

	<h2>Children, Education, Libraries and Safeguarding Committee</h2> <h3>14<sup>th</sup> June 2016</h3>
<p style="text-align: right;"><b>Title</b></p>	<p>Annual Report on school funding in Barnet and the Government’s consultation on a national school funding formula</p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Commissioning Director, Children and Young People and the Director of Children’s Service</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>None</p>
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<h2>Summary</h2>
<p>This annual update on school and early years funding arrangements focuses on the recent government consultation on proposed reforms to school funding arrangements nationally. It sets out the key elements of the government’s ambition to move to a national funding formula and identifies the key issues for Barnet. In view of the further government consultation later this year (and probably in the Autumn term), the report seeks authority to delegate decisions to the Commissioning Director Children and Young People in relation to Barnet’s school funding formula for the school funding year 2017/18.</p>

## **Recommendations**

**That the Children, Education, Libraries and Safeguarding Committee:**

- 1. Note the annual report on school funding in Barnet and the recent government consultations on potential changes to school funding.**
- 2. Delegate to the Commissioning Director, Children and Young People (Director of Children's Services) authority to consult schools on any potential changes proposed by Barnet Schools Forum, as a consequence of further published Government regulation or guidance, expected in Autumn 2016.**
- 3. Delegate to the Commissioning Director, Children and Young People (Director of Children's Services) authority to make any necessary amendments to the Schools Funding Formula for 2017/18 to enable the changes to be included in the submission of the Authority Proforma Tool (APT) to the DfE on 31 October 2016 (or alternative date required by central government).**

### **1 WHY THIS REPORT IS NEEDED**

- 1.1 At its meeting on 9<sup>th</sup> March 2015, the Children, Education, Libraries and Safeguarding Committee agreed to receive an annual report on the local funding formulae for schools and early years and other financial issues affecting early years and schools.
- 1.2 This year's report focuses on two consultations recently launched by the Department for Education (DfE); one on a Schools National Funding Formula and the other on High Needs Funding (SEN). Both consultations are in two stages, the first stage invited submissions by 17<sup>th</sup> April and the second at a date to be announced later in 2016. The department also plans to consult on Early Years Funding later in 2016.
- 1.3 The proposal for a national funding formula paves the way for a fundamental reform of school funding in England. The first stage of the consultation covers the principles, methodology, and the framework of a national funding formula. Crucially, the detail that will allow us to calculate the potential impact on the local authority and individual schools in Barnet will not be released until the second stage of the consultation. Therefore, until more is known, it is not intended to propose any changes to Barnet schools funding formula.

#### **A national funding formula for schools**

- 1.4 The government proposes to introduce a national funding formula for schools that ensures a consistent and fair approach to funding schools across the country based on needs rather than historic patterns of expenditure. It is consulting on the factors that should be included in the formula and the approach to introducing it.

- 1.5 The DfE plans to have a 'hard' national funding formula in place for all mainstream primary and secondary schools and academies from April 2019, with the aim of distributing funding fairly and consistently across the country. It uses the term 'hard funding formula' to distinguish between what will happen in 2019 and what will happen in the two previous financial years.
- 1.6 From 2019/20 the national formula determined by central government will generate the funding for each school (including academies). During 2017/18 and 2018/19 the Schools Block paid to local authorities will be determined by aggregating the amounts that individual primary and secondary schools would get under the national formula. However, in order to allow some local management of the phasing in of the new national formula, local authorities, advised by their Schools Forum, will be able to use a local formula to determine how much each school will actually receive. In other words it will be a hybrid model, referred to as a 'soft' national funding formula.
- 1.7 The government plans to base the national formula on various factors already in use by local authorities, that will be common across the country and has been consulting on those factors. The only adjustments for the location of any school will be an area cost adjustment to take account of higher costs in some areas, particularly London, and the sparsity factor which helps isolated rural schools.

### **Funding blocks**

- 1.8 Between April 2017 and March 2019 the Schools Block of the Dedicated Schools Grant (DSG) funding must be passed in its entirety to schools.
- 1.9 There will also be a new, formula-based Central Schools Block to support central local authority services. This will cover some of the duties previously funded through the Education Services Grant (ESG). The ESG contributes towards the funding of some central functions that are not funded through the DSG (Dedicated Schools Grant) such as school improvement for maintained schools, education welfare statutory work and asset management.
- 1.10 The DfE proposes to provide specific funding for Pupil Number Growth but the consultation document proposed that this should be allocated on historical expenditure, which many local authorities may find difficult, especially at this time when the expansion of secondary schools is about to begin. Our concerns over this have been expressed in Barnet's response to the consultation.
- 1.11 The Pupil Premium, Universal Infant Free Meals, Devolved Formula Capital and other grants will continue.
- 1.12 The government also proposes to reform High Needs funding so that it is distributed more fairly through a formula that is based on factors relating to need rather than on historic patterns of expenditure and provision. To that end it proposes, and has consulted on, the factors that should be taken into account in determining the formula. At the same time it recognises the need to phase in any changes slowly in order to avoid disrupting provision and to give local authorities time to plan, and make the necessary adjustments to, their SEN arrangements and provision. Local authorities will continue to have responsibility for identifying, placing, and providing funding (including top-up

funding) for, children with Education, Health and Care Plans in all schools (including academies).

### **Key issues in relation to the proposed National Funding Formula**

1.13 The key issues for Barnet are:

- **School improvement:** In its consultation document on school funding, the DfE proposed the removal of the LA role in school improvement from April 2017. This was linked to proposals in the White Paper, 'Education Excellence Everywhere' to transfer responsibility for school improvement from local authorities to schools and system leaders – Academy chains and Multi-Academy Trusts, Teaching Schools, National Leaders of Education and other designated system leaders. It is not yet clear how these proposals will be affected by the government's announcement on 6<sup>th</sup> May that, although it remains committed to all schools becoming Academies by 2022, it no longer intends to legislate to require this of all primary and secondary schools.

Barnet is one of the best performing LAs in the country in relation to the proportion of maintained schools that are good or outstanding (94%) but this involves a mixture of strategies. Increasingly it is a school-led system and the school improvement partnerships established across Barnet put Barnet schools in a strong position to respond to the proposed new agenda. However, the key question that any new approach must address is how to ensure a robust programme of monitoring and challenge, as well as support, for all schools, and appropriate intervention for the small number of Barnet schools that are a school causing concern, particularly during the period before all schools become Academies, with most of them in Multi-Academy Trusts.

- **The area cost adjustment** will need to be enough to cover the actual extra cost of living and working in London, taking account of both London weighting and how average school salaries are higher in London, to reflect housing costs etc.
- **The speed of introduction of any changes** – the DfE is proposing to phase in the new arrangements with a gradual move to the national formula and a gradual move away from local formulae paid through local authorities over 2 years. Whether the changes can be achieved without major disruption will depend on the scale of change for individual schools and local authorities over those 2 years, the actual phasing within those 2 years and the level at which they set the Minimum Funding Guarantee, currently set at -1.5%, meaning per pupil funding for any school cannot fall by more than 1.5% a year.
- **The creation of a new central block and the requirement to passport the schools block in full.** This may be achievable without detriment to key services if the central services are funded by top-slicing the school block first and the current High Needs block is protected, but otherwise it could mean significant cuts to central services or Special Educational Needs services. It is not yet clear how the central block will be determined. However, this must be a significant budget risk for Barnet,

especially in relation to some of the historic protected budgets for Family Services (e.g. funding for support to troubled families) and the historic Dedicated School Grant contributions to SEN transport and the educational psychology service.

- **Growth Funds** –The consultation documents say that growth funds will be based on historic spend in 2016/17 and 2017/18. This potentially may assist Barnet as we have a high level of spend but only if it is sufficient to cover actual growth costs as the pupil bulge feeds through to the more expensive secondary sector.
- **High Needs funding** – There is not yet enough information on what the formula will look like to enable any comment on the implications for Barnet.

### **Barnet's response to the consultation**

- 1.14 Schools and local authorities were invited to respond to the consultation. The council's response to the DfE's consultation on both the schools' national funding formula and the High Needs national funding formula can be found at <http://barnet.moderngov.co.uk/documents/s31689/Appendix%20I%20-%20Barnet%20response%20to%20the%20National%20Funding%20Formula%20Consultation.pdf>
- 1.15 London Council's submitted a response on behalf of London and this can be found at <http://www.londoncouncils.gov.uk/our-key-themes/children-and-young-people/education-and-school-places/consultation-response-schools>
- 1.16 It is likely that there will be further consultations as the Government moves towards a national funding formula and the Commissioning Director, Children and Young People will co-ordinate any response in consultation with Barnet's Schools Forum.

### **Barnet's school funding formula for 2017/18**

- 1.17 At this time of year, it is usual for the Schools Forum to consider whether to consult with schools on any changes to Barnet's funding formula for the following financial year. However, this year, it is not recommended to consult on any changes ahead of knowing the government's intentions for 2017/18 in relation to moving towards the national funding formula. However, it is likely that following the next round of government consultation, some changes may be required and this report seeks agreement for the Commissioning Director, Children and Young People to be delegated to authorise any consultation with schools, as recommended by Barnet's Schools Forum. Each year, the council has to submit its intended funding formula by the end of October through the Authority Proforma Tool (APT) based on the results of any consultation with schools that may be undertaken. This report also seeks delegated authority for the Commissioning Director, Children and Young People to make any necessary amendments to the Schools Funding Formula to enable the

changes to be included in the submission of the APT to the DfE by the end of October.

## **Early Years**

- 1.18 The department has said it will consult later in the year on a new national funding formula for Early Years. In the meantime it has recently issued a consultation document, entitled 'Childcare free entitlement: delivery model' which can be seen at:

[https://consult.education.gov.uk/early-years-funding/childcare-free-entitlement/supporting\\_documents/CONDOC.%20final%20version%2031st.pdf](https://consult.education.gov.uk/early-years-funding/childcare-free-entitlement/supporting_documents/CONDOC.%20final%20version%2031st.pdf)

- 1.19 This consults on the arrangements for the provision of 'free entitlement' childcare, including the planned extension of free entitlement for 3 and 4 year olds from 15 to 30 hours a week for working parents. The consultation is not about funding although the document does highlight an increase in the 'national average funding rate to providers' for 3 and 4 year olds (rising from £4.56 to £4.88 by 2019/20. This rate is the average amount paid to local authorities, not providers, and varies depending on the location of the LA. Barnet's actual rate is higher.
- 1.20 Responses to this consultation have been invited by 6 June. The early years team has circulated it to all Private, Voluntary and Independent providers and is preparing a local authority response. Schools have been alerted through the Schools Circular.

## **2 REASONS FOR RECOMMENDATIONS**

- 2.1 The proposed recommendations enable any consultation that may be required with schools as a result of changes proposed by central government together with a timely submission of Barnet's funding formula in October 2016.

## **2 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The alternative option to bring further reports to Committee could jeopardise the ability to properly consult with schools in a timely way.

## **3 POST DECISION IMPLEMENTATION**

- 4.1 If the recommendation is approved, any consultation with schools and early years settings would commence following publication of further information on proposed changes to the school funding regime by the DfE.

## **4 IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

Ensuring that resources available to schools and early years settings are appropriately allocated and supports the delivery of the council's Corporate Plan to ensure that 'Barnet's children and young people will receive a great start in life' and that 'Barnet

schools will be amongst the best in the country, with enough places for all and with all children achieving the best that they can’.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

There are no financial implications arising directly from this report. The financial implications of any government proposed changes to the funding formula will be reported to the Committee, when known.

## **5.3 Legal and Constitutional References**

- 5.3.1 The composition, constitution and procedures of Schools Forums are set out in the Schools Forums (England) Regulations 2012 (S.I. 2012/2261). They set out the respective roles and responsibilities of the local authority and the Forum.
- 5.3.2 The current system of school funding is based on the dedicated schools grant being split into three separate blocks, namely the schools' block, high needs block and early years block. In addition there is a separate education services grant for use by the local authority. From the schools' block, the local authority is permitted to retain funding for central education services. The legislation governing the current system is the School Standards and Framework Act 1998 and associated regulations. In addition there are detailed regulations covering decision making and consultation requirements with the schools' forum and individual schools.
- 5.3.3 The new proposal is to have the dedicated schools grant split into four blocks, namely schools' block, high needs block, early years block and central schools block. It is proposed to distribute the schools' blocks directly to schools based on a national funding formula, whereas local authority funding will be contained within one central schools block. This will require a change to primary legislation and it is intended that this would not be in place to allow implementation before 2019-2020 financial year.
- 5.3.4 The interim proposal is for the Government to calculate the schools' block based on a national funding formula, but to continue to distribute this to local authorities, who will continue to have requirements in relation to consultation with the schools forum and autonomy to distribute it to schools based on existing factors. The funding will be based on a notional per school funding basis, plus funding for premises and growth. There is proposed to be some changes to existing regulations to remove the post 16 factor and to require all funding to be passed to schools. There is also proposed to be a change to the level of the minimum funding guarantee to reflect the fact that some local authority areas may receive less funding and to give these authorities the necessary flexibility to ensure a fair distribution of funding.
- 5.3.5 There is separate consultation on the high needs funding and planned consultation on early years funding as well as on the future role of the schools' forum.

5.3.6 Current regulations require that the local authority consult its schools forum on any proposed changes to its funding formula and to submit a provisional APT to the Education Funding Agency (EFA) in October to allow the EFA to confirm that the formula is compliant with current legislation and guidance. A final submission is made in January, however only changes relating to pupil numbers should be submitted at this stage.

#### 5.4 **Risk Management**

The annual submission of school funding information to the Department for Education is governed by a strict timetable to ensure that schools are allocated budgets in good time for each new financial year. The deadlines required by the Department can vary. There is a risk that the Committee meeting dates do not align well with the Government timetable – by delegating this to the Commissioning Director, Children and Young People, this risk is mitigated.

#### 5.5 **Equalities and Diversity**

The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

The protected characteristics are:

- age
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

In reviewing the arrangements for the education of pupils with special educational needs and for the use of pupil referral units and the education of children otherwise than at school ensures that the particular needs of vulnerable children and young people are championed

#### 5.6 **Consultation and Engagement**

The regulations set out the requirements to consult with schools for aspects of school funding. Consultation will be undertaken if required. Schools have been made aware of the government's ambition to move to a national funding formula through the Schools Forum, briefings with headteachers and chairs of governors.



## **6 BACKGROUND PAPERS**

Children, Education, Libraries and Safeguarding Committee 9<sup>th</sup> March 2015

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=697&MId=7927&Ver=4>