGROUND PAPERS**

“Schools revenue funding 2019 to 2020: Operational guide”, Education & Skills Funding Agency, July 2018.

T&W Schools Forum, minutes and accompanying papers of meetings held on 20 September 2018 and 22 November 2018.

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