

Schools Forum**24th September 2018****Report of the Strategic Director for Children's Services****School funding update and mainstream formula consultation****1. Purpose of the Report**

To update the Schools Forum regarding school funding for 2019-20 and to seek views to the proposals set out in the Authority's consultation document. This document looks at each of the Dedicated Schools Grant blocks and the potential issues facing schools, the Schools Forum and County Council.

Enclosed with this report is a draft mainstream schools consultation document which the Authority has published to help inform the allocation decisions for 2019-20.

2. Information and Analysis**2.1 Schools Block – funding rates and formula issues**

The provisional 2019-20 Schools Block allocations for Derbyshire reflect an increase in the Primary/Secondary Units of Funding (PUF/SUF), as shown in Table 1 below.

Table 1 – Impact of Change in PUF/SUF rates for 2019-20

	Primary 2018-19	Primary 2019-20	Secondary 2018-19	Secondary 2019-20
PUF/SUF per pupil (£)	£3,877.27	£3,971.40	£4,959.92	£5,002.23
October 2017 pupil count	59,545	59,545	37,589	37,589
NFF allocation excluding premises (£m)	230.872	236.477	186.438	188.026
Premises – PFI Allowance (£m)	0.000	0.000	2.115	2.373
Premises – Split site (£m)	0.080	0.080	0.501	0.501
Premises – School rates (£m)	3.524	3.738	3.649	3.552
Premises – Exceptional site factors (£m)	0.095	0.094	0.106	0.113
Growth fund – historic figure (£m)	1.100	1.100	0.000	0.000
Provisional Schools Block allocation (£m)	235.671	241.489	192.809	194.565
2019-20 increase (£m) pre data changes	-	+5.818	-	+1.756

The above increases do not include the impact of change in the number of pupils. The PUF/SUF values will be applied to the October 2018 pupil census data to determine the final 2019-20 Schools Block allocations. The expected increases in pupil numbers, particularly in the secondary sector, mean that the year on year increases in funds are likely to be substantially higher than in Table 1.

The key Schools Block decisions for next year are how the increases in funding should be utilised in the mainstream formulae. Given the significant progress that Derbyshire has already made in implementing the National Funding Formula (NFF), the key issues set out in the consultation document are:

- What level of Minimum Funding Guarantee protection should apply (both sectors)?;
- What level of capped gains should be released (primary only)?;
- Should the low Prior Attainment (LPA) multiplier be increased (primary only)?;
- Should the Minimum Funding Levels (MFL) be increased (both sectors)?;
- Should a new floor factor be introduced (both sectors)?; and
- How should the LA respond should it see a significant reduction in its growth funding?

The closing date for responses is 26th October 2018 and a further report on the responses to the consultation and the LA's final proposals will be brought to the November meeting of the Schools Forum.

Recommendation 1 – The Schools Forum is asked to note the Schools Block issues and give its views on the issues raised and the Authority's consultation proposals.

2.2 Schools Block – other matters

Outside of the consultation, three further points are worth noting. First, given the progress nationally that has been made in implementing the NFF, the DfE have now confirmed that LAs will be allowed to determine local formulae in 2020-21 as well. Previously this flexibility had only been confirmed for 2019-20.

Secondly, the allocations in this report exclude the Teachers' Pay Grant. The 2018 teachers' pay settlement is significantly above the previous 1% public sector pay cap that schools were planning for and a new Teachers Pay Grant has been announced to fund the additional costs. Subject to the DfE having published its funding arrangements, the Teachers' Pay Grant is subject to a separate agenda item for this meeting.

Thirdly, each year since 2013 there has been an annual consultation with LA maintained mainstream schools regarding the top-slicing/de-delegation of monies from schools' delegated budgets in order to fund a range of services and costs. The results of these consultations have consistently shown widespread support from schools that they would rather pay into a fund to meet these costs rather than either have them charged directly to their budget shares, or undertake the functions themselves.

The funding regulations only require that Schools Forum approval to the arrangements is given for each financial year. The amounts de-delegated/top-sliced in 2018-19 are shown in Table 2 below, the percentage figures for each service represents the percentage of the respondents in favour of de-delegation:

Table 2 – responses to de-delegation consultation autumn 2017

	No. of Responses	Contingencies	Ins'ce	Library & Museums	Maternity
Primary respondents supporting de-delegation (of 312)	110 (35.3%)	96.4%	98.2%	60.9%	98.2%
Secondary respondents supporting de-delegation (of 22)	13 (36.4%)	62.5%	100.0%		
	No. of Responses	Trade Unions	Public Duties	School Improvement	Redundancy
Primary respondents supporting de-delegation (of 312)	110 (35.3%)	77.3%	97.3%	82.7%	95.5%
Secondary respondents supporting de-delegation (of 22)	8 (36.4%)	62.5%		87.5%	87.5%

The above pattern of support mirrors previous years' results, consequently the Authority is now seeking approval directly from the Schools Forum to continue to de-delegate/top-slice funding for these services in 2019-20. Approval at this time would give schools and the Authority earlier certainty over costs and income levels than in previous years.

The only variation for 2019-20 would be in respect of the School Library Service which, following consultation, ceased to operate at the end of July 2018. The proposed services and the indicative rates for 2019-20 – which are otherwise unchanged from 2018-19 - are set out in Table 3 below.

Table 3- Proposed De-delegated funds 2019-20

<u>Primary</u>		Indicative 19-20 rate £	Narrative
Contingencies	AWPU	9.00	e.g. schools in financial difficulty, exceptional unforeseen costs, unreasonable for a GB to meet
Insurance	AWPU	20.64	Includes premises, cash in transit, public liability and employers' liability
Staff Costs: Maternity	AWPU	17.41	Cover costs for staff on maternity, paternity or adoption leave
Staff Costs: Public Duties	AWPU	0.09	Cover costs for staff on jury service.
Staff Costs: Trade Unions	AWPU	3.48	Cover costs for staff undertaking union duties
School Improvement	Lump sum	2,850.00	Services include Leadership forums, single named contact for advice, guidance, signposting & support, e-noticeboard, reduced rate attendance at courses and conferences plus core package of 3 days of school improvement activity plus governor support package
Redundancy – top-sliced	AWPU	10.95	To meet the agreed redundancy costs of school staff
Fmr ESG funded services	AWPU	13.86	Funds a range of HR, Finance, pensions, ICT and asset management functions
<u>Secondary</u>			
Contingencies	AWPU	4.90	See primary
Insurance	AWPU	18.20	See primary
Staff Costs: Trade Unions	AWPU	3.48	See primary

School Improvement	Lump sum	2,850.00	See primary
Redundancy – top-sliced	AWPU	10.95	To meet the agreed redundancy costs of school staff
Fmr ESG funded services	AWPU	13.86	See primary

Decisions on whether or not to de-delegate/top-slice funding are a matter for the LA maintained schools sector representatives on the Schools Forum. The de-delegation/top-slicing of funding for special schools will be considered later in the year.

Recommendation 2 – The Schools Forum is asked to note that the DfE have allowed Schools Forums to determine mainstream schools’ funding formulae for 2020-21.

Recommendation 3 – Primary School Forum representatives of LA maintained schools are asked to agree to de-delegate funding for the functions in Table 3 for 2019-20 for their sector.

Recommendation 4 – Secondary School Forum representatives of LA maintained schools are asked to agree to de-delegate funding for the functions in Table 3 for 2019-20 for their sector.

2.3 High Needs Block

The like for like indicative High Needs Block (HNB) allocation for 2019-20 is £70.335m, £0.238m (0.34%) higher than the original 2018-19 quantum, as shown in Table 4 below.

Table 4 – Provisional High Needs Block allocation 2019-20

High Needs Allocation - July 2018	2018-19	2018-19	2018-19	2019-20	2019-20	2019-20	
	Multiplier	Count	Allocation	Multiplier	Count	Allocation	
	£		£m	£		£m	
Population aged 2-18	145,476	116.91	17.008	145,415	117.17	17.039	
Health & Disability – No. children with bad health	670	3,033.68	2.033	670	3,086.40	2.068	
Health & Disability – No. children claiming DLA	5,020	530.41	2.663	5,250	509.71	2.676	
Deprivation – Free school meals (current)	13,533	236.94	3.207	13,609	245.33	3.339	
Deprivation – IDACI Band F	15,368	33.79	0.519	15,220	34.04	0.518	
Deprivation – IDACI Band E	7,654	44.04	0.337	7,604	44.21	0.336	
Deprivation – IDACI Band D	8,815	60.13	0.530	8,964	60.30	0.541	
Deprivation – IDACI Band C	8,208	64.28	0.528	8,378	64.50	0.540	
Deprivation – IDACI Band B	8,138	70.46	0.573	8,172	70.63	0.577	
Deprivation – IDACI Band A	758	95.82	0.073	780	95.58	0.075	
Low Attainment @ KS2	1,478	1,589.16	2.349	1,426	1,761.36	2.512	
Low Attainment @ KS4	2,124	1,317.14	2.798	1,824	1,446.66	2.639	
Historic spend	-	-	33.025	-	-	33.032	
Funding floor	-	-	0.628	-	-	0.617	
Hospital Education	-	-	0.050	-	-	0.050	
Basic entitlement - no. pupils in spec schools/post-16	4,000	944.00	3.776	4,000	944.00	3.776	
Sub total before import export adjustment			70.097			70.335	0.34%
Import/export adjustment	6,000	-241.00	-1.446	6,000	-313.00	-1.878	
Total High Needs Block			68.651			68.457	-0.28%
File High Needs Block allocations.xls							

However, once the revised import/export adjustment is taken into account there is a slight reduction of £0.194m (-0.28%). The higher import/export adjustments should be

offset by reduced costs as, in theory, the LA will fund fewer “Element 2” payments. The pre import/export adjustment increase is below inflation and will add pressure to Derbyshire’s HNB which is currently over-committed. The most recent monitoring shows a forecast HNB overspend of £1.1m so it seems likely that there will be an over-commitment in 2019-20 also.

It will be necessary to review all High Needs Block budgets, including the distribution of places, in order to close the gap as soon as possible. The impending HNB strategic review will help ensure that resources are used to the greatest effect. Decisions regarding the High Needs Block are a matter for the Local Authority. However, further reports on the potential allocation of the 2019-20 quantum will be brought to the November 2018 and January 2019 meetings of the Schools Forum to help inform the process.

Recommendation 5 – The School Forum is asked to note the provisional High Needs Block quantum for 2019-20 and agree to receive further reports on its allocation later in the year.

2.4 Early Years Block

No further information has been released by the DfE. The Authority is not expecting the grant rate from the DfE to change next year, the overall amount of funding will be largely determined by the level of provision i.e. the number of hours. The key challenges to address for 2019-20 are as follows:

- To implement a universal basic hourly rate from April 2019;
- Ensure that Derbyshire continues to meet the 95% delegation target; and
- Remove the over commitment of the Early Years Block.

The issue of the universal rate was subject to a consultation in the autumn of 2017 and it now seems likely that a rate of ~£4.09 per hour will apply to nursery units and PVI providers from April 2019. The over-commitment of the Early Years Block has to be resolved and it is likely that this will have to be delivered by reducing centrally held rather than delegated budgets, as reducing the latter would risk the Authority failing to meet the delegation target. The current central Early Years budgets are shown in Table 5 below.

Table 5 – 2018-19 Centrally held Early Years budgets

Service	£m	
Early Years Improvement Service	1.504	Provides support & quality review of PVI settings
Early Years SEN service	0.415	Assessment of EY children
Every Child a Talker	0.055	To meet the costs of the initiative
Early Help Offer	0.050	Early Help contribution for children in EY settings
Catering – nursery schools	0.063	Funds provision of service to nursery schools
Broadband – nursery schools	0.025	Funds provision of service to nursery schools
Capital Maintenance – nursery schools	0.030	Funds provision of service to nursery schools
Licensing – nursery schools	0.002	Estimated cost for sector
Total	2.144	

The estimated Early Years over-commitment in 2019-20 is £0.202m, equivalent to around 10% of central budgets. However, in planning for the future it is advisable to aim

to exceed this savings target. In 2019-20 the Authority expects to receive £4.40 per hour of provision from the government and pay out ~£4.09 per hour as the universal rate. There is a risk therefore that, should the number of hours provided fall, the loss of income to the Authority would be greater than the saving in payments to providers, putting the Early Years Block under pressure once more. A savings target of around £0.250m is advisable to provide a buffer.

From April 2019 the Authority intends to require nursery schools to meet their own catering, broadband and capital maintenance costs. This would result in a reduction in central spend of around £0.118m. The balance of the savings requirement, estimated to be ~£0.132m, would be met by reductions in the remaining central budgets.

A further report will be brought on this issue later in the year.

Recommendation 6 – The School Forum is asked to note the position regarding Early Years funding and that a further report will be provided on this issue.

2.5 Central School Services Block (CSSB)

This block pays for a range of ongoing responsibilities, including functions previously funded by the ESG Retained Duties grant, admissions service, costs of the schools forum and sundry licences for schools and academies. The LA also receives as an “historic commitment” funding towards its early help offer. A summary of the allocations are show in Table 6 below

Table 6 – 2019-20 Central School Services Block 2019-20

	2018-19	2019-20
Per pupil rate – ongoing functions (£)	£28.61	£29.23
DSG pupil numbers	97,133.5	97,133.5
Funding for ongoing responsibilities (£)	2,778,989	2,839,212
Historic commitments (£)	1,737,000	1,737,000
Total Central School Services Block (£)	4,515,989	4,576,212

The 2019-20 CSSB shows a modest increase of £0.060m (+1.3%), the actual 2019-20 allocation will be updated to reflect October 2018 pupil numbers so the final increase may be around £0.100m. The DfE have signalled that LAs’ historic commitment allocations will start to be reduced from 2020-21 onwards which presents a significant future financial risk to the Council.

Decisions on CSSB spend in 2019-20 are a matter for the Schools Forum and a further report on this issue will be brought to the Schools Forum’s November meeting.

Recommendation 7 – The School Forum is asked to note the position regarding the Central School Services Block and that a further report will be provided to the November meeting of the Schools Forum.

3. Other Considerations

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

4. Background Papers

Papers held in Children's Services Finance.

5. Officer's Recommendation

Recommendation 1 – The Schools Forum is asked to note the Schools Block issues and give its views on the issues raised and the Authority's consultation proposals

Recommendation 2 – The Schools Forum is asked to note that the DfE have allowed Schools Forums to determine mainstream schools' funding formulae for 2020-21.

Recommendation 3 – Primary School Forum representatives of LA maintained schools are asked to agree to de-delegate funding for the functions in Table 3 for 2019-20 for their sector.

Recommendation 4 – Secondary School Forum representatives of LA maintained schools are asked to agree to de-delegate funding for the functions in Table 3 for 2019-20 for their sector.

Recommendation 5 – The School Forum is asked to note the provisional High Needs Block quantum for 2019-20 and agree to receive further reports on its allocation later in the year.

Recommendation 6 – The School Forum is asked to note the position regarding Early Years funding and that a further report will be provided on this issue.

Recommendation 7 – The School Forum is asked to note the position regarding the Central School Services Block and that a further report will be provided to the November meeting of the Schools Forum.

JANE PARFREMENT
Strategic Director for Children's Services

Mainstream School Funding
Formula Consultation - Autumn 2018

1. Introduction

In July 2018 the DfE published the LA Schools Block funding rates for 2019-20. The purpose of this document is to seek the views of governing bodies on the mainstream formula changes the Authority and Schools Forum should consider for next year.

The DfE's analysis of LAs' funding formulae for 2018-19 noted that significant progress has been made towards implementing the National Funding Formula (NFF). In summary the DfE confirmed that in 2018-19, out of 152 LAs:

- 73 LAs have moved every one of their local formula factor values closer to the NFF (*incl Derbyshire*)
- 41 LAs have mirrored the NFF factor values almost exactly (*incl Derbyshire, save for primary LPA*)
- 62 LAs have set a MFG at 0.5% or above (*Derbyshire set a rate of 0.0% due to cost concerns*)
- 112 LAs have included a minimum funding level (*incl Derbyshire*)

As a result of this progress, the DfE have confirmed that **LAs will now be allowed to determine local formulae in 2020-21**, previously this flexibility had only been confirmed for 2019-20.

In 2018-19 Derbyshire made significant progress towards implementing the NFF, the only factors which were not set at the NFF levels, due to affordability, being the primary sector low prior attainment indicator and both sectors' Minimum Funding Level thresholds.

In the light of the information released by the DfE at the end of the summer term, the Authority is now seeking the views of schools, academies and the Schools Forum on what changes should be made for 2019-20. To facilitate the process, enclosed with this consultation document is a pro-forma response form which should be used to give your views. Responses must be e-mailed to schoolfunding@derbyshire.gov.uk by the close of play on **26th October 2018** at the latest.

2. Schools Block funding rates

The provisional 2019-20 Schools Block allocations for Derbyshire reflect an increase in the Primary/Secondary Units of Funding (PUF/SUF), as shown in Table 1 below.

Table 1 – Impact of Change in PUF/SUF rates for 2019-20

	Primary 2018-19	Primary 2019-20		Secondary 2018-19	Secondary 2019-20
PUF/SUF per pupil (£)	£3,877.27	£3,971.40		£4,959.92	£5,002.23
October 2017 pupil count	59,545	59,545		37,589	37,589
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Premises – PFI Allowance (£m)	0.000	0.000		2.115	2.373
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Premises – School rates (£m)	3.524	3.738		3.649	3.552
Premises – Exceptional site factors (£m)	0.095	0.094		0.106	0.113
Growth fund – historic figure (£m)	1.100	1.100		0.000	0.000
Provisional Schools Block allocation (£m)	235.671	241.489		192.809	194.565
2019-20 increase (£m) pre data changes	-	+5.818		-	+1.756

The PUF/SUF funding rates in Table 1 have been calculated by summing the non-premises elements of the NFF for all schools and dividing the total by the overall October 2017 pre 16 pupil count. The actual Schools Block quantum for 2019-20 will be the product of these funding rates multiplied by the October 2018 pupil census data. At this stage the increases in Table 1 reflect only the changes to the funding rates and exclude the impact of pupil number changes. The LA's own pupil number projections indicate there could be an additional 89 primary and 1,065 secondary pupils on the October 2018 census. If correct these extra pupils would bring in further Schools Block funding of £0.353m (primary) and £5.327m (secondary) respectively. However, much if not all of this further increase would be required to fund schools' higher pupil led counts e.g. pupil numbers, free school meals, attainment data etc. It should also be noted that the revised PUF/SUF values do not include extra funding to help cover the cost of the 2018 teachers' pay award, this will instead be funded via a separate grant.

The DfE are expected to publish final Schools Block allocations in December 2018. The remainder of this document considers the key issues for Derbyshire for next year.

2.1 Schools Block Proposals

The impact of the proposed measures in this section are summarised in Appendices 1 and 2.

2.1.1 Minimum Funding Guarantee – both sectors

The purpose of the MFG is to limit the year on year change in per-pupil funding for an individual school so as to provide funding stability. For 2019-20 LAs can set their own rate at between plus 0.5% and minus 1.5% per pupil, but the same rate has to apply to both sectors. In previous deliberations regarding MFG, particularly at the Schools Forum, the long term affordability of MFG protection was a key concern. A particular worry was whether or not a hard NFF would retain this protection and the consequential impact on some schools should this not be the case.

The DfE recently published an analysis of Schools Block funding formulae for 2018-19 for all LAs, the dataset can be found at:

<https://www.gov.uk/government/publications/schools-block-funding-formulae-2018-to-2019>

Nationally, 150 of 152 LAs had an MFG bill at a total cost of £365.742m, equivalent to 1.09% of total national schools block resources. The cost of Derbyshire's MFG support in 2018-19 was £1.798m, equivalent to 0.42%, in the bottom third (101 highest of 152). 20 LAs had an MFG bill of 2% or more of their school block.

Given the level of protection in the system nationally, both at LA and individual school level, it is clear that the move to a pure NFF, and the implied removal of MFG support, will take several years to be delivered. The transition to a hard NFF will almost certainly need to include a protection arrangement, MFG or otherwise, to ensure schools do not face unreasonable funding turbulence.

In section 2.1.5 of this consultation paper there is a proposal to adopt a new funding floor factor which the DfE have made available to LAs. This "floor" factor is designed to ensure that all schools' 2019-20 budgets are at least 1% per pupil higher compared with 2017-18. Adopting the funding floor would reduce the sensitivity of the MFG, as a negative MFG rate would merely result in more schools triggering extra support via the new floor factor. The Authority therefore proposes an MFG rate of 0.0% for 2019-20 which would ensure that those schools already in receipt of an increase in excess of the floor in 2018-19 retain it and are therefore no worse off, other schools would be supported by the new funding floor instead.

Q1a. Do you agree with the proposal to set an MFG of 0.0% per pupil for 2019-20?

Q1b. If not do you think the MFG should be higher (i.e. provide more protection) or lower (i.e. provide less protection) and, if so, why?

2.1.2 Capping of gains – Primary sector only

The 2019-20 PUF/SUF values are based on the NFF budgets of individual schools with individual gains capped at plus 3% per pupil. Thus, as in 2018-19, the Authority will have insufficient resources to release all of the capped gains in 2019-20 without adjusting other formula values. LAs are, however, free to set the cap at a value other than 3% in their local formulae.

Locally, in 2018-19 the only capped gains were in the primary sector, 169 primary schools had total gains of £2.800m withheld. A 3% per pupil cap for 2019-20 would reduce both the number of schools being capped to 56 at this point and the value of the gains withheld to £0.607m.

On balance the Authority is minded to mirror the government's capping regime and apply a 3% per pupil cap in 2019-20 in its own formula. Such an approach would be consistent with the planning assumptions previously provided by the Authority to schools.

Q2a – Do you agree with the Authority's proposal to cap gains at 3% per pupil in 2019-20?

Q2b – If not, do you think the cap should be higher (more generous/more expensive) or lower (less generous/less expensive)?

2.1.3 Low Prior Attainment (LPA) – Primary sector only

The DfE have reduced the national NFF primary sector multiplier from £1,050 to £1,022. This recognises that the 2019-20 counts on which LPA allocations will be based will be higher as all year groups will now be assessed under the new criterion i.e. the number of children not achieving the expected level of development in the early years foundation stage profile (EYFSP).

Subject to affordability, Derbyshire intends to increase the primary sector low prior attainment multiplier in 2019-20. For the purposes of modelling, and using 2018-19 data, a multiplier of £800 has been applied, an increase of 1/3rd on the current £600 value. The increase in this multiplier would cost around £3.805m, before the impact of MFG or capping, and would increase the total LPA delegated through the formula from £11.413m to £15.218m.

The net cost would be reduced as some of the increased LPA allocations would be withheld as capped gains or would reduce schools' entitlement to support via the Minimum Funding Guarantee or Minimum Funding Level elements of the formula. The net cost after these adjustments would be £1.959m.

It is important to remember that the actual multiplier for 2019-20 is likely to be lower if, as expected, Derbyshire schools' 2019-20 LPA counts are significantly higher than in 2018-19.

Q3a. Do primary schools agree with the proposal to increase the amount delegated through the LPA factor in 2019-20?

Q3b. If not, should the increase be higher or lower?

2.1.4 Minimum Funding Level (MFL) Threshold – both sectors

This was a new factor for 2018-19 driven by responses to the DfE's consultation about the importance of basic per-pupil funding, particularly for those schools where few pupils attract additional needs funding and thus have the lowest overall funding per pupil. This factor ensures that the NFF provides a minimum per pupil allocation for primary and secondary schools.

Entitlement to the funding under the NFF is calculated by adding together the pupil led allocations (basic per pupil, deprivation, low prior attainment, English as an Additional Language) to the

school led elements (lump sum allowance and sparsity) and dividing the total by the number of pre 16 pupils on roll. If the resultant per pupil funding level is less than the amounts in Table 2 for the relevant year, the school's budget is increased to raise it to the required minimum value.

Table 2- MFL Thresholds 2018-19 & 2019-20

	NFF MFL	NFF MFL
	Primary	Secondary
2018-19	£3,300	£4,600*
2019-20	£3,500	£4,800

*In Derbyshire the MFL for secondary schools was set at £4,650, slightly higher than the NFF figure.

Derbyshire has previously signalled its intention to adopt the NFF MFL values for 2019-20 in Table 2 and now formally proposes this change. Assuming that the MFG, capping and LPA proposals set out earlier in this report were adopted, the implementation of the MFL would cost £1.132m in primary schools and £1.333m in secondary.

Q4. Do you agree with the Authority's proposal to increase the MFL rates for 2019-20?

2.1.5 Funding Floor factor (new, both sectors)

In July 2017 the Secretary of State confirmed that the NFF would provide for at least a 1% per pupil "floor" increase in funding for all schools by 2019-20. However, in 2018-19 there was no specific mechanism within LAs' own local formulae to deliver this. Consequently, for 2019-20 the DfE have introduced a new optional formula element which, if adopted, would ensure that next year every mainstream school would receive this floor increase compared with their 2017-18 baseline budget. It should be noted that the 1% floor value is fixed, LAs cannot vary it and if it is used it must be applied in both the primary and secondary sectors.

To see if a school qualifies for support the floor compares the pupil led funding (basic per pupil, deprivation, low prior attainment, EAL, and MFL) the school receives in 2019-20 with the equivalent 2017-18 baseline, adjusting for differences in the lump sum and sparsity allocations between the two years. The floor therefore excludes changes in premises factors i.e. rates, split site, PFI etc. or any one-off funding in 2017-18. Where the increase is less than 1% per pupil this factor would provide a top up.

Introducing the floor factor would come at a modest cost. Based on 2018-19 data, the floor would require £0.156m (primary) and £0.349m (secondary) to implement. Should the Authority adopt the floor factor, the main risk would be around affordability in the secondary sector. The expected £1.756m increase in funding in Table 1 would allow the MFL to be increased from £4,650 to £4,800 per pupil at an estimated cost of £1.333m (assuming a 0.0% MFG), leaving £0.423m available towards funding the floor and to meet premises related inflation. Whilst the floor is therefore affordable there would be very little funding remaining for any other pressures.

Given the modest cost, the Authority believes that adopting the floor is helpful to schools, affordable and would deliver the Secretary of State's stated policy objective. However, schools and academies' views on the introduction of this issue factor would be welcomed.

Q5. Would you support the introduction of the 1% funding floor for 2019-20?

2.1.6 Premises Funding

The premises related elements (rates, split site, PFI, exceptional site factors) of the Schools Block received by the Authority in 2019-20 will be based on 2018-19 planned spend with no allowance for inflation, other than for PFI contracts. Any inflationary pressures will therefore have to be met from within the overall Schools Block total.

2.1.7 Growth funding

The primary funding total in Table 1 includes £1.100m of growth monies which historically have been used to help primary and infant schools and academies meet the Key Stage 1 class size regulations. The DfE are keen to allocate growth funding to LAs (not schools) on a formulaic basis and propose that LAs receive £1,370 and £2,050 for each primary and secondary pupil in an area of growth, growth being based on increases in pupil numbers at middle layer super output area (MSOA) levels. Reductions in pupil numbers at MSOA level will be ignored. In addition £65,000 will be allocated to the LA for any new school i.e. schools appearing on the annual census for the first time in October 2018.

Although the DfE have promised more information on this issue later in the autumn, at the time of writing it was unclear how much Derbyshire's allocation would vary as a result of this change. Any loss of growth funding is unlikely to be protected as the DfE propose allowing losses of up to 0.5% of the Schools Block, which equates to over £2m in Derbyshire's case and is more than the current central budget.

The Authority is therefore seeking your views on the steps it should consider taking in the event that the funding to the LA from this element of the national formula were to fall significantly. The DfE will allow LAs to set a lower Age Weighted Pupil Unit (AWPU) multiplier to support central funding and the lower AWPU would apply to both schools and academies. Alternatively, any shortfall would have to be offset by a reduction in the Key Stage 1 support to schools.

Q6. Should it be necessary, would you prefer that the LA reduced the AWPU multiplier to reinstate any shortfall or reduce the level of Key Stage 1 support provided?

2.1.8 New Free Schools

An additional pressure on the 2019-20 School Block will result from the opening of two new free schools in September 2019, Chellaston and The Mease at Hilton which will need to be funded for the period September 2019 to March 2020. No additional funding will be provided in the 2019-20 Schools Block as the DfE consider that many of the children that will attend these schools are already on the roll of an existing school and have therefore already been funded.

As it will not be possible to reduce the 2019-20 budgets of those schools which the children will have ceased to attend, Derbyshire will have to stand the part year formula cost from existing resources. There will be some retrospective help to meet the additional part year lump sums payable in 2019-20 (£128k i.e. £110k x 7/12*2) as these new schools will result in the Authority receiving additional growth funding of £65k per school in 2020-21 as set out in section 2.1.7.

2.1.9 Transfer of funding to other blocks

The Schools Block will be ring-fenced in 2019-20 which means that the vast majority of funding allocated to local authorities must be passed directly to schools. As in 2018-19, local authorities will have limited flexibility to transfer funding to other areas, such as the High Needs Block, where this best matches local circumstances. Such transfers are limited to 0.5% of an authority's total Schools Block – around £2m in the case of Derbyshire.

Despite the pressures facing the High Needs Block, Derbyshire does not propose to make any application to transfer funding for 2019-20. The Authority is undertaking a thorough review of its high needs budgets and spending and this work is expected to be completed in spring 2019. Should this review identify a strong case for additional investment in the high needs block, schools and academies would be consulted on any proposals to transfer resources for 2020-21 in the autumn term 2019. If schools and the Schools Forum were to agree to support such a transfer this would of course mean that one or more of the NFF multipliers would have to be reduced. As no transfer of resources is planned for 2019-20, the Authority is likely to have to underwrite high needs block spending from its uncommitted DSG reserves.

2.2 Impact on the proposals

The impact of the proposals in section 2.1 is set out in Appendices 1 and 2 and the total cost summarised in Table 3 below. A spreadsheet will be provided alongside this consultation that will show the impact of each of the changes at individual school level.

Table 3 – Total cost of proposals

	Primary	Secondary
	£m	£m
Release of existing capped gains at 3% (Primary only)	2.193	0.000
Net increase in LPA (Primary only)	1.959	0.000
Increase Minimum Funding Level to £3,500/£4,800 per pupil	1.132	1.333
Apply 1% floor	0.156	0.349
Cost of proposals	5.440	1.682
Increase in funding per Table 1	5.818	1.756
Balance – to fund new schools/premises related inflation	0.378	0.074

2.3 Health warnings (both sectors)

The modelling, and the resultant individual school and multiplier information, are intended to illustrate the impact of the LA's proposals. **However, the multipliers implied by the modelling cannot be guaranteed for 2019-20 at this stage.** All of the modelling has been based on the data used to determine schools' 2018-19 budget shares. The actual budgets and multipliers for next year will be affected by:

- (a) The actual Schools Block quantum for 2019-20 including the impact of demographic data changes, other than pupil numbers, that are not reflected (funded) in the Schools Block e.g. increases in free school meals entitlement, changes in school rates valuations, changes in prior attainment data etc.;
- (b) The impact of unfunded cost pressures, such as any increase in the National Non Domestic Rating multiplier which determines schools' rates costs, and for which no increase in funding will be received;
- (c) The impact of the government's growth fund proposals; and
- (d) Any changes arising from the responses to this consultation.

3. **Next Steps**

The closing date for responses is **26th October 2018** which should be sent on the enclosed proforma to schoolfunding@derbyshire.gov.uk. The intention is to present the results of the consultation to the Schools Forum meeting on 22nd November 2018.

The actual School Block allocations are expected to be announced by the DfE in mid-December and a report will then be considered by the Council's Cabinet in January 2019 giving final approval to the changes.

Analysis of changes - Primary									Appendix 1
				Step 1	Step 2	Step 3	Step 4		
	2018-19	2018-19	Base	Release	Increase	Increase			2018-19
	Count	Multiplier	Budget	Cap gains	Prim LPA	MFL to	Apply	Sum of	Revised
			£	@3%pp	£200	£3,500	1% floor	Steps 1-4	Allocations
			£	£	£	£	£	£	£
PER PUPIL: AWPU	59,545.00	2,746.99	163,569,520					0	163,569,520
DEPRIVATION: CURR FSM	7,698.00	440.00	3,387,120					0	3,387,120
DEPRIVATION: EVER 6 FSM	13,671.97	540.00	7,382,863					0	7,382,863
DEPRIVATION: IDACI F	6,427.40	200.00	1,285,480					0	1,285,480
DEPRIVATION: IDACI E	3,459.06	240.00	830,174					0	830,174
DEPRIVATION: IDACI D	3,852.78	360.00	1,386,999					0	1,386,999
DEPRIVATION: IDACI C	3,843.31	390.00	1,498,893					0	1,498,893
DEPRIVATION: IDACI B	3,548.46	420.00	1,490,355					0	1,490,355
DEPRIVATION: IDACI A	388.84	575.00	223,584					0	223,584
LPA: EYFSP <73	-	-	0					0	0
LPA: EYFSP <78 & UNSCALED	19,023.04	600.00	11,413,825		3,804,608			3,804,608	15,218,434
EAL: 1 YEAR	-	-	0					0	0
EAL: 3 YEARS	1,139.49	515.00	586,835					0	586,835
PUPIL LED			193,055,647	0	3,804,608	0	0	3,804,608	196,860,256
LUMP SUM	350.00	110,000.00	38,500,000					0	38,500,000
SPARSITY	13.84	25,000.00	345,895					0	345,895
SPLIT SITE: <500m	4.00	2,489.91	9,960					0	9,960
SPLIT SITE: >500m	2.00	35,088.03	70,176					0	70,176
RATES	N/A	N/A	3,737,981					0	3,737,981
EXCEPT'L CIRC'S (RENTS)	N/A	N/A	93,774					0	93,774
NON PUPIL LED			42,757,785	0	0	0	0	0	42,757,785
Minimum Funding Threshold			223,374		(125,893)	965,774		839,880	1,063,254
1% floor			0			0	791,720	791,720	791,720
Minimum Funding Guarantee			1,044,514		(375,828)	(2,185)	(649,067)	(1,027,079)	17,435
Capped on gains			(2,800,241)	2,193,292	(1,343,920)	168,554	13,525	1,031,450	(1,768,791)
TOTAL			234,281,080	2,193,292	1,958,967	1,132,143	156,178	5,440,580	239,721,660

File: Schools Block allocations impact of model 4.xls

Analysis of changes - secondary				Step 1	Step 2	Step 3	Step 4		Appendix 2
				Release	Increase	Increase			2018-19
	2018-19	2018-19	Base	Cap gains	Prim LPA	MFL to	Apply	Sum of	Revised
	Count	Multiplier	Budget	@3%pp	£200	£4,800	1% floor	Steps 1-4	Allocations
			£	£	£	£	£	£	£
PER PUPIL: KS3 AWPU	23,174.00	3,862.65	89,513,051					0	89,513,051
PER PUPIL: KS4 AWPU	14,419.00	4,385.81	63,238,994					0	63,238,994
DEPRIVATION: CURRENT FSM	4,660.00	440.00	2,050,400					0	2,050,400
DEPRIVATION: EVER 6 FSM	9,206.52	785.00	7,227,121					0	7,227,121
DEPRIVATION: IDACI F	4,041.15	290.00	1,171,932					0	1,171,932
DEPRIVATION: IDACI E	2,028.70	390.00	791,194					0	791,194
DEPRIVATION: IDACI D	2,189.89	515.00	1,127,795					0	1,127,795
DEPRIVATION: IDACI C	2,151.28	560.00	1,204,717					0	1,204,717
DEPRIVATION: IDACI B	2,124.51	600.00	1,274,704					0	1,274,704
DEPRIVATION: IDACI A	215.03	810.00	174,171					0	174,171
LCHI: KS2 RESULTS	7,550.76	1,550.00	11,703,682					0	11,703,682
EAL: 1 YEAR	-	-	0					0	0
EAL: 3 YEARS	143.15	1,385.00	198,258					0	198,258
PUPIL LED			179,676,019	0	0	0	0	0	179,676,019
LUMP SUM	45.00	110,000.00	4,950,000					0	4,950,000
SPARSITY	0.61	65,000.00	39,650					0	39,650
SPLIT SITE	N/A	N/A	501,065					0	501,065
PFI			2,295,867					0	2,295,867
RATES			3,551,589					0	3,551,589
EXCEPT'L CIRC'S (JT USE)			113,367					0	113,367
NON PUPIL LED			11,451,538	0	0	0	0	0	11,451,538
Minimum Funding Threshold			923,726			1,478,818		1,478,818	2,402,545
1% floor			0				859,791	859,791	859,791
Minimum Funding Guarantee			753,194			(146,063)	(510,881)	(656,944)	96,250
Capped on gains			0	0				0	0
TOTAL			192,804,478	0	0	1,332,756	348,910	1,681,665	194,486,143
File: Schools Block allocations impact of model 4.xls									