

## NORFOLK SCHOOLS FORUM

Meeting on Wednesday 12 September 2018 09:00 – 12:00 hours at South Green Park Mattishall Tea/Coffee available from 08.30 hours

Individual members, named below, are asked to provide verbal reports for these items.

<b>09:00 - 09:05</b>	<b>1 Welcome and Introductions Apologies</b>		
<b>09:05 - 09:15</b>	<b>2 Minutes of Last Meeting held on 18 September 2018</b>		<b>3 - 6</b>
<b>09:15 - 09:30</b>	<b>3 Matters Arising</b> <ul style="list-style-type: none"> <li>• Martin Brock to discuss changes in rateable values with Bob Groom</li> <li>• Changes to SEN top-up funding Chris Caddamy to share results of work done with primary schools with Steph Askew</li> <li>• Re-visit looking at contingency when de-delegation is decided</li> <li>• Redundancy/early retirement costs will go to the National Funding Working Group if relevant then included in the Fair Funding Consultation. HR Business Partner to attend next School Forum</li> </ul>		
<b>09:30 - 09:45</b>	<b>4 School Forum Membership</b> <ul style="list-style-type: none"> <li>• New members and elections Sarah Shirras</li> </ul>	<b>Information</b>	
<b>09:45-10:30</b>	<b>5 High Needs Block</b> <ul style="list-style-type: none"> <li>• Presentation – Chris Snudden</li> <li>• Background – Link below to Committee Paper which includes SEND Report under item 12 of the committee papers. <a href="http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1469/Committee/8/Default.aspx">http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1469/Committee/8/Default.aspx</a></li> </ul>	<b>Discussion</b>	
<b>10:30-10:50</b>	<b>COFFEE</b>		
<b>10:50 -11:30</b>	<b>6 Fair Funding Consultation/National Funding Formula</b> <ul style="list-style-type: none"> <li>• <b>options for consultation</b> Martin Brock – papers attached</li> </ul>	<b>Discussion/ Decision</b>	<b>7 - 14</b>
<b>11:30:11:45</b>	<b>7 Growth Fund</b> Martin Brock – papers attached	<b>Discussion</b>	<b>15 - 20</b>
<b>11:45-12:00</b>	<b>8 PFI Formula</b> Martin Brock – papers attached	<b>Discussion/ Decision</b>	<b>21 - 23</b>
	<b>9 <u>Communication</u></b>		
	<b>10 <u>Future Agenda Items</u></b>		
	<b>11 <u>Dates of Meetings</u></b>		

**School Forum**

Wednesday 17 October 2018 09:00 – 12:00

South Green Enterprise Centre Mattishall

# Norfolk Schools Forum

Minutes of Meeting held on Friday 18 May 2018  
09:00 - 12:00 hours  
South Green Park Mattishall

## Present:

Keith Bates, Eaton Hall Specialist Academy  
Holly Bowman  
Chris Caddamy, City College  
Sally Cutting  
Carol Dallas, Taverham High School  
David Hicks  
Mike Grimble, Avenue Junior School  
Bob Groome  
Fyfe Johnston, Clare School  
Alex Robinson, Millfield Primary School  
Sarah Shirras, (Chair) St Williams Primary  
Chris Snudden  
Vicky Warnes  
Sandra Govender  
John Banbury  
Martin Brock  
Marilyn Edgeley  
Clare Jones  
Mark Adamson  
Ashley Best-White  
Christine McKenna (substitute attended)  
Michael Bateman  
John Crowley

## Representing

Special School Academy  
Nursery Schools  
(sub) 16 – 19 Representative  
NCC  
Academies  
EMAT (substitute for Alan Evans)  
Primary Governors  
JCC (Secondary phase)  
Special Schools  
Primary Governors  
Primary Schools  
Assistant Director (Education)  
JCC (primary phase)  
Engage Trust  
Early Years  
NCC Finance  
Admin Officer (Minutes)  
Academies  
Academies  
Primary  
Academies  
NCC  
NCC

## Apologies

Alison Clarke, Robert Kett Primary (sub) NPHA

## 1. Welcome

Congratulations were given to Bruce, Sally and Martin on their new roles.

**It was agreed a letter would be sent from Chair of Schools Forum thanking Bruce Connors for all his work and congratulating him on his new role as Senior Programme Accountant.**

## 2. Minutes of Last Meeting

Accepted with minor corrections.

## 3. Matters Arising

Draft minutes to be circulated before being published.

#### 4. School Forum Membership

We have two new members representing academies, Clare Jones and Mark Adamson.

The number of maintained school representatives has been reduced to four, to reflect the pupil population in Norfolk. There needs to be an election for all primary members and the numbers need to reduce as discussed at the last forum meeting.

Alex Robinson (primary governor) is happy to stand as a secondary governor candidate, we have had an additional nominee, so an election is required.

Ballot papers will be sent to all the maintained secondary schools.

#### 4a. Maintained Nursery Schools

There was a large reduction in 2017/18 to maintained nursery grants, the grant is to cover the higher running costs that nursery schools experience opposed to other early years settings.

##### Proposal

To provide protection for the financial years 2017/18, 2018/19 and 2019/20 to the Maintained Nursery Schools. To protect their fixed sums at 2016/17 funding levels, with a 1.5% minimum funding guarantee each year, and this will be funded from the Early Years Block contingency. This will give the same financial protection to Nursery Schools that our special schools and mainstream schools currently receive. It is not good financial practice to allow a school budget to experience such a large year on year drop in funding.

##### Comments

- There should be an explanation/clarify around the figures, and time to communicate with other heads. In principal appreciative of support.
- Looking to smooth impact over 3-year period. Is there any evidence that these settings are better than those with lower running costs?
- Will there be negative impact for other 3 & 4-year-old settings?
- Will numbers be adjusted each July?

##### Decision

**Forum agreed this proposal on a 2 years basis with the proviso that this will be reviewed next year**

**Action (Marilyn to add to Year List for setting 2019/20 budgets).**

#### 5. Dedicated Schools Grant (DSG)

Every year a final outturn is produced. Sally Cutting outlined the different Dedicated Schools Grant blocks:

- High Needs Block: £10.5 million overspent
- Early Years: underspent by £3.5m
- Schools block: £1.5m underspend

Overall there was a £5.5m overspend on DSG, which was offset against reserves – school balance.

Forum considered the content of this report.

### **Action**

**The underspend on the schools block was mostly due to favourable rates revaluations. Martin Brock to speak to Bob Groom to explain the causes of changes in rateable values.**

### **6. Planned Growth**

A paper was presented for information only. Each year finance works with admissions to plan the schools budget requirements. In previous years we had to contact the Secretary of State for growth in schools, but for 2018-19 this is not required instead the finance team are required to present the information to Schools Forum.

#### **Comments**

If a Free School is opened – if there is no need for this school does this make surplus places in other school?

If it is not LA led and the demand is not there it was confirmed that this will take pupils (and funding) from other schools.

### **7. High Needs Budget and Places**

Details of the High Needs Block budget and the places being commissioned was circulated. This does not include the number of Alternative Provision places from September, there is a review of commissioning in this area. Non-maintained special schools are causing a considerable amount of pressure due to a shortage of maintained special schools' places and parental preference.

There is a direct correlation between this and the LAC budgets, so some funding is related to LAC where there has been an increase. There is a new directive looking at how to bring more of these pupils back into Norfolk.

### **8. Changes to SEN top-up funding**

#### **Action**

**Chris Caddamy agreed to share with Steph Askew results of work done with primary schools use of the notional fund.**

### **9. Updated Scheme for Financing Schools**

Norfolk has a local scheme and any changes to this must be agreed with Schools Forum whereas national updates only need to be communicated to Forum.

#### **National changes – as described in meeting papers page 21**

Directed Revision – Loans,

Changes in balances of closing schools

Responsibility for redundancy and early retirement costs update

#### **Decision**

**It was agreed that redundancy and early retirement costs will go to the National Funding Working Group and then if the group felt it was relevant included in the Fair Funding Consultation.**

**We will ask the HR Business Partner to attend.**

## **10. Treatment on school balances upon conversion**

Updated guidance was published by the Department of Education in March 2018 relating to the treatment of surplus and deficit balances when a school becomes an Academy. Where a school converts to Academy with a deficit it is now the responsibility of the Local Authority to pick this up. Previously this has been done using the contingency, but Schools Forum have voted against this. It was originally intended to make a call on school budgets before setting them the following financial year, but this is not now allowed.

### **Decision**

**It was agreed to revisit looking at contingency when de-delegation is decided with a decision in the Autumn.**

## **11. Minutes of Meetings of sub-groups of Schools Forum**

Minutes of National Funding Working Group held on 26<sup>th</sup> April 2018.

Norfolk as a Local Authority is being funded to the new formula, and currently has an extra £8 million allocated on the existing formula. We need to work consider how to move to the new formula and how to lessen the impact on schools.

## **12. Communication**

### **13. AOB**

#### **Draft Minutes of School Forum Meetings**

**It was agreed that draft minutes will be published on the website following meeting – it was agreed these will be circulated to members prior to publication.**

Mike Grimble highlighted that the House of Commons Education Committee Schools and Colleges funding enquiry have asked for written submissions and asked if School Forum wanted to get involved.

## **14. Date of Next Meetings**

### **School Forum**

12 September 2018 09:00 – 12:00 hours

South Green Enterprise Centre Mattishall

### **National Funding Formula Working Group**

14 June 2018 14:00 – 15:30

St Williams Way Primary School

## **Fair Funding Consultation/National Funding Formula**

### **Summary**

This report sets out the proposed changes to the funding distribution formula of the Schools Block of the Dedicated Schools Grant (DSG) from April 2019.

Schools Forum are asked to:

- Consider and comment on the proposed changes to the distribution formula of the Schools Block of the Dedicated Schools Grant.

### **1. Introduction**

The Department for Education published updated National Funding Formula information on the [www.gov.uk](http://www.gov.uk) website on 24 July 2018.

For 2019/20 and 2020/21, local authorities will continue to receive their Dedicated Schools Grant allocation based on the new National Funding Formula. During this time, known as a 'soft formula', local authorities will determine individual school budgets according to local formulae, following local consultation.

The NFF was introduced in 2018/19, but for that first year, it was decided to continue using the local formula, and to distribute additional funds received through the DSG NFF calculation by uplifting all of the per-pupil funding factors in the local formula (by just over 2%). The tight timescales of the announcement and late release of individual school detail did not enable the local authority to take a considered approach to implementing the National Funding Formula.

In our consultation for 2019/20, we will be seeking views on either continuing with the local funding formula (by adjusting the per-pupil funding factors to distribute the new level of DSG) or moving the local funding formula fully to the DfE's National Funding Formula factor values and methodologies (e.g. NFF sparsity group sizes).

Originally the DfE had intended to move to a 'hard formula' in 2020/21 (meaning that individual schools' budgets will then be set in accordance with the National Funding Formula), but this has now been moved to at least 2021/22 with no clear date yet given for full implementation.

The DfE have increased the funding floor to ensure that in 2019/20 all authorities will attract at least a 1% gain against their 2017/18 baselines, with a maximum increase of 6.09% against the 2017/18 baselines (6.09% being the maximum increase of up to 3% for 2018/19 and up to a further 3% in 2019/20).

Norfolk's latest indicative Schools Block DSG allocation for 2019/20 is £477.62m, compared to £473.04m received in 2018/19. An increase of £4.58m.

## 2. Summary of Changes

The funding factors within the National Funding Formula, used for determining allocations of Dedicated Schools Grant to local authorities, will remain unchanged for 2019/20 except for some small amendments explained below.

### Low Prior Attainment

The primary Low Prior Attainment (LPA) factor value has been reduced from £1,050 in 2018/19 to £1,022 in 2019/20. This is to reflect the LPA cohort that has increased over the past six years because of changes to the Early Years Foundation Stage Profile in 2013, and is required to maintain the current total proportion of allocation for primary LPA funding through the National Funding Formula.

At the same time, the DfE are removing the weighting from the results within the funding formula. Norfolk's newer-style EYFSP results are currently weighted down to 58.54% (to maintain allocation level) within the formula, but this will change from 2019/20 and will give a significant increase to LPA allocations for primary schools (the effect is included in all options modelled for consultation).

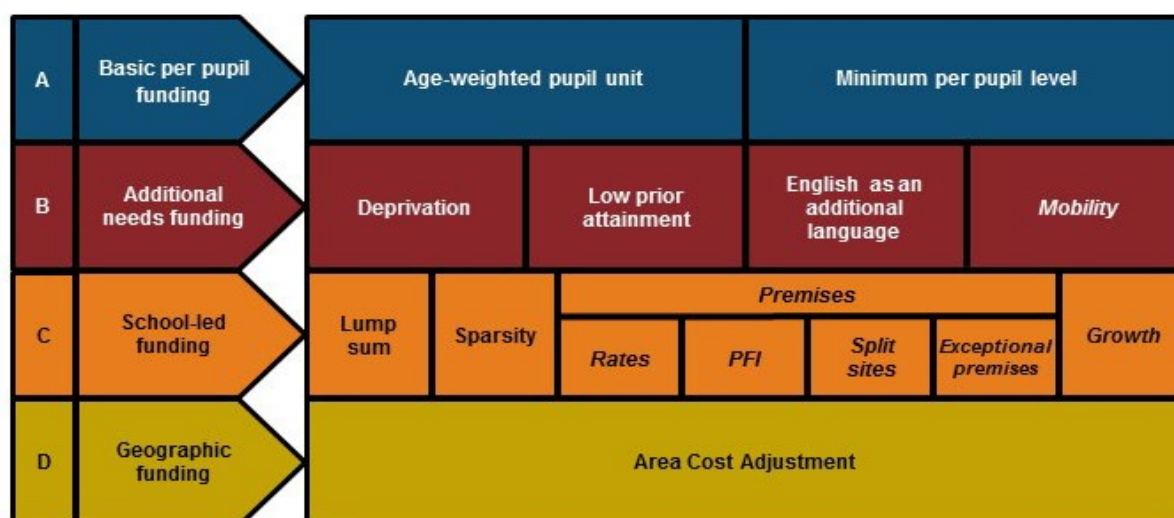
### Minimum Per-Pupil Levels

The minimum per pupil funding level for primary schools will increase from £3,300 in 2018/19 to £3,500 in 2019/20, and the minimum per pupil funding level for secondary schools will increase from £4,600 in 2018/19 to £4,800 in 2019/20. For all-through schools (years R-11) this equates to an increase of the minimum per pupil funding level from £3,842 in 2018/19 to £4,042 in 2019/20.

There will also be new minimum per pupil funding levels of:

- £4,600 for Key Stage 3-only schools and KS3 year groups in middle schools;
- £5,100 for Key Stage 4-only schools.

The illustration below shows the factors within the National Funding Formula.





The table below compares Norfolk current local formula (2018/19) unit rates for each funding factor against the 2019/20 rates under the National Funding Formula.

<b>Funding Factors</b>	<b>Norfolk 2018/19 Unit value</b>	<b>NFF 2019/20 Unit Value</b>
<b>Basic Per Pupil Funding</b>		
Age Weighted Pupil Amount (AWPA)Primary	£3,103.99	£2,747
AWPA Secondary – KS3	£3,768.51	£3,863
AWPA Secondary – KS4	£4,731.53	£4,386
Minimum Per pupil funding level: Primary	£3,300	£3,500
Minimum Per pupil funding level: Secondary	£4,600	£4,800
Minimum Per Pupil funding Level -All through	£3,842	£4,042
<b>Additional Needs</b>		
Current FSM Primary	£336.67	£440
Current FSM Secondary	£336.67	£440
FSM Ever 6 Primary	£0.00	£540
FSM Ever 6 Secondary	£0.00	£785
IDACI band F: Primary	£385.71	£200
IDACI band F: Secondary	£522.41	£290
IDACI band E: Primary	£497.37	£240
IDACI band E: Secondary	£641.42	£390
IDACI band D: Primary	£799.53	£360
IDACI band D: Secondary	£962.51	£515
IDACI band C: Primary	£830.05	£390
IDACI band C: Secondary	£995.04	£560
IDACI band B: Primary	£1,169.99	£420
IDACI band B: Secondary	£1,355.92	£600
IDACI band A: Primary	£1,169.99	£575
IDACI band A: Secondary	£1,355.92	£810
Low Prior Attainment: Primary	£624.73	£1,022
Low Prior Attainment: Secondary	£745.10	£1,550
English as an additional language: Primary	£356.59	£515
English as an additional language: Secondary	£356.59	£1,385
<b>School Led Funding</b>		
Lump Sum: Primary	£98,268	£110,000
Lump Sum: Secondary	£175,000	£110,000
Sparsity: Primary	£18,438	£25,000
Sparsity: Secondary	£100,000	£65,000
Additional Sparsity Sum for small secondary schools (350 pupils or less)	£50,000	£0 (not stated to be continuing in NFF papers)

### **3. Proposals for Local Consultation for School Funding 2019/20**

During the summer term, a working group met to discuss the possibility of bringing the local formula in line with the National Funding Formula for 2019/20. In addition, the issue of cost pressures within the High Needs Block were discussed in the context of any additional Schools Block DSG generated from the National Funding Formula in 2019/20, and whether any of that extra funding might be used towards meeting those pressures. At that time, based on indicative NFF figures it was expected that there may be an increase between 2018/19 and 2019/20 of £5.75m (based on increase in indicative NFF figures between years), but the latest NFF update suggests that the increase for 2019/20 could now be £4.58m (based on latest indicative NFF figure compared with actual 2018/19 Schools Block received).

It was the NFF working group's opinion that it would be better to move any additional DSG received in 2019/20 (e.g. now the indicative £4.58m) into the High Needs Block if possible, than to distribute it to schools but then need to take it back again later. A transfer of 0.5% (£2.365m) to High Needs Block was agreed by Schools Forum for 2018/19.

The local authority is clear that the current, and projected, High Needs Block pressure is such that this further funding is required to transfer from the Schools Block to the High Needs Block; in part due to the ongoing transfer of pupils out of mainstream schools and into specialist provision (due to permanent exclusions and EHCP assessments determining the need for complex needs school placement).

However, we are equally clear that the Secretary of State requires evidence that each LA has exhausted all possible alternatives to Schools Block to High Needs Block transfer over and above 0.5%; we are confident that during the past 12 months we have done this.

Therefore, we are confident that the High Needs Block pressure does require a total Schools Block to High Needs Block transfer of £6.945m, a combination of the 0.5% and the extra £4.58m in 2019/20, and that if schools do not consider this option in their consultation responses then a subsequent request directly to the Secretary of State will progress along with the evidence of all other work we have completed to mitigate the risks.

The proposals, and impacts, of different options to be consulted on with schools in the autumn are explained below. All options assume that £950k will continue to be top-sliced for in-year growth fund allocations as in previous years (with final amount required for growth in 2019/20 subject to outcome of separate 'Growth Fund' paper).

A summary of the modelling of all options is provided (Annex A of this paper). More detailed technical papers are also available and will be published as part of the autumn consultation.

### Option 1A (NFF)

**Schools Block DSG funding total maintained at 2018/19 level (including top-sliced growth fund of £950k) and allocated through NFF factors/values. Remainder of the additional 2019/20 Schools Block DSG funding allocation to be transferred to the High Needs Block.**

This would result in a formula allocation of £469.73m for 2019/20, equalling the formula allocation in 2018/19. There would be no increase to Schools Block funding, however, the remaining 2019/20 DSG funding allocation of £6.945m would be transferred to the HN Block (up from £2.365m transferred in 2018/19).

Minimum Funding Guarantee (MFG) has been maintained at -1.5% and a funding cap is required of +0.30% on schools that gain.

Under this option, there would be an overall decrease of approximately -£2.16m for primary schools and an increase of £2.16m for secondary schools. This movement reflects the fact that NFF funding values are weighted more beneficially to secondary schools than the current local formula.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

### Option 1B (NFF)

**2019/20 Schools Block DSG funding allocated using the NFF factors/values, less 0.5% of Schools Block moved to the High Needs Block, less top-sliced growth fund of £950k.**

This would mirror the approach used in 2018/19, so it includes a transfer of 0.5% of the Schools Block over to the High Needs Block.

This would result in a formula allocation of £474.28m for 2019/20, compared to a formula allocation of £469.73m in 2018/19. An increase of approximately £4.55m via the funding formula, and a transfer to the HN Block of £2.388m to the HN Block (up slightly from £2.365m transferred in 2018/19 as it represents 0.5% of the higher 2019/20 Schools Block figure).

Based on an additional DSG allocation expected for 2019/20 and including the transfer to the HN Block, MFG would be maintained at -1.5% and a cap of +5.2% on schools that gain would also be introduced whilst implementing National Funding Formula funding rates and standard criteria.

Under this option, there would be an overall decrease of approximately -£0.98m for primary schools and an increase of £5.53m for secondary schools.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

## Option 1C (NFF)

### **Full 2019/20 Schools Block DSG funding allocated using the NFF factors/values, less top-sliced growth fund of £950k.**

This would be a formula allocation of £476.67m for 2019/20, compared to a formula allocation of £469.73m in 2018/19. An increase of £6.94m, however, this assumes no transfer to the HN Block at all in 2019/20 (whereas 0.5% of the Schools Block, £2.365m, was transferred to HN Block in 2018/19).

This option does not provide increases across the board, in the same way that uplifting local pupil-led funding factors would do, as it uses NFF funding values some of which are less than Norfolk currently uses in the local formula. This option provides the greatest protection for schools that lose funding from the introduction of NFF rates/criteria, by increasing MFG to the highest level possible.

Based on an additional DSG allocation expected for 2019/20, MFG could be raised from -1.5% to -0.45% whilst implementing National Funding Formula funding rates and standard criteria. There is no cap on schools that gain under NFF factors.

Under this option, there would be overall increases of approximately £1.31m for primary schools and £5.63m for secondary schools.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

## Option 2A (Local Formula)

### **Schools Block DSG funding total maintained at 2018/19 level (including top-sliced growth fund of £950k) and allocated through existing local factors. Remainder of the additional 2019/20 Schools Block DSG funding allocation to be transferred to the High Needs Block.**

This would result in a formula allocation of £469.73m for 2019/20, equalling the formula allocation in 2018/19. There would be no increase to formula funding, however, the remaining 2019/20 DSG funding allocation of £6.945m would be transferred to the HN Block (up from £2.365m transferred in 2018/19).

Minimum Funding Guarantee (MFG) has been maintained at -1.5%. No funding cap would be required for gains.

With 2018/19 levels of funding being maintained, this option sees a decrease of -2.26% in the pupil-led factors due to the primary low prior attainment data weighting being removed for 2019/20. There is a large increase to primary low prior attainment allocations.

All schools would see a reduction from reduced pupil-led factor values, with the exception that primary schools' losses may be completely offset by an increase in low prior attainment. There are many secondary school losses, but for those that do increase this is due to an increase in minimum per-pupil funding level for 2019/20.

Under this option, there would be an overall decrease of approximately -£0.27m for primary schools and an increase of £0.27m for secondary schools.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

### **Option 2B (Local Formula)**

**2019/20 Schools Block DSG funding allocated through existing local factors, less 0.5% of Schools Block moved to the High Needs Block, less top-sliced growth fund of £950k.**

This would mirror the approach used in 2018/19, so it includes a transfer of 0.5% of the Schools Block over to the High Needs Block.

This would result in a formula allocation of £474.28m for 2019/20, compared to a formula allocation of £469.73m in 2018/19. An increase of approximately £4.55m via the funding formula, and a transfer to the HN Block of £2.388m to the HN Block (up slightly from £2.365m transferred in 2018/19 as it represents 0.5% of the higher 2019/20 Schools Block figure).

Minimum Funding Guarantee (MFG) has been maintained at -1.5%. No funding cap would be required for gains.

Despite an extra £4.55m allocated via the formula, this option sees a slight decrease of -0.60% in the pupil-led factors due to the primary low prior attainment data weighting being removed for 2019/20. There is a large increase to primary low prior attainment allocations.

There would be overall increases of approximately £3.4m to the primary sector and £1.16m to the secondary sector. However, many individual secondary schools would see reductions in funding due to the -0.60% reduction on pupil-led factors.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

### **Option 2C (Local formula)**

**Full 2019/20 Schools Block DSG funding allocated under the existing local factors, less top-sliced growth fund of £950k.**

This would be a formula allocation of £476.67m for 2019/20, compared to a formula allocation of £469.73m in 2018/19. An increase of £6.94m, however, this assumes no transfer to the HN Block at all in 2019/20 (whereas 0.5% of the Schools Block, £2.365m, was transferred to HN Block in 2018/19).

Minimum Funding Guarantee (MFG) has been maintained at -1.5%. No funding cap would be required for gains.

This option provides a small uplift of 0.11% on the pupil-led factors compared with 2018/19 levels. All schools would receive a gain across the pupil-led funding factors. Schools currently receiving large amounts of MFG may experience reductions as a result of year-on-year MFG reductions (MFG tapers off over time).

Although in 2019/20 Norfolk should receive an increase in funding, the DSG increase would not significantly uplift the value of local pupil-led funding factors, due to the weighting on the primary low prior attainment factor being removed. The removal of this weighting from the formula is not optional (using 100% of all primary LPA data is mandatory in formula from 2019/20) and therefore much of the increase in DSG funding would go specifically towards the primary LPA factor if the local formula continues to be used in 2019/20.

Under this option, there would be overall increases of approximately £5.0m for primary schools and £1.94m for secondary schools.

All schools would receive at least the recommended minimum per-pupil funding for 2019/20.

#### **4. Consultation**

A consultation will be held with all schools from 14th September to 7th October. This will be held via an online survey.

Briefing meetings to provide further information on the proposals have been arranged. These will consist of a briefing on the NFF, followed by smaller groups looking at the effect on individual schools attending.

The meetings have been arranged as follows, places need to be booked in advance by emailing [budgetshare@norfolk.gov.uk](mailto:budgetshare@norfolk.gov.uk).

<b>Date</b>	<b>Time</b>	<b>Location</b>
Monday 17 September	16:00-17:30	Woodside Early Years Hub, Norwich
Friday 21 September	16:00-17:30	South Green Park, Mattishall
Monday 24 September	16:00-17:30	Woodside Early Years Hub, Norwich
Tuesday 25 September	16:00-17:30	Kings Centre, Gt Yarmouth
Friday 28 September	16:00-17:30	South Green Park, Mattishall
Monday 1 October	16:00-17:30	Woodside Early Years Hub, Norwich
Friday 5 October	16:00-17:30	Kings Centre, Gt Yarmouth

An extra session is being arranged in the west of the region – venue and date to be released via MI Sheet.

#### **Schools Forum are asked to:**

- **Consider and comment on the proposed changes to the distribution formula of the Schools Block of the Dedicated Schools Grant.**

## **Growth Fund**

### **Summary**

This paper sets out proposed changes to the distribution of growth funding from April 2019.

Schools Forum are asked to:

- Consider and comment on the proposed changes to the distribution of growth funding within the funding formula from April 2019.

### **1. Introduction**

Local authorities may centrally retain a growth fund from the Schools Block DSG for the following purposes:

- To support growth in pre-16 pupil numbers to meet basic need;
- Support additional classes needed to meet the infant class size regulation;
- Meet the costs of new schools.

Local authorities are responsible for funding these growth needs for all schools and academies in their area.

Schools Forum approval is required for the local authority to retain a growth fund from the Schools Block DSG.

Norfolk, with Forum approval, usually retains a £950k growth fund each year. Any underspend on the fund each year is used to offset against DSG overspends, and vice versa. The amount retained has historically been at approximately the correct level to meet growth requirements each year.

Norfolk's current growth fund criteria for allocation of the fund are:

- Growth has been identified by the authority as required in the area for the following academic year. i.e. a comparison of numbers between the two October counts, and;
- Growth must be the greater of 10% of a year group or 5 pupils and will be funded at 7/12th of Basic Pupil Entitlement, the starting point for the growth must be over and above a school's/academy's current Pupil Admission Number (PAN).
- Growth for an additional year group or class will be given at 7/12th of the Pupil Admission Number, e.g. a school/academy is increasing from an intake of 30 pupils to 60 pupils p.a. - school/academy will therefore qualify for 30x7/12 AWPU.

- There are no additional payments to schools or academies in respect of Infant Class Size Funding.
- Where growth fund payments are made to academies for the period September-March, the payment is continued by the local authority for the following April-August.

Norfolk's current growth fund criteria do not include anything to support:

- School Closures - When there are school closures with pupils transferring early to a different school, or;
- Demographic Growth - When there are significant changes to pupil numbers within the financial year due to demographic growth within the catchment area, including for example a difference in pupil numbers between a small year 11 leaving and a large year 7 joining (or similar scenarios within primary schools) that are not otherwise captured under the current growth criteria (e.g. because they are not above PAN). Growth for popularity cannot be included.

Any changes to growth criteria must be agreed by the Schools Forum.

## **2. Proposals for Local Consultation for School Funding 2019/20**

### School Closures

Schools closures are rare, perhaps only one (or none) per year. When closures do happen it is not unusual for some of the pupils from the closed school to transfer early to a different school.

The finances in the case of a school closure are managed by pro-rating the budget of the closing school from the point of closure. Some or all of the remaining funding may be passed on.

In the case of pupils that move early, there is no additional funding to the school(s) receiving the pupils early. Funding is only passed onto a different school for the period following the official school closure.

Schools could enter into an agreement between themselves (a payment not involving an official budget share amendment) to make a transfer from the closing schools' budget but this may not be possible as the closing school will continue with their own staffing arrangements until the official closure and so will need to be fully funded themselves for the time that they are still open.

There is a general principle that mainstream schools' formula funding is calculated based on a single headcount (the October Census preceding the financial year). The intention being that formula funding is known for the year once it has been set and beyond the initial budget setting, with the exception of the growth fund, this precludes pupil adjustments being made in-year.



To support the rare instances that pupils may transfer early between schools, an additional criterion could be added for distributing growth funding. An additional amount would also need to be set aside, top-sliced from the Schools Block.

The largest school that has been subject to closure in recent years, Alderman Swindell, had 159 pupils on roll in the financial year of closure (2018/19). This would be a significant number of pupils for one or more schools to take on with no additional funding. However, small pupil differences in-year are expected under the single headcount funding system, so it is proposed that only significant pupil movements (significant to the receiving school) should be funded in the way being suggested.

Based on the current growth criteria, a sensible threshold would be the greater of 10% of a year group or 5 pupils before triggering growth funding. In this scenario, the school would not be required to go above their PAN in order to receive growth funding. It would only apply in the case of impact from a school closure. The DfE are clear that growth funding may not be used to support general growth due to popularity, as that is managed through lagged funding.

To arrive at a starting point for how much funding could be retained for this eventuality, some broad assumptions have been made as follows:

- Likely that no more than one school would close in a year;
- Likely that none of these would be secondary schools;
- 50% of the closing school's pupils may transfer out of their school early;
- Of those pupils moving, 25% may go into schools where they do not trigger the suggested threshold of the greater of 10% of a year group or 5 pupils.
- Funding would only be for up to 5/12<sup>th</sup> (i.e. up to one school term) as an absolute maximum. Beyond which time the closing school's remaining budget share would be available for funding pupil movements.
- Funding would be given pro-rata of the Basic Per-Pupil Entitlement (officially referred to as Age Weighted Pupil Unit or AWPU) for the pupils involved.

Based on a rounded figure of 160 pupils (i.e. the largest closure so far), and using the current primary AWPU of £3,103.99, an estimated amount to set aside would be as follows:

$160 \text{ pupils} \times 50\% \times 75\% \times 5/12 \times £3,103.99 = £77,599.75$ . For simplicity, this could be rounded to **£80k**.

Any difference in expenditure on the growth fund, for example if it wasn't needed at all due to having no closures, would become part of the overall growth fund overspend/underspend and be used to offset against other DSG over/underspends at year end.

As a guide, an additional top-slice of £80k into the growth fund from the Schools Block would equate to approximately £0.76 (76 pence) reduction per-pupil for all mainstream schools/academies, assuming it was deducted evenly across the Basic Per-Pupil Entitlement values.

## Demographic Growth

Where pupil growth is known in advance of the financial year for schools undergoing reorganisation, pupil number variations are applied to the initial budget share. No growth fund allocation is required as the budget share for the financial year is set to include 7/12<sup>th</sup> of the expected pupil number increases from the new academic year.

For pupil number increases that happen due to demographic changes in an area (excluding growth through popularity), but not resulting in school reorganisation or growth in excess of PAN, there is currently no facility to fund increased pupil numbers to schools because a single headcount is used from the October census preceding the financial year (as required by regulations). The Small Schools Review group has requested that the growth fund criteria are reviewed taking this into account.

One way to address this issue would be to remove the current requirement in the growth criteria for the additional pupils to be in excess of PAN.

However, it is expected that pupil number fluctuations will occur and despite this expected that only a single headcount is used for funding the financial year (as required by regulations). Therefore, the regulations do not, in spirit, back the adjustment of small pupil variations within the financial year and the local authority's current approach is to only permit this via the growth fund when the PAN is being exceeded or increased.

Whilst the current growth fund criteria support relatively small pupil number increases for growth (e.g. 15 pupils) recognised as required in the area by the local authority and in excess of PAN, opening this up across the board irrespective of being below PAN or being required growth in the area by the local authority could lead to a high number of small pupil number adjustments in-year.

A suggestion to ensure that only significant adjustments are made would be to use a new, separate, criterion for this scenario based on a significant difference in pupil numbers.

We could, for example, allow pupil number increases to be recognised as significant growth where the pupil number increase for the new academic year is in excess of 15% of the total number on roll (based on the difference to the original pupil numbers taken from the October census preceding the financial year).

It is difficult to implement a system based on change in pupil numbers and related to school size without bringing in very small pupil number changes that are generally not expected to be adjusted based on using a single headcount. For this reason, it is suggested to add a minimum number of pupils to the threshold, i.e. an increase of the greater of 15% of original NOR or 10 pupils.

Different thresholds for significant growth were modelled as alternatives, and the total costs of those options are shown below:

<b>Sept 16 NOR vs Sept 17 NOR</b>			
<b>Alternative Options Modelled</b>	<b>Total Increase in Pupils</b>	<b>Across Number of Schools with Significant Growth</b>	<b>Cost £</b>
<b>The greater of 20% and 15 pupils</b>	24	1	43,456
<b>The greater of 15% and 15 pupils</b>	24	1	43,456
<b>The greater of 15% and 10 pupils*</b>	<b>68</b>	<b>4</b>	<b>123,125</b>
<b>The greater of 10% and 10 pupils</b>	471	13	949,409
<b>The greater of 5% and 10 pupils</b>	787	22	1,620,899

\* Suggested threshold

As shown in the table above, the costs could increase significantly if the thresholds are set below the greater of 15% (of original NOR) and 10 pupils.

Using the suggested threshold of increases in excess of the greater of 15% of original NOR and 10 pupils, a comparison of the autumn 2016 and autumn 2017 census pupil numbers (years R-11) shows that there are only 4 schools, all primary between 80-150 pupils, and a total increase of 68 pupils that would have met the suggested size criteria for significant growth funding at a total cost of £123,125 based on 7/12<sup>th</sup> of AWPU value. However, it would need to be determined that the pupil increases in these schools are not due to general growth through popularity. General growth through popularity must be dealt with through lagged funding on the budget share, not through the growth fund. In practice, allocations agreed under a significant growth criterion could be very limited.

Assuming, based on implementation of the suggested threshold, a similar level of growth occurs in schools in 2019/20 and was not linked to popularity then having a budget of an extra £120k in the growth fund would allow the local authority to make allocations for significant growth. The main issue with this would be determining whether or not that growth is linked to popularity, which may be difficult to determine and agree.

**Proposal 1 (Growth)** – To increase the growth fund for 2019/20 by £80k, and to add the following criterion to the existing growth fund criteria:

- Pupils moving from a closing school in advance of that school's official closure date will be funded at their new school at up to 5/12<sup>th</sup> of the AWPU value (1/12<sup>th</sup> for each full month) where the number of pupils received early is the greater of 10% of a year group or 5 pupils. The number of pupils on roll does not need to exceed the PAN.

**Proposal 2 (Growth)** – To increase the growth fund for 2019/20 by £120k, and to add an additional criterion to the growth funding for significant growth:

- Where demographic growth (excluding popularity) in the new academic year exceeds the greater of 15% of the funded number on roll or 10 pupils, additional funding will be given at the relevant AWPU value x 7/12<sup>th</sup>. The number of pupils on roll does not need to exceed the PAN.

**Schools Forum are asked to:**

- **Consider and comment on the proposed changes to the distribution of growth funding within the funding formula from April 2019.**

**Forum agreement is required for:**

- **Any changes made to the growth criteria fund for 2019/20;**
- **The amount of growth fund to be retained in 2019/20 (£950k plus £80k for proposal 1 and £120k for proposal 2).**

## **PFI Formula**

### **Summary**

This paper sets out proposed changes to the distribution of Private Finance Initiative (PFI) funding from April 2019.

Schools Forum are asked to:

- Consider and comment on the proposed changes to the distribution of PFI funding within the funding formula from April 2019.

### **3. Background**

Norfolk's PFI Schools' contract covers 6 schools/academies:

- Lakenham Primary School
- Heartsease Primary Academy
- Bluebell Primary School
- Mile Cross Primary School
- Lionwood Junior School (Academy)
- Taverham High School (Academy)

The total cost over the lifetime of the contract is estimated to be in excess of £171m and runs through to 2032/33, having started in 2006/07.

The local authority pays a 'Unitary Charge' to the PFI contractor and receives quarterly PFI credits from Government, plus annual contributions from the schools/academies (including a charge towards any 'affordability gap'). The contractor charges and the Government credits and school/academy contributions should net to zero by the end of the contract in 2032/33.

An affordability check is performed periodically to ensure that things are on track as the calculations are very sensitive to inflation and interest rate values if they differ from forecast assumptions over the life of the contract. The Unitary Charge increases in line with the Retail Price Index Excluding Mortgage Interest Payments (RPIx) inflation measure.

Currently, there is an affordability gap and this is covered through a 'PFI' factor in the mainstream schools' funding formula. The following amounts are delegated to the PFI schools through the formula to cover the affordability gap:

Years R-6 = £58.32 per-pupil

Years 7-11 = £29.16 per-pupil

These amounts are subsequently clawed back through each schools' PFI contribution towards the contract costs. By doing this the 'affordability gap' is covered over the lifetime of the contract.

Based on latest projections, the forecast affordability gap over the lifetime of the contract has increased by approximately £400k (to a total of approximately £2.5m). This is due to the combined effects of:

#### Outside of our control

- Lower interest rates than expected in recent years, reducing income that had been expected into the PFI fund;
- Higher inflation rates than expected in recent years, increasing the PFI Unitary Charges above the original projected costs.

#### Within our control

- A need to inflate the PFI factor each year in line with RPIx inflation (as in the National Funding Formula);
- An anomaly in the contributions charged to primary/secondary schools and academies.

This paper seeks to address the items affecting the affordability gap that are within our control.

## **4. Proposals for Local Consultation for School Funding 2019/20**

### Annual RPIx inflation increase

The National Funding Formula (NFF) funds local authorities for premises factors on the basis of historic allocations, plus RPIx inflation for PFI.

Therefore, in line with the additional funding that Norfolk is receiving via the National Funding Formula it is proposed that the per-pupil rates delegated to schools through the PFI factor should be increased annually in line with RPIx inflation. This will help to reduce the affordability gap and will use the DSG PFI inflation received via NFF as intended.

The RPIx inflation for 2019/20 would be based on the April 2018 RPIx increase which is approximately 3.36% (an RPIx indexation factor increase from 271.1 to 280.2 between April 2017 and April 2018).

This inflation increase would mean that the amounts delegated via the PFI factor would increase as shown below:

	Years R-6	Years R-11
Current PFI factor (Per-Pupil) £	58.32	29.16
PFI factor plus RPIx (Per-Pupil) £	<b>60.28</b>	<b>30.14</b>

This would give a total PFI allocation increase of £4,373 in 2019/20 across the six PFI schools. The effects of this on non-PFI schools' budgets have not been

modelled, as to do so would significantly increase the number of NFF options being put forward for consultation (each option would then also need an option to include or not include PFI increases), and because the amount is not material, estimated as a reduction of approximately £0.04 (4 pence) per pupil for all mainstream schools/academies.

This increased amount would subsequently be charged to the PFI schools/academies as part of their PFI contract contributions and would help to fund the increasing affordability gap over the lifetime of the contract.

### Correction of Secondary PFI Contribution

Since the introduction of the PFI factor into the funding formula in 2013/14, the amount delegated for years 7-11 has been only half of that delegated for years R-6.

The reason behind this is because it was understood at the time that only half of the secondary PFI building was under the PFI contract. However, this is not the case, it has been confirmed that the whole site is under the PFI contract and is being charged as such.

It is proposed to bring the amount delegated for years 7-11 for the PFI factor in line with the amount delegated for years R-6 (i.e. make them equal).

Matching the PFI amount delegated for years 7-11 to the same level as years R-6 would increase the amount delegated through the PFI factor by a further £29,296 (assuming RPIx inflation as above). This additional amount would be charged back to the secondary PFI school as part of its PFI contribution, and would make up the remaining difference in the current affordability gap over the lifetime of the contract.

The effects of this proposal on non-PFI schools' budgets have not been modelled, as to do so would significantly increase the number of NFF options being put forward for consultation (each option would then also need an option to include or not include a year 7-11 PFI increase). The amount is not significant in the context of the overall funding formula and DSG allocation. It can be estimated as a reduction of approximately £0.28 (28 pence) per pupil for all mainstream schools/academies.

**Proposal 1 (PFI)** – Increase delegation through the PFI factor of the mainstream formula in line with RPIx annually, as per the National Funding Formula.

**Proposal 2 (PFI)** – Increase per-pupil delegation through the PFI factor for years 7-11 to bring it in line with the years R-6 per-pupil allocation.

**Schools Forum are asked to:**

- **Consider and comment on the proposed changes to the distribution of PFI funding within the funding formula from April 2019.**