

Decision Report – Cabinet decision

– 13 December 2017

Implementation of the National Funding Formula for Schools and High Needs

Cabinet Member(s): Cllr Frances Nicholson - Cabinet Member for Children and Families and Cllr David Hall - Cabinet Member for Resources and Economic Development

Division and Local Member(s): All

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	Seen by:	Name	Date
	County Solicitor	Honor Clarke	1/12/17
	Monitoring Officer	Julian Gale	29/11/17
	Corporate Finance	Kevin Nacey	1/12/17
	Human Resources	Chris Squire	29/11/17
	Property / Procurement / ICT	N/A	
	Senior Manager	Julian Wooster	1/12/17
	Local Member(s)	All	
	Cabinet Member	Cllr Frances Nicholson	1/12/17
	Opposition Spokesperson	Cllr Jane Lock	1/12/17
	Relevant Scrutiny Chairman	Cllr Leigh Redman	1/12/17
Forward Plan Reference:	FP/17/11/07		
Summary:	This paper summarises the approach being recommended to Cabinet by Somerset Schools Forum in relation to the National Funding Formula (NFF) for Schools and High Needs for 2018/19.		
Recommendations:	That Cabinet approves the following: 1. The approach recommended by Somerset Schools Forum on 21 November 2017 in relation to funding for Schools and High Needs for 2018/19, the final values of which will require approval by Cabinet on 17 January once values are published by the Education and Skills Funding Agency (ESFA) in December 2017.		

	<p>2. Application to the Department for Education (DfE) to disapply the Minimum Funding Guarantee calculation for Pupil Referral Units in 2018/19 (see paragraph 1.16)</p>
<p>Reasons for Recommendations:</p>	<p>This decision is required to enable the local authority to arrive at Schools and High Needs funding allocations for 2018/19, as recommended by Somerset Schools Forum and in adherence to Schools and Early Years Financial Regulations.</p>
<p>Links to Priorities and Impact on Service Plans:</p>	<p>County Plan:</p> <ul style="list-style-type: none"> • Improving education – We will aim to have better school results for all children across all key stages and in particular at GCSE and A-Level with a particular focus on disadvantaged children. • Opportunities for young people – We will campaign for fairer funding for our schools to increase numbers of children and young people in education, employment or training.
<p>Consultations and co-production undertaken:</p>	<p>The Somerset Schools Forum and its Technical Working group met in September to discuss the implications outlined in the NFF Policy documents, and agreed to consult with Somerset maintained schools and academies on proposed local changes to schools funding.</p> <p>A consultation briefing and questionnaire was published and in support of the consultation, four evening roadshows were held across the county to help inform the process. The consultation ran from 31 October to 17 November 2017.</p> <p>The four questions which formed the core of the consultation process were as follows:</p> <ol style="list-style-type: none"> 1. Do you agree that individual school budgets should be calculated using the Department for Education (DfE) factors and values set out in the National Funding Formula Guidance for 2018/19? 2. Do you wish to submit an application for exceptional premises related circumstances where there is significant additional cost, greater than 1% of the school budget? 3. Maintained schools were given the option to de-delegate the following services back to the local authority to manage on behalf of maintained schools:- <ul style="list-style-type: none"> • Contingency to support schools in financial difficulties;

	<ul style="list-style-type: none"> • Free school meal eligibility checking; • Insurance, licences and subscriptions; • Maternity cover and Trade Union Facilities time; <p>4. Do you agree to the proposal to transfer up to 0.5% of funds from the Schools Block to the High Needs Block in order to reduce the High Needs deficit?</p> <p>For a summary of responses to the above, please see Appendix A.</p> <p>The Opposition Spokesperson and Chairman of Scrutiny Committee for Policies for Children & Families have been made aware of the proposals within this report.</p>						
Financial Implications:	<p>All funding referred to in this paper is delivered through the DfE's Dedicated Schools Grant (DSG) and as such is ring-fenced to educational provision. It does not therefore form part of the local authority's net budget.</p> <p>Final allocations will be published by the DfE in December. On the basis of 2017/18 data the schools budget for Somerset is £280.959m, an increase of 3.05% (£8.315m) over the 2017/18 baseline.</p>						
Legal Implications:	<p>The School and Early Years Finance (England) Regulations 2017 require the Authority to consult with the Schools' Forum on the proposed formula.</p> <p>School budget shares must be submitted to the ESFA on the appropriate return by the 19th January 2018 and published for individual schools by 28 February 2018.</p>						
HR Implications:	<p>There are no direct HR implications arising from the proposed changes to Somerset's funding formula, although some schools may be required to invoke redundancy procedures as a result of reducing pupil numbers and/or increasing costs compared with the level of funding.</p>						
Risk Implications:	<p>The key risk is in significant budget variances. The formula will however provide for an increase of at least 0.5% per pupil across all schools.</p> <p>There are continuing cost pressures within all sectors, in particular across the High Needs sector. The proposal from Somerset Schools Forum includes a transfer of approximately £1.400m from the Schools block into High needs, in recognition of these pressures (a national as well as local issue).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Likelihood</td> <td style="width: 10%; text-align: center;">2</td> <td style="width: 25%;">Impact</td> <td style="width: 10%; text-align: center;">3</td> <td style="width: 20%;">Risk Score</td> <td style="width: 10%; text-align: center;">6</td> </tr> </table>	Likelihood	2	Impact	3	Risk Score	6
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Other Implications (including due regard	<p>Equalities Implications</p> <p>There are no direct impacts as changes in the schools budget allow for a minimum increase of 0.5% per pupil. However the</p>						

implications):	<p>pressure on the High Needs budget and accumulated deficit may result in a reduced resource available for children and young people with Special Education Needs and Disabilities. Until final DSG allocations are known, this impact will not be clear. As such an Equality Impact Assessment will accompany the January Cabinet paper referred to in the recommendations above.</p> <p>Community Safety Implications None as changes to funding do not relate to community safety.</p> <p>Sustainability Implications None as changes to funding do not impact on sustainability.</p> <p>Health and Safety Implications None as changes to funding do not impact on Health and Safety</p> <p>Privacy Implications None</p> <p>Health and Wellbeing Implications None</p>
Scrutiny comments / recommendation (if any):	<p>Not applicable. Note this decision paper reflects proposals made by Somerset Schools Forum on 21 November, following appropriate consultation.</p>

1. Background

- 1.1. In December 2016 the DfE consulted on the implementation of a National Funding Formula for Schools and a National Funding Formula for the distribution of funding to local authorities for High Needs. The consultation ran until 22nd March, the DfE received 26,000 responses.
- 1.2. In July 2017 the DfE announced that additional money was being made available to help introduce the changes to both schools and high needs funding, by redistributing monies from within the Departments budget for capital spending on free schools, amongst others.
- 1.3. On 14th September 2017 the Secretary of State published the plans for changes to schools funding and high needs for the next two financial years, the remainder of the current Government spending period. On this date and during the following week's publication of policy guidance, formula exemplifications and technical notes were received. Note that the recommendations included in this paper relate to 2018/19 only.
- 1.4. The DfE are adopting a National Funding Formula (NFF) to distribute funds to local authorities for both Schools and High Needs Budgets, providing a notional allocation for each mainstream school (maintained, academy and free school) within the authority for the next two years. A minimum of 99.5% of the funding is required to be passed to schools, however the authority are not obliged to adopt

the NFF factors and values. This is therefore known as a 'soft' National Funding Formula and local arrangements could continue. Overall during the next two years an additional £1.3 billion is being invested nationally

- 1.5. The formula for distributing money to authorities includes minimum funding levels and capping arrangements. The DfE have built in a guarantee that the formula will provide as a minimum a 0.5% per pupil cash increase in 2018/19 however they have also included a gains cap of 3% per pupil. Somerset should continue to lobby for removal of the cap given it is historically a low funded authority and a disparity will still remain, given that traditionally high funded authorities will still have a guaranteed increase.
- 1.6. Somerset Schools Forum has asked that we look to implement the NFF as soon as possible and therefore we have consulted with schools to ask if they wish us to proceed with this proposal.
- 1.7. **Somerset Schools**
The provisional funding in 2018/19 is £280,958,673, an increase on the 2017/18 baseline for Somerset schools of £8,315,489 or 3.05%. The illustrative increase for 2019/20 is a further £6,369,786.
- 1.8. Somerset's percentage increase in funding from the implementation of the NFF is the 19th highest nationally and nearly 80% above the national average increase, which reflects the low level of historical funding in Somerset.
- 1.9. The implementation of the NFF is more significant for Somerset secondary schools. The ratio of spend between primary and secondary schools by Local Authorities nationally is 1:1.29, in Somerset it is 1:1.21. This is mainly because of the low level of DSG funding and the number of small necessary schools required in a large rural county, to ensure that parents can choose a local school without long distances having to be travelled.
- 1.10. In adopting an NFF a higher proportion of any additional funding will be targeted towards our secondary provision moving them closer to the national ratio.
- 1.11. The largest gainers by percentage are some of our smallest schools, as a small increase in funding for these schools can equate to a substantial percentage increase. A greater number of our smallest schools will benefit from an increase in a lump sum allocation and sparsity funding.
- 1.12. **High Needs Budget**
The High Needs funding system supports provision for children and young people with special educational needs and disabilities (SEND) from their early years to 25. In Somerset the High Needs budget was overspent in 2016/17 by £2.9m. This deficit remains and the 2017/18 budget is predicted to overspend by £2.3m (based on month 7). The LA is formulating a number of policy changes to manage High Needs going forward which are in the process of being delivered, reducing spend. These include:
 - Thematic review of SEND & PRU / AP review
 - Theme 1 – Local offer and implementing a consistent approach from 0 to 25 with a universal banding system
 - Theme 2 – SEN support services, reviewing what we do and how we do it,

and improve the way we commission services. Building the relationship with Health to ensure we all understand each other's responsibilities.

- Theme 3 – Specialist provision and capacity, identifying where we have insufficient or inappropriate provision – investing in building capacity for the future
- Peer review by Gloucestershire – Best practice being shared
- Appointment of an Assistant Director for Inclusion

- 1.13.** Whilst consulting on funding changes for schools for 2018/19 we have asked whether we should use the opportunity to transfer some money from the Schools Budget to High Needs. In recognition of the pressures on High Needs nationally, the DfE have allowed LA's, with support from their Schools Forums, the ability to move up to 0.5% (equivalent to £1.4m) out of the Schools Budget. Above 0.5% requires Secretary of State approval and would also need to be accompanied by Forum support and a SEND financial strategy.
- 1.14.** The Director of Children's Services asked schools, academies and the Schools Forum to consider very carefully the use of this flexibility in light of the financial pressures faced across High Needs.
- 1.15.** Following consultation (see Appendix A) it is proposed by Somerset Schools Forum to transfer up to 0.5% of funds from the Schools Block to the High Needs Block in order to reduce the High Needs deficit.
- 1.16.** One of the policy changes referred to in para 1.12 relates to how the local authority commissions services for pupils permanently excluded from school, those unable to attend a mainstream school provision due to medical conditions and those at risk of exclusion. A Pupil Referral Unit (PRU) and alternative provision (AP) review is underway with proposals being considered which will change the amount distributed for these services and therefore the local authority has applied to the DfE to disapply the Minimum Funding Guarantee (MFG) for PRUs in 2018/19 to allow the proposals to be implemented once agreed. The deadline for disapplying MFG for 2018/19 was 30 November. Where there may be significant changes in funding, appropriate transitional arrangements will be applied.

2. Options considered and reasons for rejecting them

- 2.1.** As detailed in para 1.4 above the DfE have confirmed that authorities are not obliged to adopt the NFF factors and values and as such it is a 'soft' National Funding Formula.
- 2.2.** The local authority could choose to ignore the new proposals however in doing so there could be two consequences in particular:
- Using an established or new local formula would create a significant administrative burden and potential confusion given that the latest national funding levels are based on a new national basis for distribution.
 - If Somerset were to adapt its current local funding formula to allocate the additional funds it could move further away from a national approach and as such could drive schools to make decisions (redundancy/employment etc) that in two years' time may be contrary to an expected hard

(compulsory) national funding formula from the DfE, leading to unnecessary upheaval in the short term.

The implementation of the NFF from 2018/19 in Somerset is likely to lead to a smoother financial transition when a hard national funding formula is applied by the DfE.

3. Background Papers

3.1. See attached Appendix A detailing Schools consultation responses

See attached Appendix B which outlines the process for approval of schools funding for 2018/19.