



Children, Education, Libraries and Safeguarding Committee

21st February 2017

Title	Annual report on School funding in Barnet for 2017/18
Report of	Commissioning Director –Children and Young People
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	<p>Appendix A: Schools budget for 2017/18 (as at January 2017)</p> <p>Appendix B: Draft response to the government’s consultation on the introduction of a national funding formula (stage 2)</p> <p>Appendix C: Draft response to the government’s consultation on the reform of high needs funding</p>
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Summary

This annual report on school funding arrangements updates the Children, Education, Libraries and Safeguarding Committee on the government’s progress towards the implementation of the national funding formulae for schools. The report also sets out the main features of Barnet’s schools budget for 2017/18 which takes into account the latest government guidance and regulations in relation to school funding in preparation for the move towards a national scheme. Finally the report discusses the implications of, and the local response to the government’s removal of the Education Services Grant to local authorities.

Recommendations

That the Children, Education, Libraries and Safeguarding Committee:

- 1. Note the annual report on school funding in Barnet including:**
 - **The National Funding Formula for schools**
 - **The Barnet Schools Budget for 2017/18 set out in Appendix A and the submission of the Authority Pro-forma Tool as set out in Paragraph 1.9**
 - **The Education Services Grant**
- 2. Delegate to the Commissioning Director, Children and Young People (Director of Children's Services) authority to consult the Schools Forum and schools on any potential changes to the School Funding formula for 2018/19 and possible retention of part of the DSG budget to fund services to maintained schools currently funded from the Education Services Grant and any other significant changes to the Schools Budget that may be necessary as a consequence of published Government regulations or guidance.**
- 3. Comment on the proposed responses to the government's second round of consultation on the Schools national funding formula and the High Needs funding reform as set out in:**
 - **Appendix B: Draft Barnet response to the government consultation on the introduction of a national funding formula (stage 2)**
 - **Appendix C: Draft Barnet response to the government consultation on the reform of high needs funding.**

and delegate final submission of the response to the Commissioning Director, Children and Young People.

- 4. Note that a report on the results of any consultation and any proposed amendments to Barnet's Funding Formula for 2018/19 and any other significant changes to the Schools Budget or in respect of funding of services to maintained schools currently funded from the Education Services Grant will be submitted to the Children, Education, Libraries and Safeguarding Committee by December 2017.**

1 WHY THIS REPORT IS NEEDED

- 1.1 At its meeting on 9th 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. On the 14th June 2016, the Children, Education, Libraries and Safeguarding Committee considered the Government's intention to move to a national funding formula. It also delegated to the Commissioning Director, Children and Young People authority to consult schools on any changes to Barnet's funding formula for 2017/18 and to submit Barnet's funding formula to central government.
- 1.2 The schools budget submitted for 2017/18 is set out in Appendix A. This report updates the Children, Education, Libraries and Safeguarding Committee on:
 - a) The National Funding Formula for schools
 - b) The Barnet Schools Budget for 2017/18
 - c) The Education Services Grant.

An update on early years funding is considered in a separate report on the Agenda of the meeting.

- 1.3 The report also seeks delegated authority to the Commissioning Director, Children and Young People to consult schools on any changes to Barnet's funding formula for 2018/19. A report on the result of the consultation and any proposed amendments to Barnet's funding formula to central government will be presented to the Children, Education, Libraries and Safeguarding Committee in Autumn 2017.

a) The National Funding Formula for schools

- 1.4 The Department for Education released Stage 2 of the Schools national funding formula and the High Needs funding reform consultations on 14 December 2016, with a closing date for responses of 22 March 2017. The full consultation documents can be viewed online at: <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/> and <https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>
- 1.5 The National Funding Formula will be phased in during 2018/19 and 2019/20. There will be no impact on school budgets in 2017/18. The headline proposals are:
 - A 'soft' formula will apply for 2018/19 where school allocations under the National Funding Formula will be aggregated and allocated to local authorities in the Schools Block. There will be an interim local formula for this period. This allows for some local flexibility, but in practice most local authorities are likely to pass on the funding according to the national formula.

- From 2019/20, the national funding formula will be used to calculate the vast majority of each individual school's budget, but with local authorities continuing to have limited flexibility on some parts of the formula, particularly in relation to funding for pupil growth.
- The school level Minimum Funding Guarantee (MFG) will continue at - 1.5% per pupil, but there will be additional protection in the form of a school level funding floor – limiting the reduction of overall funding to a school to a maximum of 3% per pupil by 2019/20.
- Allocations to most Barnet mainstream schools will reduce – with losses varying from a fraction of 1% up to 3% over two years. So the worst case scenario for individual schools is that they could lose up to 1.5% of their formula funding per pupil in 2018/19 and the same in 2019/20.
- The combined effect of the changes to funding are that, if the National Funding Formula had been fully implemented in 2016/17, Barnet would have suffered a total reduction in DSG funding of 0.8%, which represents a total loss of about £2.5m on the DSG budget of £319m. On average that means losses of about 1% to school budgets over the two years, 2018/19 to 2019/20.
- No local authority will lose funding as a result of the new High Needs formula (funding for Special Educational Needs) and schools' budgets for specialist SEN places will be similarly protected.

1.6 Appendix B sets out the proposed response to the second stage of the government's consultation on the introduction of the national funding formula. Appendix C sets out the proposed response to the government consultation on reform to high needs funding. Following the Schools Forum on the 9th February and the consideration of these responses by the committee, authority is sought to delegate the final response to the Commissioning Director, Children and Young People.

b) The Barnet Schools Budget for 2017/18

- 1.7 The Schools Budget is mainly funded through the Dedicated Schools Grant (DSG). For 2017/18 this is made up of three notional funding blocks:
- Schools Block
 - Early Years Block
 - High Needs Block.

Each block is calculated on a different basis:

- The **Schools Block** is calculated using pupil numbers taken from the October 2016 schools census, multiplied by a guaranteed unit of funding (SBUF).
- The **Early Years Block** is estimated using early years numbers taken from the Early Years and Schools census in January 2016. Extra funding has been provided to cover the cost of extending free childcare to 30 hours a week for eligible working parents.

- A further update to the 2017/18 Early Years Block allocation will be made once the January 2017 Early Years and Schools census numbers are finalised.
 - The early years pupil premium has been set at the same level as 2016/17 but may be subject to change.
 - The **High Needs Block** is a cash amount and is based on the amount that was allocated in 2016/17. In 2017/18, the DfE has increased the High Needs block funding slightly to account for population growth. Barnet will receive an additional £1.4m. High Needs funding for pupils with SEN is protected.
- 1.8 Funding for Barnet schools will remain broadly in line with funding in 2016/17. The Age-Weighted Pupil Unit remains the same as in 2016/17 for Primaries and marginally higher (£10 per pupil) for Secondaries.
- 1.9 The council is required to submit to the DfE annually a completed Authority Proforma Tool (the APT) which shows all the detailed assumptions underpinning the proposals for allocating budgets to schools and early years providers in the following year. Barnet's APT was submitted by the Commissioning Director Children and Young People, as delegated by the Children, Education, Libraries and Safeguarding Committee, to the DfE by the deadline of 20th January 2017.
- 1.10 The key factors, which were subject to consultation with the Schools Forum in December, are as follows:
- The government's minimum funding guarantee (MFG) for schools remains the same as in 2016/17 (-1.5%). This means that the maximum reduction in per pupil funding for any school is 1.5%.
 - Barnet's Primary to Secondary funding ratio has remained consistent at 1:1.29 and, in order to maintain this ratio in 2017/18, Schools Forum agreed to increase the secondary age weighted pupil unit (AWPU) by £10 per annum.
 - To ensure the affordability of the MFG protection, which means schools do not lose more than 1.5% per pupil in their formula funding, the Schools Forum also agreed a change to the amount schools can gain by applying a cap. Schools would keep formula funding gains up to a maximum of 2.25% per pupil.
 - The December 2015 IDACI (Income Deprivation Affecting Children Index) release meant that IDACI scores for all Barnet schools (and in London generally) were lower than in the previous year. To reflect the lower deprivation scores, the DfE has now redesigned the IDACI bands to return them to a similar size to previous years. In light of this, Barnet has reverted to funding the 3 most deprived IDACI bands, now classified as A, B and C. The total deprivation expenditure as a percentage of total distribution remains consistent with previous years.
 - All Academies and Free Schools are treated in the same way as maintained schools in that their pupils are used to determine the Schools

Block of the DSG, and the local authority calculates and submits their funding on the authority proforma tool (APT) so the money can be recouped by the Education Funding Agency from Barnet's DSG.

- Local authorities are responsible for pupil growth at all schools, except in the first year of opening a new free school. A total of £3.8m is needed in the growth fund budget for 2017/18 to pay for new year groups and bulge classes opening in academies and free schools as well as expansions at maintained schools.

1.11 The school funding rates for the 2017/18 financial year are as follows:

	Proposed 2017/18		2016/17 Rates	
	Primary Rate £	Secondary Rate £	Primary Rate £	Secondary Rate £
Age Weighted Pupil Unit	3,325.75	4,782.86	3,325.75	4,772.86
Free School Meals (Ever 6)	1,423.56	505.00	1,423.56	505.00
Lump sum per school	122,000.00	122,000.00	122,000.00	122,000.00
Deprivation: IDACI 3	Bands not in use in 2017/18		350.00	1,045.00
Deprivation: IDACI 4			2,100.00	5,225.00
Deprivation: IDACI 5			4,200.00	10,450.00
Deprivation: IDACI C	880.00	2,189.44	Bands not in use in 2016/17	
Deprivation: IDACI B	2,100.00	5,224.80		
Deprivation: IDACI A	4,000.00	9,952.00		
English as Additional Language 2	530.00	1,378.00	530.00	1,378.00
Mobility	422.90	618.53	422.90	618.53

1.12 The main pressure on the DSG expenditure budget is due to the continuing growth in primary pupil numbers now feeding through into secondary schools. The non-capital cost of setting up new classes is estimated to be £3.8m for 2017/18.

1.13 The approach to balancing the 2017/18 budget has been similar to last year:

- Agreement by the Schools Forum to use the £1.6m of DSG underspend carried forward from 2014/15 to support the budget gap by contributing to the growth fund. The remaining underspends from 2014/15 and 2015/16, £0.6m and £1.2m respectively, are planned to be carried forward and earmarked for pupil growth at new and existing schools from 2018/19. The

cost of growth will be high for the next 5 years as the growth in primary moves into secondary and regeneration attracts new families into Barnet.

- Officers are continuing to ensure the needs of children with SEN are met wherever possible in local provision rather than expensive independent placements. There is nevertheless pressure on the High Needs budget arising from the increased demand for specialist places for post 16 education
- The growth in 2-year-old places also puts pressure on the budget due to lagged funding (funding for the growth in numbers coming to the Borough after the growth has taken place), and the fact that we pay out at a slightly higher rate than we receive. However, 2-year-old places are not expected to increase significantly in 2017/18, as additional provider capacity is likely to be taken up by 3&4year olds qualifying for the working parent 30hour offer.

c) Education Services Grant (ESG)

- 1.14 In the 2015 Spending Review, the government announced a saving of £600 million from the ESG general funding rate by 2019/20. Barnet council currently receives an Education Services Grant (ESG) of £3.6million. Last year the DfE announced that it proposed to phase out ESG funding to local authorities in 2017/18.
- 1.15 The ESG is additional funding given to academies and local authorities for services such as school improvement, education welfare services, asset management and strategic planning. It is made up of two elements – a retained duties element which covers statutory duties in relation to all schools (including Academies and Free Schools) and a general fund element that relates to local authority statutory duties in respect of maintained schools.
- 1.16 The retained duties element of the ESG is based on a flat rate, currently £15 per pupil, and amounts to £797,000 for Barnet. Rather than cutting this, the DfE decided to move it into the Dedicated Schools Grant (DSG) and allow local authorities to retain the funding for statutory purposes relating to all schools. The Schools Forum considered this at its December meeting and agreed to the council retaining this funding, noting that it was an in-out transaction with no negative effect on school budgets.
- 1.17 The remaining £2.8m of ESG funding relates to statutory duties in respect of maintained schools only. This will be withdrawn entirely by 2018/19. However, there are three mitigating factors.
- Firstly, local authorities will receive a separate grant for School Improvement, which was previously funded from the ESG. This grant will be to cover statutory intervention functions and services such as monitoring and commissioning of school improvement support. This will enable local authorities to play a transitional role, as the school-led system of school improvement continues to mature. The amount available to Barnet in 2017/18 is £191,820 for the period September 2017 to March 2018.

- Secondly, the DfE has indicated that Schools Forums may agree to de-delegate further funding for additional school improvement provision. As central expenditure on school improvement services is significantly greater than £192,000, this is a relevant issue for Barnet. Any decision on de-delegation would require the support of a majority of maintained schools' representatives on the Schools Forum. The DfE has, however, indicated that such de-delegation will not be allowed beyond 2018/19, on the assumption that this support will become either a 'no cost to schools' option or a traded service.
- Thirdly, local authorities will receive transitional ESG funding from April 2017 to August 2017. The ESG Transitional funding for Barnet has been confirmed at £985,000.

1.18 As a result, the council will suffer a funding loss of £1.6m in 2017/18, rising to £2.6m in 2018/19 (assuming the School Improvement grant continues). The DfE recognises that local authorities will need to use other sources of funding to meet the central costs of education services once the general funding rate has been removed.

1.19 Regulations come into force on 16th February 2017 which allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG. The funding would have to be deducted after schools' budget shares have been determined at a single rate per pupil (per place in the case of special schools and Pupil Referral Units). This would be subject to approval by the relevant maintained school members of the Schools Forum, representing primary, secondary and special schools and pupil referral units. This builds on the existing de-delegation procedure. If the local authority and Schools Forum are unable to reach consensus on the level of the DSG to be retained by the local authority, the matter will need to be referred to the Secretary of State.

1.20 In the light of the allocation of transitional funding for 2017/18, it is not proposed to ask for de-delegation of school improvement funding or for retention of DSG funds (from the allocations to maintained schools) for 2017/18. However, it may be necessary to consider the position in respect of 2018/19 and future years, having regard to the overall budget position facing the council and the various factors impacting on school budgets. This also has the advantage of allowing time for detailed consideration of the issues and consultation with the Schools Forum ahead of any decision.

2 REASONS FOR RECOMMENDATIONS

2.1 The report informs and updates the Children, Education, Libraries and Safeguarding Committee in relation to school funding. It seeks authority to delegate any further consultation required with schools in preparation for the 2018/19 schools budget.

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 Funding will be distributed to schools in accordance with the arrangements set out in the report.

4 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

Ensuring that resources available to schools 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)

The financial implications for the council are set out in the paragraphs above.

5.3 Legal and Constitutional References

- 5.3.1 Responsibility for Functions, Annex A, of the council's constitution states that the committee has responsibility for investment in educational infrastructure to meet the needs of the borough's learners, and do be responsible for those powers, duties and functions of the Council in relation to Children's Services (including schools).
- 5.3.2 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.
- 5.3.3 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. 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.
- 5.3.4 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 the 2019-2020 financial year.

5.3.5 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.

5.3.6 Current regulations require that the local authority consult its schools forum on any proposed changes to its funding formula and make an annual submission to the Department for Education.

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. Seeking authority to delegate some aspects of consultation and approval to the Commissioning Director, Children and Young People helps to ensure that the council is able to comply with government timetable.

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 9th March 2015

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

Children, Education, Libraries and Safeguarding Committee 14th June 2016
Annual Report on school funding in Barnet and the Government's consultation on a national school funding formula

<http://barnet.moderngov.co.uk/documents/s32469/Annual%20Report%20on%20school%20funding%20in%20Barnet%20and%20the%20Governments%20consultation%20on%20a%20national%20school%20fun.pdf>