1. SUMMARY

1.1 This report seeks approval from Cabinet for the 2019/20 Dedicated Schools Grant (DSG) Schools Block Local Funding Formula (LFF) for 5-16 year olds.

1.2 The formula was devised in consultation with schools and agreed by Schools Forum and is used to allocate the DSG Schools Block to schools and academies in Waltham Forest.

2. RECOMMENDATIONS

2.1 Cabinet is recommended to:

2.1.1 Approve the draft 2019/20 Schools Block Local Funding Formula for 5-16 year olds at Appendix A and Appendix B.

3. PROPOSALS

3.1 For 2019/20 the gross DSG Schools Block allocation for Waltham Forest is £201 million.
3.2 Funding is allocated to schools and academies for the education of 5 to 16 year olds by a Local Funding Formula (LFF) in consultation with the Schools Forum. This allocates nearly 93% of the funding by pupil numbers and pupil characteristics. The allocation for academies is recouped by the ESFA and passed to academies directly.

3.3 In 2018/19 the national funding formula (NFF) for schools was introduced and while it remains the government’s intention that every school budget should be set on the basis of a single NFF, until 2021/22 LAs will continue to determine final funding allocations for schools through a LFF. The NFF has set notional allocations for each school which have been aggregated and used to calculate the total Schools Block received by each LA. The NFF should increase the overall schools block funding by 0.56% in 2019/20. The DFE will fund all schools directly from 2021.

3.4 The NFF includes the application of transitional funding floors to ensure that every school can be said to be better off in 2019/20 but that does not mean in practice that every school would receive an increase and some schools will still be supported through the minimum funding guarantee. Note also that schools’ funding fluctuates due to the number of pupils on roll and their characteristics such as deprivation and additional educational needs.

3.5 In December 2018 Schools Forum agreed that when the LA sets the 2019-20 the LA should aim to make the following three changes to the LFF:

3.6 Firstly, to reduce the allocation to primary schools and to secondary schools through the Free Schools Meals Ever 6 factor by £1 million each and to increase the allocation through the Low Prior Attainment factor by £1 million each, making a total of £2 million less allocated through deprivation and £2 million more through additional educational need. This decision moves the LFF closer to the NFF.

3.7 Secondly, to apply any increase in funding to the Basic Entitlement per pupil (also known as age weighted pupil unit or AWPU), rather than applying any increase in funding to increasing the primary lump sum and then adding any remaining increase in funding to the basic entitlement per pupil.

3.8 Thirdly, to adopt a new method of mitigating the extra costs of schools with split sites and off-site sports provision.

3.9 The factor rates for the Free School Meal Ever 6, Low Prior Attainment and Basic Entitlement for both primary and secondary will therefore be adjusted to achieve these results when the LA completes the allocation of the DSG Schools Block using the DFE’s authority pro forma tool (APT). The APT uses pupil numbers and pupil characteristics gathered in the October 2018 school census.
4. OPTIONS & ALTERNATIVES CONSIDERED

4.1 At its meeting of 19 September 2018, Schools Forum agreed to establish two task and finish groups to review the local funding formula.

4.2 The first task and finish group met on 17 October 2018 and considered a report and its appendices which set out the differences between the product of the LFF and the National Funding Formula (NFF); the differences between how the LFF and NFF distribute funding; the difference between the NFF and LFF factor rates; and the difference in the weighting given to secondary factors between the NFF and LFF.

4.3 The group considered the level of Minimum Funding Guarantee (MFG) and whether it should be lowered from 0% to minus 0.5%. The MFG protects schools where the per-pupil funding is falling through changes in the LFF or in pupil characteristics. It does not protect for falling rolls.

4.4 The group asked for models to be run showing (a) the difference between the 2018-19 LFF and if the NFF had been used; and (b) if funds were shifted from FSM6 to Low Prior Attainment. Each model was run using a 0% and a minus 0.5% MFG.

4.5 These models were shared with Schools Forum on 14 November which agreed to make two changes to the LFF.

4.6 The second task and finish group looked at changes to the split-site factor. Several models were considered across three meetings of the group with Schools Forum deciding between three options on 12 December.

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

5.1 The key priority is to provide children and young people with good quality education, welfare and health services including better school buildings.

6. CONSULTATION

6.1 In addition to the task and finish group, the first two changes were tested by a consultation with schools.

6.2 The consultation results were supportive of the two changes and reported back to Schools Forum on 12 December where Schools Forum confirmed its decisions.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk
7.1.1 Funding for schools is through the ring-fenced Dedicated Schools Grant Schools Block. Any budget variations are contained within the ring-fenced budgets.

7.1.2 Schools have received a flat-cash funding settlement since 2010. Although the NFF should increase funding in 2019/20 by 0.56%, schools face a number of additional unfunded costs, estimated by the National Audit Office (NAO) to be equivalent to an 8% reduction in school budgets by 2020.

7.1.3 The NAO identified the following un-funded cost pressures: non-pay costs; agreed teachers’ pay increases and DfE assumptions for future years (half of all pressures); the national living wage; increased national insurance contributions; and increased pension contributions. In addition, the apprenticeship levy will affect all large schools and multi academy trusts with a pay bill over £3 million. All maintained schools are affected by the apprenticeship levy regardless of size as they are counted in the local authority pay bill.

7.1.4 There is a significant risk that more schools will use up their reserves and submit deficit budgets. If a school has a deficit and becomes a sponsored academy, the Council is responsible for writing off the deficit.

7.1.5 As maintained schools seek to reduce costs there is a risk to the Council’s general fund as redundancy costs related to savings are a charge to the Council. An additional pressure towards retrenchment for primary schools is falling rolls as primary numbers are now falling after several years of growth. Five primary schools have temporarily reduced their Planned Admission Number (PAN) for September 2018 by one form of entry (a total of 150 pupil places).

7.1.6 A Schools Facing Financial Challenges (SFFC) programme has been established which works with schools in deficit or at risk of being so in order to support schools and to mitigate the risks to the Council. A contingency of £1 million has been set aside in the MTFS to support the SFFC programme and mitigate risks from deficits and redundancies.

7.2 Legal

7.2.1 The legal framework for school budgets is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act 1998 and accompanying regulations. The School and Early Years Finance (England) Regulations 2014 provide the framework for the funding of maintained schools including how the local authority may allocate their schools budget. Consultation has taken place in accordance with regulation 9.

7.2.2 The School and Early Years Finance Regulations 2014 gave effect to the decision to reform school funding through a simplified local formulae with greater delegation to schools and new arrangements for funding pupils with high needs. The School and Early Years Finance (England) (No. 2) Regulations 2018 came into force on 7 December and sets out the requirements for determining the 2019/2020 financial
year. To a large degree, the 2019-20 Regulations make the same provisions as in the School and Early Years Finance (England) Regulations 2018 (“the 2018 Regulations”) but there are some changes relating to how local authorities are to spend their Dedicated Schools Grant (“DSG”) allocation. Otherwise the provisions remain largely the same. Regulation 5 states that a local authority must, not later than 28th February 2019: —

(a) make an initial determination of its schools budget; and
(b) give notice of that determination to the governing bodies of the schools which it maintains.

7.2.3 The Department for Education has issued updated Operational Guidance for local authorities relating to school and early years budget setting for the 2019/20 financial year.

7.3 Equalities and Diversity

7.3.1 An equality impact assessment has been carried out on this report and has concluded that no major change is required as the assessment has not identified any potential for discrimination or adverse impact and all opportunities to advance equality have been taken.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 The changes to the distribution of funding to schools through the local formula do not in themselves have a direct impact on climate change. Schools use funding to support premises related expenditure including minor works. An Officer in the Energy team is assisting some schools to reduce their energy use by investing in energy saving technologies.

7.4.2 The individual needs of pupils are assessed in allocating funding to individual schools and in funding held centrally

7.5 Council Infrastructure

7.5.1 There is no direct impact on Council Infrastructure

7.6 Brexit

7.6.1 There are no Brexit implications at this time.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None