

# Delegated decision report

## **DECISION UNDER DELEGATED POWERS**

### **DECISION CANNOT BE TAKEN BEFORE 29 JANUARY 2018**

Title **2018-19 SCHOOL FUNDING FORMULA**

Report to **CABINET MEMBER FOR CHILDREN'S SERVICES**

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### EXECUTIVE SUMMARY

1. The Department for Education (DfE) publishes annual changes to school funding arrangements. A national funding formula has been introduced from 2018/19 to allocate funding to local authorities, with a local formula continuing to be used to allocate funding to individual schools.
2. This paper sets out arrangements for the Isle of Wight pre-16 mainstream school revenue funding formula for 2018/19 for approval. The proposed formula has been agreed by schools forum on 21 December 2017 following consultation with individual schools, and moves towards the national funding formula used to allocate funding to the council.
3. The amount of funding to be passed to schools through the formula has increased from £67.7million to £69.5million, resulting in an increase in funding for the majority of schools.
4. The DfE must be notified of the proposed formula by 19 January 2018 and school budget allocations must be confirmed by 28 February 2018.
5. While the council is required to consult with schools on the funding formula, the final decision is for the local authority to take, as the body accountable for the Dedicated Schools Grant.

### BACKGROUND

6. The DfE responded to a consultation on the national funding formula and announced the detail of how the formula will work on 14 September 2017. They have used this formula to calculate notional budgets for all schools, and combined the budgets for all schools on the island to identify the amount per-pupil to be allocated to the Isle of Wight in 2018/19. Using the October 2017 school census pupil numbers, this has resulted in an increase in funding for school budget shares from £67.7million to £69.5million.

7. School funding is provided mainly through the Dedicated Schools Grant (DSG), which is made of four funding blocks: schools, early years, high needs and central school services, with restrictions on the use of funding allocated to each block. This funding formula relates to the schools block element of DSG and the amount allocated through the formula is determined by the schools block funding position.
8. The schools revenue funding 2018 to 2019 operational guide was released over the summer. A number of changes in the formula factors that can be used by local authorities have been made, to reflect the national funding formula, and changes to the formula are required to ensure all of the schools block funding is allocated correctly.

### STRATEGIC CONTEXT

9. Supporting schools and the education system in adapting to changes as a result of the national funding formula is one of the key activities for Children's Services in the corporate plan, and the proposed funding formula is a significant step towards the national funding formula allocations for individual schools.
10. The additional funding to be allocated through the formula in 2018/19 will help schools to meet some of the funding pressures they face and to maintain and improve educational provision, contributing to the corporate plan outcomes of a well-educated and skilled community, and for all young people to have the best start in life so they can fulfil their potential.

### LOCAL SCHOOL FUNDING FORMULA

11. The proposed local funding formula for mainstream schools and academies is included in the appendix, along with the current 2017/18 formula values for comparison.
12. As agreed with local schools, the approach taken has been to follow the national funding formula as closely as possible. Some differences are necessary to balance the formula to the overall allocation as the characteristics of pupils on the island differ from the overall national average, and because of transitional issues with the national funding formula.
13. Following consultation with local schools, the proposed formula also uses the current primary lump sum rather than reducing it in line with the national funding formula. This is to assuage concerns from primary heads that a reduction could impact on the predictability of funding, particularly for small primary schools.
14. By following the national funding formula, the impact has been an overall increase in the funding allocated to factors designed to reflect pupils with additional needs. In particular, there are significant increases in the funding attracted by pupils eligible for free school meals, pupils with low prior attainment and with English as an additional language. Conversely, there has been a decrease in the proportion of basic per-pupil funding.

15. The proposed funding formula does not allocate funding for pupils in local authority care. This factor is not part of the national funding formula, as the DfE have instead elected to increase the pupil premium funding for pupils in care from £1,900 to £2,300.
16. The minimum funding guarantee (MFG) protects schools that are seeing a reduction in per-pupil funding. No protection in the formula is permitted for a fall in pupil numbers. Newly for 2018/19, local authorities have the flexibility to set the MFG at a level between the current level of -1.5% and 0.5% (i.e. between a maximum reduction of 1.5% and a minimum gain of 0.5%). As the local funding formula is used for distributing a set amount of funding, an increase in the protection given by the MFG would be funded through reducing the formula allocation to other schools.
17. A majority of local schools and schools forum have supported retaining the current MFG of -1.5% to ensure that schools reach their formula allocation as quickly as possible, and to limit the impact on schools that are currently underfunded according to the updated funding formula. This is the approach recommended in this report.

## CONSULTATION

18. The school funding regulations require that schools are consulted on any proposed changes to the funding formula; a consultation took place in November with 25 of 48 mainstream schools providing a response to the consultation. The proposed formula was supported by the majority of consultation responses.
19. Schools forum was consulted on the principles for the funding formula on 19 October 2017 and the overall funding formula on 21 December 2017, and agreed with the proposed formula.

## FINANCIAL / BUDGET IMPLICATIONS

20. The school funding formula is fully funded from the Dedicated Schools Grant, which is ring-fenced for education purposes. The grant conditions require local authorities to utilise the grant for the purposes set out in the School and Early Years Funding Regulations (England).
21. The school funding formula details the methodology which will be used to apportion funding for school budget shares between schools.

## LEGAL IMPLICATIONS

22. The School and Early Years Funding Regulations (England) set out the statutory arrangements for school funding.
23. The regulations prescribe the timescale for publishing school budgets, the formula factors which can be used to calculate school budgets and the costs which can be met by the local authority from the grant funding.

24. The regulations also set out the types of expenditure which cannot be met from the Dedicated Schools Grant but which must be met from local authority budgets.

### EQUALITY AND DIVERSITY

25. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. An Equality Impact Assessment was carried out in 2013 when the 2014/15 school funding formula was agreed. It was included as an appendix to the report approved by Cabinet on 29 October 2013. An Equality Impact Screening was completed on 25 January 2017 for the 2017/18 funding formula, showing no impact on those with protected characteristics. The changes for 2018/19 will not have a negative impact on those with protected characteristics, particularly as any schools losing funding per-pupil will receive protection through the MFG.

### OPTIONS

27. The following options are available for consideration:
- Option a) – to approve the school funding formula for 2018/19 detailed in the appendix
  - Option b) – to require further formula options to be prepared and a period of consultation to be carried out with schools.

### RISK MANAGEMENT

28. The proposed 2018/19 school funding formula has been prepared in accordance with the latest guidance issued by the Education and Skills Funding Agency (ESFA) in respect of the funding arrangements, and is considered to be fully compliant with that guidance and the appropriate legislation. However, once approved by the cabinet member, the formula will be subject to compliance checking by the ESFA and, although it is considered unlikely, the ESFA may require the authority to make changes to the formula if it is not considered compliant.
29. Given that any schools which face a reduction in funding per-pupil will receive protection through the minimum funding guarantee, any financial turbulence within the schools should be minimal as a direct result of the formula.

### EVALUATION

30. The proposed funding formula has been produced in consultation with local schools and agreed by schools forum, and represents the option with the greatest local support. If further formula options are required, these will need to be

prepared and a further period of consultation carried out with schools. This will mean that the local authority will fail to meet to deadline set by the government for the notification of budget allocations to schools, and will limit schools' ability to plan for the 2018/19 financial year.

**RECOMMENDATION**

31. Option a) - to approve the school funding formula for 2018/19 detailed in the appendix

**APPENDICES ATTACHED**

32. [Appendix](#) – 2018/19 school funding formula factors

**BACKGROUND PAPERS**

33. Pre-16 schools funding: Schools revenue funding 2018-19 operational guide  
<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>
34. National funding formula for schools and high needs policy paper  
<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>
35. December 2017 schools forum paper D  
<https://www.iwight.com/azservices/documents/1584-Paper-D-School-Funding-Formula-2018-19-December-2017.pdf>
36. October 2017 schools forum paper F  
<https://www.iwight.com/azservices/documents/1584-Paper-F-Schools-2018-19-October-2017.pdf>

Contact Point: Brendan Hodson, Senior Accountant – Children's Services,  
☎ 01983 821000 e-mail [brendan.hodson@iow.gov.uk](mailto:brendan.hodson@iow.gov.uk)

STEVE CROCKER  
*Director of Children's Services*

COUNCILLOR PAUL BRADING  
*Cabinet Member for Children's Services*

Decision

Signed

Date

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