

13 January 2017

Education funding announcements

Purpose

For discussion and direction.

Summary

The second stage of the Department for Education (DfE) consultation on a schools national funding formula was announced before Christmas. New funding to support school improvement, including significantly reduced funding for councils to support schools to improve was also announced at the end of November. This report provides a brief summary of the proposals and invites initial views from the Board to inform the LGA's response to the consultation.

Recommendation

Members of the Children & Young People Board are asked for initial views on the proposals.

Action

Officers to take action as directed by members.

Contact Officer: Ian Keating
Position: Principal Policy Adviser
Telephone No: 0207 664 3032
Email: ian.keating@local.gov.uk

Education funding announcements

1. On 14 December the Education Secretary Justine Greening MP launched the second stage of the consultation on introducing a national funding formula for schools which will see each school's budget set nationally by 2019 – 20. This will replace the current system whereby councils set local formulae in consultation with local schools through their Schools Forum.

Key elements of the proposed reforms

2. In 2018 – 19 'notional' budgets will be calculated according to the national formula, but will be aggregated and will continue to be allocated to councils for distribution to schools according to a local formula to ease the transition to the 'hard' national formula in 2019 – 20. In the first consultation it was proposed that there should be a two-year transition with a 'soft formula' to the national formula. However, following the one year delay to the introduction of the new arrangements announced before the summer last year, there will now just be a one year transition from a 'soft' to a 'hard' formula.
3. Schools funding is currently distributed in three 'blocks' covering early years, schools and high needs but councils, in discussion with schools, have flexibility to move money between blocks. The first consultation proposed ending this flexibility and ring-fencing the schools block to prevent resources being transferred to other blocks. The LGA, among others, raised strong concerns that this inflexibility could potentially have a negative impact on pupils with high needs.
4. Although the consultation paper confirms that the Government intends to ring-fence the schools block in 2018 – 19, there will now be some flexibility for councils, with the explicit agreement of schools, to move funds between the schools and high needs block. DfE also intend to look at retaining some flexibility from 2019 – 20 when the full national formula comes into force. Each authority's high needs block will be protected from any loss in cash terms as a result of the introduction of the national formula and funding will be provided to councils to support them in preparing and implementing strategic plans for allocating high needs funding.
5. Much of the detail in the consultation paper focuses on the inclusion and weighting of different factors in the proposed national formula. As this is a distributional issue, with different factors affecting schools and council areas in different ways, it is unlikely that the LGA will be able to comment on this aspect of the consultation.

Transitional protections

6. Probably the most significant protection given to schools is that no school will lose more than 3% per pupil as a result of the introduction of the national funding formula. There will also be a minimum funding guarantee that no school will lose more than 1.5% per pupil year on year. To partly fund these protections schools due to gain will be limited to increases of up to 3% per pupil in 2018 – 19 and 2.5% per pupil in 2019 – 20.
7. At a local authority level, 101 council areas will see an increase in funding as a result of the proposed changes and 49 will see losses. The range of gains and losses will be

between +8.6% and -2.8% per pupil. The majority (81%) of council areas will experience a change in overall funding in the range of +3% and -3%.

Central school services block

8. As proposed in the first consultation, a fourth block will be created – the central schools services block – to hold the funding councils will be left with for their continuing education funding responsibilities. £600 million will be cut from the Education Services Grant (ESG) paid to councils and academies, but councils will continue to receive ESG for the duties they retain for all local schools, including academies.
9. Councils also ‘top slice’ the schools block to fund some of their statutory duties such as admissions, the funding of Schools Forums and historical commitments such as equal pay and PFI contracts – a national total of nearly £700 million. As well as the residual ESG funding, this centrally held funding will be paid into the central school services block.
10. The amounts councils hold centrally in this way varies significantly from authority to authority and DfE intends to move to a per-pupil rate of central funding (in line with ESG), so some councils will lose in this change and some may gain. There will be transitional protections to ensure no council loses more than 2.5% funding as a result of this change in 2018 – 2019 and 2019 – 2020 and gains will be capped at 2.5% each year.
11. The Government acknowledges that the loss of the majority of ESG funding may mean councils need to find alternative sources of funding for the statutory services they are required to provide to maintained schools. So councils will be able to agree a top slice of the schools block with maintained schools to fund these statutory duties – but only with schools’ agreement. In effect maintained schools will be asked to fund council statutory duties from their own budgets.
12. In the transitional year of the ‘soft formula’ councils will also be able to agree with maintained schools a top slice for additional school improvement support. However, from 2019 – 20 when the hard formula is introduced, the consultation paper says that the expectation is that “all school improvement provision by local authorities at no cost to schools will have ended or will be offered through traded services”.

School improvement support funding

13. On 30 November the Education Secretary made a separate announcement about new funding for councils and schools to support improvement. This includes, from September 2017, a £50 million a year fund for local authorities to continue to monitor and commission school improvement for low-performing maintained schools. This will be allocated to local authorities on the basis of the number of schools they maintain; an area cost adjustment; and top-up to ensure each local authority receives a minimum allocation of £50,000.
14. In addition, a £140m per year ‘Strategic School Improvement Fund’ will be established for academies and maintained schools. The announcement said that it will be “targeted at the schools most in need of support to drive up standards, use their resources most effectively and deliver more good school places”. However, no further details of how it will be allocated are currently available.

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Financial implications

15. There are no specific additional financial implications for the LGA arising from this report.

Implications for Wales

16. As the above announcements concern only England, there are no implications for Wales in the above report.