



Northumberland County Council

CABINET

Date: 19 January 2017

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## **Impact of the Proposed National Funding Formula on School Budgets**

Report of the Deputy Chief Executive and Executive Director for Wellbeing and Community Services, Daljit Lally

Cabinet Member for Children's Services: Councillor Robert Arkless

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### **Purpose of the report.**

To inform members that the second stage of the consultation on the new National Funding Formula (NFF) for schools was launched on 14 December 2016 and will close on 22 March 2017.

The consultation seeks views on the design of the new NFF for schools and for the newly introduced central services block for local authorities (LA) which will eventually replace the Educational Services Grant (ESG). This consultation builds on the first stage of the consultation launched in March 2016. There is a separate second stage consultation seeking views on proposals for a NFF for the High Needs block which funds provision for children with special educational needs. A further paper will be presented to Cabinet to outline the High Needs funding situation after the next meeting of the schools forum, the spend on the High Needs Block for this academic year has exceeded the income received. Plans have been put to the schools forum to recoup this over-spend in 2017/18.

This report compares the current system of locally determined school budgets with the proposals for the new NFF. It identifies the schools that will be significant 'winners or losers' under the new NFF proposals compared to the budget shares schools received in 2016/17.

### **Recommendations**

**It is recommended that Cabinet**

- 1. Note the information contained within the report and delegate the responsibility for replying to the second stage consultations to the Director of Children's Services.**
- 2. Note a further paper will be presented to Cabinet outlining the impact of the proposed national funding formula on high needs learners and the plans to address the overspend in the 2016/17 high needs block.**

## **Link to Corporate Plan**

This report is relevant to the Health and Well Being and Economic Growth priority included in the NCC Corporate Plan 2013/2017

## **Key issues – Introduction of a National Funding Formula (NFF) for Schools from April 2018**

Currently each LA receives an allocation of funds via the Dedicated Schools Grant (DSG) from central government to fund community schools. Academies are funded directly from the department for education. The figures quoted below include both school and academy funding.

The DSG is split into three blocks:

- The Schools Block
- The High Needs Block
- The Early Years Block

This paper deals with the Schools block.

The Local authority can, with the agreement of the schools forum (a representative body of schools), determine significant aspects of the way the funding is used and produce a locally agreed formula that is used to fund schools across Northumberland. For many years the Local Authority and schools forum have been able to agree strategic principles to the allocation of DSG school funding that link to the NCC corporate plan. For example, the LA has been determined to preserve small rural schools and to achieve this has distributed the DSG funding in a way that benefits these schools and protects them against financial insecurity.

Elements of the funding have been de-delegated to ensure that a universal offer of support is provided to schools, for example, including behaviour support, administration of free school meal eligibility, education as an additional language and trade union facility time support.

In future with the introduction of an NFF it looks unlikely that a local strategic approach will be possible and therefore schools may become more financially vulnerable. All non-statutory education services will have to be reconsidered given the removal of the ESG and charged to schools via additional service level agreements or subsidised through council revenue funding.

Although the NFF is designed to introduce a fairer approach nationally to school funding it has unintended consequences for many schools in Northumberland. The proposed NFF is predicated on the principle that an average Primary school will have around 220 pupils and an average Secondary school will have around 960 pupils. Clearly this is not the case in Northumberland and the introduction of an NFF based upon much larger numbers on roll will remove flexibility from the system and for small schools amounts to very small sums..

Some additional funding is available to schools including the Pupil premium (PP), targeted at the most vulnerable and therefore the more pupils a school has that are entitled to pupil premium, the more funding it will receive. However once again this

presumes a larger school population. A 'sparsity' factor has been included in the NFF but this amounts to a very small proportion of overall funding and will not allow many schools to balance their budgets.

In addition, there is a cost of living factor ("the area cost adjustment factor") built into the NFF. Therefore, for example a Primary school in London has a weighting that ensures that per pupil it will receive significantly more funding than a similar school in Northumberland. This perpetuates the under-funding of schools in Northumberland. So for example an average primary school pupil in Hackney gets a Schools Block Unit of Funding (SBUF) of £6,847.43 whereas a similar pupil in Northumberland gets £4,547.62.

Previously the education support grant (£3.2million) has been provided to the LA to fund central teams so that they can fulfil their statutory duties. This grant will be removed in September 2017 and an amount equating to approximately 20% of the value has been built into the DSG for 2017/18 and will be replicated going forward.

Shown below is the total amount of schools block funding allocated or proposed to be allocated to schools and academies 2016 – 2019.

<b>Year</b>	<b>Formula Funding to Schools/Academies</b>
2016/17	£173,592,200
Proposed 2017/18	£173,964,139
Proposed NFF 2018/19	£174,614,000

Although the proposed NFF for 2018/19 represents an increase of 0.58% compared to the 2016/17, given the additional costs that schools/academies will need to build into their 2017/18 budgets the change will pose significant financial challenges to a large number of schools, even those that on the face of it will receive small increases. So for example the additional costs to schools over the same period include:

- Pay award –1% Teaching £ 365k
  - Pay award –1% Support Staff £ 349k
  - Pension contributions - 2.7% £ 798k
  - The Apprenticeship Levy (new from April 2017) £ 350k
- £1,862k

So this increase equates to an increased demand on school funds of around 0.4% overall, however this is not spread evenly across all schools. The government have made it clear that the NFF is about a re-distribution of the grant, not an increase in the size of the grant until at least 2020.

In addition to the above no account of basic inflationary pressure has been taken into account and there are implications for individual schools and academies given their already precarious financial position.

There are 32 schools/academies in total who would receive a lower budget share under the new proposals compared to the budget share they received in 2016/17 (the 20 schools/academies with the greatest loss/gain are listed below:

The Education Funding Agency allocated the level of funding to Northumberland for the High Needs Block shown below:

### 2016-2017

£30,615,298 initial allowance.

£27,394,378 actual High Needs Block after EFA deductions for directly funded academies, colleges and independent schools.

### 2017-2018

£32,229,468 initial allowance.

£28,993,378 actual High Needs Block after EFA deductions for directly funded academies, colleges and independent schools.

### 2018-2019

DfE / EFA have stated funding will be no lower than the previous year but it is not known whether Northumberland will benefit from additional funding redistributed from higher-funded local authorities.

## **Top Twenty Schools/Academies Losers under the NFF schools block**

<b>School Name</b>	<b>Amount of Loss</b>
The King Edward VI Academy	-£91,000
Ponteland Community High School	-£64,000
Queen Elizabeth High School	-£44,000
Astley Community High School	-£33,000
Prudhoe Community High School	-£28,000
Morpeth Road Primary Academy	-£27,000
Newsham Primary School	-£27,000
Berwick Academy	-£24,000
Corbridge Middle School	-£22,000
Seaton Sluice Middle School	-£20,000
The Duchess's Community High School	-£15,000
St Peter's Catholic Academy	-£10,000
Choppington Primary School	-£10,000
Central Primary School	-£9,000
Croftway Primary Academy	-£8,000
Belford First School	-£8,000
Dr Thomlinson Church of England Middle School	-£7,000

St Benedict's Roman Catholic Voluntary Aided Middle School	-£7,000
Ovingham Middle School	-£7,000
Cambois Primary School	-£7,000

### Top Twenty Schools/Academies Gaining under the NFF schools block

School Name	Amount of Gain
Cramlington Learning Village	£131,000
The Blyth Academy	£91,000
Ashington High School	£70,000
Bede Academy	£70,000
Bedlingtonshire Community High School	£59,000
Bothal Primary School	£54,000
St Benet Biscop Catholic Academy	£48,000
Darras Hall First School*	£47,000
Bellingham Middle School and Sports College	£47,000
Haltwhistle Community Campus Upper School	£44,000
Tweedmouth Prior Park First School	£42,000
Alnwick Lindisfarne Middle School	£42,000
St Paul's RC Voluntary Aided Middle School	£39,000
Hareside Primary School	£38,000
Morpeth First School	£35,000
Seaton Delaval First School	£35,000
Northumberland CofE Academy	£34,000
Greenhead Church of England Primary School	£31,000
St Aidan's Roman Catholic Voluntary Aided First School	£29,000
Thropton Village First School	£29,000

- 15 First/Primary schools - losing amounts ranging from £1,000 to £27,000.
- 7 Middle schools - losing amounts ranging from £3,000 to £22,000.
- 5 High Schools – losing amounts ranging from £4,000 to £64,000.
- 5 Academies - losing amounts ranging from £5,000 to £91,000.

The remaining Northumberland schools/academies budgets are either not significantly affected by the NFF or gain marginally from the proposals compared to the budget share they received in 2016/17. A minimum funding guarantee will still apply to the NFF proposed changes until 2020.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy:</b>	Changes to the formula funding regime for schools from 2018/19 due to implementation of the NFF.
<b>Finance and value for money:</b>	Changes to the formula funding of individual schools due to implementation of the NFF.
<b>Legal:</b>	Potential reduction in statutory duties as funding decreases
<b>Procurement:</b>	None
<b>Human Resources:</b>	It is likely that these changes will have an impact on staffing levels in schools and the local authority.
<b>Property:</b>	As more schools become academies, the school estate will shrink
<b>Equalities:</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	The changes proposed in this report may have significant impact on children in schools due to a reduction in funding. An equality impact assessment will be written when the NFF is finalised
<b>Risk Assessment:</b>	A risk assessment will be needed when the NFF is finalised.
<b>Crime &amp; Disorder:</b>	This report has considered Section 17 (CDA) and the duty it imposes and there are no implications
<b>Customer Considerations:</b>	Schools, parents and children will be significantly impacted by these changes.
<b>Carbon Reduction:</b>	None
<b>Wards:</b>	All

## CONSULTATION

N/A

## BACKGROUND PAPERS

N/A

**Report sign off.**

Finance Officer	JB
Monitoring Officer/Legal	N/A
Human Resources	KA
Procurement	N/A
I.T.	NA
Deputy Chief Executive/Executive Director	DL
Portfolio Holder(s)	RA

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