

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Deputy Chief Executive - People
and Director of Finance and Resources

to
Education Board

on
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National Funding Formula Schools and High Needs Funding Reform

1 Purpose of Report

The Department for Education has recently announced the outcome of the consultations around the Schools National Funding Formula and the High Needs National Funding Formula. These consultations have an impact on mainstream schools, special schools, the PRU and Early Years provision.

2 Recommendation

2.1 Education Board is asked note the outcome of the funding consultations, namely;

For Mainstream Schools

- 2.1.1 The introduction of a de minimis per pupil allowance of £4,600 for secondary and £3,300 for primary pupils in 2018/19, rising to £4,800 and £3,500 respectively in 2019/20;
- 2.1.2 The introduction of a minimum increase in pupil based funding of 0.5% for 2018/19 and 2019/20;
- 2.1.3 The extension of the transition period from a “soft” implementation to a “hard” implementation to 2019/20

For High Needs

- 2.1.4 Confirmation of the increase to total funding for 2018/19 and beyond;

For Central Services

- 2.1.5 The modest loss of resources;

- 2.2 That subject to confirmation of proposed funding levels by the DfE for 2018/19, that Education Board is minded that;
- 2.2.1 the National Funding Formula be implemented in full from 2018/19 (Hard Implementation) for the schools block, subject to de-delegation arrangements for the remaining maintained schools;
- 2.2.2 £500,000 be transferred from Schools Block (growth funding) to Early Years Block in 2018/19, to fund work to sustain the quality and sufficiency of Early Years Providers;
- 2.3 That work is undertaken to create headroom within the Early Years block to fund Early Years quality and sufficiency activity in future years;
- 2.4 That strong representations be made to the DfE for increased funding for Early Years.

3 Background

- 3.1 Two consultations were launched by the Department for Education (DfE) on 14 December 2016, one on a schools national funding formula and one on high needs national funding formula and other reforms. Both consultations closed 22 March 2017.
- 3.2 The DfE released the results of the consultation 14 September 2017, confirming the funding arrangements to be introduced 1 April 2018. Appendix 1 shows the outcome of the National Funding Formula (NFF) for Southend-on-Sea at a summary level.

4 The Outcome

National Funding Formula for Schools

- 4.1 As expected the DfE have confirmed the proposals for a single NFF that will be used to calculate all school's budgets. This is similar in structure to the current formula and will be based on:
- A basic level of per pupil funding,
 - Additional needs funding for deprivation, low prior attainment, EAL and mobility,
 - School led funding, with a lump sum, sparsity, premises costs and a growth funding mechanism,
 - Geographic funding through an area cost adjustment.
- 4.2 Following strong representations made during the consultation, the DfE have also made changes to its original proposals, namely:
- A de minimis total pupil led funding allowance of £4,600 for secondary and £3,300 for primary pupils in 2018/19, rising to £4,800 and £3,500 respectively in 2019/20; and

- A guaranteed 0.5% increase in pupil led funding from 2017/18 levels for both 2018/19 and 2019/20.
- 4.3 Although the total quantum of funding will be set in accordance with the NFF, there is the option to have a “soft” implementation in 2018/19 and 2019/20, where the resources are distributed to individual schools under a locally agreed formula. This option will cease in 2020/21 when DfE will fund schools directly at NFF levels. Under a “soft” implementation therefore Education Board have the ability to use the total resources calculated by the DfE and:
- Allocate it to individual schools in line with the DfE calculations for 2018/19;
 - Reallocate in accordance with the existing Southend local formula, accepting that the transition to the “hard” formula probably in 2020/21 will then be that much steeper;
 - Accelerate the transition to the final DfE view of de minimis funding
- 4.4 Attached at appendix 2 is the DfE’s illustrative funding at the individual school level. At the time of writing this report, DfE have still not made the detail of their calculations available to fully analyse how the formula is working for individual schools. These proposals are complex and will need some considerable analysis to fully understand the implications for Southend-on-Sea. **Overall illustrative figures show an increase in funding of 1.42%** by 2019/20. Although better than anticipated when the DfE published their proposals in December 2016, this modest increase must be taken in the context of existing financial challenges for schools, and future pressures from inflationary increases in expenditure.
- 4.5 40 of the 46 mainstream schools only get the minimum increase in pupil based funding of 1% by 2019/20. 6 schools appear to have benefited from the de minimis pupil funding rates, with an average increase of 3.65% by 2019/20. The illustrative allocations are based on the October 2016 census and are therefore subject to change. The allocations also exclude pupil premium.
- 4.6 As a rough guide to Education Board, if the additional resources were distributed in line with the existing local formula, the average gain for a primary school over and above that allocated through the NFF would be in the region of £4,000. The average loss for a secondary school would be in the region of £13,000, although clearly those getting more than the baseline increase of 0.5% have much more to lose. If Education Board were minded to retain a local formula for 2018/19, much more modelling would need to be undertaken to confirm the effects.
- 4.7 In addition to the illustrative allocations for individual schools, the Southend system appears to have retained funding for growth at the same level as provided for in the 2017/18 budget. The mechanism for its distribution is not yet readily apparent. The DfE have also supplemented this growth pot with the value of the schools block transfer to early years agreed by Education Board each year. The consultation outcome refers to a continuing review of the funding for growth, implying that for 2019/20 and beyond the amount of money available will change.

- 4.8 As demonstrated in appendix 1, the value of the Schools Block has been retained in Southend, with a modest overall increase of 0.85% in 2018/19, rising to 1.40% the following year.
- 4.9 As every mainstream school now gains under the DfE proposals, there is no ready justification to have a local transition to the NFF. It would instead seem appropriate to adopt the NFF from 2018/19, and it is recommended that the Education Board should be minded to do so. Usual de-delegation arrangements for maintained schools will continue at their current low level.
- 4.10 Given that the resources currently transferred to Early Years has been retained for now within the Schools Block, it is also suggested that Educational Board agree to transfer £500,000 between the blocks in 2018/19 as it traditionally has at this level since 2013/14. However given that the future of the value of the resource is uncertain, it is additionally recommended that work be undertaken to build capacity within the Early Years block to fund early years quality and sufficiency activity in future years, including the making of strong representation to the DfE for increased funding for Early Years to enable this to happen. The aim should be that each of the four blocks within the overall Dedicated Schools Grant are sustainable contained within their own allocations.
- 4.11 Education Board of course have the option not to transfer monies across to Early Years, or to transfer a lesser amount, and instead allocate the resource to schools. This course of action is not recommended however due to the immediate destabilising impact this will have on Early Years and the limited short term gain for schools as the resource is likely to be lost in 2019/20 in any event.

High Needs

- 4.12 Proposals for High Needs Funding are different in that there is no proposal for direct funding of special schools or the PRU through a national formula but instead for Local Authorities to be funded on a formula basis that would replace the current historic allocations.
- 4.13 This formula will be based on the following:
- Population 2 to 18
 - Deprivation factors
 - Low attainment factors
 - Health and disability factors
 - Area cost adjustments
 - A factor to reflect the current level of the High Needs Block in each Local Authority.
- 4.14 The new formula will take effect in 2018/19, but there will be transitional arrangements in place so no authority loses any funding. Southend-on-Sea gains under the NFF proposals, but the transitional arrangements will slow down the pace of change and so the gain will take several years to be realised. We expect to gain by approximately 10.1%, worth about £1.775 million, once the proposals have been fully implemented. However, this will be phased over

several years; we expect to gain by £0.549 million in 2018/19. The DfE has not put a timeframe by which Southend will be fully funded under the High Needs NFF.

- 4.15 This is positive news for High Needs where demand and costs have continued to grow. However it is unlikely to solve the immediate funding crisis and therefore the work to bring High Needs expenditure back to within the available resources will have to continue apace.

Central Services

- 4.16 The consultation outcome confirmed the creation of a Central Services block, giving the resources directly to the Local Authority to provide central services, rather than having to seek agreement to top-slice resources from the schools block each year. The amount of funding indicated for 2018/19 will see a small £5,000 cut in the resources available.

5 Appendices

NFF Report – Appendices October 2017