



SCHOOLS FUNDING FORUM AGENDA

8.30 am

Thursday
9 November 2017

CEME

Members 24: Quorum: 10

MEMBERSHIP:

Representative Groups:

Head Teachers:

Bill Edgar (Secondary)
Simon London, Secondary Academy
Keith Williams, Secondary Academy
Vacancy, Secondary Academy
Nigel Emes, Primary (Chair)
Margy Bushell, Primary
Kirsten Cooper, Primary
Malcolm Drakes, Primary
Jan Taylor, Primary
David Denchfield, Primary Academy (Temporary appt)
Emma Allen, Special
Gary Pocock, Special Academy

Governors:

John McKernan, Secondary Academy
Vacancy, Secondary Academy
Bernard Gilley, Primary
Vacancy, Primary Academy
Vacancy, Primary Academy
Paul Phillips, Pupil Referral Service

Non-School Representatives:

Joanna Wilkinson, Early Years PVI Sector
Maria Thompson, Post 16
Vacancy, Diocesan Board

Trades Unions:

John Delaney, NUT
Keith Passingham, NASUWT
John Giles, UNISON

For information about the meeting please contact:

David Allen

david.allen@haverling.gov.uk

Please contact David Allen david.allen@haverling.gov.uk tel: 433851 to give apologies for absence or to raise queries on the agenda.

If you are unable to attend please contact your named substitute or ask David Allen to do so on your behalf.

AGENDA ITEMS

1 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS OR OBSERVERS

Apologies have been received from Malcolm Drakes.

2 TO AGREE THE NOTES OF THE MEETING HELD ON 14 SEPTEMBER 2017
(Pages 1 - 8)

Attached.

3 MATTERS ARISING

4 SCHOOL AND HIGH NEEDS FUNDING (Pages 9 - 32)

Report attached.

5 NEXT MEETINGS

Future meetings have been arranged as follows:

14th December 2017

25th January 2018

22nd February 2018

22nd March 2018

10th May 2018

7th June 2018

5th July 2018

A request will be made to bring forward the date of the January meeting to meet the DFE deadline on the submission of the agreed funding formula for 2018-19.

6 ANY OTHER BUSINESS

Andrew Beesley
Head of Democratic Services

Public Document Pack Agenda Item 2

MINUTES OF A MEETING OF THE SCHOOLS FUNDING FORUM CEME

14 September 2017 (8.25 - 11.10 am)

Present:

Representative Groups

Teachers:	Emma Allen, Special Margy Bushell, Primary Kirsten Cooper, Primary David Denchfield, Primary Academy Malcolm Drakes, Primary Nigel Emes, Primary (Chair) Paul Phillips, Olive AP Academy Jan Taylor, Primary Simon London, Secondary Academy Keith Williams, Secondary Academy (Vice-Chair)
Governors:	Bernard Gilley, Primary
Non-School Representatives:	Maria Thompson, Post 16 Joanna Wilkinson, Early Years/PVI Sector
Trade Unions:	John Delaney, NUT John Giles, UNISON

Also present:

David Allen, Finance Manager, LBH
Trevor Cook, Acting Assistant Director, Learning & Achievement, LBH
Emma Ferry, SEND Project Manager, LBH
Sue Imbriano, Project Manage Schools, LBH
Grahame Smith, Principal Inspector, LBH
Paul Tinsley, Head of Inclusion and Virtual Head, LBH

14 **APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS OR OBSERVERS**

Apologies were received from Bill Edgar and from Gary Pocock.

15 ELECTION OF CHAIR AND VICE-CHAIR

By unanimous agreement it was agreed that Nigel Emes should be elected as Chairman and that Keith Williams should be elected as Vice-Chair until the first meeting of the Autumn term 2018.

16 MINUTES

The open and exempt minutes of the meeting of the Forum held on 18 May 2017 were agreed as a correct record and signed by the Chairman.

17 HIGH NEED STRATEGY REVIEW

Emma Ferrey advised that meetings with focus groups had taken place over the summer. Parents were pleased with the overall level of support but felt more support was needed in preparing children for adulthood. Young people also wanted more access to mainstream activities.

A formal draft of the strategy would be available in late September although more work was needed to confirm priorities and funding. Consultation would take place in October 2017 with an Executive Decision expected in December 2017 and progress would be fed back to the Forum.

All high needs budgets nationally were under considerable pressure which meant that more affordable, local provision was being prioritised. A new Special Free School for Havering would open in September 2018. The financing of this and of the required additional resource provision in mainstream schools would be covered in the review paper.

More focus was needed on prevention when considering the mental health and wellbeing of young people. It had been difficult for officers to meet with health colleagues. Discussions had however taken place with the Council's Public Health service.

Members felt that there was not enough health support given to children entering primary school and that there were a large number of children in school with high needs. Sue Imbriano and Trevor Cook would escalate these issues with senior Council officers.

It was noted that schools were required to fund the first £6,000 of high needs support. This was supposed to buy 12 hours of support but this equated to a lower pay rate than that of a teaching assistant. Increasing this funding in Havering would cost a total of £570,000 and this would be brought to a future meeting of the Forum for a decision.

The Forum noted the position.

18 HIGH NEEDS BUDGET FORECAST 2017-18 AND PRESSURES FOR 2018-19

A history of High Needs block funding and expenditure was provided over the last four years. It was noted that available funding had gone up only slightly over the whole period under the Government's current methodology. There was, however, to be a new formula distribution as part of the National Funding Formula that would allocate additional funds of approximately £600k to Havering. The formula calculated an additional 8.2% for Havering but increases were capped at 3%. This increase was unlikely to meet all of the additional pressures.

A breakdown of expenditure was provided for 2018-19 which was forecast to overspend by £187,000. It funded a range of support for Havering pupils with SEND, pre and post 16, placed both in and outside the borough and also alternative provision including the AP Academy and though the inclusion service and virtual school for looked after children..

Good quality, local provision was being developed to avoid the higher costs of placing pupils outside of Havering. This included the new post 16 provision at the Avelon at Corbets Tey. The contingency for in-year Education, Health and Care Plans had been calculated using previous experience of requirements. Budgets for additionally resourced provision covered the £10k per place for non academies and top-up payments.

Post-16 high needs provision covered 107 young people. 63 children received out of borough placements which were more expensive. More local provision was needed to reduce these costs and this would be covered by the strategy. The cost per child could be included in future versions of the report. Rates per child had been agreed across London.

It was hoped that parents would choose a revised Havering offer and bring their children back under local provision.

It was accepted that being more proactive with high needs children in early years could cut costs but members were frustrated by the constraints central government had placed on Councils and schools. Overspends were just for noting at this stage and would be closely monitored. Any changes to the current funding arrangements would be from April 2018 and officers confirmed that the reasons why parents had chosen to place some children out of borough had been investigated.

It was agreed that any comments on the High Needs Strategy review should be e-mailed to Emma Ferrey.

The Forum noted the forecast position on high needs expenditure for financial year 2017-18 and noted the range of pressures that are to be addressed within the High Needs review.

It had already been agreed to establish the Academy which would bring together all education sectors within Havering to develop education leadership and establish a clear pathway of progression. A bid for funding to the Department for Education had been unsuccessful and would be resubmitted at the appropriate time. The Local Authority had seconded a manager to work for two days a week on the project. A website for the new Academy would be developed but there was no budget beyond this.

The Schools Funding Forum agreed to allow the Local Authority and Steering Group to use £50k from the Schools Partnership Fund towards the establishment of the Academy, which will launch on 1 November 2017 and serve all schools and academies in Havering.

20 **EDUCATION SERVICE GRANT REDUCTION**

The Education Services Grant had ceased from September 2017 and there was a new provision that allowed the Local Authority to request a contribution from maintained schools to fund services provided to them. The ceasing of the grant had led to an overall funding gap of £1.157m in 2018-19 having taken into account the remaining sum of £589k for retained services and savings made of £590k. The Council was considering how to fund this and was now seeking the approval of the Forum to charge some costs of essential services to maintained schools.

It was noted that the Council was legally empowered to do this and that the matter could ultimately be referred to the Secretary of State if the Forum did not agree the proposal. The services covered were mainly financial services that the Council provided to schools such as accounting and pensions administration.

A full breakdown of the services to be charged was provided including £41k for asset management, £40k for monitoring of National Curriculum assessments. The charge of £251k for statutory and regulatory duties included budgeting and accounting and for HR services covering the residual costs of the Local Authority as an employer. A charge for HR services was challenged by EA on behalf of foundation schools.

A paper was in the process of being taken to the Council's senior leadership team covering what functions the Local Authority should deliver and a move to adopting a more commercial strategy.

Officers wished for ongoing work to result in greater efficiencies. The costings in the report related to the current level of services and costs would reduce if services were provided more efficiently.

The Forum agreed unanimously (voting was only open to representatives of maintained schools) that the allocation of Schools Block funding to maintain a range of LA services for 2018-19 be adopted as set out in the report at

£19.89 per pupil and £59.66 per place for special schools subject to the review of HR costs for special schools.

21 **NATIONAL FUNDING FORMULA**

It was confirmed that the details of the new funding settlement had still not been announced. The National Funding Formula would commence in 2018/19. This would allocate £1.3bn of funding across schools and high needs over the next two years with £416m next year and £884m in 2019/20. A full response to the consultation had been submitted from Havering. Funding would be protected for children with additional needs although it was uncertain how this would be done.

An indicative budget would still be set for schools and the Local Authority would still set the local formula in conjunction with the Schools Funding Forum. It remained unclear however how and when the extra money would be allocated.

The Forum noted the report.

22 **SCHOOLS REVENUE FUNDING 2018-19 - DFE OPERATIONAL GUIDANCE**

The Forum was taken through the new guidance document that had been released to help the Forum and the Local Authority plan the 2018/19 funding year. Changes to the funding system included the creation of a central school services block and an overall increase of 0.5% in funding through the schools and high needs blocks. The 2018/19 schools block would be ring-fenced although up to 0.5% could be transferred to other blocks. Options regarding the Minimum Funding Guarantee would be brought to a future meeting of the Forum.

The document covered the detail of the new funding factors, the minimum funding guarantee and the regulations around central retention and delegation.

The guidance document also included the timetable for submission of data to the ESFA. . Approval of the final budget would be needed by 19 January 2018.

The Forum noted the guidance.

23 **CENTRAL SERVICES DSG CENTRALLY RETAINED FUNDING**

The Forum was requested to agree central retention of these budgets as detailed in the report. This included budgets for the administration of the Forum itself and approval of the continuation of the partnership budget.

There was no change in the amount of pupil growth funding requested. Funding for good and outstanding schools with falling rolls was being reduced to £400k on condition that the reduction of £100k from 2017-18 could be recycled in the funding formula for all schools.

The Forum agreed unanimously to the central retention of the budgets in 2018-19 as shown below.

<ul style="list-style-type: none"> • Funding to enable all schools to meet the infant class size requirement 	£25,000 (inc in pupil growth)
<ul style="list-style-type: none"> • Admissions 	£499,734
<ul style="list-style-type: none"> • Servicing of Schools Forum 	£43,250
<ul style="list-style-type: none"> • Contribution to responsibilities that local authorities hold for all schools 	£589,000
<ul style="list-style-type: none"> • Early years block provision 	£730,000
<ul style="list-style-type: none"> • Any brought forward deficit on de-delegated services which is to be met from the overall schools budget 	£61,000
<ul style="list-style-type: none"> • Capital expenditure funded from revenue (i.e. no new projects can be charged to the central schools budget) 	£87,490
<ul style="list-style-type: none"> • Contribution to combined budgets (School Partnership Fund) 	£200,000
<ul style="list-style-type: none"> • Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy 	£2,700,000
<ul style="list-style-type: none"> • Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years 	£400,000

The Forum also noted the need to retain centrally approximately £161,580 for national copyright licences.

24 DE-DELEGATION

The following items were agreed unanimously by the Forum to be de-delegated:

1. Contingency to support maintained schools in financial difficulty – this had reduced to £200k due to the lower numbers of maintained schools.

2. Attendance and behaviour – It was noted that attendance was a growing issue and suggested that the Local Authority should be more proactive around parents taking family holidays during term time.
3. EAL service – This had reduced from £109 to £62.85 per pupil.
4. Free school meals eligibility.
5. Maternity Insurance - Noted that this was £25 rather than as stated in the report.
6. Trade Union Facility Time – This had been reduced to £2.50 per pupil.
7. A decision on de-delegation of insurance would be brought to a future meeting of the Forum.

25 SCHOOL FINANCING SCHEME

A report proposed a change to the terms and conditions that would allow schools to give the three months notice to terminate the agreement for service provision.

The Forum agreed unanimously an amendment to the Scheme for Financing Schools to reflect the proposed new contractual framework, including specific changes to the exit terms under which schools or the Council may terminate the agreement for service provision and the mutual obligations of Schools and the Council under the agreement.

26 ACADEMY CONVERSION AND SPONSORS

It was noted that, on 1 September 2017, Scargill Infant, Scargill Junior and Whybridge Junior Schools had joined together to form the Hornchurch Academy Trust.

27 NEXT MEETINGS

Future meetings had been arranged as follows:

9 November 2017
14 December 2017
25 January 2018
22 February 2018
22 March 2018
10 May 2018
7 June 2018
5 July 2018

All meetings would start at 8.30 am at CEME. It was noted that the January 2018 meeting may have to be brought forward in order to meet the DFE deadline on the submission of the agreed funding formula for 2018-19.

28 ANY OTHER BUSINESS

Teachers' Pay Award - It was noted that the Council was recommending a pay award rise of 2% across scales 1-6 with 1% for all other teachers' grades in line with the recommendations of the Review Body. The maximum part year cost per school of implementing this would be £4k.

Apprenticeship Levy – More clarity was needed on the amount schools had in their digital account. It also needed to be clarified who would be the schools' contact for the apprenticeship process and the Forum agreed that this would be the head teacher in the first instance.

Schools Funding Forum 9th November 2017 ITEM 4

Subject Heading:	Schools and High Needs Funding Formula 2018-19
Report Author:	David Allen – Strategic Finance Manager
Eligibility to vote:	All school members

SUMMARY

This report summarises the Government’s decisions on a national funding formula for schools and high needs following the second stage consultation and proposes a consultation paper with Havering schools prior to final decisions being made on schools and high needs funding arrangements in Havering for financial year 2018-19.

RECOMMENDATIONS

That the Schools Funding Forum:

- (i) notes the issues arising from the national funding formula for schools and high needs
- (ii) approves the consultation paper for circulation to all schools
- (iii) approves the transfer of £800k from the School Block to the High Needs Block in 2018-19
- (iv) approves the submission of a request to the ESFA to apply a minimum funding guarantee of greater than zero

REPORT DETAIL

The Government launched its first stage consultation on a national funding formula for schools in March 2016 and the second stage in December 2016. In the first

stage they set out seven objectives for a new formula. These were to introduce a formula that will:

- *Support opportunity.* Fundamentally, the funding system should support schools and local authorities to extend opportunity to all pupils to achieve their potential;
- *Be fair.* It should allocate funding to schools and local authorities on the basis of objective measures of the needs and characteristics of their pupils;
- *Be efficient.* It should support efficiency within schools and local authorities, and across the system as a whole;
- *Get funding straight to schools.* It should maximise the resources available for teaching and learning and enable head teachers and local authorities to achieve value for money;
- *Be transparent.* It should be easily understood and justified;
- *Be simple.* It should rationalise funding streams as far as possible; and
- *Be predictable.* It should ensure schools and local authorities can manage and plan for year on year changes.

Following on from the second stage consultation, and after the general election result in May, the government announced in July 2017 that it would be making a number of changes to the proposals it had made for the new national funding formula. Compared to the proposals made in December 2016 and in the light of consultation responses, the government announced an additional £1.3 billion for schools and high needs and has made the following changes to the formula:

- Age-weighted pupil units are £35 higher for primary pupils, £66 higher for key stage 3 pupils and £74 higher for key stage 4 pupils;
- There will be a minimum per-pupil funding level of £4,800 for secondary schools and £3,500 for primary schools in 2019-20 with transitional levels of £4,600 and £3,300 in 2018-19. These levels are not subject to the gains cap;
- All schools will be allocated an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to their baselines. This replaces the minus 3% per pupil floor originally proposed;
- IDACI band C has been slightly increased so that it provides a higher funding rate than band D, with increases of £30 per eligible primary pupil and £45 per eligible secondary pupil;
- The government has updated the area cost adjustment to take account of more recent data; and
- The gains cap has been raised to 3% in 2019-20 (from 2.5%). The cap remains at 3% for 2018-19.

- Originally it was envisaged that there would be a 'soft' implementation in 2018-19 followed by 'hard' implementation in 2019-20. The 'soft' implementation has, however to be applied for both years and 'hard' implementation delayed until 2020-21. Under the 'soft' approach the government will use the national funding formula to calculate local authorities' funding allocations, but local authorities will determine individual schools' funding allocations through their local formula. Under the 'hard' implementation, the funding will be provided directly to schools.

The Dedicated Schools Grant will now be allocated to local authorities within four blocks as follows:

Early Years
Schools
High Needs
Central Services

Early Years

The allocation of the Early Years Block to LAs has been through a national funding formula since 2017-18 with some specific requirements including:

- a minimum percentage allocation of 93% (increasing to 95% in subsequent years) to be allocated to providers from the total LA allocation
- the same formula to be used for different types of provider in an LA area
- supplements to the basic hourly rate restricted to deprivation, EAL and quality and a maximum of 10% funded through supplements
- establishment of an inclusion fund

Following consultation with providers and the Schools Funding Forum, for 2017-18 the following was agreed:

- A basic hourly rate of £4.39 for 3 and 4 year olds
- Deprivation (using IDACI data) to be the only supplement
- £50,000 from the Early Years block to be added to the existing £50,000 from the High Needs Block to establish an inclusion fund
- Central retention of £730,000 (5%)
- A basic hourly rate of £5.28 for two year olds
- Contingencies held to fund provision not captured by either January census

The Early Years Provider Reference Group will be consulted on the funding rates and other changes to take effect in 2018-19 at their meeting on 28th November and recommendations made to the Schools Funding Forum at the meeting on 14th December.

Schools Block

The DFE has issued provisional funding allocations to LAs based on the application of the new NFF formula values to October 2016 census data. Funding has been added separately for pupil growth, falling rolls, business rates and

mobility etc. based on LAs' planned spending in 2017-18. The provisional funding to Havering for 2018-19 is as follows:

Baseline funding				
Amount LA allocated in 2017-18 through formula factors: - Pupil-led factors (basic per-pupil; deprivation; LPA; EAL) - School-led factors (lump sum and sparsity); - area cost adjustment - local minimum funding guarantee adjustment (i.e. MFG and gains capping/scaling)	Amount LA allocated in 2017-18 to funding growth in pupil numbers: - Explicit growth (growth fund, falling rolls fund) - Implicit growth (adjustments to APT pupil numbers)	Amount LA allocated in 2017-18 through premises factors: - rates - split sites - PFI - exceptional circumstances	Amount LA allocated in 2017-18 through the mobility factor	Total 2017-18 baseline for the schools block
£163,183,617	£3,359,988	£2,036,420	£71,746	£168,651,771

Provisional NFF funding in 2018-19				
Provisional 2018-19 NFF funding through the NFF pupil-led and NFF school-led factors, with transitional protections applied at individual school level		2018-19 NFF funding through the growth, premises and mobility factors		Provisional funding in 2018-19
£165,990,414		£5,468,154		£171,458,568

Increase	£2,806,797
% increase over 2017-18 baseline	1.7%

This provisional funding is used to determine separate primary and secondary units of funding which for Havering are: Primary £4,004.60, Secondary £5,474.26.

These units of funding will be applied to pupil numbers from the October 2017 census to calculate the Schools Block funding that LAs will receive. An LA's Schools Block allocation for 2018-19 will not be recalculated by applying the NFF rates to October 2017 census data but will be used to calculate 2019-20 funding.

Applying the Primary and Secondary Units of Funding to the unverified pupil numbers from the October 2017 census is estimated to result in Schools Block funding of approximately:

Primary	21,969 pupils x £4,004.60 = £87,977,057
Secondary	14,465 pupils x £5,474.26 = <u>£79,199,636</u>
	£167,176,693

This is a further increase of £1,171,814 making a total estimated increase of £3,978,611 on 2017-18 although much of this is due to an increase of 402 pupils in the primary sector.

All LAs need to consider the extent to which they can implement the national funding formula rates from the ring-fenced Schools Block. LAs may implement a minimum funding guarantee (MFG) of between -1.5% and 0%. Should LAs wish to implement a higher MFG (e.g. 0.5% to apply the increase in the NFF) they must apply to the DFE for a disapplication of the MFG. Havering intends to implement a 0.5% MFG and is requesting approval from the Schools Funding Forum to do so.

The DFE will not be releasing the final school data to be used in LAs' funding formula until mid-December but Havering has modelled options for a formula distribution based on unverified local data from the October 2017 census.

In deciding on the formula for 2018-19 there are a range of options to consider, from a continuation of the local formula applied in 2017-18 to full implementation of the NFF (subject to affordability). Further background and proposals are set out in the draft consultation document attached at Appendix A.

High Needs Block

For several years High Needs funding has been allocated to LAs based on spending patterns of over 10 years ago with no meaningful increases in spite of a growing need for provision, and an increase in the level of complexity of need. Following consultation a national funding formula is to be implemented from 2017-18. All LAs will receive at least a 0.5% increase in their High Needs allocations with higher increases capped at 3%. Without the cap, Havering would have received 8.2%.

Havering's provisional allocation is as follows:

High needs block baselines		
2017-18 high needs block baseline - elements which are used in funding floor and gains calculations	2017-18 high needs block - elements excluded from funding floor and gains calculations	Total 2017-18 baseline for the high needs block
£21,207,628	£1,169,177	£22,376,806

Provisional NFF funding in 2018-19			
Elements of the high needs NFF 2018-19 allocations included in the gains calculation - these amounts are not subject to later changes	Percentage change to elements of the 2018-19 allocations included in the gains calculation	Elements of the high needs NFF 2018-19 allocations which are excluded from the gains calculation and subject to later updates	Provisional high needs NFF allocations for 2018-19
£22,219,697	4.8%	£1,169,568	£23,389,265

	Increase	£1,012,459
% increase over 2017-18 baseline		4.5%

In 2016-17, 26 out of 31 London boroughs overspent their High Needs allocation in 2016-17 and there is a growing gap between the cost of provision and the funding allocated. Havering did not underspend in 2016-17 although £1.4m was transferred from other funding blocks in anticipation of the need to mitigate the forecast overspend.

In 2018-19 there is a one off opportunity to transfer 0.5% of an LA's Schools Block funding to the High Needs Block which requires the approval of LAs' Schools Forum.

Details of the new funding formula are set out in the draft consultation document along with evidence in support of a request to the Schools Funding Forum to transfer 0.5% of the Schools Block to the High Needs Block.

Central School Services Block

This new funding block is to fund provision that was previously allocated as part of the Schools Block and a central Education Service Grant to local authorities.

Baseline funding		
Reported spend on ongoing functions in 2017-18	Reported spend on historic commitments in 2017-18	Total reported spend in 2017-18
£1,296,505	£287,490	£1,583,995

Provisional NFF funding in 2018-19			
Provisional amount NFF would allocate to LAs for ongoing responsibilities Includes: - Protections and gains cap	Provisional percentage change to funding for ongoing functions in NFF 2018-19	Actual funding for historic commitments	Provisional total CSSB NFF funding
£1,269,736	-2.1%	£287,490	£1,557,226

Decrease	-£26,769
% decrease	-1.7%

Consultation on Schools and High Needs Funding 2018-19

Introduction

This consultation document sets out the proposals of Havering Local Authority for the funding of schools for the financial year 2018-19 following the Government's implementation of a national funding formula for schools and high needs from 2018-19.

Process

The consultation period will run until 11th December 2017.

A summary of responses to the consultation will be reported to the meeting of the Schools Funding Forum on 14 December 2017. Final decisions will be taken by the Local Authority before schools are issued with their funding allocations for 2018-19.

Responding to the Consultation

Although the consultation paper is sent to all head teachers and Chairs of Governors, we would prefer to receive a single response from each school.

Any responses should be sent to:

School Finance Team
Children's Services
London Borough of Havering
Mercury House
Mercury Gardens
Romford
RM1 3DW

E-mail: Education.Finance@haverling.gov.uk

All responses should be returned by 11th December 2017.

Further Information

If you require any further information about any item included in the consultation paper please contact:

David Allen
Strategic Finance Manager
☎ 01708 433851
Email: david.allen@haverling.gov.uk

A National Funding Formula for Schools and High Needs

The Government launched its first stage consultation on a national funding formula for schools in March 2016 and the second stage in December 2016. In the first stage they set out seven objectives for a new formula. These were to introduce a formula that will:

- *Support opportunity.* Fundamentally, the funding system should support schools and local authorities to extend opportunity to all pupils to achieve their potential;
- *Be fair.* It should allocate funding to schools and local authorities on the basis of objective measures of the needs and characteristics of their pupils;
- *Be efficient.* It should support efficiency within schools and local authorities, and across the system as a whole;
- *Get funding straight to schools.* It should maximise the resources available for teaching and learning and enable head teachers and local authorities to achieve value for money;
- *Be transparent.* It should be easily understood and justified;
- *Be simple.* It should rationalise funding streams as far as possible; and
- *Be predictable.* It should ensure schools and local authorities can manage and plan for year on year changes.

Following on from the second stage consultation, and after the general election result in May, the government announced in July 2017 a number of changes to the proposals it had made for the new national funding formula including an additional £1.3 billion for schools and high needs in the two year period 2018-20.

Government Policy Documents, Impact Summaries and Technical Notes

The Government has released a number of documents, summary tables and technical notes on the operation of the national funding formula which for further reading can be found using the following weblinks:

Executive Summary

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648533/national_funding_formula_for_schools_and_high_needs-Exec_summary.pdf

Policy Document

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648532/national_funding_formula_for_schools_and_high_needs-Policy_document.pdf

Allocation Tables and Technical Notes

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs>

Summary of the Changes

- 2018-19 and 2019-20 will be transitional years in which local authorities will receive an allocation of funding based on the national formula applied to schools' data. The local authority will continue to allocate funding to schools according to its local formula before funding is allocated direct to schools by the ESFA (Education, Skills and Funding Agency) from 2020-21 onwards.

- The Dedicated Schools Grant will be allocated to LAs in four "blocks":

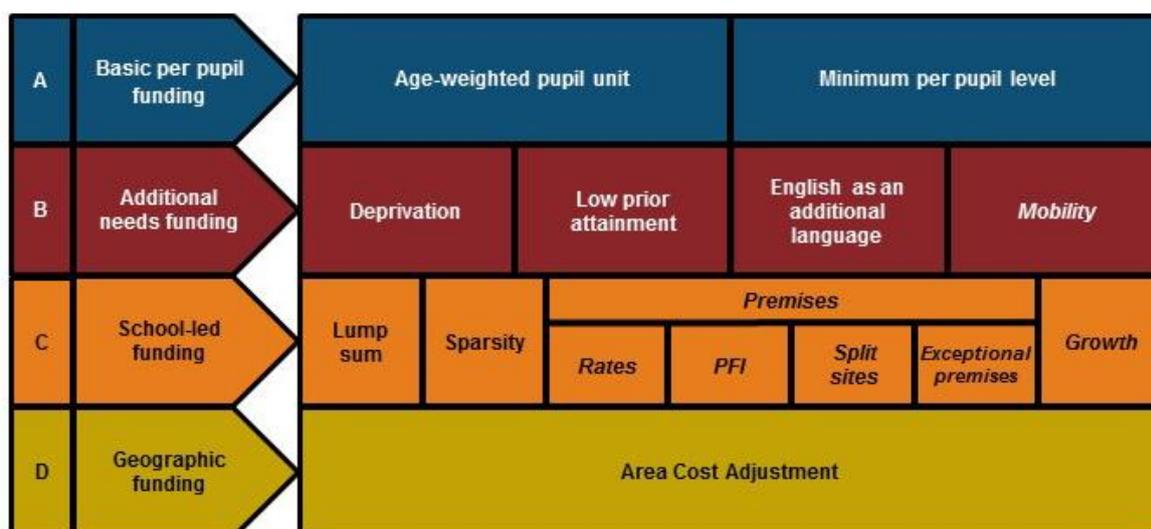
Early Years
Schools
High Needs
Central School Services

The Schools Block will be ring fenced; it can be used only for the purposes of funding schools.

- There will be a minimum per-pupil funding level of £4,800 for secondary schools and £3,500 for primary schools in 2019-20 with transitional levels of £4,600 and £3,300 in 2018-19. Per pupil funding already exceeds these amounts in all Havering schools.
- Allocations to local authorities will be on the basis of an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to the per pupil baseline of their schools.

Schools Block

The national funding formula will have a range of factors (per pupil, free school meals etc.) which will attract the same rates across the country adjusted for area costs to recognise the higher salary costs in London.



The headings in the diagram above that are written in italics will be added on to schools' funding formula allocations as appropriate from separate budgets held by the LA e.g. business rates. PFI, Split Sites and Exceptional Circumstances do not apply to schools in Havering.

The majority of the funding factors are those already used in Havering's current formula but the rates applied to them are very different. Further information on the formula factors is provided below and a comparison of new and current funding rates.

Formula changes

	2017-18 LBH rates	2018-19 national rates	ACA @ 1.08204	Lower	%	Higher	%
AWPU (Primary)	3,079.06	2,747.00	2,972.36	-106.70	-3%		
AWPU (KS3)	4,547.03	3,863.00	4,179.92	-367.11	-8%		
AWPU (KS4)	4,745.43	4,386.00	4,745.83	0.40	0%		
Ever6 FSM (Primary)	0.00	540.00	584.30			584.30	100%
Ever6 FSM (Secondary)	0.00	785.00	849.40			849.40	100%
FSM (Primary)	1,252.32	440.00	476.10	-776.22	-62%		
FSM (Secondary)	2,260.66	440.00	476.10	-1,784.56	-79%		
IDACI F (Primary)	0.00	200.00	216.41			216.41	100%
IDACI E (Primary)	125.00	240.00	259.69			134.69	108%
IDACI D (Primary)	275.00	360.00	389.53			114.53	42%
IDACI C (Primary)	275.00	390.00	422.00			147.00	53%
IDACI B (Primary)	630.00	420.00	454.46	-175.54	-28%		
IDACI A (Primary)	645.00	575.00	622.17	-22.83	-4%		
IDACI F (Secondary)	0.00	290.00	313.79			313.79	100%
IDACI E (Secondary)	125.00	390.00	422.00			297.00	238%
IDACI D (Secondary)	275.00	515.00	557.25			281.66	102%
IDACI C (Secondary)	275.00	560.00	605.94			282.66	103%
IDACI B (Secondary)	630.00	600.00	649.22			18.54	3%
IDACI A (Secondary)	645.00	810.00	876.45			230.53	36%
LAC	1,000.00	0.00	0.00	-1,000.00	-100%		
Low Attainment (Primary)	489.22	1,050.00	1,136.14			646.92	132%
Low Attainment (Secondary)	802.89	1,550.00	1,677.16			874.27	109%
EAL (Primary)	232.67	515.00	557.25			324.58	140%
EAL (Secondary)	734.73	1,385.00	1,498.63			763.90	104%
Lump Sum (Primary)	150,000.00	110,000.00	119,024.40	-30,975.60	-21%		
Lump Sum (Secondary)	175,000.00	110,000.00	119,024.40	-55,975.60	-32%		

As shown in the diagram above there is shift away from basic per pupil funding and lump sums to better target additional needs in schools as defined by the data used in the factors.

AWPU (Age-weighted pupil units) and Lump Sums

Lump sums and AWPU rates are significantly reduced against the current year particularly at primary and KS3. However, all schools will gain more through the additional needs factors depending on the level of deprivation and prior attainment data. The difference between losses through AWPU and lump sums and gains through additional needs factors will be moderated through either a minimum funding guarantee or a gains cap.

Free School Meals

Previously, LAs had the choice of using either a straight free school meals factor based on eligibility as at the October census or FSM Ever6 based on pupils on roll in October over the past six years, the same as the Pupil Premium Grant. Havering has used the former so the amount allocated through that factor in 2018-19 will be much less but with more funding allocated through the EVER6 data. Most Havering schools will benefit from this change in methodology in terms of the overall funding they receive through a Free Schools Meals factor.

LAC factor

The LAC (Looked After Children) factor has been removed. In Havering's formula, £1,000 has previously been allocated for each looked after child on roll.

IDACI (Income Deprivation Affecting Children index)

The rates applied to IDACI factors (other than the most deprived levels A and B - where there are relatively fewer pupils in Havering) are increasing and the introduction of a funding rate for a lower level deprivation indicator, Level F will benefit most schools as deprivation funding was not been allocated previously for these pupils.

Prior attainment

Funding rates for prior attainment will more than double. The Government has considered research that shows that a pupil's prior attainment is the strongest predictor of their likely later attainment and is therefore targeting increased funding to schools through this factor.

For primary schools funding will be allocated through this factor for pupils who did not reach the expected level of development at foundation stage.

For secondary schools funding will be allocated for pupils who did not achieve the expected level at key stage 2 in one or more of reading or writing or mathematics.

EAL factor

EAL funding is also more than doubled and will be allocated based on the number of pupils recorded on the October census as having entered state education in England during the last three years, and having been exposed to a mother tongue other than English.

Havering's schools funding formula 2018-19

In determining Schools Block funding to LAs for 2018-19 the DFE has provided indicative figures by aggregating the total funding that would be allocated to schools if the NFF were applied to October 2016 data and divided it by the number of pupils in each mainstream sector. This has produced a unit of funding for primary and secondary of £4,004.60 and £5,474.26 respectively. For final allocations in 2018-19 these units of funding will be applied to the number of pupils from the October 2017 census to calculate the amount the LA will receive. To this will be added funding for business rates, pupil mobility, pupil growth and falling rolls based on historic spend. From that overall Schools Block total the LA must allocate funding through a local formula which in the two transitional years, may or may not be similar to the NFF.

Verified data based on the October 2017 census data will not be received by LAs from the DFE until mid-December so Havering's financial modelling is based on raw, unverified data extracted locally from the October 2017 census. Figures should not therefore be considered as the final funding that schools will receive in 2018-19.

Attached are options for the formula to be used in Havering in 2018-19 and the LA is consulting with schools prior to implementation. To follow

Local Authorities may continue to use a minimum funding guarantee (MFG) of between -1.5% and 0%. If LAs wish to apply a MFG of up to +0.5% they must submit a disapplication request to the DFE. Havering will be submitting such a request to ensure that no school loses through the funding formula.

Business rates and pupil mobility, where applicable will be added onto this figure. Pupil mobility is allocated on the basis of the number of pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils). Funding is only allocated above a 10% threshold, based on the proportion above the threshold (for example, a school with 12% mobility, will attract pupil mobility funding for 2% of pupils).

LAs must take into account the requirement to fund estimated pupil numbers in new schools that have opened in the last seven years and have not yet reached their full number of year groups. Havering has two such schools so will be required to fund pupils numbers that are in addition to the October 2017 census for which no funding will be received. The Schools Block will therefore need to be spread a little more thinly which may impact on the ability to fully apply the NFF funding rates.

Another significant issue relates to high needs. There are significant pressures on the DSG High Needs Block where funding settlements to LAs have not recognised increases in the number of children requiring support and an increased complexity of need. A revised formula is to be introduced from 2018-19 through which LAs will be allocated high needs funding for pupils with special educational needs and those requiring alternative provision.

The DFE has permitted a one-off transfer of up to 0.5% of the School Block funding to the High Needs Block. This will require approval by the Schools Funding Forum having considered the evidence to support the transfer.

Havering is requesting a transfer of £800,000 to the High Needs Block which is just below the 0.5% limit. This will, however, have no impact on the funding that schools will receive through the formula for 2018-19 as the £800,000 will be replaced in the Schools Block by an unallocated amount from previous years' DSG underspends that the Schools Funding Forum has agreed may be retained to support the transition to the NFF. The LA considers that this is an appropriate use of this transition contingency as it enables the LA to make some important changes to the funding of local provision specifically in support of schools that have a more inclusive ethos and attract a disproportionately high number of pupils with special educational needs. The LA is in the process of refreshing its High Needs Strategy which recognises the value of local, good quality provision and the additional £800k along with an anticipated increase in the 2018-19 funding to Havering through the revised formula distribution from the DFE will support the implementation of these strategic objectives. Further information is provided in the High Needs Block section of this consultation document.

The evidence to support this transfer of funds between blocks is attached at Appendix A.

High Needs Block

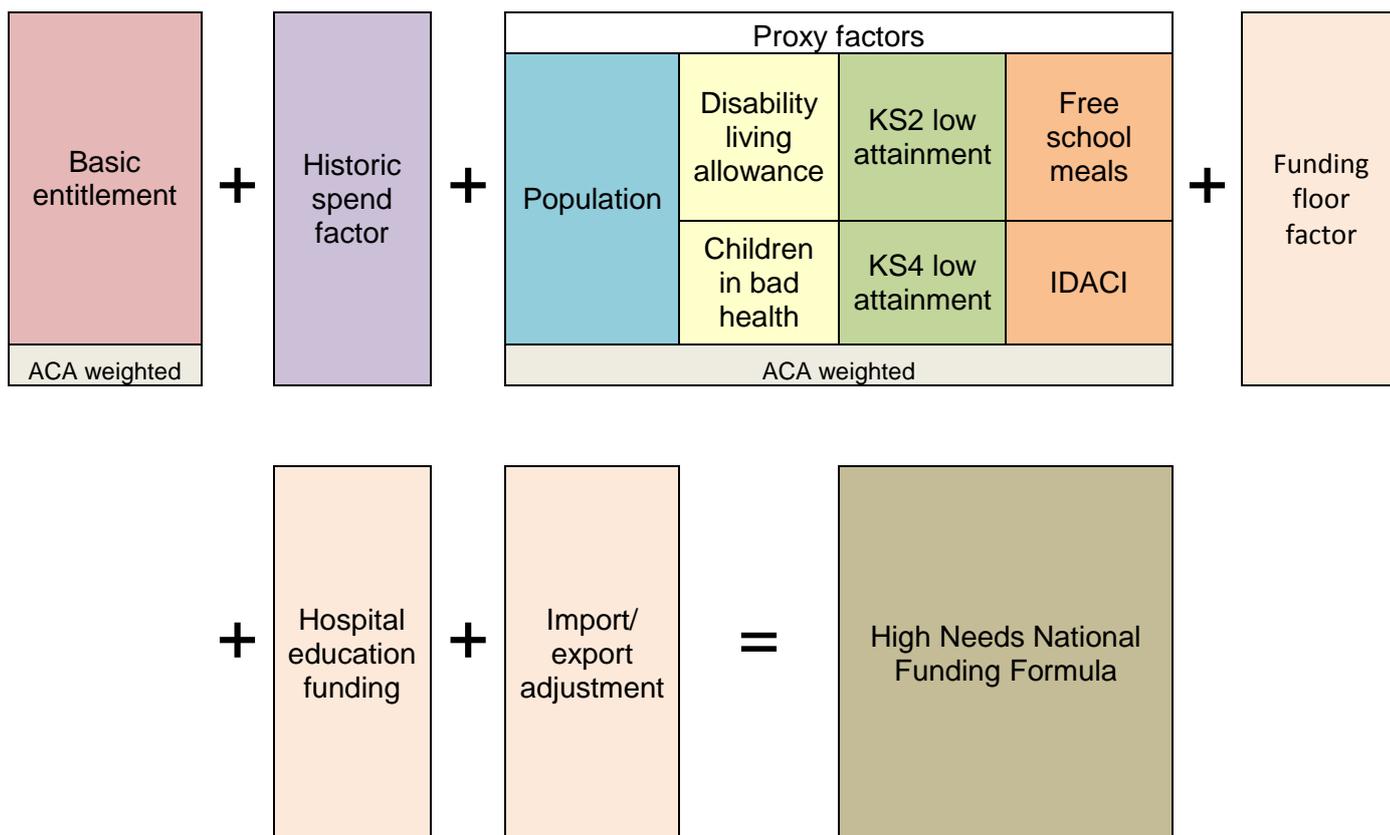
The DFE's current methodology for allocating High Needs funding to local authorities is based on spending patterns of over 10 years ago with no meaningful increases in spite of a growing need for provision and an increase in the level of complexity of need. Following consultation, a national funding formula is to be implemented from 2018-19. All LAs will receive at least a 0.5% increase in their High Needs allocations with higher increases capped at 3%. Without the cap, Havering would have received 8.2%.

In 2016-17, 26 out of 31 London boroughs overspent their High Needs allocation and there is a growing gap between the cost of provision and the funding allocated. Havering did not underspend in 2016-17 although £1.4m was transferred from other funding blocks to mitigate the forecast overspend. Without that transfer, Havering will have also overspent.

Havering is finalising a review of its High Needs Strategy including the allocation of resources and it is clear that even with the additional funding from the revised formula allocation there will be insufficient to meet the projected costs in 2018-19 and future years. A breakdown of funding pressures in 2018-19 is attached at Appendix B.

In 2018-19 there is a one off opportunity to transfer 0.5% of an LA's Schools Block funding to the High Needs Block which requires the approval of LAs' Schools Forums based on evidence produced by the LA. Havering LA considers that this transfer is necessary to meet the increasing costs of high needs provision in the borough and sets out the case at Appendix A.

The revised formula to LAs is as follows:



Basic entitlement

This is set at £4,000 + ACA (the area cost adjustment) for pupils in special schools and special academies. For Havering the indicative allocation is based on 313 pupils recorded on the October 2016 census. This will be updated for the October 2017 census for the final allocation in 2018-19.

Historic spend factor

This factor allocates 50% of the overall funding available for distribution nationally. This is to provide every local authority with an amount based on existing high needs to minimise any disruption to existing provision. Havering will receive £10.6m through this factor.

Proxy factors

The remainder of the High Needs Block (£2.7 billion nationally) is to be distributed through the proxy factors as follows:

Population

50% of the allocation through proxy factors is to be on the basis of 2-18 population projections for 2018 from the Office for National Statistics. Havering will receive £6.8m through this factor which will increase each year as the pupil population increases.

Deprivation

The Free School Meal factor and IDACI (Income deprivation affecting children index) will each allocate 10% of the total funding. Havering's indicative allocation is £1.2m and £1.3m respectively.

Low attainment

Funding based on KS2 and KS4 attainment accounts for 7.5% each of the total funding. Havering's indicative allocation is £731k and £846k respectively.

The funding for KS2 low attainment is based on the number of children not achieving level 3 or above in KS2 tests and not attaining a scaled score in 2016.

The funding for KS4 low attainment is based on the number of children not achieving 5+ A* to G GCSEs in 2012-16.

Health and disability

A total of 15% of the available funding will be allocated based on data from the 2011 population census of children in bad health and the number of children aged 0-16 for which parents receive a Disabled Living Allowance as at November 2016. Havering's indicative allocations through these factors are £903k and £882k respectively.

Funding Floor

The funding floor factor protection is calculated on a per head of population basis, ensuring that every local authority receives at least a 0.5% increase per head. Havering receives no funding through this factor.

Import/export adjustment

Because the funding allocated through the factors above relate to the resident pupil population, local authorities face higher costs if they attract more pupils with high needs from outside the local authority area into schools and college places that they fund (imports). Conversely, authorities that export pupils to other local authorities face lower costs. Havering's indicative funding assumes a net export of 45 pupils which at £6,000 per pupil equates to a reduction of £270,000.

Hospital education factor

This factor adds funding to those authorities with planned spending on hospital education. Havering's allocation of £78k relates to the provision at Queens Hospital.

3% gains cap

The national formula, as well as ensuring that all authorities gain by 0.5% per head of pupil population, applies a gains cap to those that would otherwise have gained by more than 3%.

Havering's indicative allocation calculated from all of the funding factors above is £24,443,581 but this is reduced to £23,389,265 by the 3% gains cap. It is, however an additional £1,012,000 on the High Needs block funding in 2017-18.

Central School Services Block

This new funding block is to fund provision that was previously allocated as part of the Schools Block and a central Education Service Grant to local authorities.

From 2018-19 funding for ongoing allocations will be made on the basis of national formula as shown below. As a result Havering's allocation will be reduced by £26,790 based on DFE indicative figures. Because of the increase in pupil numbers in Havering, the actual reduction is likely to be less in the final allocation of funding through this block.

Allocations for historic commitments will remain unchanged in 2018-19 and the DFE will be monitoring expenditure with the expectation that funding will reduce each year.

Havering's indicative allocation is as follows:

	Current allocation £
ESG for retained duties of the LA	589,000
School Admissions	499,734
National copyright licences	164,521
Schools Forum Servicing	43,250
Total	1,296,505

National Funding rates	£	Data	Actual allocation £
Per pupil rate	31.95	36,112	1,153,948
Deprivation rate	13.29	8,712	115,788
Total			1,269,736

Reduction			26,769
-----------	--	--	--------

Historic Commitments	£		£
School Partnership Fund	200,000		200,000
Energy conservation	87,490		87,490
Total	287,490		287,490

Allocation	1,583,995		1,557,226
------------	-----------	--	-----------

Consultation on Schools and High Needs Funding in 2018-19

Proposal to transfer 0.5% of the Schools Block to the High Needs Block

Local authorities must present a range of evidence to schools as part of the consultation and to their schools forum to back up a proposal to transfer funding from the schools block.

The evidence that is expected as stated in the operational guidance on schools revenue funding 2018-19 is addressed as follows:

- 1. Details of any previous movements between blocks, what pressures those movements covered and why those transfers have not been adequate to counter the new cost pressures*

In financial year 2015-16 the High Needs budget overspent by £822k and was forecast to overspend by up to £1.4m in 2016-17. A transfer of £1.3m from the Schools Block and £100k from the Early Years Block was agreed by the Schools Funding Forum at the meeting held on 10th December 2015 for financial year 2016-17. At year end there was an underspend of £79k which would have been an overspend of almost £1.4m without the transfer.

The transfer in 2016-17 covered an increase in provision and complexity of need that was not recognised in the High Needs funding to the local authority from the DFE. These increases in the level of need are continuing in Havering and are a significant issue for most local authorities particularly in London. The High Needs block is again forecast to overspend in 2017-18 and the cost of continuing increase in need is unlikely to be met solely from the additional resources expected from a revised funding formula.

- 2. A full breakdown of the specific budget pressures that have led to the requirement for a transfer*
 - this should include the changes in demand for special provision over the last three years, and how the local authority has met that demand by commissioning places in all sectors (mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision)*
 - it's particularly important that any changes in the provision for mainstream school pupils with high needs are highlighted so that those schools can understand both why a transfer of funds from the schools block might be needed, and how future transfers might be avoided*

The anticipated pressures are attached at appendix A. It is part of the LA strategy for high needs provision to encourage mainstream schools to open additionally resourced provision (ARP) particularly to meet the needs of increasing numbers of children with ASD. It is expected that pupils with a level of need appropriate for placement in a mainstream ARP would have otherwise have been placed in a special school or in out of borough provision. The release of capacity in Havering special schools should increase the availability of local provision and therefore reduce the costs of placing children in expensive out of borough provision.

The transfer would also enable an increase in the hourly rate that is applied to the top up funding paid to schools that have children with EHC Plans. This, along with a higher allocation to schools that have developed a speciality in meeting the needs of children with SEND and have a disproportionately high number of children with SEND is intended to promote and encourage an ethos of inclusion.

3. *A strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels*

- *the local authority should demonstrate an assessment and understanding of why the high needs costs are at a level that exceeds the expected final high needs funding allocation, and that plans are in place to change the pattern of provision where this is necessary, as well as to achieve greater efficiency in other ways*
- *the schools forum can only give approval for a one-off transfer of funding out of the 2018 to 2019 schools block*
- *the local authority should give details of whether the cost pressure is such that they would anticipate the need to seek schools forum approval for a transfer in subsequent years, and how they are planning ahead to avoid such transfers in the longer term*

The Local Authority is currently finalising its High Needs strategy which will set out how local provision will be increased to meet a growth in demand and increased complexity of need. The development of local provision will include a new special free school for pupils with ASD and SEMH, post 19 provision and further additionally resourced provision in mainstream schools supported by capital funding. This investment in local provision should lead to a reduction in the need to place children out of borough in more expensive provision. This strategy together with further increase in funding through the new high needs national funding formula should obviate the need for a further transfer from the schools block in future years.

4. *As part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded*

- *we expect effective partnership between the local authority, those institutions offering special and alternative provision (including mainstream schools), and parents; and between the local authority and neighbouring authorities*

In reviewing the high needs strategy the LA consulted with:

- Parents and carers, via the Parents Forum (run by Positive Parents) and through a questionnaire on SurveyMonkey and the Personal Outcome Evaluation Tool (POET – for those parents who have been through the EHCP process).
- Children and young people, via Advocacy for All consultations on:
 - short breaks
 - personal outcomes evaluation tool (POET – which asks about young people’s experiences of getting an EHCP)
 - preparing for adulthood
- Early years providers via a focus group and a request to all providers to email any comments
- Schools and academies, including special schools and academies via a focus group and a request to all schools to email any comments
- Post-16 providers and colleges via a focus group and a request to all providers to email any comments
- Local authority staff (from children’s and adults’ services) via two drop-in sessions, a request to email any comments and, for those involved in EHCPs, POET
- Health colleagues at the CCG, via face-to-face meetings

5. *Any contributions from health and social care budgets towards the cost of specialist places*

The DSG High Needs Block meets the education element of specialist placements. Health and Social Care contribute to non education elements.

6. *How any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools*

- *examples of schools that illustrate how the local authority would support such inclusive practice are also useful*

In 2017-18, £176,145 is allocated to mainstream schools that have a disproportionately high number of pupils with high needs. This is distributed to five schools through a formula that takes into account the notional SEN funding in each school. The current allocation to the five schools is as follows:

£1,144
£5,935
£17,223
£75,274
£76,569

The formula for allocation of additional resources is to be reviewed and it is proposed to increase the funding available by £100k.

It is also intended to increase the hourly rate of the funding allocated in support of EHC Plans above the first £6,000 that schools are required to meet.

7. *Details of the impact of the proposed transfer on individual schools' budgets as a result of the reduction in the available funding to be distributed through the local schools funding formula*

There will be no reduction in the funding to be distributed through the schools funding formula and therefore no impact on schools. With the agreement of the Schools Funding Forum the LA has held funding within a contingency to support the transition to a national funding formula. The transfer of 0.5% (approximately £800k) of the Schools Block to the DSG will effectively be replaced by £800k held in contingency.

8. *The extent to which schools more generally support the proposal, including the outcome of local school consultations*

Responses to the consultation with schools will be presented to the December meeting of the Schools Funding Forum.

High Needs Funding Pressures and Proposals to Meet Strategic Objectives

	FY 2018-19
1 New special free school for ASD/SEMH	
60 places	
£10,000 place funding from ESFA	
LA funds top up	
Expected opening September 2019	
Part year - Top up at £25k per pupil x 60 pupils x 7/12	0
2 Increased number of ARPs	
12 places per ARP	
2 per year - opening September	
Part year - £10k per place plus £6k top up x 12 places x 2 x 7/12	224,000
Full year - £10k per place plus £6k top up x 12 places x 2 x 12/12	
Part year - £10k per place plus £6k top up x 12 places x 2 x 7/12	
3 Increase in hourly rate for top up payments to schools	
Current hourly rate is £12.67. Increase to £14.	
Top up funding will therefore be for more than 11 hours rather than 12	
Estimated cost	570,000
4 Pupils taking in disproportionately high number of children with SEND	
Current funding is	
Assume an additional £100k	100,000
5 Early Years additional funding	
Currently £50k from Early Yrs + £50k from High Needs	
Assume doubling this from April 2018	50,000
6 Support for pupils with medical needs	
Pupils with no EHCP but requiring high levels of support	50,000
7 Special School Matrix Funding	
The increasing complexity of need is likely to place pupils on the higher matrix funding levels	
Assume 9 pupils per school on higher levels	
9 pupils x 3 schools x £20k	540,000
8 Post 16 provision	
Assume some additional costs of students moving to post 19	
Appropriate educational provision needs to be assessed	
Assume funding for 10 students from Corbets tery	
10 students x £20k per place x 7/12	116,667
10 students x £20k per place x 12/12	
9 Additional Alternative Provision (KS3 &4)	
Increase in provision for pupils at risk of permanent exclusion	
10 places at £18k per place	180,000

Funding sources	FY 2018-19
1 Additional funding through High Needs settlement	
Based on indicative settlement	1,091,000
2 Proposed transfer from Schools Block to High Needs	800,000
3 Reduction in external placement costs???	-100,000
Total	<u><u>1,791,000</u></u>
Unfunded	39,667