

BARNSELEY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

Joint Report of the Executive Director (Core Services) and the
Executive Director (People)
to Cabinet

(24th January 2018)

2018/19 SCHOOLS FUNDING FORMULA AND OUTCOME OF CONSULTATION WITH SCHOOLS

1.0 Purpose of the Report

- 1.1 To seek Cabinet's approval for the proposed changes to Barnsley's local schools funding formula for 2018/19, following consultation with schools and consideration by the Barnsley's Schools Forum.

2.0 Recommendations

- 2.1 That Cabinet notes the Dedicated Schools Grant settlement for Barnsley's schools for 2018/19 and the implementation of the new national funding formula from April 2018.
- 2.2 That Cabinet notes the summary responses by schools and the Barnsley Schools Forum, to the recent consultation on the changes to the local schools funding formula and the transfer of funding to the high needs block.
- 2.3 That, as a result of the above, Cabinet agrees:
- a) the following changes to the schools formula as set out in para 6.2 of this report and specifically the transfer of 1.5% of funding from schools to the high needs block (subject to DfE's approval);
 - b) the proposed schools block budget for 2018/19 as summarised in the attached appendix 3 (and to authorise Officers to make changes in line with DfE's decision) .

3.0 Schools funding settlement 2018/19

- 3.1 Details of the Dedicated Schools Grant (DSG) were announced on 19 December 2017 and included details of other schools related funding such as the Pupil Premium Grant. The allocation of DSG will be set out in four blocks for each LA, namely schools; high needs, early years and a new central school services block.

- 3.2 The settlement announcement also confirmed the introduction of the new national funding formula for schools and high needs from April 2018. The new NFF is intended to address the historic unfairness in funding across schools in different local areas. Total DSG allocation for Barnsley for 2018/19 is £180.9m (before adjusting for academies). This equates to a £8.8m increase in DSG funding compared to 2017/18.

DSG funding blocks	2017-18* £M	2018-19 £M	Change £M
Schools	135.9	142.9	+7.0
Early Years	13.2	14.4	+1.2
High Needs	21.2	21.8	+0.6
Central services	1.8	1.8	-
	172.1	180.9	8.8

- 3.3 The increase in funding can be explained by the following: impact of the new schools and high needs NFF (£5.6m); increased in pupil numbers (£1.9m) and the full year funding impact (£1.2m) of the additional 15 hours early years 3 & 4 free entitlement for working parents.
- 3.4 Whilst the new NFF has been used to determine funding allocations to LAs, individual schools budgets will continue to be set by LAs using their local schools funding formula (for 2018/19 and 2019/20). The expectation is that LAs will review their local formulae and align it accordingly to the new NFF during the transition period – hence the consultation with schools on the proposed changes to the formula.

4.0 Outcome of Consultation on the 2018/19 schools formula

- 4.1 Under current regulations LAs are required to consult with their schools and Forums on any changes to the local funding formulae. A consultation exercise was undertaken in November 2017, which sought views on the changes to the Barnsley schools formula and particularly the proposal to transfer funding from the schools block to the high needs block. A copy of the consultation document is attached in **Appendix 1**. The consultation sought responses from schools and Governing Bodies to questions covered the following areas:
- changes to the funding baseline for the schools formula as informed by the DfE, but in particular the decision by the Council to withdraw the £1m contribution it makes to the schools budget from 2018-19;
 - changes to the funding factors; unit values and weightings used in the formula, with a view to aligning the formula as closely to the new NFF;
 - transfer 1.5% (£2.1m) from the schools block funding to address the financial challenges (funding gap) within the high needs block.

- 4.2 Detailed illustrative funding allocations based on the proposed changes to the funding formula (compared to actual funding in 2017-18) were provided, which shows the impact of the proposed changes on individual schools budgets.
- 4.3 In total 32 schools (out of 87 schools) responded to the consultation – this represented a 37% response rate. The attached **appendix 2** details the outcome of the consultation with schools with the key points highlighted below:

Removal of the £1m BMBC contribution

1. Schools (56%) were generally not supportive of the council's decision to cease its contribution (£1m) to the schools budget. Some schools felt the NFF does not address the issues faced by most schools, so any further loss of funding (such as the £1m) is seen as detrimental;

Proposed changes to the funding formula

2. The majority of respondents agreed with the funding factors currently used and proposed for 2018/19 – secondary schools were supportive of the new minimum pupil funding factor;
3. Although schools are supportive of the closer alignment towards NFF, concerns were raised by primary schools regarding funding being skewed towards secondary schools;

Proposed transfer of 1.5% of schools funding to the high needs block

4. An overwhelming number of schools (84%) are not supportive of the proposal to transfer funding to the high needs block – as it is perceived as detrimental and taking funding away from schools;
5. The high needs pressure is perceived as arisen from a lack of action by the LA to manage this problem in the past;

5.0 Barnsley Schools' Forum consideration of the proposals

- 5.1 The outcome of the consultation was reported to the Schools Forum on 19 December 2017 to seek the Forum views on the proposed changes as well as approve the funding transfer from the schools block to the high needs block. DfE guidance requires Schools Forum approval of any funding transfer from the schools block, with DfE approval required for transfers above the 0.5% limit.
- 5.2 The Forum noted the responses from schools on the proposed formula changes and commented on the impact on schools budgets. There was a consensus view and agreement that the Barnsley funding formula should be aligned as close as possible to the new NFF.

- 5.3 The Forum expressed disenchantment with the proposal to transfer 1.5% (£2.1m) funding to the high needs block to address the financial deficit. Particular concerns were expressed by the Forum of the impact on schools budgets and the fact that it negates the gains of the new NFF.
- 5.4 Insight into the local and national context, leading to the cost pressures facing SEN school placements was provided to the Forum to countenance the view by schools that the prevailing high needs pressures had been due to an inability by the LA to address the issue in the past. The Forum noted the SEN Sufficiency Strategy and Commissioning Plan, and was advised of the consequences of not agreeing to the transfer, namely impact on our ability as a system to fund the commissioning actions and increase in the high needs funding gap / pressures (see para 8.3).
- 5.5 In view of the above the Barnsley Schools Forum agreed to the transfer of 1.0% (£1.4m) of the schools block funding to the high needs block (as oppose to the Council's recommendation of 1.5%).

6.0 Proposed 2018/19 Schools Delegated Budget

- 6.1 LAs are required to submit their schools funding formula (i.e. Authority Proforma Tool) by 19 January 2018. Political ratification (by Cabinet) of the schools budget is required by DfE.
- 6.2 The attached **appendix 3** outlines the proposed schools budget / formula for 2018/19, which reflects implemented changes after consideration of the responses from schools and the views of the Schools Forum. The proposed budget is underpinned by the following:
1. The schools funding envelope for 2018 has been adjusted and excludes the Council's £1m contribution to the schools budget. The Council is not minded to be influenced by the response by schools to the decision to cease the annual contribution to the schools' budget;
 2. Pending DfE approval of the funding transfer application, the schools funding formula has been determined based on a 1.5% (£2.1m) funding transfer to the high needs block;
 3. DfE baseline changes in relation to the funding of pupils in SEN units and specialist resource provision in mainstream schools / academies and the removal of reception pupils' uplift has been implemented;
 4. A new minimum pupil funding factor has been introduced in 2018/19 to ensure closer alignment to the NFF and that 'underfunded' schools are funded at an appropriate level;
 5. The primary and secondary funding ratio has been set at 1:1.29, which is consistent with the new NFF;

6. AWPU rates for secondary schools have been increased and for it to align to the NFF rates over the next 2 years. Primary AWPU rates have been maintained at the current level – to ensure stability in funding;
7. The proportion of funding for deprivation has been reduced and aligned to the NFF level (i.e. 9%), with other funding in the formula maintained at current levels (including the lump sum amount per school);
8. To ensure that no school see a reduction in their 2018/19 budget compared to the current year, the minimum funding guarantee (MFG) has been set at 0%. This MFG position takes into account the anticipated transfer of funding from the schools block to high needs.

7.0 Consideration of Alternative Approaches

- 7.1 The consultation document put forward (and sought views on) a number of proposals aimed at aligning the Barnsley local schools formula to the new national funding formula as well as the transfer of funding to the high needs block. Schools were encouraged to put forward alternative proposals and suggestions.

8.0 Financial Implications

- 8.1 The DSG settlement for Barnsley for 2018/19 amount to £180.9m – an increase of £8.8m compared to the current year. The increase reflects the impact of the new NFF, increase in pupil numbers and the FYE of the extension to 30 hours free entitlement for the working parents of 3 and 4 year olds.
- 8.2 The Council is required to agree the schools block budget and make necessary changes to its local funding formula in light of the new NFF. The attached appendix 3 outline the proposed 2018/19 schools budget based on the changes detailed in para 6.2. Consideration has been given to the impact of the changes on individual schools. The application of the MFG (at 0%) will ensure that no school will see a reduction in its budget on a per pupil basis compared to 2017/18.

Financial Risk

- 8.3 The proposed 2018/19 schools budget reflects the transfer of 1.5% funding (subject to DfE approval) from schools to the high needs block. This funding transfer forms part of the financial plan to address the pressures / deficit in the high needs budget (as outlined in the recently approved Cabinet report on the SEN sufficiency strategy). An increase in the funding gap in the high needs budget would result, in the event of DfE approving a reduced transfer amount (as agreed by the Schools Forum). The table overleaf outline the current SEN financial plan and the impact of a reduced funding transfer amount (1%):

Based on 1.5% (£2.1m) transfer from school	17/18 £'000k	18/19 £'000k	19/20 £'000k	20/21 £'000k	21/22 £'000k	22/23 £'000k
deficit b/fwd	1,645					
Proposed actions - forecast deficit	3,518	3,803	4,106	3,639	2,826	2,477
Funding transfer from schools	0	-2100	-2800	-2800	-2800	-2800
additional funding - new NFF*	0	-702	-1,309	-1,309	-1,309	-1,309
	5,163	1,001	-3	-470	-1,283	-1,632
Cumulative position	5,163	6,164	6,161	5,691	4,407	2,775

Cumulative position based on 1% transfer from schools (£1.4m)	5,163	6,864	7,561	7,791	7,207	6,275
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<i>Increase in funding gap</i>	0	700	1,400	2,100	2,800	3,500
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- 8.4 An annual increase in the funding gap of £700k is estimated at a 1% funding transfer (cumulated increase of £3.5m by 2022/23). The expectation is that the funding gap and any increase thereof is contained and addressed within the overall ring-fenced DSG resources provided by the Government for schools. To this end, options / proposals would need to be presented on how any increase in the funding gap would be addressed within the schools system.

9.0 Employee Implications

- 9.1 There are no employee implications as a result of this report.

10.0 Consultations

- 10.1 The proposals outlined in this report have been extensively consulted upon with schools and the Schools Forum.

11.0 Risk Management Issues

- 11.1 The main financial risk relates to the pending decision by the DfE on the Council's request to transfer 1.5% (£2.1m) of the schools block to the high needs block. In the event of the non-approval of the request by the DfE, changes will have to be made to the schools budget. There would also be an impact on the high needs funding gap – however, a number of options / proposals are being considered to help address any shortfall.

12.0 Glossary of Terms and Abbreviations

- 12.1 None, applicable.

13.0 List of Appendices

- 13.1 Appendix 1: Consultation document on changes to 2018/19 schools formula
Appendix 2: Outcome of consultation responses
Appendix 3: Proposed outline of the 2018/19 schools budget

14.0 Details of Background Papers

Background papers used in the compilation of this report are available to view by contacting the Service Director (Finance), Core Directorate, Barnsley MBC.

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