

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:

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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":

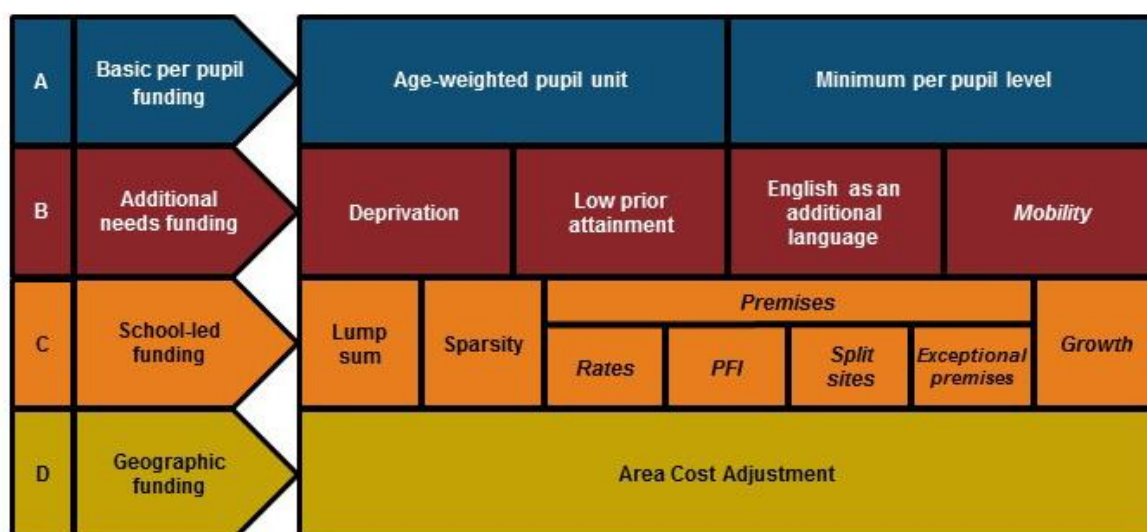
Early Years
 Schools
 High Needs
 Central School Services

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

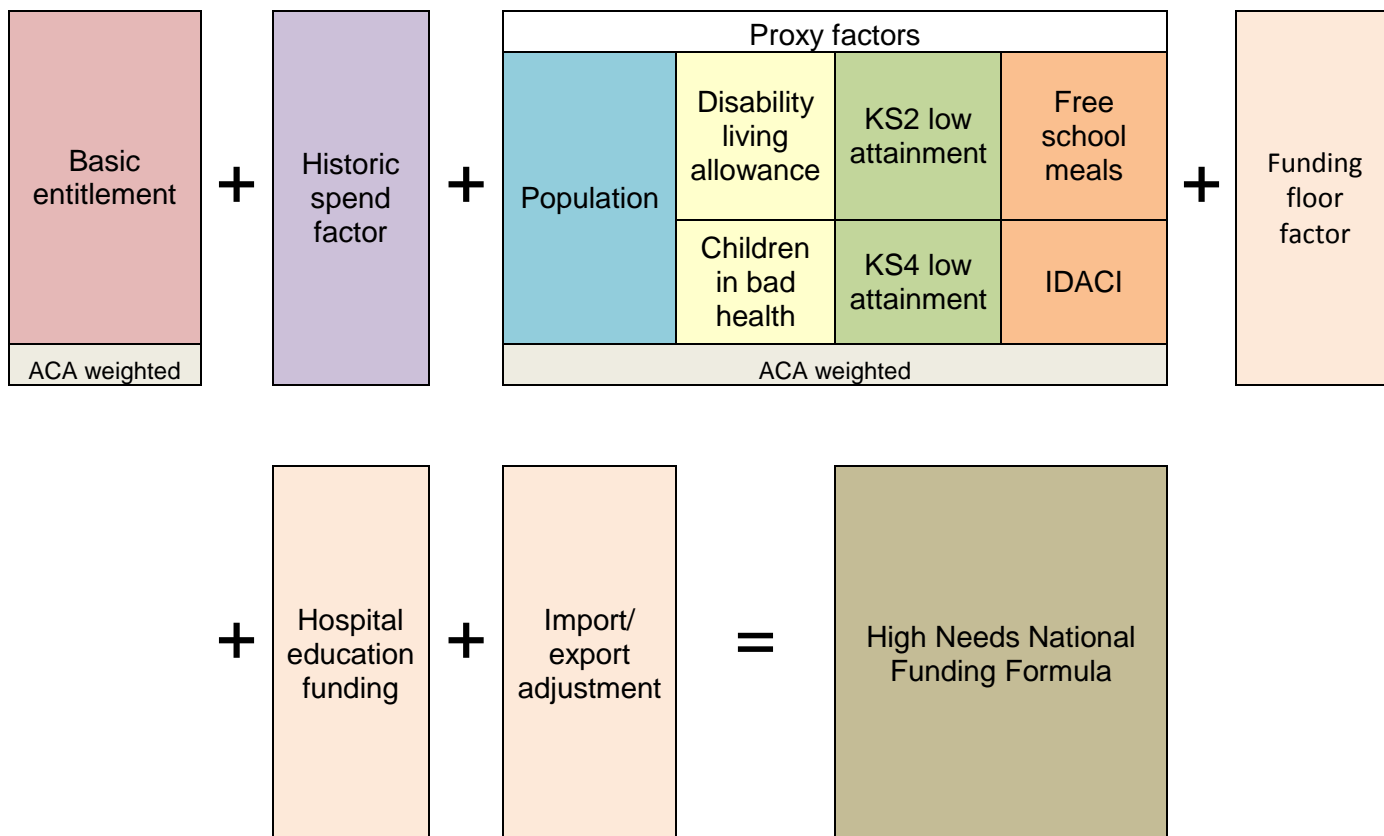
The DFE's current methodology for allocating High Needs funding to local authorities is based on spending patterns of over 10 years ago with no meaningful increases in spite of a growing need for provision and an increase in the level of complexity of need. Following consultation, a national funding 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
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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
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