

SCHOOLS' FORUM

Funding Update

29 September 2016

1. Recommendation

- 1.1 That the Schools Forum members read the information included in this report in respect of the latest update from the Department for Education (DfE) regarding the National Funding Formula (NFF), rural schools, Pupil Premium and Historic Commitments and table any questions related to the report prior to the meeting.
- 1.2 Note that a consultation on an Early Years National Funding Formula was announced on 11 August 2016 and will be the subject of a separate report.
- 1.3 That the Schools Forum approves the proposal for the Formula Funding Committee Subgroup to start work on the funding formula for 2017/18, in order to identify a strategy and priorities to assist the LA in taking decisions.

2. National Funding Formula

- 2.1 The first stage of the consultation on the National Funding Formula (NFF) was published in March 2016. It highlighted the proposed structure for Schools Block and High Needs Block allocations from 2017/18. The consultation closed on 17 April 2016. The consultation proposed the calculation of school-level allocations using the NFF, aggregated up to local authority (LA) level with the addition of funding for premises-related factors and pupil number growth based on historic allocations, and proposed improvements to the way in which High Needs funding is distributed effective from April 2017. This would be for a period of 2 years then schools budgets would be calculated by the Education Funding Agency (EFA) using the NFF and LA's would be required to transfer the funds to the schools.
- 2.2 The new Secretary of State for Education, Justine Greening, has now confirmed that she will publish the government's full response to the first stage of the Schools and High Needs consultations and set out the proposals for the second stage of the consultation once Parliament returns in the autumn. A full consultation will be carried out with final decisions being made early in the new year. Given the importance of consulting widely and fully with the sector and getting implementation right, the new system will apply from 2018 to 2019
- 2.3 Justine Greening, announced on 21 July 2016 that the government was firmly committed to introducing fairer funding for schools, high needs and

early years. She said “This is an important reform which will fairly and transparently allocate funding on the basis of schools’ and children’s actual needs, rather than on historic levels of funding tied to out of date local information. Along with record levels of funding for schools announced at the spending review, and our commitment to the pupil premium for pupils from disadvantaged backgrounds, a fairer funding system will set a common foundation that will enable schools - no longer held back by a funding system that is arbitrary, out of date and unfair - to maximise the potential of every child.”

- 2.4 For 2017 to 2018, the government has confirmed that no local authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect local authorities’ most recent spending patterns) on the schools block of the dedicated schools grant (DSG) (per pupil funding) or the high needs block (cash amount).
- 2.5 Final allocations for schools and high needs blocks will be announced by DfE in December 2016 on the basis of pupil numbers recorded in the October census.
- 2.6 The current minimum funding guarantee (MFG) for schools will be retained so that no school can face a funding reduction of more than 1.5% per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year-on-year changes.
- 2.7 To ensure that local authorities and schools can start planning budgets for next year with certainty, proposals made in the first stage of the national funding formula consultation to create a new central schools block, allow local flexibility on the minimum funding guarantee and to ring-fence the schools block within the dedicated schools grant will not be implemented for 2017 to 2018. The Department for Education strongly encourages local authorities to consult their schools and agree any proposal to move funding between blocks with their schools forum. Any movement between blocks should comply with requirements on the MFG and have the agreement of schools forum or the Secretary of State on any increase in centrally held budgets where such approval is required under the regulations. This will be crucial in Northumberland where it is apparent that there is a danger of significant overspend in the High Needs Block.
- 2.8 In preparation for the introduction of a NFF. The government carried out an exercise with local authorities to ‘re-baseline’ the blocks of the DSG for each local authority to make sure that the starting point matched the pattern of planned spending by local authorities nationally and was within their annual DSG allocation, rather than how use principles that have been used by central government to allocated funding since 2013. The new 2016 to 2017

baselines have been used to calculate allocations for the schools block and high needs block in 2017 to 2018.

- 2.9 The schools block baseline for 2017 to 2018 will reflect the amounts local authorities nationally put in their baselines for both the schools block and central schools block as part of the baseline exercise. It will also include funding for Education Services Grant (ESG) retained duties which has been transferred into the School Block.
- 2.10 The Income Deprivation Affecting Children Index (IDACI) dataset is updated every five years by the Department for Communities and Local Government. The most recent update to the dataset, which took effect in local authorities' 2016 to 2017 schools block dataset in December 2015, showed a markedly different distribution to the previous 2010 dataset. The 2015 data update created unexpected and unhelpful turbulence in budgets, towards the latter stages of the local formula-setting process.
- 2.11 The government recognised the concerns raised by local authorities and views expressed through the first stage national funding formula consultation, and have decided to update the IDACI banding methodology to return the IDACI bands return to a roughly similar size (in terms of the proportion of pupils in each band) as in 2015 to 2016. The revised bands are named "A" to "G"; with the most deprived neighbourhoods being captured by band "A" (previously bands 6 and 5). For future data updates, the government will set out plans for managing the change in data by adjusting the band boundaries more promptly.

3. Rural Schools

- 3.1 Whilst we need to wait for the government to publish its response to the first consultation, together with proposals for the second stage of the consultation, there are serious concerns that one impact of the funding reforms could be even more financial pressure being placed upon small rural schools which could result in a significant impact on the ability of schools to provide a good quality of education, potentially forcing closure or merger and impacting upon local communities. Northumberland would be significantly affected by this particularly in our extensive rural areas with low population and falling rolls.
- 3.2 A national formula, which did have a very significant 'small schools factor' could never accurately reflect the differing characteristics of a local area. The government define a small schools as one with less than 210 children on roll. Removing the power of local authorities to set a local formula removes the chance for any local measure to preserve small schools. Currently this is partially achieved by the use of the lump sum of funding small schools

receive as part of the local funding arrangements and the way in which the authority funds support services for the benefit of all.

- 3.3 The first stage of the consultation proposed that the sparsity factor should be retained in the NFF. The government view is that this would enable local authorities to support small schools who could struggle to work in partnership with other schools due to geographical difficulties. However we have great concern about how the factor is determined and how much additional funding this would result in small schools being allocated. Currently the sparsity factor is a relatively minor element of rural school funding and unless it were increased by a very significant amount it would have little or no impact on the under-lying challenges tiny rural schools face. The consultation refers to the distance that pupils would have to travel to their next nearest school, however, the factor does not measure the actual distance that pupils would have to travel but measures the distance 'as the crow flies'.
- 3.4 In Northumberland we have 60 schools with fewer than 100 pupils. On average the lump sum forms 37% of their formula funding. For many it is a life-line to survival financially, if a NFF was to reduce it, then the consequences would risk the long term survival of schools as separate entities.
- 3.5 Under a new NFF the local authority would still be responsible for Home to School transport and therefore there are very real concerns that rural school closures could result in an increase in school transportation costs if pupils have to travel further afield. There are already very significant pressures on this budget with a significant over-spend predicted (see separate paper).

4. Historic Commitments

- 4.1 The first consultation proposed the establishment of a central schools block which would contain centrally retained Dedicated Schools Grant (DSG) and the retained element of the Education Services Grant (ESG). Centrally held DSG is also used to fund a number of historic commitments where the commitment was entered into before April 2013.
- 4.2 As part of the re-baseline of the DSG exercise local authorities were asked to submit evidence to support their historic commitments. Government would review the evidence and only fund those who were entered into prior to April 2013 and, where there is an ongoing cost that is consistent with current principles.

4.3 We submitted evidence for the following historic commitments at the end of May 2016:

- Contribution to Combined budgets £504,830
(amounts approved previously by Schools Forum to support young people with residential packages and short break respite care for disabled children)
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- Termination of Employment costs £550,000
- Prudential Borrowing costs £755,000
(costs of financing the borrowing required to rebuild Atkinson House and Hexham Priory special schools)
- Exceptions agreed by the Secretary of State £ 27,570
for example boarding costs at Ridley Hall, Haydon Bridge

4.4 We were asked for further detail behind these costs and we submitted additional evidence at the beginning of July 2016 and are awaiting a decision on our historic commitments.