

Bristol Schools Forum
Schools Block 2018/19

Date of meeting:	16 th January 2018
Time of meeting:	6.15 pm
Venue:	City Hall

1. Purpose of report

- 1.1 To consult the Schools Forum on the application of the principles agreed in calculating the funding formula for mainstream schools and academies for 2018/19, prior to final decision by Cabinet and submission of the Authority Proforma Tool to the Education and Skills Funding Agency.

2. Recommendations

Schools Forum is invited to:

- 2.1 Endorse the proposed arrangements for the 2018/19 mainstream funding formula;
- 2.2 Provide feedback, if necessary, to Cabinet, for their consideration in making a final decision at their meeting on 23rd January 2018.
- 2.3 Commission a sub-group of Schools Forum to develop detailed plans during 2018/19 to plan for the migration of the Bristol local formula to the National Funding Formula by 2020/21.

3. Funding available

- 3.1 The DSG overview paper elsewhere on this agenda explains the overall strategy for schools finance for 2018/19. This indicates that the funding for Schools Block in 2018/19 is proposed to be £253.4m. **Table 1** sets out how it is proposed that this funding be calculated and applied.

Table 1: Proposed Schools Block Budget 2018/19

Cost	£'000	Funding	£'000
Minimum Funding Guarantee (0%)	£224.7m	Final DSG 2018/19	-£252.0m
Rates / Lump sums	£18.2m	Transfer £2m to High Needs Block	+£2.0m
Shift of SEN places to Schools Block	£1.0m	From General Fund	-£3.4m
Extra PFI Factor	£4.1m		
Paying +1.5% per pupil	£3.4m		
Growth Fund	£2.0m		
Schools Block Total	£253.4m	Schools Block Total	-£253.4m

- 3.2 The component elements of the calculation have been refreshed, now that the October 2017 census information has become available. Each of the components is explained below.
- 3.3 **Minimum Funding Guarantee (MFG) (0%) £224.7m.** This represents the sum of the minimum amount that the Authority is required to provide to all schools, based on an MFG of 0% using the October 2017 pupil numbers. This means that the amount of funding on funding factors within the MFG calculation is at least at the same value per pupil as 2017/18. This offers more protection for schools than has been the case in previous years when the MFG has been set at -1.5% (ie 98.5% of the previous year's). The £1.0m element for SEN places that is part of the MFG calculation has been identified separately below to be consistent with the previous method of explaining the calculation.
- 3.4 **Rates / Lump Sums £18.2m.** The Authority continues to fund school lump sums at £0.125m, rather than the £0.110m indicated in the National Funding Formula. The funding for rates is based on the expected 2018/19 rates bills for maintained schools and academies, as in previous years.
- 3.5 **Shift of SEN places to Schools Block £1.0m** This recognises the technical shift from High Needs Block to Schools Block of the liability for filled places in mainstream resource bases. In effect, all pupils on roll in mainstream schools are funded through the mainstream formula (previously, SEN pupils attending resource bases were discounted and funded through the High Needs Block). This amount has been shown separately, to correspond to the calculations provided previously, but this is an integral part of the MFG.
- 3.6 **Extra PFI Factor £4.1m** The DfE has indicated that it intends to review the arrangements in the National Funding Formula for dealing with PFI across all authorities for 2019/20 financial year. They have also indicated that they can only take account of Bristol's PFI circumstances if the larger affordability gap is included within the APT. This is why this large increase is being included, with a matching contribution from the Council's budget, pending a resolution of this issue.
- 3.7 The long-term forecasts on PFI have been updated following consultation with all stakeholders and clarification of the strategy to be adopted.
- 3.8 The original long-term PFI proposal to Schools Forum in September 2017 was based on:
- £4.5m shortfall every year for 17 years (from 1st April 2018) at current prices, with £4m increase in PFI Factor in mainstream formula, £0.250m increase in stakeholder contributions and £0.250m reduction in contract costs.
 - inflation at 4% for 18 years and
 - a "middle" forecast of pupil numbers in the PFI schools.
- 3.9 The final long-term PFI proposal for the 2018/19 budget is based on :

- There is budget to pay for the gap in the General Fund in 2017/18, spread the cost over 18 years.
- Inflation at 3.5% for 18 years
- Pupil numbers from October 2017 updated, but still using “middle” forecast
- Insufficient evidence of immediate, material changes to contract costs or stakeholder contributions, so the full shortfall to be met from PFI Factor in mainstream formula £4.1m.

3.10 Officers will continue to pursue opportunities to reduce contract costs and stakeholder contributions as part of the long-term management of these major and complex contracts. For instance, there have been recent discussions with the schools involved in the BAM PFI contract to consider energy investment options that could generate savings.

3.11 **Paying +1.5% per pupil £3.4m.** Schools Forum agreed to overall strategy on the basis of per pupil budgets rising by the headline increase in the Schools Block DSG. The headline Schools Block DSG for 2018/19 is £252.023m for 53,628 pupils, a unit value of £4,699. The equivalent allocation for 2017/18 is £241.370m for 52,117 pupils, a unit value of £4,631. This is a headline increase of +1.47%, rounded up to +1.5%. The headline increase is applied to the sum of the MFG £224.7m and the SEN £1.0m. 1.5% of £225.7m is £3.4m.

3.12 **Growth Fund £2m.** Schools Forum agreed in November that the previous level of Growth Fund £3m, plus £0.4m for class sizes or possible in-year rates pressures, was too high. The lower level of £2m was advised as being sufficient for known expansions on the basis of the existing Growth Policy. The Growth Policy is to be considered at the March 2018 meeting and further admissions pressures in the secondary sector have emerged, but the proposal is to still budget for £2m for 2018/19. If there is the need to provide for more funding for Growth, this could be considered at the March 2018 meeting and this might mean that some of the underspent growth fund in 2017/18 (currently - £1.1m) could be earmarked for use in 2018/19.

3.13 **Schools Block Total £253.4m.** This is the sum of the proposed allocations above.

3.14 **Final DSG 2018/19 -£252.0m** This has been advised by ESFA on 19th December 2017 as the Schools Block component of the final DSG for 2018/19.

3.15 **Transfer £2m to High Needs Block +£2.0m** Schools Forum gave its consent to transferring £2m headroom to the High Needs Block at its meeting in November 2017. The Secretary of State's consent has been sought for the element beyond the 0.5% (£1.2m) which Schools Forum may determine itself. At time of writing, this consent had not yet been communicated.

3.16 **Contribution from General Fund -£3.4m** Overall, the Council's budget will match the £4.1m of additional PFI Factor. The application of the agreed strategy, as explained in the steps above, leaves £0.7m headroom. Members are concerned about the competing pressures in the overall DSG. Given the

significant pressures within the High Needs Budget, Members are minded to allocate £0.7m of the £4.1m to the High Needs budget to assist further in giving some leeway for slippage or in addressing the historic deficit. Schools Forum will have considered its view on this in the DSG Overview paper earlier in this agenda.

3.17 Schools Block Total -£253.4m This is the net total of the funding and transfers.

4. Funding formula

4.1 Schools Forum agreed the principles for the operation of the mainstream formula at its meeting in November 2018, including:

- Appropriate allocations are made for rates;
- Minimum Funding Guarantee of 0%;
- No cap;
- The 8 PFI schools would have the extra PFI Factor excluded from the MFG calculations;
- Factor values to be a function of the available funding, the factors, the weightings and the operation of the MFG;
- The level of de-delegation for maintained primary and secondary schools.

4.2 This is a continuation of the use of the local funding formula, but without a cap on gains. In 2016/17 there was a cap: individual funding was obtained by applying the formula factors and then capping gains at 0%. Schools received funding allocations that were driven by amounts per pupil between -1.5% (for those schools on the MFG) and 0% (for those whose gains were capped). The average change between 2016/17 and 2017/18 was -0.6%.

4.3 **Appendix 1** sets out the summary of the formula in the Authority Proforma Tool. The amounts distributed through the formula factors are set out in **Table 2**.

Table 2: Summary of formula factor allocations 2018/19 APT

	Proposed formula 2018/19
AWPU	£182.2m
Deprivation	24.7m
EAL	3.3m
Prior attainment	12.8m
Lump sum	£15.9m
Split sites	£0.6m
Rates	£2.3m
PFI	£6.1m
total factor funding	£247.9m
MFG cost	£3.5m
Total formula funding	£251.4m

4.4 Because the headline values in the formula were greater than necessary, the changes to the values is 0.5%, rather than the actual 1.5% increase, but the

removal of capping and scaling means that there is more variation in the allocations as the local formula is able to distribute funding as intended, while protecting all schools with the 0% MFG.

Table 3a: No of schools by phase by change in per pupil factor funding 2017/18 to 2018/19

Phase	Protected by MFG (0%)	0-1%	1-2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10-11%	11-12%	Grand Total
Primary	35	10	15	6	13	5	9	3	3	2	1	2	1	105
Secondary	8	8	2	1										19
All-through		1	2											3
Grand Total	43	19	19	7	13	5	9	3	3	2	1	2	1	127

Table 3b: No of schools by current academy status by change in per pupil factor funding 2017/18 to 2018/19

Status	Protected by MFG (0%)	0-1%	1-2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10-11%	11-12%	Grand Total
Maintained	17	8	10	3	7	3	5	3	2	2		1	1	62
Recoupment Academy	26	11	9	4	6	2	4		1		1	1		65
Grand Total	43	19	19	7	13	5	9	3	3	2	1	2	1	127

4.5 There have been no changes to the weightings of the formula; all pupil led values have been increased by the same proportion, so the distribution is the natural outcome of the underlying intention of the historic Bristol mainstream formula.

4.6 **Tables 3a and 3b** give an indication of distribution of additional funding through the formula. Around 2/3rds of all schools will receive allocations of up to 2% per pupil more, with none receiving less than 0% per pupil. The other 1/3rd will receive increases per pupil greater than 2%.

4.7 **Table 3a** illustrates that there are no secondary schools who will receive more than 3% more per pupil than in 2017/18, whereas more than 1/3rd of primary schools will see rises of more than 3% per pupil. There have been no changes to the formula weightings and the pupil characteristics have been advised by ESFA, based on the October 2017 census. If schools are seeing rises beyond 3%, it is because either the profile of their pupil intake has changed since October 2016 (used for the 2017/18 formula) or their pupil intake profile has been different for some time, but the use of capping and scaling of gains has meant that these circumstances have not been fully taken into account previously.

4.8 **Table 3b** provides information about the split between maintained schools and academies. The Authority cannot differentiate between the different status of schools in applying the formula. This table is for information only.

- 4.9 Officers have completed the proposed APT on the basis of the strategy agreed at the November meeting, using the proposed available funding. This forms the basis of the recommendations to Cabinet about the Schools Block budget and the formula values for 2018/19. If Schools Forum has any feedback about the proposed distribution of the available funding through the formula, it is invited to convey that to Cabinet in time for its meeting on 23rd January 2018.

5. Future funding arrangements

- 5.1 The DfE intends that the hard National Funding Formula should be introduced by 2020/21, with a further year of a soft NFF in 2019/20. This year, the proposal is to continue with the local funding formula, but plans need to be in place to migrate to the hard NFF over the next couple of years.
- 5.2 Clearly, the Schools Forum will oversee any changes to the formula, which may involve consulting with all schools, and Cabinet will take final decisions as appropriate. Nonetheless, the complexity of this work may benefit from a sub-group or reference group working through the detail of this.
- 5.3 Officers would welcome a steer on what arrangements Schools Forum would wish to see in managing this transition.