

Decision Report – Cabinet decision

– 17 January 2018

Confirmation of 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	03/01/18
	Monitoring Officer	Julian Gale	03/01/18
	Corporate Finance	Kevin Nacey	03/01/18
	Human Resources	Chris Squire	03/01/18
	Property / Procurement / ICT	N/A	N/A
	Senior Manager	Julian Wooster	03/01/18
	Local Member(s)	All	
	Cabinet Member	Cllr Frances Nicholson	20/12/18
	Opposition Spokesperson	Cllr Jane Lock	20/12/18
	Relevant Scrutiny Chairman	Cllr Leigh Redman	20/12/18
Forward Plan Reference:	FP/17/11/07		
Summary:	This paper provides confirmation of overall Dedicated Schools Grant funding for Somerset following final publication by the DfE, including the delegated schools budget and the High Needs provision for 2018/19, following the approach recommended by Schools Forum on 21 November 2017 and approved at Cabinet on 13 December 2017 (see background papers below).		
Recommendations:	It is recommended that Cabinet: 1. Approve the allocation of Dedicated Schools Grant (DSG) for delegation to Somerset Schools and High Needs provision, (including Academies and Free schools)		

	<p>2. Devolve approval of the final formula allocations at individual school level for 2018/19 (received 19 December 2017) to the Cabinet Member for Children and Families and the Cabinet Member for Resources and Economic Development.</p>
<p>Reasons for Recommendations:</p>	<p>This decision will allow for the setting of the budget shares for Schools and Academies for the year and the overall amounts available for Early Years, High Needs and Central Services Schools Budget (CSSB).</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 National Funding Formula policy documents, and agreed to consult with Somerset maintained schools and academies on proposed local changes to schools funding formula.</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>Following this consultation, a paper was presented to and approved by Cabinet on 13 December 2017 which recommended the approach to be adopted for allocation of DSG funding for 2018/19 (recommended by Schools Forum on 21 November 2017).</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>
<p>Financial Implications:</p>	<p>All funding referred to in this paper is delivered through the Department for Education's (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 were published by the DfE on 19 December 2017 and we can now confirm that Somerset will have available £366.050m for 2018/19, which includes an increase of</p>

	<p>£10.224m, 3.75% over the 2017/18 revised baseline, as a result of demographic change (442 more pupils) and the fairer funding implementation.</p> <p>The allocation now includes a confirmed transfer of up to £1.414m from the Schools Block to High Needs (see December Cabinet paper) which will partly offset an inherent shortfall in High Needs funding, a national issue.</p>						
<p>Legal Implications:</p>	<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>Schools Forum will decide upon DSG central budgets for Early Years, Central Schools Services, including Education Services Grant on 17th January as per their responsibilities laid down in the Schools and Early Years finance regulations 2017</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>						
<p>HR Implications:</p>	<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>						
<p>Risk Implications:</p>	<p>The key risk is in significant budget variances. The formula does 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 transfer from the Schools Budget allocation to High Needs of £1.414m recognises these pressures.</p> <table border="1" data-bbox="513 1491 1465 1532"> <tr> <td>Likelihood</td> <td>2</td> <td>Impact</td> <td>3</td> <td>Risk Score</td> <td>6</td> </tr> </table>	Likelihood	2	Impact	3	Risk Score	6
Likelihood	2	Impact	3	Risk Score	6		
<p>Other Implications (including due regard implications):</p>	<p>Equalities Implications There are no direct impacts as changes in the schools budget allow for a minimum increase of 0.5% per pupil. The transfer of £1.414m to the High Needs budget reduces the financial burden placed reserves.</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>
<p>Scrutiny comments / recommendation (if any):</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>

1. Background

- 1.1. 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, 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
- 1.2. 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.
- 1.3. Cabinet agreed on 13 December 2017 to adopt the new distribution method and to make use of the flexibility provided by the DfE to transfer 0.5% (£1.414m) from the Schools Budget into High Needs recognising the financial pressure faced by the service.
- 1.4. **Schools Allocation**
The funding for 2018/19 is now confirmed as £282.867m, an increase on the 2017/18 revised baseline for Somerset schools of £10.224m or 3.75%. After deducting £1.414m to transfer to the High Needs block the increase for Schools in 2018/19 will be £8.809 or 3.23% over 2017/18 revised baseline,
- 1.5. **High Needs Budget**
Whilst consulting on funding changes for schools for 2018/19 we 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 £1.414m) 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. This was recommended by Schools Forum and approved by Cabinet on 13 December (see background papers below)

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.** As outlined in the Cabinet report of 13 December, the local authority could have chosen to ignore the new proposals however in doing so there would have been 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** Report to Cabinet 13 December 2017 - Implementation of the National Funding Formula for Schools and High Needs, see link below:

<http://democracy.somerset.gov.uk/documents/s5514/Schools%20National%20Funding%20Formula%20-%20Decision%20Report.pdf>