DERBYSHIRE COUNTY COUNCIL

Agenda Item 5

Rep 709

SCHOOLS FORUM

5 October 2017

Report of the Strategic Director for Children’s Services

School Funding Update

1. Purpose of the Report

To update the Schools Forum on recent announcements in relation to the school funding framework.

1. Information and Analysis

The timeline of recent events and announcements is as follows:

**17 July 2017**: - the Secretary of State for Education announced an increase in the funding available for schools and high needs of £1.3bn. The increase will be phased in with a £0.416bn increase in 2018-19 and a further £0.884bn in 2019-20. The funding will be used to:

* Increase the basic amount that every pupil will attract in 2018-19 and 2019-20;
* For the next two years, provide for gains of up to 3% per pupil (previously 3% then 2.5%); and
* Provide a 0.5% a year per pupil cash increase for every school through the National Funding Formula (NFF).

4 August 2017: - the DfE published the “Schools revenue funding 2018 to 2019

Operational guide” which included the following key points:

* Confirmation that the NFF for schools and high needs will be introduced from April 2018;
* Confirmation that a new Central School Services Block will be created to fund specific LA functions in respect of both schools and academies;
* Confirmation that LA level allocations for 2018-19 for the schools, central school services and high needs blocks will be published in September 2017;
* Published details of LAs’ 2017-18 baseline funding, including minimum schools and high needs block per pupil funding rates;
* Confirmation that for 2018-19 and 2019-20, the NFF will form the basis of the allocations to LAs, however LAs will continue to set local allocations via local formulae;
* Announcement that the Schools Block will provide for at least a 0.5% per pupil increase for each school in 2018-19 through the NFF;
* The formula will provide LAs with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20 (a minimum per pupil funding rate for primary schools to be announced in September);
* There will be at least a 0.5% overall increase in 2018-19 through the high needs NFF;
* The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil;
* The schools block will be ring-fenced from 2018-19 but LAs will be able to transfer up to 0.5% of their schools block funding into another block with the agreement of their Schools Forum.

In addition to the above, a range of smaller changes are also proposed, including:

* LAs can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
* The DfE will be increasing the Pupil Premium Plus rates for 2018-19 rather than including a looked-after children factor in the national funding formula.
* LAs will no longer need to request a disapplication to increase pupil numbers where there is an increase in a school’s admission limit or a local re-organisation;
* There will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school’s budget share will be determined on the basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision;

The guidance states that the DfE expect LAs to engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its [schools forum](https://www.gov.uk/government/publications/schools-forums-operational-and-good-practice-guide-2015), about any proposed changes to the local funding formula including the method, principles and rules adopted.

**14 September 2017** - The Secretary of State announced details of the national funding formula for both mainstream schools and the high needs block. Further information on these changes are covered in separate reports to this meeting.

1. Implications of the announcements

3.1 Schools Block - Mainstream funding formula

Information on the national funding formula is the subject of a separate report to this meeting.

3.2 Schools Block – Growth funds

The DfE guidance states: “*Growth funding is within local authorities’ schools block national funding formula allocations and has been calculated on the basis of historic spend. As it’s within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks, though the schools forum would still need to agree the total growth fund. Nor would such a movement reduce the size of the schools block.*

*The growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools*.”

In Derbyshire the only funding of this type held centrally has been for Key Stage 1 class sizes and our spend (£1.1m) will be included in the Schools Block baseline as an historic allocation. Outside of this, where schools have experienced a significant increase in pupils, the expectation has been that they would manage this themselves through re-alignment of spending, use of balances or via a licenced deficit: equally, when schools have seen major reductions in pupils, funding has not been deducted.

The other main reason that LAs have retained a growth fund has been to support new schools with both pre-opening and post-opening costs. Pre-opening costs include those of the staff to be appointed in advance of the school opening and other costs that are necessary to facilitate the required planning and preparations. Post-opening costs recognise the additional support that is often needed to support a new school in the first few years of operation where the pupil numbers are below those that are required to fund the school at a reasonable level. The Schools Forum received a report on this issue at its meeting on 22 June 2017 where it was noted that 5 new primary schools will potentially open in Derbyshire in the next few years.

There will be a need to finance the costs of the above new schools funded, in part, through the creation of a larger pupil growth fund. Derbyshire has not opened a new school (with a new legal identity) for many years.

The Schools Forum will be asked to approve an increased pupil growth fund to support these new developments later in the autumn term.

3.3 Central Services Schools Block

The Central School Services Block (CSSB) will be introduced in 2018-19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

* funding previously allocated through the **retained duties** element of the Education Services Grant (ESG) – see Appendix 1.
* funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
* residual funding for historic commitments, previously top-sliced from the schools block

The baseline central services schools block for Derbyshire for 2017-18 is £4.429m and covers the following items:

|  |  |  |
| --- | --- | --- |
| Item | £m | Note |
| Ongoing commitments |  |  |
| Admissions | 0.519 | Approved S Forum 9/1/17 |
| Schools Forum | 0.040 | As above |
| Licences | 0.561 | As above |
| Former ESG Retained duties | 1.572 | As above |
|  |  |  |
| Sub total – ongoing commitments | 2.692 |  |
|  |  |  |
| Historic budgets |  |  |
| Contribution to combined budgets | 1.737 | Approved S Forum 9/1/17 |
|  |  |  |
| Sub total – historic commitments | 1.737 |  |
| Total Central Services Schools Block | 4.429 |  |

The National CSSB Formula will fund LAs’ ongoing commitments on the basis of a new formula. LAs will receive £28.84 per pupil plus £11.99 per Ever 6 free school meal. The number of pupils and free meals will include schools and academies as the LAs’ responsibilities cover both sectors. A cash sum will be added to the above to cover LAs’ historic commitments.

The NFF for Derbyshire based on the new formula, fully applied, would be as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Pupil led | Ever 6 led | Total |
| NFF multiplier before ACA | £28.836 | £11.993 | - |
|  |  |  |  |
| Derbyshire count | 96,464.00 | 22.901.60 | - |
|  |  |  |  |
| Total ongoing responsibilities | £2,781,694 | £274,663 | £3,056,357 |
| Historic commitments |  |  | £1,737,000 |
| Total Central School Services Block |  |  | £4,793,357 |
| Overall increase |  |  | £364,357 |

However, increases in CSSB allocations are capped at 2.5%, meaning that Derbyshire’s provisional CSSB budget for 2018-19 will be £4.497m, an increase which equates to 2.5% of the ongoing responsibilities allocation.

3.4 Former Education Services Grant (ESG) funded services

Local authorities are able to fund services previously funded from the **general duties** funding rate of the Education Services Grant (ESG) (for maintained schools only) from maintained school budget shares with the agreement of maintained school members of the schools forum. The services previously funded by this grant are set out in Appendix 2.

The amount retained by the local authority would need to be agreed by the relevant maintained schools members of the Schools Forum (primary, secondary, special and pupil referral units (PRUs). If the local authority and Schools Forum are unable to reach a consensus on the amount to be retained by the local authority, the matter can be referred to the Secretary of State.

Before the grant ceased at the end of August 2017, LAs and academies received funding at the rate of £66 per mainstream pupil (£280.50 per special school place and £247.50 per PRU place). Work is underway to identify the cost of these services with a view to the Authority seeking permission from the Forum to be allowed to retain some funding to enable these functions to continue. It is planned to produce a more detailed report on this issue for the Schools Forum’s meeting later this year.

3.5 De-delegation (Re-pooling)

The guidance confirms that the Schools Forum will be permitted to de-delegate (re-pool) funding in respect of a defined list of services in 2018-19. The Authority has written to schools asking them to give their views on which services should be supported by de-delegated funding. The responses will be reported to the Schools Forum later in the autumn and the primary and secondary school representatives will be asked to make a decision on behalf of their sector.

3.6 High Needs Block

Information on the national funding formula for high needs is the subject of a separate report to this meeting.

1. Other Considerations

In preparing this report the relevance of the following factors have been considered: social value; prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.

1. Background Papers

Held in Children’s Services Finance.

1. Strategic Director’s Recommendations

That the Schools Forum:

1. Notes the announcements from the DfE and the potential implications and offers its views on the issues raised; and
2. Agrees to receive further reports on these issues later in the year.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**

**Frmr ESG-funded responsibilities LAs hold for schools and academies Appendix 1**

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| --- |
| **Statutory and regulatory duties**  Director of children’s services and personal staff for director (Sch 2, 15a)  Planning for the education service as a whole (Sch 2, 15b)  Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 2, 22)  Authorisation and monitoring of expenditure not met from schools’ budget shares (Sch 2, 15c)  Formulation and review of local authority schools funding formula (Sch 2, 15d)  Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools (Sch 2, 15e)  Consultation costs relating to non-staffing issues (Sch 2, 19)  Plans involving collaboration with other LA services or public/voluntary bodies (Sch 2, 15f)  Standing Advisory Committees for Religious Education (SACREs) (Sch 2, 17)  Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 2, 21) |
| **Education welfare**  Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 2, 20)  School attendance (Sch 2, 16)  Responsibilities regarding the employment of children (Sch 2, 18) |
| **Asset management**  Management of the LA’s capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch 2, 14a)  General landlord duties for all buildings owned by the local authority, including those leased to academies (Sch 2, 14b) |
| **Central support services**  No functions |
| **Premature retirement and redundancy**  No functions |
| **Monitoring national curriculum assessment**  No functions |
| **Therapies**  No functions |
| **Other ongoing duties**  Licences negotiated centrally by the Secretary of State for all publicly funded schools (Sch 2, 8) – this does not require schools forum approval  Admissions (Sch 2, 9)  Places in independent schools for non-SEN pupils (Sch 2, 10)  Remission of boarding fees at maintained schools and academies (Sch 2, 11)  Servicing of schools forums (Sch 2, 12)  Back-pay for equal pay claims (Sch 2, 13)  Writing to parents of year 9 pupils about schools with an atypical age of admission, such as UTCs and studio schools, within a reasonable travelling distance (new addition to CSSB, to be included in 2018-19 regulations).[[1]](#footnote-1) |
| **Historic commitments**  Capital expenditure funded from revenue (Sch 2, 1)  Prudential borrowing costs (Sch 2, 2(a))  Termination of employment costs (Sch 2, 2(b))  Contribution to combined budgets (Sch 2, 2(c)) |

**Former ESG-funded responsibilities LAs hold for maintained schools only Appendix 2**

|  |  |
| --- | --- |
| **Statutory and regulatory duties**  Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 2, 56)\*  Budgeting and accounting functions relating to maintained schools (Sch 2, 73)  Functions relating to the financing of maintained schools (Sch 2, 58)  Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 2, 57)  Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 2, 58)  Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 for maintained schools (Sch 2, 59)  Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 60)  Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body (Sch 2, 61)  Functions related to local government pensions and administration of teachers’ pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body (Sch 2, 62)  Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 2, 75)  HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 2, 63); determination of conditions of service for non-teaching staff (Sch 2, 64); appointment or dismissal of employee functions (Sch 2, 65)  Consultation costs relating to staffing (Sch 2, 66)  Compliance with duties under Health and Safety at Work Act (Sch 2, 67)  Provision of information to or at the request of the Crown relating to schools (Sch 2, 68)  School companies (Sch 2, 69)  Functions under the Equality Act 2010 (Sch 2, 70)  Establish and maintaining computer systems, including data storage (Sch 2, 71)  Appointment of governors and payment of governor expenses (Sch 2, 72) | |
| **Education welfare**  Inspection of attendance registers (Sch 2, 78) | |
| **Asset management**  General landlord duties for all maintained schools (Sch 2, 76a & b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:  • appropriate facilities for pupils and staff (including medical and accommodation)  • the ability to sustain appropriate loads  • reasonable weather resistance  • safe escape routes  • appropriate acoustic levels  • lighting, heating and ventilation which meets the required standards  • adequate water supplies and drainage  • playing fields of the appropriate standards  General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974)  Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012) | |
| **Central support services**  Clothing grants (Sch 2, 52)  Provision of tuition in music, or on other music-related activities (Sch 2, 53)  Visual, creative and performing arts (Sch 2, 54) |
| **Premature retirement and redundancy**  Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 2, 77) |
| **Monitoring national curriculum assessment**  Monitoring of National Curriculum assessments (Sch 2, 74) |
| **Therapies**  This is now covered in the high needs section of the regulations and does not require schools forum approval |

\* References are to the schedules in the current [schools and early years finance (England) regulations 2017](http://www.legislation.gov.uk/uksi/2017/44/contents/made).

1. [↑](#footnote-ref-1)