

National school and high needs funding consultations

Purpose of report

For discussion and direction.

Summary

The DfE published consultations on a proposed new national schools funding formula and changes to high needs funding on the 7th March. This report summarises the proposed changes set out in the consultations, outlines the LGA's responses and notes on-going work to ensure our responses are aligned with the views of member councils.

Recommendations

Members are asked to:

1. Note the proposed changes set out in the consultations;
2. Comment on the themes that will underpin the LGA responses in order to inform the content of the final submission.

Action

Officers to take action as directed by members.

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National school and high needs funding consultations

1. The Department for Education (DfE) published consultations on a proposed new national schools funding formula and changes to high needs funding on the 7th March. The proposed new national funding formula will see the funding that each pupil attracts to their school determined nationally and, from 2019-20, this funding being set and provided directly by the DfE.
2. The high needs funding consultation aims to help local authorities, early years providers, schools, colleges and other institutions understand their responsibilities for meeting the needs of children and young people with SEN and disabilities, including those with high needs, and to discharge those responsibilities effectively; and encourage better partnership between local authorities and institutions in discharging their respective responsibilities under the Children and Families Act.
3. Both of these consultations are focussing on the key principles of the proposed new arrangements and will be followed by further, technical consultations, later in the year.
4. The Government is also intending to introduce a fair national funding formula for early years – currently the third block of funding allocated through the Dedicated Schools Grant (DSG). This was not announced, as had been anticipated, with the national school and high needs funding consultations, but we anticipate a further consultation on this proposal to be published in the coming months.

Schools national funding formula

5. The schools national funding formula consultations seeks views on the proposed structure of the formula, with particular reference to:
 - 5.1 The introduction of a school-level national funding formula where the funding each pupil attracts to their school is determined nationally.
 - 5.2 Development of a system for funding schools that is fair and transparent, with resources matched to pupils' and schools' characteristics consistently across the country.
 - 5.3 The end of funding allocations based on data that is more than ten years out of date. The consultation gives examples of councils with higher proportions of pupils with additional needs that are funded below some authorities with lower numbers of pupils with additional needs and also highlights funding per pupil compared to free school meal eligibility as an example of where pupil's needs no longer reflect those of ten years ago.
 - 5.4 For the first 2 years, 2017-18 and 2018-19, schools block would continue to be allocated to local authorities, aggregating the budgets of the schools within each authority (each calculated according to the national formula) to create authorities' schools block. During the 2 years of this 'soft' national funding formula, local authorities would continue to distribute funding to schools according to local formulae within parameters set nationally.

- 5.5 From 2019-20 each school's funding would be set directly according to a 'hard' formula which will see all school budgets set centrally. There would be no requirement for a local formula at this point.
 - 5.6 A proposal to ring-fence the schools block within the ring-fenced Dedicated Schools Grant from 2017 and for all of this money to be transferred from councils to schools.
 - 5.7 The use of an Area cost adjustment (ACA) as part of the national funding formula to take account of variation in costs by geographical location.
 - 5.8 Allocation of funding to local authorities to distribute where there is a need for local flexibility during the transition to the 'hard' formula in 2020, and to create a central funding block for local authorities' ongoing duties.
 - 5.9 Ensuring stability for schools through a minimum funding guarantee (MFG), the levels of which will be proposed in the second, more detailed consultation, and by providing practical help for schools to adjust to new funding levels, including an 'invest to save' fund.
6. This consultation was published prior to the DfE's White Paper, *Educational Excellence Everywhere*, when a fully academised school system was an aspiration, rather than an intention to be achieved by 2022. The proposals set out in the White Paper will have a significant effect on councils' remaining functions when they are no longer responsible for maintaining schools. Further clarification is required on this, as well the extent to which a central funding block for council functions will be needed after 2020 and what it will cover.
 7. The DfE have confirmed that schools will be aware of how much they stand to receive through the hard national funding formula from 2017 and announced in the budget that £500 million of additional funding has been made available to ensure that 90% of schools achieve the levels of funding determined by the national funding formula by 2020.

LGA response

8. It is proposed that the LGA's response should focus on the following themes subject to the Board's views:
 - 8.1 Our strong support for the principle of a fairer funding system for all schools.
 - 8.2 The need for further dialogue with the Department for Education to understand how the proposals set out in the consultation will be impacted by the *Educational Excellence Everywhere* White Paper that was published on the 17th March.
 - 8.3 Our support for the proposed 'soft' formula set out in the consultation, which allows some discretion for local areas to deal with difficult cases and factors that do not admit of a formulaic approach. For example historic costs and growth and provides a continuing role for councils in school funding during the transition period.
 - 8.4 Our belief that a continuation of the 'soft' formula, with an element of local discussion and decision would be preferable to a 'hard' national formula which would see all school budgets set in Whitehall, and our support for the continued value of school forums as a means of discussing school funding at a strategic, area level.
 - 8.5 Our concerns about the proposed ring-fencing of the schools block within the ring-fenced Dedicated Schools Grant from 2017 which will significantly limit the ability of schools forums, by agreement, to top up the high needs or early years blocks.

- 8.6 While we welcome the move to the national fair funding formula and the extra money that the Government is putting in to get 90% of schools gain a better understanding of whether it is realistic to expect schools that will see the largest reduction in their budgets to move to the formula within three years.

High needs funding

9. The key, high-level proposals that the DfE are consulting on in the high needs funding consultation mirror the proposals in the consultation about the schools block, but contain less detail about how the national formula will operate. However, the council role in distributing 'top up' funding to schools from the high needs block in the DSG will be maintained and the consultation focuses on:
- 9.1 The structure of a formula for funding local authorities to provide services for children and young people who attract high needs funding.
- 9.2 Improvements to the distribution of this high needs funding to schools, colleges and other institutions.

LGA response

10. It is proposed that the LGA's response should focus on the following themes, subject to the Board's comments:
- 10.1 Concern about the ability of councils to discharge their functions around high needs and SEN when they are no longer responsible for maintaining schools after 2022.
- 10.2 The continued value of school forums as a means of discussing high needs funding and SEN at a strategic, area level.
- 10.3 Concerns that ring-fencing of the schools block will reduce local flexibility for dealing with high needs and SEN; the LGA will therefore be calling for greater flexibility to allow councils more scope to fulfil their statutory functions.
11. Both the national schools funding and high needs consultations close on the 17th April and our responses will be circulated to Children and Young People Board Office Holders in advance of the deadline for their sign-off. In the meantime we have encouraged councils to share their consultation responses with us to ensure, wherever possible, that our responses reflect the views of member councils and we are also working closely with ADCS to ensure consistent messaging in our respective responses.

Financial implications

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