

The National Funding Formula for Schools and High Needs and Operational Guidance for Schools Revenue Funding 2018-19

Purpose of the Paper

1. To report on the government's proposals for a national funding formula for schools and high needs from 2018-19.
2. To identify the key issues to be considered by Schools Forum in agreeing a local funding formula for 2018-19 and the next steps to be taken over the autumn for the work on the formula to be undertaken.

Background

3. The government issued a [policy document](#) on a national funding formula for schools and high needs on 14th September 2017. The government also issued the [Operational Guidance](#) for schools revenue funding in 2018-19 on 4th August 2017. Local Authorities will use the operational guidance in the setting of local formulae for 2018-19.
4. The main features of the national funding formula (NFF) for schools and high needs are outlined in the following 3 reports on this agenda. Schools Forum may want to consider those reports before determining the way forward for setting a local formula for 2018-19.
5. For 2018-19 and beyond the structure of the Dedicated Schools Grant (DSG) is to change with the introduction of a 4th block: the central schools services block. The central schools services block will fund local authorities (LAs) for the statutory duties that they hold for both maintained schools and academy. Further detail is provided in the paper on the national formula for central schools services on this agenda.
6. The 4 DSG blocks will therefore be:
 - Schools block
 - Central Schools Services block
 - High needs block
 - Early years block
7. For the first time, the funding that LAs receive for each block will be determined by a specific national funding formula. The early years block was distributed via a national formula in 2017-18 and no changes have been proposed by the government for next year.
8. This report focusses on the key issues that Schools Forum will need to consider in relation to the implementation of a national funding formula for schools (the schools block). A separate report on this agenda gives information on the key elements of the proposed national formula and a comparison of proposed funding rates with the rates currently applied in the Wiltshire formula for funding schools.

Main Considerations for Schools Forum

9. Whilst the government's long term intention is that schools' budgets will be set on the basis of a single national formula (a "hard" national funding formula) it is recognised that this would be a significant change and therefore the system allows for transition towards the hard formula. In 2018-19 and 2019-20, therefore, the schools funding system will take the approach of a "soft" formula. Under a soft formula system the Education and Skills Funding Agency (ESFA) will use the national funding formula to set notional budgets for each school. These will be aggregated to give the total schools block budget for each local authority. LAs will then continue to set a local formula to distribute their schools block funding, in consultation with their local schools and their schools forum. Although it will be a local decision the ESFA has adjusted the rules for the setting of local formulae so that the national formula can be more closely mirrored.
10. There are a number of key criteria that will need to be reflected in the local formula and these are detailed in the separate report on the national funding formula for schools. The most important of these will be the new requirement for a minimum per-pupil funding level of £3,300 per primary pupil and £4,600 per secondary pupil in 2018-19 (increasing to £3,500 and £4,800 respectively in 2019-20). This figure takes in to account all of the pupil led funding factors within a local formula.
11. Whilst the schools block will be built on the basis of the new national funding formula for schools, there will still be limited flexibility to move funding between blocks, for example from schools block to the high needs block. Such transfers are limited to 0.5% of authorities' total schools block and to make such a transfer the LA would need to carry out consultation with all local maintained schools and academies, and the schools forum should take in to account the views of schools responding before giving their approval.
12. Any proposal to transfer funding from the schools block should be presented along with a range of evidence to back up the proposal. The operational guidance outlines what form that evidence needs to take.
13. Consultation with schools on any changes to the local formula should include a demonstration of the impact on individual schools and academies. Any modelling will use the October 2016 census data as a basis for comparison with current budgets. The ESFA will provide further technical guidance and an updated template to enable this modelling.
14. The local authority is responsible for making the final decisions on the formula and therefore the process needs to ensure that there is sufficient time to gain political approval before the due deadlines. The process of agreeing the final formula for 2018-19 will therefore need to include time for consideration by Cabinet prior to final submission of schools budgets to the ESFA on 19th January 2018.

Next Steps

15. In order to meet the required timescales and ensure we can agree a formula for 2018-19 there are a number of decisions required at the October schools forum meeting. At the time of writing this report we have yet to receive the Technical Guidance or the updated modelling tool from the ESFA to enable modelling of formula options to begin. At this stage, therefore, schools forum is being asked to agree some key principles to enable modelling to begin and consultation to be drafted. Any consultation will need to take place in the autumn

in order that proposals for the formula can be brought back to December schools forum for recommendation to Cabinet.

16. In the light of this a steer is sought from schools forum on the following:
- a) ***Movement between funding blocks*** – any movement between funding blocks will require consultation with all schools.
 - b) ***The local formula for 2018-19*** – it is proposed as a starting hypothesis that Wiltshire should look to move as close to the national formula as possible. If we take this as a starting point it will reduce the many different options/models that could be required for consideration and it is clear that the national formula is the required end point by April 2020. It is possible that we will not be able to move completely to the national formula in one go as there will need to be consideration of issues such as affordability of the growth fund (which will be funded at historic levels) and consideration of the required formula for de-delegated services (note de-delegation will need to form part of any consultation). There may be other issues that arise during the modelling process.
 - c) ***Consultation*** – the operational guidance requires consultation with all schools including demonstration of the impact of each option. This consultation will need to take place over the autumn terms and will need to be relatively short. We will need the data and modelling tool to be issued by the ESFA in order to produce any impact statements. A steer is sought on the consultation process but at this stage it is recommended that we have a short consultation in late October/early November and build in a number of consultation roadshow meetings to share information and support head teachers, governors and business managers in responding.

Proposals

- 17. Schools Forum is asked to give a steer on the proposed approach outlined in paragraph 16 of this report.
- 18. Schools forum is asked to decide whether a further meeting of the Schools Funding Working Group should be arranged to agree the final consultation with schools.

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