

**REPORT TO:** Executive Board

**DATE:** 16 November 2017

**REPORTING OFFICER:** Strategic Director, People

**SUBJECT:** The national funding formula for schools and high needs

**WARDS:** Borough wide

## **1.0 PURPOSE OF THE REPORT**

This report will outline the DfE proposals for the introduction of a national funding formula (NFF) and high needs funding from 2018/2019. It will summarise the outcomes of consultation with schools on the funding options for 2018/2019 and 2019/2020. The Board will be asked to consider the proposed options, the response to the consultation and the views of School Forum and agree the most appropriate option for funding Halton schools during the NFF transitional period.

## **2.0 RECOMMENDATION: That the Board**

- 1) approve an interim funding formula for 2018/2019 and 2019/2020 to allow the retention of the primary lump sum at 2017/2018 levels to support small schools within the Authority; and**
- 2) note the decision to transfer of 0.5% from the Schools Block to High Needs Block.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 In July 2017 the Secretary of State confirmed the introduction of the national funding formula and announced that the per-pupil funding would be increased by 0.5% and that a minimum per-pupil funding level would be introduced, to be set at £3,300 for primary pupils in 2018-19 and £4,600 for secondary pupils. There is to be a further 0.5% per pupil increase for 2019-20 while the minimum per pupil funding level would be increased to £3,500 for primary pupils and £4,800 for secondary pupils. The Minimum Funding Guarantee can still be used if required although local authorities in consultation with School Forum have the flexibility of setting it at between 0% and -1.5%.
- 3.2 Local Authorities were advised that the minimum funding rates would be used by the DfE to determine the total allocation of funding to each local authority. However, as the full “hard” implementation of the national funding formula will not take place until 2020, each local authority area, following consultation with its schools and School

Forum, must consider which formula to use to fund schools in 2018/2019 and 2019/2020.

- 3.3 On 11<sup>th</sup> October 2017 a report highlighting the key changes to the funding of schools was presented to the Schools Forum. Following the release of indicative budgets from the DfE, a consultation paper was sent out to each school in the borough (see Appendix A). A short presentation on the funding options and the key changes was delivered to both the primary and secondary headteachers.
- 3.4 The consultation set out for schools three options for their consideration
- (1) Retain the current funding formula used in 2017/2018 uplifting for the additional funding;
  - (2) Implement the national funding formula but using transitional protection (there is insufficient funding at this stage to implement the full NFF)
  - (3) Devise an interim funding formula to ease the transition, this could lower the reductions some schools would face but would also cap the increases for those schools who would gain from the NFF.
- 3.5 Other key changes to funding the schools block included:
- The freedom to use both the Free School Meals indicator and the Free School Meals Ever 6 and the Income Deprivation Affecting Children Index as a deprivation funding factor.
  - The deletion of the Looked after Children funding factor (in the interim Local Authority could choose to retain if they used their current or an interim formula)
  - Pupils in Resource Bases funded from Schools Block in the same way all other pupils are, with an additional £6,000 element 2 funding plus top up funded from the High Needs block. Vacant places would continue to be funded at £10,000.
  - A lump sum of £110,000 for primary and secondary schools. Currently in Halton there is a lump sum of £128,274.30 for primary and £149,064.30 per secondary school.
- 3.6 The majority of responses received were from primary schools and they expressed a preference to move to the National Funding Formula with transitional protection. However, it was commented that although the smaller schools supported this view they would also like to see some additional protection and certainly that the lump sum factor be retained a primary at its current formula rate. Schools also said that they supported the proposal that School Forum make a decision on the appropriate level for the Minimum Funding Guarantee at their January meeting.

- 3.7 On 1<sup>st</sup> November 2017 Derek Twigg, MP, Ann McIntyre, Operational Director, Education, Inclusion and Provision, Pam Wright Chief Executive Officer of Wade Deacon Trust and Carolyn Roberts Principal of Daresbury Primary met with Nick Gibb, Schools Minister to share with him our concerns about the proposed funding formula. We identified the impact the reductions in the Key Stage 3 and 4 funding levels would have on secondary schools and the impact the reduced lump sum would have on the smaller schools. Unfortunately the Minister confirmed that the funding would implement as proposed.
- 3.8 However, it is proposed that during the two year transitional phase that in line with the views of the majority of schools Halton move to an interim funding formula so that the primary lump sum can be retained but in all other factors try to follow the principles of the transitional national funding formula. Worked examples of the impact of moving to the interim funding formula and the transitional funding formula will be presented to Executive Board prior to the meeting.
- 3.9 From April 2018 the Dedicated Schools Grant will be split into four blocks, Schools Block, Central Schools Services Block, High Needs Block and Early Years Block. The Schools Block supports mainstream primary, secondary and academies from reception to year 11. The Central Schools Services Block mainly supports the statutory functions carried out centrally on behalf of the schools and academies. The High Needs Block supports provision and central services for children with Special Educational Needs and Disabilities aged 0-25. The Early Years Block supports provision and central services for children aged 2 to 4 years.
- 3.10 In previous years Local Authorities have had the flexibility to move funding between the different funding blocks. From April 2018 this will no longer be possible. The Schools Block will be ring-fenced. Local Authorities will be allowed to transfer up to 0.5% of the Schools Block allocation to High Needs to ease the budget pressures on High Needs if this is approved following consultation with schools and academies and the approval of School Forum.
- 3.11 Each School received a consultation paper setting out Halton's previous financial commitments for High Needs against the key budget headings and its current commitments. It identified the estimated budget shortfall and sought permission to transfer 0.5%. It also highlighted that even with this transfer we would have to reduce our expenditure on High Needs as this was estimated to be at least another £1.25 million overspent allowing for the transfer. A copy of the consultation is attached at Appendix B.
- 3.12 The majority of schools who responded to the consultation agreed to the transfer of 0.5% from the Schools Block. On the basis of the indicative

budget this would be equate to a reduction per pupil of £23.33 (please note this figure is likely to change based on the final budget and the October 2017 census data.

- 3.13 A review of High Needs commitments is now underway to identify options for reductions in the High Needs budget from 2018/2019.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The majority of schools will see an increase in their budgets in 2018/2019 and 2019/2020. However for some secondary schools and some of the smaller primary schools this increase will not cover their current cost pressures. Secondary schools will need to review both staffing and non-staffing costs to try and identify efficiencies to ensure they can deliver a balanced budget.

#### **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

##### **5.1 Children & Young People in Halton**

It is essential the funding allocated to schools ensure that they are sustainable and have the resources to invest in improving outcomes for all Halton children and young people.

##### **5.2 Employment, Learning & Skills in Halton**

None.

##### **5.3 A Healthy Halton**

None.

##### **5.4 A Safer Halton**

None.

##### **5.5 Halton's Urban Renewal**

None.

#### **6.0 RISK ANALYSIS**

- 6.1 Implementation of the national funding formula will have an impact on our small schools. This issue has been raised with the Schools Minister. Although no changes were agreed at this meeting DfE Officials confirmed a review of sparsity funding would be undertaken. In the meantime the Board is asked to approve an interim funding formula solution.

- 6.2 Despite the guaranteed per pupil increase and minimum funding level per pupil amount, secondary schools will see a real terms reduction in their funding. Halton traditionally funded a pupil teacher ratio at secondary above the national average the national funding formula will deliver a national average rate. Schools report that they are already facing financial difficulties and seeing an increase in pupils with challenging behaviour, increases in persistent absence, fixed term and permanent exclusions. Their concern is that without sufficient funds there will be a direct impact on pupils' educational outcomes.
- 6.3 A Protocol for supporting schools with pupils with challenging behaviour has been developed and will be rolled out to all schools in November and over the next few months a new Behaviour Service will be established.
- 6.4 The DfE has also published a Schools' Buying Strategy (January 2017) to support schools to get the best value from their non-staff expenditure. It will also be providing information to support schools on the most effective deployment of staff and implementing flexible working. In addition, schools are advised to utilise the benchmarking tools available.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 The aim of the introduction of the national funding formula to create a system that supports opportunity, is fair, efficient, delivers funding straight to schools, transparent, simple and predictable.
- 7.2 The level of funding allocated to small primary schools is a concern as a small number of schools may struggle to remain sustainable with the introduction of the NFF.

## **8.00 REASON FOR DECISION**

- 8.1 To ensure that there is a fair distribution of resources across the schools in the borough.

## **9.0 ALTERNATIVE OPTIONS**

- 9.1 Consideration was given to either retaining the existing funding formula with uplift for the increase, however, this was not an option supported by the schools. Implementation of the transitional NFF was considered but this would have an impact on the smaller schools.

## **10.0 IMPLEMENTATION DATE**

- 10.1 1<sup>st</sup> April 2018.

**11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
The national funding formula for schools and high needs (Policy document) September 2017	DFE website	Ann McIntyre – Operational Director – Ann McIntyre – Operational Director- Education, Inclusion and Provision & Operational Director - Resources
Indicative Schools Budgets – EFA – October 2017	Ann McIntyre	Ann McIntyre – Operational Director – Education Inclusion and Provision & Operational Director Resources
Schools Block National Funding Formula – Technical note (September 2017) Central School Services Block National Funding Formula - Technical note - (September 2017) High Needs Funding Formula – Technical note (September 2017)  School Revenue Funding 2018/2019 – Operational Guide – 2018/2019	DFE Website	Ann McIntyre – Operational Director – Education, Inclusion and Provision & Operational Director Resources
School Forum agenda, papers and minutes	HBC website	Ann McIntyre – Operational Director – Education Inclusion and Provision & Operational Director Resources