

# MUNICIPAL YEAR 2018/2019 REPORT NO. 12

## MEETING TITLE AND DATE:

Education Resources Group – 18 September 18  
Schools Forum – 3 October 2018

## REPORT OF:

Interim Director of Education

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Item: 4c

## Subject:

**School Funding Arrangements –  
2019/20**

Wards: All

## 1. EXECUTIVE SUMMARY

1.1. This report:

- provides a summary of the latest guidance on schools funding arrangements for the Schools and High Needs block of the Dedicated Schools Grant (DSG) for 2019/20 published by the DfE;
- update on the development of the local funding arrangements for 2019/20.

## 2. RECOMMENDATIONS

2.1 Members are asked to consider the proposals and where appropriate provide initial agreement to:

- Arrangements for the local funding formula for mainstream schools;
- Disapplication of the MFG as detailed in paragraph;
- Arrangements for Early Years provision.

## 3 INTRODUCTION

3.1 In August 2017, the Government confirmed that they would continue with their proposals for implementing a national funding formula (NFF) for the Schools and High Needs Blocks. For 2018/19, a 'soft' national funding formula (NFF) was introduced and implemented. This, in effect, has meant that funding to local authorities is provided through the NFF, but the distribution of funding to individual primary and secondary schools is managed through a local funding formula. Local authorities continue to have a statutory duty to maintain their local formula and consult with their Schools Forum and schools on any changes to the formula. Separate funding arrangements apply for high needs and early years, where the Authority sets funding in line with the government's NFF and other associated regulations.

At the end of the Summer term 2018, the DfE published information on the funding arrangements for 2019/20, together with indicative information using October 2017 Census data on funding individual local authorities will receive. The DfE has confirmed the continuation of the arrangements put in place for 2018/19, that is the use of the 'soft' NFF for 2019/20 and 2020/21. The reasons stated for this was that they were satisfied with progress individual local authorities had made in moving towards the NFF. With this confirmation, Enfield should see an increase in overall funding for the Schools Block of £2.86m and High Needs Block of £0.304m to reflect the extra £1.3bn for 2018/19 and 2019/20 to partial support the implementation of the NFF.

### 3.2 DfE Guidance

3.2.1 In terms of changes in the overall funding provided, the DfE guidance confirms:

- Increases in the minimum per-pupil funding level announced last year to £4,800 for secondary schools, and to £3,500 for primary schools;
- Further 3% per pupil gain for underfunded schools;

- 0.5% per pupil gain reflected in the Authority level Schools block allocation;
- Introduction of a teachers' pay grant of £187m in 2018/19 and £321m in 2019/20 to cover, in full, the difference between the pay award and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap;
- 0.5% per head increase for the High Needs block with a gain cap of 3% per head for underfunded local authorities;

### 3.2.2 The detailed guidance on the operation of the DSG has confirmed:

- DSG
  - NFF will continue to determine funding allocated to local authorities' Schools & High Needs blocks;
- Schools Block
  - Local authorities will set a local formula to distribute funding. As part of the process:
    - All schools must be consulted on any proposed local formula or funding changes;
    - Following consultation with schools, and as required, the agreement of the Schools Forum and a final sign-off of the local arrangements by the Cabinet Member;
  - Schools block will be ring-fenced, but Local Authorities are able to continue to transfer up to 0.5% of Schools block funding out with the agreement the Schools Forum;
  - Local formulae – changes include:
    - A change to the unit rate applied for low prior attainment in primary to reflect the significant increase in the number of pupils eligible for funding through this factor;
    - Looked-after children factor remains excluded in the NFF;
    - At least 80% of funding must be delegated using the per pupil factors. Items 1-6 listed in the attached Appendix A which provides full details of the allowable formula factors;
    - Continuation of disapplication process for anomalies in the funding for new or amalgamating schools.
  - Growth Fund to be funded on NFF rather than on historical funding;
  - Falling rolls fund: continues to be available to support good/outstanding schools with falling pupil roll and where local planning data shows surplus places will be needed within the next three financial years;
  - Minimum funding guarantee can be set between -1.5% and 0.5%;
  - Central School Services block – no changes and will be subject of a separate report;
- High Needs Place Funding in mainstream schools continues to be:
  - based on all pupils on roll including those in Additionally Resourced Provision (APRs) and Specialist Units (SU);
  - Place funding set at £6k per place where the place is occupied, plus top up funding;
  - Where places not filled and confirmed by Local Authority, places to be funded at £10k.
- Teachers Pay Grant: It is confirmed:
  - the Teachers pay award from September 2018 would be:
    - 3.5% uplift on the minimum and maximum of the main pay scale
    - 2% - uplift on upper pay scales
    - 1.5% - uplift on school leaders
  - The Pay grant aims to cover, in full, the difference between this award and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap;
  - The DfE have allowed £508m to cover the cost of the grant. This will be new money to schools that the DfE is funding from existing funds. It is widely thought that this will be

diverted from the Teaching and Leadership Innovation Fund and the strategic School Improvement Fund which are both bid based funds to drive system led improvements.

The grant will not cover the full cost of the pay award and schools will continue to experience financial pressure in meeting the pay award and the effects of the “soft NNF”;

- Notification has been received funding will be provided on a per pupil basis for primary and secondary and place numbers for special schools. The rates to be provided are as follows:

<b>Sector</b>	<b>2018/19</b>	<b>2019/20</b>
Primary	£18.05	£31.13
Secondary	£29.20	£50.15
Special	£72.25	£124.87

## **4. LOCAL ARRANGEMENTS FOR 2019/20**

### **4.1 Current Arrangements**

For the current year 2018/19, the principles governing the local arrangements were stability and least turbulence for individual schools. With these in mind, the local arrangements put in place for the Schools Block were as follows:

- To partly implement the NFF unit values: this was done by moving approximately 50% of the way towards the NFF unit values;
- Ensure the minimum primary and secondary per pupil rates were achieved and were in line with national expectation;
- To reduce the funding provided to support Looked After Children from £1,200 to £800;
- As closely as possible, the local arrangements aimed to achieve the national average for primary to secondary funding ratio of 1:1.30;
- To support schools that would lose under the NFF, it was agreed that the minimum funding guarantee (MFG) would be capped for gaining schools to 3% to enable the MFG to be set at 0% for the losing schools;
- To continue to support inclusive schools, it is proposed that funding is transferred from the Schools Block to the HNB to ensure schools with an above average incident of pupils with SEND continue to be supported and funded. The average incident is currently 1 in 75; and for 2018/19, this average will be reviewed to reflect October 2017 pupil numbers;
- No changes were proposed for the growth fund for 2018/19.

### **4.2 Schools Block Proposals**

4.2.1 Initial discussions with the Education Resources Group considered retaining the current arrangements with no changes, implementing the NFF unit rates fully and moving slightly closer to the NFF rates. These discussions highlighted that these options did not provide an appropriate distribution of funding to meet the needs of Enfield pupils. It was noted that if the NFF was implemented in full, then half the primary schools experience a loss in funding with most secondary schools gaining. The comments received from the Education Resources Group have been used to support the development of the local arrangements.

#### **4.2.2 Removal of LAC factor from the NFF**

It was raised by the Education Resources Group felt that the current funding arrangements through a formula factor for LAC pupils may not demonstrate best use of the funding and consideration be given for the current funding to be transferred to the High Needs block to provide more targeted support and achieve improved outcomes for LAC pupils.

After some consideration the Authority would support this suggestion and would propose the removal of the LAC factor from the formula and the funding (£140k) allocated through this factor be pooled and transferred to the High Needs block for more targeted support.

Officers will then work with schools to consider and develop a strategy / protocol for use of this funding to support LAC pupils.

#### 4.2.3 Other Formula Factors

The Education Resources Group stated funding arrangements should support pupils with EAL, low prior attainment (LPA) and / or eligible for free school meals (FSM). This suggestion was considered and assessed against the information in the DSG Analysis report (elsewhere on the agenda) which highlighted Enfield's unit rates for EAL, LPA and FMS Ever 6 were in the lower quintile when compared with outer London authorities, as well as being significantly lower than the NFF rates. The options developed considered moving Enfield's rates to the NFF rates for EAL and LPA and close to the NFF rate for FMS Ever 6.

#### 4.2.4 Primary to secondary funding ratio

The move to NFF will move funding from primary to secondary sector and as stated earlier the effect of this would result in over half of Enfield primary schools seeing a reduction in funding.

To support primary schools, for 2018/19, it was agreed that the local arrangements, as close as possible, aim to achieve the national average primary to secondary ratio of 1:1.3.

The DfE analysis of local authorities funding formula for 2018/19 states:

*... nationally across all local authorities the ratio is 1:1.296. This is a slight increase from the 2017-18 formulae where it was 1:1.289. The average local authority ratio is 1:1.311, a slight increase on the ratio of 1:1.304 in 2017-18.*

For 2018/19, once the final data and funding was considered, Enfield's funding ratio was 1:1.36.

The recent announcement by the Government to delay the introduction of the full "hard" NFF (i.e. with no protection) until after 2021/22 provides another year for school's local formula budgets to transition to the new funding levels. Therefore for 2019/20, it is the Authority's view that the local arrangements try to achieve a primary to secondary funding ratio that moves slightly from the current ratio of 1:1.36.

#### 4.2.5 Minimum Funding Guarantee

The minimum funding guarantee (MFG) aims to protect the pupil led funding from significant funding changes. As stated, the national arrangements allow local authorities with their Schools Forum to set an MFG between -1.5% to 0.5%.

It was recognised when developing the arrangements for 2018/19 that there was a need to enable schools time to plan for a change in funding and for this reason the MFG was set at 0% with a 3% gains cap. Now, even though there is a delay in the move towards a full NFF, it is advised that the loss schools will experience under the NFF needs to be reflected in the MFG set for 2019/20.

The above information and comments have been used to develop the following models:

<b>Model</b>	<b>Factors / Unit Rates Applied</b>	<b>MFG</b>
<b>A</b>	Current formula with no change	None
<b>B (i)</b>	– NFF Unit Rates – No Mobility funding	None
<b>B (ii)</b> <b>C</b>	– NFF Unit Rates * – Include Mobility (Enf Rates)	-0.6% & CAP if applicable for gainers
<b>D</b>	– NFF Unit Rates for: EAL & LPA * – 85% NFF Unit Rates for Ever 6 FSM – 60% NFF Unit Rates for all other factors – Mobility (Enfield Rates)	-0.6% & CAP if applicable for gainers

\* Assumes funding transferred to HNB for targeted support

The outcomes from these models have highlighted:

<b>Model</b>	<b>Use of all funding</b>	<b>Prim:Sec Ratio</b>	<b>% of School losing</b>
<b>A</b>	No	1:136	0%
<b>B (i)</b>	No	1:144	81%
<b>B (ii) C</b>	Yes	1:144	81%
<b>D</b>	Yes	1:138	57%

It is the Authority's view for 2019/29 Model D would provide the best option for Enfield schools because it will:

- Enabled some of the factors to be set at the NFF unit rates or move closer to the NFF rate;
- See those schools due to lose will see some reduction in funding and those due to gain will see an increase in their funding;
- Through the funding changes enable schools losing to plan during 2019/20 for a further change in funding to reflect the funding through the NFF.

It is recognised that the NFF will be introduced from 2021/22 and there is a need for Enfield to move closer to the NFF unit rates, therefore it is the Authority's view that for 2020/21 that Model C is implemented. The reason for suggesting the position for two years is because it will provide individual schools with some certainty of their funding for the next two years and plan effectively for the reduction in funding they may experience during the transition period before the full "hard" NFF is introduced.

Attached:

- Appendix A: Full list of the formula factors and how they are applied;
- Appendix B: Unit rates applied for this year and the above Models;
- Appendix C: Outcomes from the models detailed above (Please note: The Education Resources Group requested the school details be anonymised and only percentage change in funding be shown);

#### 4.2.6 Growth Fund

The DfE have changed how the funding is provided for the growth fund. The change is to move from funding based on historical spend to a NFF. At this stage, it is assumed the same level of funding as this year would be required and this will be fully analysed to inform the final arrangements.

#### 5. Falling Rolls Fund

Local data and recent discussions with the Forum have highlighted that individual schools are seeing a decline in pupil numbers. For this reason, the Authority considered the feasibility of introducing a falling rolls fund for schools with declining numbers.

The national arrangements allow for local authorities to set aside schools block funding to create a small fund to support good schools with falling rolls, where local planning data shows that the surplus places will be needed within the next three financial years.

The DfE suggested compliant criteria is set out below:

- support is available only for schools judged good or outstanding at their last Ofsted inspection (this is a mandatory requirement);
- surplus capacity exceeds a minimum number of pupils, or a percentage of the published admission number;
- local planning data shows a requirement for a minimum percentage of the surplus places within the next three years;
- formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort;
- the school will need to make redundancies to contain spending within its formula budget.

If a Fund is to be established, the Schools Forum is required to agree both the value of the fund and the criteria for allocation and receive regular updates on the use of the funding.

It was the Education Resources Group not to pursue the falling rolls fund and the Forum's view are being sought.

## **6. HIGH NEEDS TRANSFER**

For 2018/19, 0.5% was transferred from the Schools block to the High Needs block for continuation of supporting more inclusive schools through the allocation of an £6k per pupil for any additional pupils above the school's average incident of pupils with high level of SEND. To enable inclusive schools to continue to be supported, it is recommended that 0.5% again be transferred from the Schools block to the High Needs block for 2019/20.

## **7. DISAPPLICATION REQUEST**

The DfE have confirmed with the Schools Forum approval requests for disapplication from the MFG can be submitted in certain circumstances. The deadline for submitting requests and obtaining approvals from the DfE is tight, so with the Schools Forum's approval it is intended to submit the following disapplication request:

- for secondary schools who are becoming all through schools. This is to prevent the primary element of the school funding being protected at the secondary funding level. The adjustment will be based on an EFA calculation template, which will ensure a consistent methodology is applied between authorities.
- If the Forum provide initial agreement the transfer of 0.5% funding from the Schools Block to the High Needs Block. Final confirmation of the transfer would be sought from the Schools Forum after consultation with schools has been carried out and the DfE advised accordingly.
- Similarly, if the Forum provides initial agreement to the transfer of £140k from the Schools Block to the High Needs Block. Final confirmation of the transfer would be sought from the Schools Forum after consultation with schools has been carried out and the DfE advised accordingly.

## **8. EARLY YEARS**

- 8.1 Since April 2017, funding provided to local authorities for the free nursery entitlement for three and four year olds based on NFF and, in a similar way to mainstream schools, local authorities determine the local funding formula for distributing funding to local early years settings.

As stated earlier, no information has been received on the funding arrangements for 2019/20, but it is assumed the current arrangements will continue. Therefore, there is a need to confirm the current local arrangements and seek confirmation on their continuation for 2019/20.

### **8.2 Current Arrangements**

The regulations require the local funding arrangements include a per pupil amount and funding to support pupils from a deprived background and then additional factors that could be included are an inclusion fund and supplement linked to quality. In Enfield, it was decided to include the first three factors, but not the supplement linked to quality. There is a requirement that 95% of the funding must allocated to providers and 5% may be retained to fund local authority central services.

Table below summaries how funding is distributed currently.

**Table : Allocation of Early Years Funding for 2018/19**

<b>Factors</b>	<b>Rate per hour £</b>	<b>Rate per hour %</b>	<b>Total £</b>
Basic hourly rate per child	£5.11	91%	£
Deprivation: Based on IDACI	£0.13	2%	£
Inclusion Fund	£0.10	2%	£
Central Support	£0.28	5%	
Total			

- 8.3 The inclusion fund was introduced to support pupils to enable local authorities to work with providers to address the needs of individual children with high levels of SEND. The use of the inclusion fund locally was split between individual providers being able to access targeted resources to support pupils with SEND and centrally commissioned specialist provision to support all providers. The targeted resources are administered through an Inclusion Panel consisting of Headteachers, Managers for individual settings and officers. The commissioned specialist support from Educational Psychology and SENCOs.
- 8.4 The inclusion fund has enabled individual providers to access additional provision and support. Through the commissioned support providers have had access to training, SENCO forums, information including how to access local services and making links with professionals. The SENCOs have advised on developing resource to support holistic communication and developing sensory provision and Educational Psychologists have been support providers through the review process required for pupils with SEND.
- 8.5 For 2019/20, it is recommended that the current arrangements continue to be maintained with a slight adjustment between the hourly rate for deprivation and the inclusion fund with the hourly rate for deprivation reducing by 1p and the inclusion conversely increasing by 1p. The reason for maintaining the current arrangements and seeking the slight change in the distribution of the funding is to reflect the increase in demand the Inclusion Panel has seen for support for pupils with SEND and this is because of the work the commissioned services are doing to support and enabling providers to improve outcomes for pupils with SEND.

**Table 1: Summary of Allowable Factors for Local Formula****Required proportion of funding allocated through pupil-led factors**

Local authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors (the factors in lines 1 to 6, and 12 below, and London fringe uplift, where relevant).

Below are the allowable factors for the schools' local funding formula. All factors are optional except for items (1) basic entitlement and (2) deprivation funding.

<b>Factor</b>	<b>Further information</b>
<b>1. Basic entitlement</b> A compulsory factor	This factor assigns funding based on individual pupils, with the number of pupils for each school or academy based on the October pupil census <ul style="list-style-type: none"> <li>• funding is allocated according to an age-weighted pupil unit (AWPU)</li> <li>• there is a single rate for primary age pupils, which must be at least £2,000</li> <li>• there can be different rates for KS3 and KS4, with a minimum of £3,000 for each</li> </ul>
<b>2. Deprivation</b> A compulsory factor	Local authorities can use free school meals (FSM), the income deprivation affecting children index (IDACI), or both, to calculate the deprivation factor <ul style="list-style-type: none"> <li>• eligibility for current FSM using the previous October census, and Ever6 FSM (pupils entitled to free meals at any time in the last 6 years) from the previous January census</li> <li>• FSM can choose to use either current FSM, Ever6 FSM, or both</li> <li>• the IDACI measure uses 6 bands, and different values can be attached to each band; different unit values can be used for primary and secondary within each band</li> <li>• DfE will automatically set the FSM Ever6 ratio equal to the current FSM ratio for schools where the FSM Ever6 rate is recorded as lower than the current FSM rate</li> </ul>
<b>3. Prior attainment</b>	Primary pupils not achieving the expected level of development in the early years foundation stage profile (EYFSP) Secondary pupils not reaching expected standard in KS2 for either English or maths. A new separate weighting for new year 7 pupils with low prior attainment.
<b>4. Looked-after children (LAC)</b>	A rate per pupil using the LA SSDA903 return at 31 March 2017 and the January pupil census. NFF: funding will be through an increased Pupil Premium Plus rates.
<b>5. English as an additional language (EAL)</b>	Pupils having a mother tongue other than English may attract funding for up to three years after they enter the statutory school system. Funding based on October Census.
<b>6. Pupil mobility</b>	Counts pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils) A 10% threshold with funding is allocated based on the proportion above the threshold (for example, a school with 12% mobility will attract pupil mobility funding for 2% of pupils)
<b>7. Lump sum</b>	Maximum lump sum allowed is £175k for all phases. Rates for sectors can vary.
<b>8. Split sites</b>	Allocation based on an objective criterion to support schools that are on different sites.
<b>9. Rates</b>	Based on actuals with arrangements for adjustments.
<b>10. Private finance initiative (PFI) contracts</b>	To support schools that have unavoidable extra premises costs because they are a PFI school and/or to cover situations where the PFI "affordability gap" is delegated and paid back to the local authority.
<b>11. Exceptional premises factors</b>	This factors must relate to premises costs and apply the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the authority's area.
<b>12. Minimum level of per pupil funding for primary and secondary schools</b>	Not relevant
<b>13. Sparsity</b> <b>14. London fringe</b>	Not relevant Not relevant – only used by Bucks, Essex, Herts, Kent and West Sussex