


## REPORT TO CABINET

22 January 2020

<b>Subject:</b>	<b>School Funding Formula and De-delegated Budget Proposals 2020/21</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Joyce Underhill - Cabinet Member for Best Start in Life</b>
<b>Director:</b>	<b>Executive Director – Resources – Darren Carter Executive Director of Children’s Services – Lesley Hagger Director – Education, Skills and Employment – Chris Ward</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Cabinet Member Approval and Date:</b>	Cabinet Member for Best Start in Life:
<b>Director Approval:</b>	Executive Director – Resources – Darren Carter: Executive Director of Children’s Services – Lesley Hagger: Director – Education, Skills and Employment – Chris Ward:
<b>Reason for Urgency:</b>	
<b>Exempt Information Ref:</b>	There is no exempt information contained in the report
<b>Ward Councillor (s) Consulted (if applicable):</b>	The implications in this proposal are boroughwide
<b>Scrutiny Consultation Considered?</b>	Scrutiny have not been consulted.
<b>Contact Officer(s):</b>	Rosemarie Kerr, Principal Accountant <a href="mailto:rose_kerr@sandwell.gov.uk">rose_kerr@sandwell.gov.uk</a>

## DECISION RECOMMENDATIONS

### That Cabinet:

1. In respect of the 2020/2021 schools funding formula for Sandwell schools, consider the outcome of the consultation proposals as recommended by the Schools Forum, as shown in Appendix 1 as follows:
  - (a) The funding formula option 1 be adopted.
  - (b) A minimum funding guarantee of 1.84% be set.
  - (c) The pupil number growth fund be set at £2,269,000 as recommended by Schools Forum.
2. In respect of the proposal to consider schools with significant surplus balances which are carrying forward more than 10% of their total budget to contribute towards a fund for schools in financial difficulties. In those schools their contribution to the proposal would be 5% of their extra carry forward. If the total from these schools is less than £250,000 then the remaining contribution will come from all schools via de-delegation (If approved) on a reduced cost per pupil basis.
3. In respect of the de-delegated budgets for Sandwell maintained schools consider the outcome of the consultation proposals as agreed by the Schools Forum for 2020/21, as shown in Appendix 2.
4. In respect of the education functions budgets for Sandwell maintained schools consider the outcome of the consultation proposals as agreed by the Schools Forum for 2020/21, as shown in Appendix 3.
5. Approve, in respect of the central schools services block and the line by line expenditure outlined in section 3.55 to 3.60 and as agreed by the Schools Forum for 2020/21, as shown in Appendix 4.
6. Approve the provisional 2020/2021 schools funding formula values as outlined in paragraph 3.64.
7. Approve that the Executive Director of Children's Services, in conjunction with the Section 151 Officer, be authorised to approve the 2020/2021 schools funding formula following confirmation of the funding allocation from the Department for Education.

## **1 PURPOSE OF THE REPORT**

- 1.1 The authority is undertaking its annual consultation with schools on funding for 2020/21. The Education and Skills Funding Agency (ESFA) requires local authorities to engage in an open and transparent consultation with all maintained schools and academies in their area, as well as with its schools forum about any proposed changes to the local pre-16 funding formula including the method, principles and rules adopted. The local authority is ultimately responsible for making the final decision on the formula.

## **2 IMPLICATION FOR VISION 2030**

- 2.1 Our children benefit from the best start in life and a high-quality education throughout their school careers with outstanding support from their teachers and families.
- 2.2 The budget consultation with schools and other stakeholders provides the basis on which the majority of resources are directly allocated to individual schools. The strategies and proposed direction of these resources contribute significantly towards raising attainment in schools and therefore supports children benefitting from a high-quality education throughout their school careers with outstanding support from their teachers and families.

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 On 30 August 2019, the Prime Minister announced additional funding for 5 to 16-year olds: £2.6 billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23 compared to 2019/20. The Department for Education (DfE) have issued further guidance documents in September and October 2019.
- 3.2 The dedicated schools grant (DSG) consists of 4 blocks; schools, high needs, early years and the new central schools services block. Each of the blocks of the dedicated schools grant has been determined by a separate national funding formula (NFF).
- 3.3 Schools block funding is based on notional allocations for each school, which is aggregated to arrive at the schools block funding for each local authority.
- 3.4 The DfE have confirmed that local authorities will continue to determine local formulas in 2020/21. The government has confirmed its intention to move to a single 'hard' national funding formula to determine every school's budget, and they have said they will work closely with local

authorities and other stakeholders in making this transition. Further information on the process will follow in due course.

- 3.5 In 2020/21, local authorities will continue to have discretion over the design of the majority of their funding formulae, but the DfE have stated their intention to make the “minimum per-pupil funding” (MPPF) levels a mandatory factor in local formulae.
- 3.6 The DfE have undertaken an MPPF consultation on how best to implement this change, which closed on 22 October 2019. The government had originally promised a response would be published in November 2019, however this was delayed until after the General election.
- 3.7 The Schools Block NFF in 2020/21 has been updated with new factor values and there has also been some technical changes. The following are key elements of the schools NFF in 2020/2021:
  - The minimum per-pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools. The primary level will rise to £4,000 in 2021/22.
  - The funding floor will be set at 1.84%, in line with the forecast GDP deflator, to protect pupil-led per-pupil funding in real terms. This minimum increase in 2020/21 allocations will be based on the individual school’s NFF allocation in 2019/20.
  - Schools that are attracting their core NFF allocations will benefit from an increase of 4% to the formula’s core factors. Exceptions to this are that the free school meals factor will be increased at inflation as it is intended to broadly reflect actual costs, and premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2019/20 Authority Proforma Tool (APT), with an Retail Price Index excluding mortgages (RPIX) increase for the Public Finance Initiative (PFI) factor only.
  - There will be a new formulaic approach to the mobility factor to allocate funding rather than on the basis of historic spend. The new methodology involves tracking individual pupils using their unique pupil ID through censuses from the past 3 years rather than relying on a single census. If the first census when the pupil was in the school was a spring or summer census, they are classified as a mobile pupil. This excludes reception pupils who start in January. For the purposes of the factor, the DfE are not counting as mobile, pupils who joined in the summer term after the summer census, or pupils who joined in October before the autumn census. This is

because the first census these pupils will be captured in is the autumn census.

- Growth funding will be based on the same methodology as last year and will have the same transitional protection. There will be no capping or scaling of gains from the growth factor.
- The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020/21. The rates that determine the 2020/21 allocations have recently been published.

3.8 The DfE have also made some other changes to local formulae:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2020/21 must be between +0.5% and +1.84%.
- Local authorities will continue to be able to transfer up to 0.5% of their schools' block to other blocks of the DSG, with schools forum approval. This equates to £1.327m for Sandwell. A disapplication is required for transfers above 0.5%, or for any amount without schools forum approval; this now applies to any transfers over 0.5%, even if the minister agreed the same amount in the past two years.
- The authority will not be requesting a movement of funding from the Schools block to another DSG funding block, as we recognise the significant budget pressures schools have been facing in recent years and due to the increase in the High Needs Block funding it does not anticipate a budget pressure for 2020/21.

### 3.9 Central School Services Block

The central schools services block provides funding for local authorities to carry out central functions on behalf of maintained schools and academies. The block comprises two distinct elements; one for ongoing responsibilities and a cash sum for historic commitments.

3.10 The DfE undertook an exercise a few years ago at a national level to re-baseline historic commitments. This included:

- Schools Forum – classified as an ongoing responsibility
- Admissions Service – classified as an ongoing responsibility.
- Pensions Administration – continues to be classified as an historic commitment.

3.11 The DfE at a national level has cut the historic commitment funding by 20%, for Sandwell this equated to a cut from £0.285m to £0.228m with the expectation that funding would continue to reduce and ultimately end over time; and therefore any commitment should also reduce and end over time.

### **3.12 Consultation Proposals**

The consultation on the formula funding for schools for 2020/21 includes proposals on the following:

The funding formula to use for allocating schools budgets;

1. Option 1 – Stepped change in the ratio - LA Formula (change in Average Weighted Pupil Unit (AWPU)/Minimum Funding Guarantee (MFG) with a ratio of 1:1.25 in year 1, 1:1.27 in year 2; and 1:1.29 in year 3.
2. Option 2 – Secondary Schools receive 1% more above the overall increase in funding.
3. Option 3 – National Funding Formula Factor Values
  - Pupil Number Growth Contingency Fund.
  - Schools with significant surplus balances
  - Central Schools Services Block
  - Education Functions.
  - De-delegation proposals.
  - Minimum funding guarantee and capping of gains.

3.12 This consultation is applicable for one year only (2020/21).

3.13 The Schools Forum at its meeting on 11 November 2019 approved the options for wider consultation with schools.

3.14 The deadline for stakeholders to respond was noon on Wednesday 4 December 2019.

### **3.15 Funding Formula Options**

At the Cabinet meeting in January 2019, Cabinet advised Schools Forum that although the funding ratio between primary and secondary schools remained unchanged for the financial year 2019/2020 this was with the expectation that a ratio change would be implemented towards the NFF values from April 2020. A sub group of Schools Forum with both primary and secondary school representatives was set up to develop a range of options for funding change. It should be noted that in all the options put

forward for consideration all schools will receive an increase to current budget allocations.

3.16 The authority modelled 3 options for calculating schools revenue budget for 2020/21. There are some general adjustments which apply to all options which are as follows:

- Q3 Langley opened in September 2016 with a Published Admission Number (PAN) of 240 for each year group.
- The Shireland High Technical Primary opened in September 2019 with a PAN of 60 for Reception and this has been reflected in the “Schools funding model” as required by the DfE.
- The West Bromwich Collegiate Academy opened in September 2019 with a PAN of 150 for each year group.

The funding formula options are as follows:

**Option 1: Stepped increase to the 2019/20 Local authority model - Increase of the Primary: Secondary Ratio to 1:1.25. (1st Year); 1:1.27 (2nd Year and 1:1.29 (3rd Year)**

3.17 This model uses the same factor values as applied for 2019/20 local authority funding formula, with the primary: secondary ratio set at 1:1.25. The following factors have been updated to reflect the changes detailed above in paragraph 3.16 and:

- Basic Entitlement for Primary, KS3 and KS4 pupils
- MFG so as to remain within the total funding available.

3.18 Modelling of a continuation of a stepped increase in future years for ratios of 1:1.27 and 1:1.29 are included for information purposes.

3.19 The DfE have issued an “Analysis of local authorities’ schools block funding formulae” for 2019/20. As part of this analysis, local authorities’ schools block funding formulae have been used to calculate the relative differences in per-pupil funding allocated to secondary pupils compared to primary pupils. A ratio of 1 : 1.24, for instance, indicates that secondary-age pupils in a local authority receive, on average, 24% more funding per head than primary-age pupils.

3.20 The overall ratio nationally across all local authorities is 1 : 1.297, a slight increase from the 2018/19 formulae where it was 1 : 1.296.

- 3.21 The following table is a comparison of the primary : secondary ratio for our statistical neighbours for the financial years 2017/18 to 2019/20. Sandwell's ratio has remained unchanged at 1 : 1.23 for several years.

Statistical Neighbour Comparison of Primary: Secondary Ratio 2017/18, 2018/19 and 2019/20							
Rank (1 = closest)	Local Authority	Closeness in ranking	ID	Primary: Secondary Ratio 2017/18	Primary: Secondary Ratio 2018/19	Primary: Secondary Ratio 2019/20	Change in ratio from 2018/19 to 2019/20
1	Wolverhampton	Very Close	336	1.34	1.34	1.34	0.00
2	Walsall	Very Close	335	1.25	1.24	1.24	0.00
3	Derby	Close	831	1.30	1.35	1.36	0.01
4	Birmingham	Close	330	1.30	1.31	1.33	0.02
5	Coventry	Close	331	1.31	1.32	1.31	-0.01
6	Peterborough	Close	874	1.36	1.33	1.33	0.00
7	Nottingham	Close	892	1.35	1.35	1.34	-0.01
8	Stoke -on Trent	Close	861	1.27	1.29	1.29	0.00
9	Luton	Close	821	1.32	1.32	1.34	0.02
10	Blackburn with Darwen	Close	889	1.39	1.35	1.34	-0.01
	Sandwell		333	1.23	1.23	1.23	0.00
	Dudley		332	1.22	1.33	1.32	-0.01

### Option 2: Secondary Schools receive 1% more above the overall increase in funding.

- 3.22 This model would give secondary schools 1% more of the additional funding than primary pupils (The 1% is calculated on the basis of funding to primary and secondary schools prior to applying MFG and MPPF).

### Option 3: National Funding Formula Factor Values

- 3.23 This model uses the factor values used in the National Funding Formula, without applying the Area Cost Adjustment. In order to maintain the Growth fund at £2.269m to keep in line with the modelling of the other options the MFG had to be set at -0.82% in order to remain within the overall funding available. The pupil characteristics will be updated for the October 2019 census and as a result the MFG as well as the funding available could change.

### 3.24 Pupil Number Growth Fund

Local authorities may top-slice the DSG to create a growth fund. The growth fund is ring-fenced so that it is only used for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of necessary new schools. These will include the lead-in costs, post start-up costs and any diseconomy of scale costs.



3.25 Local authorities are responsible for funding these growth needs for all schools in their area, for new and existing maintained schools and academies.

3.26 Local authorities must fund all schools on the same criteria.

- Where growth occurs in academies that are funded by ESFA on estimates, the ESFA will use the pupil number adjustment process to ensure the academy is only funded for the growth once.
- The Authority has estimated the costs for authority led expansions of schools to cater for the increase in birth rates, pre-opening and diseconomy of scale costs for West Bromwich Collegiate Academy and it has also estimated mid- year admissions costs.

3.27 The total estimated growth fund required is £2,269,000 based on previously agreed criteria.

### **3.32 Schools with significant surplus balances**

There have been a number of maintained schools with large annual carry forward balances that have stayed high for a number of years. The DfE recommends that Primary schools should operate with a carry forward up to 8% and secondary schools up to 5%.

3.33 With this in mind, it is proposed that funding to support schools in financial difficulties should take in to account the large balances of some schools who would be more able to contribute to the £250,000 funding.

3.34 Therefore, it is proposed to consider schools, in the first instance, which are carrying forward more than 10% of their total budget. In those schools their contribution to the de-delegated proposal would be 5% of their extra carry forward. If the total de-delegated from these schools is less than £250,000 then the remaining contribution will come from all schools on a reduced cost per pupil basis.

3.35 Example: a school with an annual budget of £2,000,000 has accrued over time a carry forward of £440,000. Of the carry forward, £200,000 is equivalent to 10% of the budget leaving £240,000 extra carry forward. The proposal would require 5% of the £240,000 i.e. £12,000, to support schools in financial difficulties. The total budget available to the school would then equal £2,428,000.

3.36 In 2018/19 there were 52 schools which carried forward more than 10% of their budget allocation. If this calculation was applied to those schools this would generate £350,930 from the schools with more than 10% carry forward.

3.37 The proposal is that this would be actioned based on the 2019/20 outturn balances; and would be used to increase the funds for “schools in financial difficulties” and would be invoiced for during 2020/21.

### 3.38 De-delegation Proposals

De-delegated budgets provide for centrally retained services to maintained mainstream primary and secondary schools

3.39 Forum approval. Any decisions made to de-delegate relate to that year only. De-delegation is not an option for academies, special schools, nurseries or pupil referral units, however they have the opportunity to buy back these services from the Council.

3.40 The Authority can propose de-delegation for mainstream schools for the areas listed below; with primary and secondary phase school forum representatives making a decision for their particular phase:

3.41 There were originally 7 de-delegation proposals, however 2 proposals have been withdrawn as these services; The Behaviour Support Team and Preventing Primary Exclusions Team will be funded from the High Needs Block of the Dedicated Schools Grant from 2020/21. The details of the remaining proposals are set out in the table below. The schools’ responses are set out in Appendix 2

<b>De-delegation Budget Proposals 2020/21</b>				
<b>Ref</b>	<b>Service</b>	<b>Total Budget</b>	<b>Primary Phase Cost</b>	<b>Secondary Phase Cost</b>
		<b>£</b>	<b>£</b>	<b>£</b>
1	Health & Safety Licenses	28,000	22,900	5,100
2	Evolve Annual Licence	6,100	5,000	1,100
3	Union Facilities Time	252,000	202,000	50,000
4	School Improvement Service	100,000	81,900	18,100
5	Schools in financial difficulties	250,000	204,700	45,300
	<b>Total De-delegation proposals</b>	<b>636,100</b>	<b>516,500</b>	<b>119,600</b>

3.42 The Schools Forum voted in line with the responses received for both primary and secondary school blocks for all the proposals.

<b>Proposal</b>	<b>Schools response</b>		<b>Forum vote</b>	
	Primary	Secondary	Primary	Secondary
Health & Safety Licences	49	3	5	1
Evolve Annual Licence	52	3	6	1
Union Facilities	40	2 Against	6	1 Against
School Improvement Service	48	3	6	1

Schools in financial difficulties	38	2	6	1
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### 3.43 Education functions proposals for maintained schools

Local authorities can fund services previously funded from the general funding rate of the ESG (for maintained schools only) from maintained school budget shares, with the agreement of maintained school members of the schools forum.

- 3.44 The relevant maintained schools' members of the schools forum (primary and secondary), should agree the amount the local authority will retain.
- 3.45 The authority's strategy is to only put forward those services which are felt to be absolutely necessary for maintained schools.
- 3.46 Sandwell, in line with guidance, intend to set a single rate per 5 to 16 year-old pupils for all mainstream maintained schools, both primary and secondary. The rate of £14.13 per pupil is based on October 2018 census data, this will be updated to be based on October 2019 census data.
- 3.47 If the local authority and schools forum were unable to reach a consensus on the amount to be retained by the local authority, the matter can be referred to the Secretary of State.
- 3.48 There are 3 education function proposals and the details are set out in the table below. The school responses are set out in Appendix 3.

<b>Education Functions Budget Proposals 2020/21</b>		
<b>Service</b>	<b>Total Budget</b>	<b>Amount per pupil</b>
	<b>£</b>	<b>£</b>
Education Benefits Team	172,000	5.29
Children's Clothing Support Allowance	30,000	0.92
Safeguarding & Attendance	257,000	7.91
<b>Total Education Functions</b>	<b>459,000</b>	<b>14.13</b>

### 3.49 Minimum Funding Guarantee

The Secretary of State confirmed in September that the national funding formula will provide for at least a 1.84% per-pupil increase in respect of each school in 2020/21.

- 3.50 Local authorities continue to have the ability to set a pre-16 minimum funding guarantee (MFG) in their local formulae, to protect schools from excessive year-on-year changes

- 3.51 The DfE has given greater flexibility for the MFG in 2020/21; local authorities will be able to set an MFG between 0.5% and 1.84% per pupil. However, based on the funding formula options which are being consulted on, the authority need to request an MFG of between -1.5% and 2.5% or greater to give the authority the flexibility to make local decisions about the distribution of funding and enables the authority to manage any changes in pupil characteristics when characteristics data is updated in December.
- 3.52 We are asking schools whether the arrangement of funding the MFG so that it is cost neutral and/or, to agree in principle, for the Council to give a positive MFG as long as it is within total allocated funding. The alternative to this would be to top slice the amount required for MFG protection from the total Dedicated Schools Grant before the formula is calculated. This would reduce the amount available for all schools.

### **3.53 Central School Service Block**

The Central Schools Service block (CSSB) was introduced, to fund local authorities for the statutory duties they hold for both maintained schools, and academies. The CSSB brings together:

- funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- funding for ongoing central functions, such as admissions and schools forum costs, previously top-sliced from the schools block.
- residual funding for historic commitments, previously top-sliced from the schools block; in this case pensions administration.

- 3.54 A number of the services that are covered by funding are subject to a limitation of no new commitments or increase in expenditure from 2019/20. This limit no longer applies to the Admissions Service or the servicing of schools forums.
- 3.55 Funding for historic commitments is based on the actual cost of the commitment. The DfE have stated they expect these commitments to reduce and cease over time and there will be no protection for historic commitments in the CSSB.
- 3.56 Schools Forum approval is required each year to confirm the amounts on each line for central school services.
- 3.57 The government have issued guidance on the responsibilities that local authorities hold for all schools; these are outlined in brief in the table below:

<b>Central School Services Budget Proposals 2020/21</b>	
<b>Service</b>	<b>Total Budget</b>
	<b>£</b>
Statutory & Regulatory, Education Welfare and Asset Management	1,301,000
Schools Forum	3,000
Admission Service	452,600
Pensions Administration – Historic Commitment	228,000
<b>Total Central School Services</b>	<b>1,984,600</b>

### 3.59 Consultation response/Schools Forum vote

The Schools Forum met on 16 December 2019 to consider the outcome of the consultation with schools.

3.60 This report now presents an analysis of responses received from schools and other stakeholders and recommends the proposals to be taken forward with effect from 1 April 2020.

3.61 Appendices 1- 4 provides a summary of the responses received from schools.

3.62 The overall results of the consultation responses are recorded below. School Forum members voted all proposals in line with the school responses received

<b>Proposal</b>	<b>Schools</b>	<b>Forum vote</b>
1. Indicate the preferred option for calculating the school funding formula for 2018/19.		
<ul style="list-style-type: none"> <li>Option 1: LA formula with a stepped increase in the primary: secondary ratio of 1:1.25 (1<sup>st</sup> year) 1: 1.27 (2<sup>nd</sup> year) 1:1.29 (3<sup>rd</sup> year)</li> </ul>	55	11
<ul style="list-style-type: none"> <li>Option 2: Secondary Schools receive 1% funding than primaries above the overall increase in funding.</li> </ul>	10	0
<ul style="list-style-type: none"> <li>Option 3: NFF Factor Values</li> </ul>	0	0
2. Schools with significant surplus balances	47 against	3 against
3. Pupil number growth fund £2,269,000	53	11
4. De-Delegations (refer to Appendix 2)	Refer to table in section 3.42	
5. Education functions budget proposals	Refer to Appendix 3 for responses	

6. Please indicate whether you agree with a) MFG of up to +1.84% if modelling proves this is achievable within the funding given.	59	11
b) MFG of -1.5% if proves necessary, then gains are capped in order for the MFG to remain cost neutral.	55	Withdrawn
7. Do you agree for the authority to provide for the responsibilities it holds for all schools from the Central Schools Services Block funding? (refer to Appendix 4 for responses)	Refer to Appendix 4	11

### 3.64 Proposed schools funding formula 2020/21

The following table details the formula factors and unit values which will be used as the basis for 2020/21 Schools Funding Formula in line with schools forum recommendation. The factor rates are the same as 2019/20, with the exception of the basic entitlement (Primary £3,055, Secondary £4,308) and the minimum funding guarantee (0.5%).

Item	Primary	Secondary
Primary: Secondary Ratio	1	1.25
Basic Entitlement	<b>TBC</b>	<b>TBC</b>
IDACI Band E	£71	£343
IDACI Band D	£460	£667
IDACI Band C	£506	£734
IDACI Band B	£557	£807
IDACI Band A	£612	£888
Prior Attainment	£1,225	£1,776
English as an Additional Language (EAL) (2 years)	£846	£1,227
Lump Sum	£129,057	£129,057
Split Site	£129,057	£129,057
Rates	Actual	Actual
Private Finance Initiative (PFI)	Actual	Actual
Minimum Funding Guarantee (MFG)	1.84%	1.84%
MFG Ceiling	TBC	TBC

## 4 THE CURRENT POSITION

The deadline for responses to the consultation with schools was 4 December 2019 and the responses were considered at Schools Forum

on 16 December 2019. The Schools forum members voted to recommend to Cabinet the adoption of option 1 funding formula; a primary secondary ratio of 1: 1.25 and the approval of the de-delegation, education function and Central Schools Services Block budget decisions.

## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 The authority has consulted with head teachers from both primary and secondary schools, maintained schools and academies and a summary of their responses is set out in Appendices 1 to 4.
- 5.2 The authority has consulted with the governors by presenting at a meeting of Association of Sandwell Governing Bodies.
- 5.3 The authority has also consulted with the Joint Union Panel and four unions have responded individually.
- 5.4 Two unions agreed with Option 1 and two unions agreed with Option 2 to calculate schools funding.
- 5.5 One union has made some general comments, a summary of which is set out below with further detail provided in Appendix 6.
- 5.6 “We would agree with Option 1a in question 1. A standstill option should have been on offer. We can't agree to the second and third year of the option. The authority, via Schools Forum, is obliged to consult every year on its funding formula so this isn't an option. Additionally, in the current political climate, it is impossible to know what will happen next week let alone in three years' time. Neither does option 2 present a default position for next year - unless this is made clear it is impossible to support this option.”

## **6 ALTERNATIVE OPTIONS**

- 6.1 The authority put forward three options for consideration for the authority funding formula as set out in section 3.17 to 3.28. The authority has taken all responses into consideration before making its recommendation on the funding option to adopt.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 The Department for Education (DfE) announced the DSG allocations for 2020/21 in December 2019. The table below details the allocations by block.

<b>DSG Block</b>	<b>Allocation prior to Adjustments</b>	<b>Adjustments</b>	<b>Allocation after adjustments</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools	274.031	0	274.031
Central School Services	2.020	0	2.020
High Needs	49.681	(1.098)	48.583
Early Years	24.351	0	24.351
<b>Total</b>	<b>350.083</b>	<b>(1.098)</b>	<b>348.985</b>

7.2 The Schools Block funding that has been distributed through the main funding formula is £271.762m. This has been calculated as follows:

	£
Schools Block DSG	274.031
Less Pupil Number Growth Contingency	(2.269)
<b>Schools Block DSG Available to Distribute</b>	<b>271.762</b>

7.3 This report will affect the funding received by individual schools in 2020/21.

7.4 The DfE has given greater flexibility for the Minimum Funding Guarantee (MFG) in 2020/21; with local authorities being able to set an MFG between +0.5% and +1.84% per pupil.

7.5 The main risks regarding school funding are that:

- (a) The Government has committed to protecting the per-pupil funding in each authority during this parliament. This however means real terms cut to per pupil funding as schools will have to manage increases to Employer's National Insurance and Superannuation increases, the introduction of the Apprenticeship Levy, as well as manage pay award and general inflation increases.
- (b) The Council will have no powers with which to mitigate the risk as detailed above. The planning for managing this risk sits with individual school governing bodies, as they have delegated authority over school budgets.

7.6 The local authority closely monitors school budgets through receipt of termly monitoring reports and can offer some minimal support to schools in financial difficulty. Schools Forum will also review the school funding formula on an annual basis.



## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The Authority has to adhere to the Schools and Early Years Finance (England) Regulations 2018.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 The DfE have undertaken an equalities impact assessment of the national funding formula for schools and high needs. The analysis is also based on the assumption that local authorities will fund their schools in accordance with the national funding formula. In practice 2020/21, local authorities will retain the discretion to distribute funds in accordance with locally set formula. The allocation at authority level is based on the national funding formula and as such is supposed to create a fairer and consistent distribution of funding that is more closely aligned to need and to provide support for all children irrespective of their background, ability, need or where in the country they live.
- 9.2 The authority's formula targets funds to support pupil groups that have been identified as needing additional support. It does not target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 There is no data contained in this report that should not be public.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 The proposals in this report have no impact on crime and disorder.
- 11.2 The Corporate Risk Management Strategy (CRMS) has been complied with – to identify and assess the significant risks associated with this decision. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks. As set out in paragraph 3.1 and 3.15; school's will see an increase in their funding from 2020/21. The recommendation by School Forum members to adopt option 1 will see school moving as a first step towards a primary: secondary ratio more in line with the national average under the national funding formula. The increase in funding from both these aspects will in part help to mitigate against some of the impact of years of real terms cuts as identified in the directorate risks "Impact of reductions to funding." Also based on the information provided, it is the officers' opinion that for the significant risks that have been identified, arrangements are in place to manage and mitigate these effectively.

## **12 SUSTAINABILITY OF PROPOSALS**

12.1 The authority is required to undertake annual consultation with schools on funding for the following financial year.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

13.1 The proposals in this report have no impact on health and wellbeing.

## **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 The proposals in this report have no impact on council managed property or land.

## **15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 These are contained within the main body of the report.

## **16 BACKGROUND PAPERS**

16.1 Schools Revenue funding 2020/21 – Operational guide

## **17 APPENDICES:**

Appendix 1 - School Consultation Response Summary

Appendix 2 - De-delegated budget Proposals

Appendix 3 - Education Functions Budget Proposals

Appendix 4 - Central Schools Services Block Proposals

**Darren Carter**  
**Executive Director – Resources**

## Consultation Response Summary

Question	Primary		Secondary		Total	
	Yes	No	Yes	No	Yes	No
1. Please indicate the option you prefer to use for calculating school funding for 2020/21						
a) Option 1: LA formula with a stepped increase in the primary: secondary ratio of 1:1.25 (1st year) 1: 1.27 (2nd year) 1:1.29 (3rd year)	48		7		<b>55</b>	
b) Option 2: Secondary Schools receive 1% funding than primaries above the overall increase in funding.	8		2		<b>10</b>	
c) Option 3 – National Funding Formula factor values.	0		0		<b>0</b>	
2. Schools with significant surplus balances	6	46	7	1	13	<b>47</b>
3. Do you agree that we should set the pupil Number Growth Fund for 2020/21 at £2,269,000	47	8	6	3	<b>53</b>	11
4. Which of the De-delegated budget proposals do you agree with (see Appendix 2)	See Appendix (2)					
5. Which of the Education Function budget proposals do you agree with (see Appendix 3)	See Appendix (3)					
6. Please indicate whether you agree with:						
a). MFG of +1.84% if modelling proves this achievable with the funding given.	50	7	9	0	<b>59</b>	7
b) If an MFG of up to -1.5% proves necessary, then gains are capped in order for the MFG to be cost neutral.	49	4	6	2	<b>55</b>	6
7. Do you agree for the authority to provide for the responsibilities it holds for all schools from the “Central School Services Block” funding. The provisional 2020/21 allocation is £1,984,600.	See Appendix (4)					

## De-delegated Budgets Consultation Responses

Ref	Name	Lead Officer	Primary		Secondary	
			Yes	No	Yes	No
1	Health & Safety Licences & Subscriptions	Group Head, Learning Improvement	49	4	3	0
2	Evolve Annual Licence	SRES/EVA Manager	52	1	3	0
3	Union Facilities Time	Group Head, Learning Improvement	40	14	1	2
4	School Improvement Services	Group Head, Learning Improvement	48	5	3	0
5	Schools in financial difficulty	Director of Education, Employment & Skills	38	15	2	1

**Education Functions Budgets Consultation Responses**

Ref	Name	Lead Officer	Maintained Schools	
			Yes	No
6	Education Benefits Team	Group Head – Education Support Services/Education Benefits and Transport Manager	<b>55</b>	3
7	Children’s Clothing Allowance Support	Group Head – Education Support Services/Education Benefits and Transport Manager	<b>50</b>	6
8	Safeguarding and Attendance	Attendance and Prosecution Service Manager	<b>54</b>	2

## Central Schools Services Block Budgets Consultation Responses

<b>Service</b>	<b>£m</b>	<b>Yes</b>	<b>No</b>
<b>Provisional Allocation 2020/21</b>	<b>1.984</b>		
<b>Expenditure Items:</b>			
Statutory & Regulatory, Education Welfare and Asset Management	1.301	<b>62</b>	2
Schools Forum	0.003	<b>62</b>	2
Admissions Service	0.453	<b>62</b>	2
Historical Commitment – Pensions Administration.	0.228	<b>57</b>	6
<b>Total Central Schools Services Block</b>	<b>1.985</b>		

**COMMENTS ON SCHOOL FUNDING 2020/21 CONSULTATION**

Q3. It would not be fair to apply for this to the 19/20 outturn as this was not known when schools set their budgets or indeed throughout the financial year up to now. One of the reasons XXXXXX has higher reserves is that we are trying to be prudent now to eradicate the large deficit (over £250,000) in 21/22. In the 19/20 budget we removed SEN allowances from LSP's, reduced each LSP's hours by 1 hour and made 2.6 LSP posts redundant. The original set budget had only 8.15% reserves. Since the start of September we have not replaced a further LSP post after a resignation, not replaced a LSA post after a resignation and not covered a further LSA maternity leave to reduce the deficit in 21/22. We are really feeling a tight squeeze in teaching and learning. What a travesty it would be if you now take some of the balances of such a prudent school. If this was known at the outset of the financial year or subsequently, we would have covered maternity leave or replaced one of the additional posts lost at least temporarily so as not to have over 10% reserves

Can't support any agreement to the second and third year option. The authority are obliged to consult annually anyway and it is impossible to know what will happen in the next few years especially within this political climate at present.

Q1 As a school in difficulty, none of the schools support the situation we are in therefore our response is based upon the lowers loss.

Q3 We do not agree in principal, with taking money off schools who have managed to retain a balance above 10% as there will, no doubt, be plans to use their money effectively in the future. However, as one of those "schools in difficulty" the possibility of accessing this hardship fund would possibly be our only option as we have already made all the possible cut backs in response to being "in difficulty" due to the low pupil numbers that resulted from the expansion of Ferndale in 2014.

Q4 What is the reason for the increase in H & S £28000 in comparison to 2019/20 £13000? Q7 It is possible for governors to view the monitoring of the Admissions Service?

Question 1 - We would reluctantly support option 1a in question 1 as the least worse of the options available. A standstill option should have been on offer. What we can't support is any agreement now to the second and third year of the option. The authority is obliged to consult every year on its funding formula so this isn't an option. Additionally, in the current political climate, it is impossible to know what will happen next week let alone in three years time. The government is significantly reducing the differential between primary and secondary sectors over the next two so the timing would be entirely wrong to move Sandwell in the opposite

direction. The government, Sandwell MBC and Sandwell secondary schools have given no educational rationale for an average ratio of 1:1.29. Something as significant as this should be based on detailed, considered evidence and not an arbitrary figure that happens to be the average chosen by very different councils around the country. Sandwell is not an average borough in terms of the starting point in education for its children, This was thoroughly discussed and evidence considered when setting the ratio twenty years ago. Since this decision the starting point for primary pupils has become even lower. Any decision should be based on evidence of the likely impact on the children of Sandwell not a national average

Whilst agreeing the 1:1.25 option we do not agree to the further changes in the second and third year for the following reasons: the LA is obliged to consult every year on it's funding formula and with current political climate it is impossible to judge what will happen with school funding in a years time let alone three. The governments agenda is to significantly reduce the differential between primary and secondary sectors over the next 2 years, it therefore seems inappropriate for Sandwell LA to move in the opposite direction where no clear educational rationale has been offered for an average ratio of 1:1.29 in year 3 and the impact this will have on the life's and education of Sandwell primary school children. Given that Sandwell struggles to meet national averages at end of EYFS it would seem logical that priority needs to be given to funding Sandwell children at early points in their education to benefit them the most.

Q1 The primary: secondary ration was never based on any educational rationale but was simply the average funding ratio as far back as five years ago. To move funding from the primary sector to the secondary sector would not recognise the additional expenditure burdens places on primary schools over the last five years. All schools, primary and secondary, have faced additional costs relating to NI and pensions increases. This has had a much more profound impact on primary schools because of the workforce distribution. Nationally, there are 221,100 primary teachers and 204,200 secondary teachers meaning a slightly greater burden on primary schools relating to NI and pension increases. Primary schools, however, employ nearly four times as many education support staff as secondary schools (176,000 compared to 47,800). For an average two form entry school in Sandwell this equates to over £20000 per year in additional costs. This amount is similar to the impact of moving money from the primary sector to the secondary sector to match national funding ratios. As the significant majority of Sandwell secondary schools are academies whereas a significant majority of primary schools are not, any movement of funding from the primary sector is potentially moving money out of Sandwell as MAT seek to assist schools in the wider area financially. We also think that, as this is an annual consultation, further consideration needs to be taken year on year about funding charges rather than making this decision now which will impact over the next couple of years.



Q3 The DfE does not recommend that schools should operate with a carry forward of up to 8% for primary schools and 5% for secondary schools and the legislative requirement to measure against 8% and 5% ease removed in 2011, stating at the time that individual schools were in the best position to know what suitable levels of reserves were. The balance control mechanism has existed in Sandwell since 2007 and was retained when the government removed the requirement to include a mechanism in fair funding schemes. In those twelve years Sandwell has never taken money off schools. The timing now, when viewed against cost pressures that schools are facing and taking into account the attached budget projection figures for schools would be extremely poor timing, The DfE and ESFA set out statutory guidance on schemes for financing local authority maintained schools (revised 5/2/19). The statutory guidance is explicit in its expectations in local authorities regarding school carry forward surpluses. It states "any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium term budgeting in a tighter financial climate". The budget consultation is ambiguous with regard to which financial year any balance deductions may be based on. It would be most unfair to schools that have been working towards balancing budgets over a three year period to then change the rules two thirds of the way through the current year.

Q6 a Yes. Schools have been promised at least 1.84% increase in funding b Yes. If gains aren't capped and MFG isn't cost neutral then long schools would be top sliced (along with gaining schools) to provide their own protection

Q1. Please note that we have chosen to vote in the interest of all schools by choosing this option and we would expect that the proposal will be followed in years 2 and 3 (as a minimum) to ensure progress is made towards NFF.

Q4 (7) School in Financial Difficulties - please provide details of how many schools have benefitted from this support in the last year and for what purpose.


Question 1 - We would reluctantly support option 1a in question 1 as the least worst of the options available. A standstill option should have been on offer. We can't agree to the second and third year of the option. The authority, via schools forum, is obliged to consult every year on its funding formula so this isn't an option. Additionally, in the current political climate, it is impossible to know what will happen next week let alone in three years time. Neither does option 2 present a default position for next year - unless this is made clear it is impossible to support this option. The government is significantly reducing the differential between primary and secondary sectors over the next two so the timing would be entirely wrong to move Sandwell in the opposite direction. The government, Sandwell MBC and Sandwell secondary schools have given no educational rationale for an average ratio of 1:1.29. Something as significant as this should be based on detailed, considered evidence and not an arbitrary figure that happens to be the average chosen by very different councils around the country. Sandwell is not an average borough in terms of the starting point in education for its children, This was thoroughly discussed and evidence considered when setting the ratio twenty years ago. Since this decision the starting point for primary pupils has become even lower, Any decision should be based on evidence of the likely impact on the children of Sandwell not a national average