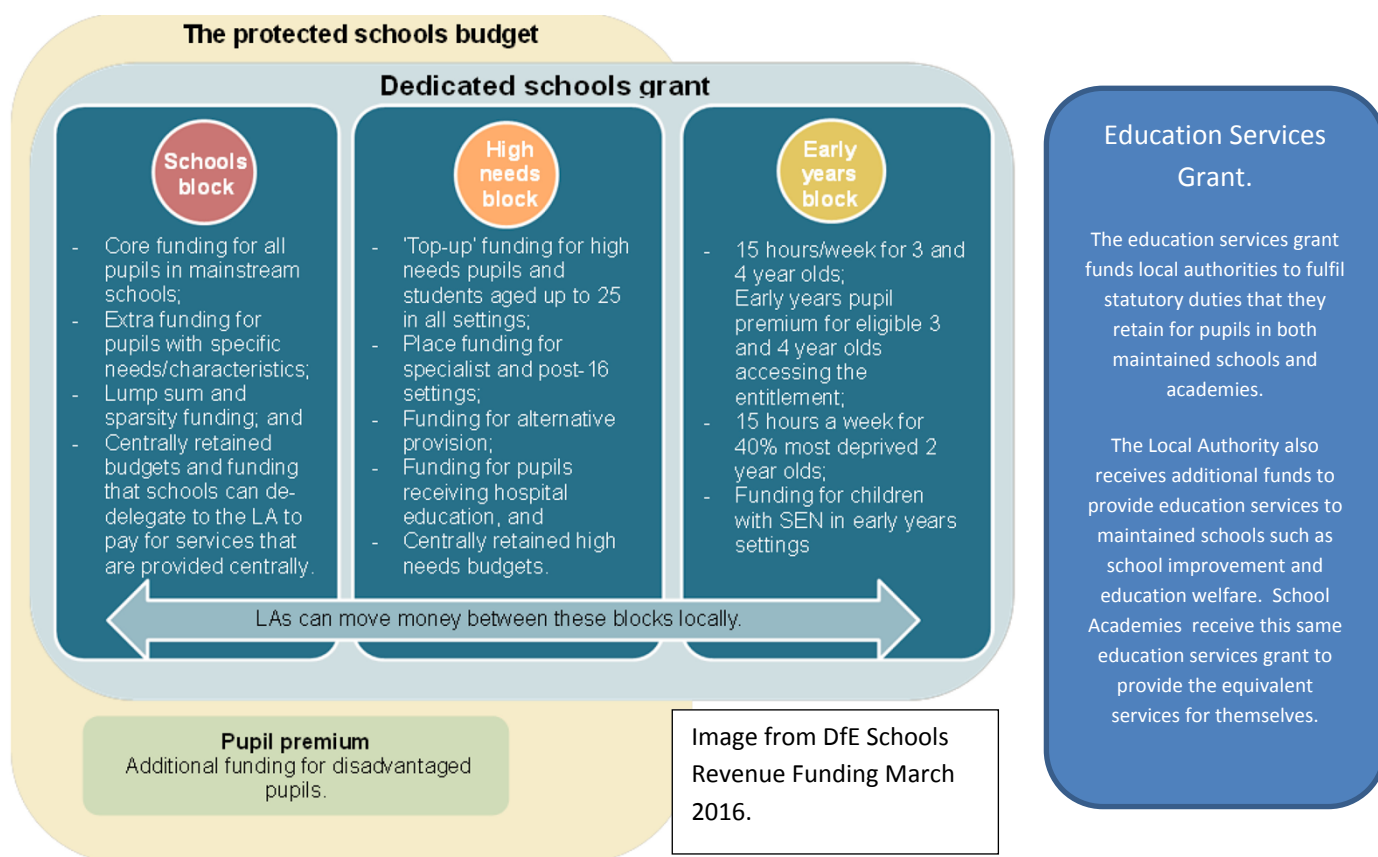


Report of the Cabinet Member: Children, Schools and Skills

I have been asked to report, by Councillor Wright, on the changes to Schools Funding.

CURRENT SYSTEM – 2016/17

To date Core revenue schools funding has been distributed through the **DEDICATED SCHOOLS GRANT (DSG)**. The dedicated schools grant is split into 3 blocks: the schools block, the high needs block and the early years block. These blocks are notional, and local authorities can move funds between them to meet need. The image below provides more information on how the funding in each block is used.



How the Schools block funding is currently allocated.

A per-pupil amount is set by the DfE for each local authority. This amount is then multiplied by the number of pupils in each local authority to give a total allocation. To allocate this funding to individual schools the local authority, in consultation with the schools forum (which in Devon is the Devon Education Forum (DEF)) designs its own local funding formula using a basic entitlement and other factors such as age, deprivation, sparsity etc. All schools are subject to the same local formula, however, for maintained schools the funding is then paid to the school by the Local Authority but for Academies and Free Schools the funding is paid to the school by the Education Funding Agency. A minimum funding guarantee helps ensure that schools funding does not drop below a minimum allocation.

Within the allocation the Local Authority provides each school with a notional SEN budget. Should a pupil require support which costs more than £6,000, the additional funding required is met by top-up funding from the local authority. Top-up funding comes from the High Needs Block.

High Needs Block.

High needs funding supports 0-25 year olds with SEN and disabilities. The diagram above provides more detail on what this is used for. Funding is currently allocated to local authorities based on their past spending patterns, with some adjustments to take into account the expanded 0-25 age range and to reflect other funding changes introduced in 2013. Funding from the High Needs Block is allocated to educational settings to provide additional support for pupils whose needs cannot be met within the notional allocation made as part of the schools block or post 16 funding. It is also used to provide places in special schools, (independent and maintained), alternative provision and hospital schools. Local authorities also use their high needs budget to pay for central services relating to SEN and disability (for example Educational Psychology reports and SEN advisors).

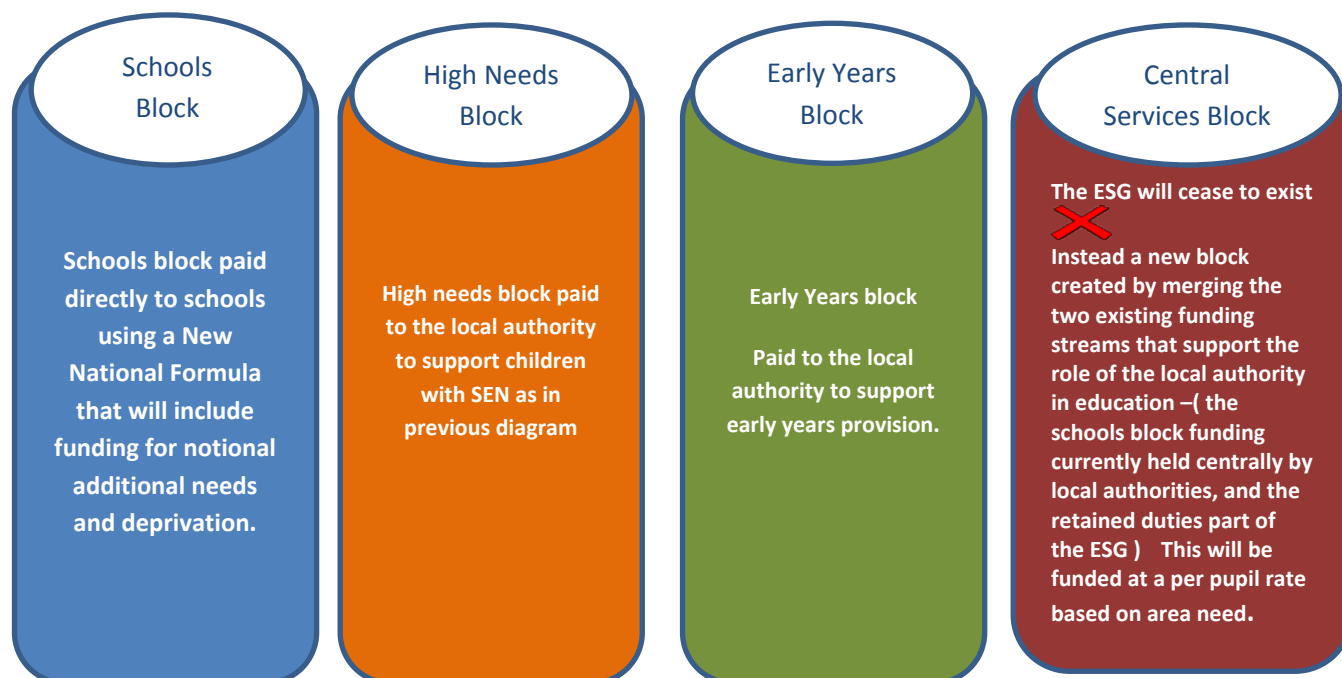
Education Services Grant.

In addition to the above Local authorities currently also receive an education services grant (ESG). The education services grant funds local authorities to fulfil statutory duties that they retain for pupils in both maintained schools and academies. This is paid at a National rate of £15 per pupil aged 5 to 16. The Local Authority also receives additional funds to provide education services to maintained schools. Academies receive this same education services grant to provide the equivalent services for them.

PROPOSED FUTURE FUNDING MODEL – 2018/19

The Government has proposed that a new funding formula starts a phased introduction from 2018-19. Originally, the intention was to introduce the formula from 2017-18. The changes will affect the amount of funding received by the local authority and by schools and also the way in which it is distributed. The Government intends that most funding – with the exception of high need funding – will eventually be given directly to schools and not routed through local authorities. These changes remove the flexibility to move funding between blocks.

The first consultation, which ended in March 2016, sets out the intention for funding to be directed into four blocks instead of 3. The four proposed blocks are the Schools Block, High Needs Block, Early Years block and Central Services block. The schools funding block will be based on a new National Funding formula rather than being decided at a local level within the Schools Forum. Additionally it is proposed that High needs funding will also be allocated on a National formula. In addition the Education Services grant will be removed and replaced with a central services block. Funding allocations however will not be at the same level and the government has recognised that local authorities may need to use alternative sources of funding to pay for education services for maintained schools.



On 14 December 2016, the DfE published the second stage of its consultation on school funding reform. This confirmed the intention to introduce a 'soft' national funding formula from 2018-19 (a transitional year), and a 'hard' formula from 2019-20. The DfE has proposed limits on gains and losses in 2018-19 and 2019-20.

The current stage 2 consultation which ends in March 2017, also provides a more detailed illustration of how the new formula could impact on total local and school level funding. The Government has confirmed the National Funding Formula will be based on national averages, reduces the amount paid for AWPU and increases the level of funding for additional needs targeting pupils from disadvantaged backgrounds. Analysis suggests the greater weighting to additional needs is not beneficial to Devon. Sparsity was a factor which Devon hoped would be beneficial, however, this element has in fact been reduced. A more detailed breakdown of the changes is provided in Appendix 2.

Based on the Government analysis of the impact of fully implemented NFF based on 2016-17 Devon would see an overall increase in funding of just 0.4%. In respect of individual schools, 212 would see an increase in funding, 129 a reduction and 2 no change (two thirds of secondary schools will lose funding and one third of primary schools.) Over all this means **61.9% of pupils will be placed in schools which lose funding under the proposals.** Whilst analysis shows that many smaller schools would benefit from the NFF, principally due to the increased lump sum and sparsity. Larger primary and the majority of secondary schools would see reductions in funding, potentially due to the relative level of additional need when compared nationally and for secondary schools a reduction in lump sum compared to the locally agreed formula.

It should be noted that there is a graduated approach to implementing the National Funding Formula which includes protecting individual school budgets to a maximum of 3% and allows some local decision making on the allocation of school funding and high needs in 2017/18. However the proposal is for the National Funding Formula to be fully implemented in 2019-20.

The impact of these changes on schools in Devon is significant and has been widely shared. Work has taken place to raise awareness with members and MPs and for ease of reference the latest MP briefing is attached to this document as appendix 1.

As you will probably know, the East Devon MP Sir Hugo Swire called a Westminster Hall debate last Wednesday on education funding in Devon. Ahead of that we helped brief all the county's MPs on the situation for Devon. A number of MPs spoke in the debate and warned that they would not support the new regime if changes weren't made. There was quite extensive media coverage around this. Cabinet member James McInnes went up to Westminster for the debate and afterwards met the Education Minister Nick Gibbs. We are now taking forward plans for a delegation from Devon schools to travel to Westminster to meet county MPs and then for a small group to have a session with Mr Gibbs or Justine Greening. Members will be kept updated on how the work on this progresses.

Funding Education in Devon – the effect of DfE proposals

Current position

Devon is one of the lowest funded local authority areas in England. In 2016/17 DfE funding per pupil in Devon is £4,346, **£290 per pupil less than the England average**. This means DfE spending on education in Devon is £25.5 million a year less than the England average.

In 2017/18 funding per pupil increases slightly to £4,349, **Devon schools would still be £268 below the England average**. A total shortfall in funding of £24 million for Devon schools.

The effect of DfE National Formula Funding proposals

Last year's uplift of £190 (4.57%) per pupil was a step forward, but the DfE's proposals represent a step backward. If implemented, the National Funding Formula (NFF) proposals will result in 212 (62%) Devon schools gaining, **129 (37%) losing** and 2 (1%) remaining the same. The proposals will reduce Devon County Council's overall schools funding in the region of £500,000 for the first year when the DfE proposes transitional arrangements to prevent schools gaining or losing considerably in one year and ensure the national budget can cope with the changes across the whole country. **(See accompanying spreadsheet for effects on schools in your constituency)**

When the transitional arrangements are removed, the proposed changes would result in a relatively slight increase in Devon's overall funding for schools of £1.4 million (0.38%). **However, this is insufficient to meet rising cost pressures and will not even meet the 0.5% increase in the Apprenticeship Levy (see over).**

The DfE's consultation on the proposed changes closes on March 22, 2017.

Is Devon better off than Cornwall?

The opening statement of the DfE consultation on the NFF says - "a primary school in Cornwall teaching a pupil eligible for free school meals with English as an additional language would receive £3,389, whereas if the same child was educated in Devon, their school would receive £4,718". This difference is explained in the main by the amount allocated by each authority direct to schools to support disadvantaged pupils or those with additional educational needs.

Devon County Council, in the comparison above, delegates a much larger proportion of funding direct to primary schools. (For example, using the Free School Meals deprivation factor alone Devon allocates £1,378 compared to Cornwall's £340). **However, Devon still trails Cornwall in terms of actual funding per pupil**. Cornwall's average funding per pupil is £4,355 compared to £4,346 currently for Devon - £9 more per pupil than Devon. Devon would receive an additional £792,000 for education if it got the same rate as Cornwall.

Cost pressures in Devon schools

Schools are experiencing a range of costs pressures, which if taken individually could be accommodated but the cumulative impact is significant. These include:

High Needs expenditure has grown rapidly from £53 million in 2014 to an estimated £61 million in 2017/18 (see causes below). To meet a forecast overspend, Devon County Council has been forced to approve transferring £2.2 million from Individual Schools Budgets to the High Needs Budget in 2017/18 to bring the expected deficit down to zero by outturn 2018/19.

Special Educational Needs and Disabilities (SEND) The SEND code of practice and Post 16 & 19 eligibility which has enabled young people with Special Educational Needs and Disabilities to choose to remain in education up until the age of 25, ***without comparable additional funding***.

Requests for **statutory assessments (EHCP)** have increased by 51% since 2015/16. Statutory assessments bring additional resources to support a child. The total number of pupils with SEN Statement, EHCP or SEN support as at January 2016 is 16,504 or 17% of the cohort. **(See tables)** Schools and parents seek statutory assessment where school based capacity is limited to protect allocated resources for that child. Devon has a higher than average number of children with Statements and EHCPs which may reflect, at least in parts, persistently poor levels of funding for our schools over a long period.

This combined with a significant increase in the average cost of specialist independent provision (up 33%) means that schools are faced with a proposed additional top-slice from already low funding levels to fund the necessary support for these pupils.

Devon's **personalised transport budget** for children with special needs accounts for 34% of the total school transport budget (£21 million) which is forecasting an overspend of more than £1.2m in the 2016/17 financial year. The cost of transport cannot be taken from the High Needs Budget and must be funded from a County Council budget.

The removal of the **Education Services Grant** – General Duties from 2017/18. (£77 per pupil)

Pupil Growth is increasing due to extensive housing building across the county. New schools face diseconomies as they grow, with this growth funding originally coming from the funding available to existing schools.

General increases in **staffing costs** including:

- *the impact of the national living wage*
- *increases to both the Teachers and NJC Staff pension schemes.*
- *increases in National Insurance Contributions*

The introduction of the **Apprenticeship Levy** from April 2017.

The Apprenticeship Levy requires employers operating in the UK with a pay bill of over £3 million each year to make an investment into apprenticeships from April 2017. The levy will be charged at 0.5% of the annual pay bill. **Initial analysis suggests that based on 2015/16 information this could cost just the Devon maintained schools in the region of £424,000. VA, Foundation and Academy contributions would be in addition to this.**

Are carry forwards an issue?

Carry forwards are traditionally used for either safeguarding the adverse effects of any future drop in pupil numbers or to be used in offsetting planned capital projects. The fall in carry forwards in Devon schools illustrates the pressure on school budgets – see year on year change below:

2015/16 £21.1m (219 schools in surplus averaging £96k)

2016/17 £9.6m (201 schools in surplus averaging £48k - based on most recently Submitted Budget Forecast Reports)

Carry forwards for 2016/17 include 26 maintained schools which are predicting a deficit budget.

Key funding changes

A summary of how, on average, key funding is currently allocated to Devon schools and the proposals in the New formula is shown below.

Factor	Current local formula	National Funding Formula proposal	Change in total Costs	
Lump Sum Primary (this is for fixed costs etc)	£67,516	£110,000	£11, 467 000	This overall 11.467 million increase is taken from the pupil factors to ensure the same funding envelope
Lump Sum Secondary	£147,516	£110,000		
Sparsity Primary	£0 - £55,000	£0 - £25,000	Loss of £0 to £30,000	This was a factor designed to support smaller rural schools. Devon expected to see increased funding within this element not the loss currently proposed.`
Sparsity Secondary	£100,000	£0 - £65,000	Loss of £35,000 to £100,000	
Sparsity All-Through	£100,000	£0 - £65,000	Loss of £35,000 to £100,000	
	Current local formula per pupil	National Funding Formula proposal Per pupil	Change in total per pupil funding	
Age Weighted Pupil Unit KS1	£2,964	£2,712	-£252	For this average primary school of 210 pupils this would mean a reduction of nearly £52k (offset by the increase in the lump sum)
Age Weighted Pupil Unit KS2	£2,964	£2,712	-£252	
Age Weighted Pupil Unit KS3	£4,012	£3,797	-£215	For a secondary school of 600 pupils this would mean a reduction of £165k (on top of the reduction in the lump sum) Larger schools could see a loss of £495k
Age Weighted Pupil Unit KS4	£4,647	£4,312	-£335	
In addition as part of the Minimum Funding Guarantee a Secondary having 599 pupils to date would have seen them receive a budget of £100,000 for being under 600 pupils. NFF this will be tapered and therefore be around £100 in comparison.				

These factors would not be so critical if the total amount of funding was at a higher level