

## READING BOROUGH COUNCIL

### REPORT BY DIRECTOR OF CHILDRENS, EDUCATION AND EARLY HELP

<b>TO:</b>	Schools Forum		
<b>DATE:</b>	16 <sup>th</sup> March 2017	<b>AGENDA ITEM:</b>	6
<b>TITLE:</b>	Individual Schools & High Needs National Funding Formulae		
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#### 1. National Funding Formula

- 1.1 The Department for Education (DfE) has recently published its detailed consultation on proposals to move Schools' and High Needs funding onto a national funding formula (NFF) from 1 April 2018. This report provides details on the key proposals as well as highlighting the impact of these proposals on Reading schools and academies.
- 1.2 The latest consultation focuses on the weightings between the factors and the amount of funding to be channelled through each factor.
- 1.3 The rationale for moving to a NFF is that the current system is unfair and not transparent with similar schools and local areas receiving very different levels of funding, with little or no justification. The DfE view is that the current national funding inequality is further compounded by the application of a local formula.
- 1.4 Appendices
  1. Comparison of current Reading and DfE proposed Formula values
  2. Estimated effect of National funding formula on Reading Schools
  3. The building blocks and factors in the high needs national funding formula

#### 2. RECOMMENDED ACTION

- 2.1 To note the recently issued funding consultation papers.
- 2.2 To agree to set up a Reading Schools Formula Sub group (as in previous years) to consider the direction of travel proposed by the Authority for the "soft" formula year.

### 3. Government Proposals

- 3.1 From 2018-19, the Dedicated Schools Grant (DSG) will be split into four blocks rather than three - Schools, High Needs, Early Years and the new Central services for schools
- 3.2 The government intends to operate a "soft" National formula in 2018-19, which means that the local authorities will still be responsible for producing a local formula for maintained, academies and free schools in Reading.
- 3.3 From 2019-20 the introduction of a "hard" National formula will be implemented that means very little flexibility and control for the local authority. The government plans to provide further details on this local flexibility in due course.
- 3.4 Within 18-19 (soft year) the new national funding formula will be applied at school level and fed up to one overall allocation for the local authority for distribution through a local formula. Annex 1 provides the proposed rates and formula factors to be used and compared to Reading's own factors and unit amounts.
- 3.5 High Needs funding has never been reviewed since the block was created in 2013. The current allocation is based on historic spend from pre-2013 with some very minor and limited uplifts since. The DfE has proposed a national funding formula that includes 9 funding factors. Local authorities will still have full control over the expenditure within this block and will continue to be the commissioners of provision.
- 3.6 Councils can currently decide how to split up their total DSG across the blocks. This means that LAs do not need to follow the notional allocations that we receive from the Education Funding Agency. For example we have moved in 0.8m from the schools block to the High Needs Block in 16-17 and additional 0.9m in 17-18 to pay for the High Needs' deficit. The difference under a "hard" formula is that there will be limited flexibility for LAs in how to allocate the schools block. This will cease the option of moving funds from Schools block to other blocks and vice-versa.
- 3.7 For 18-19 (Soft), the government has confirmed that LAs will be able to move funding between the Schools Block and High Needs Block. Following local consultation and with the explicit agreement of the Schools Forum and the majority of their schools. Some continued local flexibility may exist from 19-20 (Hard) but no details have been published.

#### 4. DfE Proposals

- Continue to have 12 factors with the school formula.
- Maintain the Primary to Secondary ratio in line with the current national average (1:1.29). This means Secondary's would on average receive 29% more funding per pupil than Primary's. (Reading Currently 1:1.25 , 25%)
- Continue to increase the basic rate as pupil's progress through the key stages.
- Continue to provide every school with a Lump sum (£110,000)
- To fund NNDR, Premises factors and School Growth in 18-19 on the basis of historic spend.
- Increase the proportion of funding allocated to pupil led factors/characteristics.
- Increase the total spend on additional needs
- New National Formula for high Needs that will have 9 funding factors
- DfE proposes a further review of High Needs formula in four year's time.

#### 5. Transition to the New Formula

- 5.1 The DfE proposes to build in an overall "funding floor", in addition to the current MFG (to remain at minus 1.5%), so that no school will face a reduction of more than 3% per-pupil overall as a result of the changes.
- 5.2 Schools that gain within the new formula will be capped at 3% in 18-19 and then capped up to a further 2.5% in 19-20. This has been made possible by the DfE increasing the allocation by £200m each year. This increase will be supplied to the gaining LAs who will then, consult and agree with schools forum on the soft 18-19 local formula.

#### 6. Financial Impact for Reading

- 6.1 Based on the an initial review of the indicative data provided by the DfE alongside the consultation, Reading appears to be gaining in the region of £2.1m (2.22%) prior to any transitional protection being applied. After Transitional protection the gain reduces to £1m (1.07%). See table below

	Schools Block £000	High Needs Block £000	Central Services Block £000	TOTAL DSG (Excluding Early Years Block) £000
Current Allocation	78,767	17,281	646	96,695
NFF allocations	80,920	17,281	636	98,837
Movement	2,153	0	-10	2,142
%	2.73%	0%	-1.61%	2.22%
NFF After Transition protection	79,814	17,281	£636	97,731
Movement	1,047	0	-10	1,037
%	1.33%	0%	-1.61%	1.07%

6.2 At an individual school level, the most significant change affecting school budgets is the funding allocation for Additional Needs. The DfE are proposing to increase the percentage of funding going to characteristics of pupils rather than the basic entitlement. Table below shows the average percentage changes between AWPU and other Formula factors.

Factors	RBC	DfE	+/- %
AWPU	81.99%	72.50%	-9.49%
Deprivation	6.08%	9.30%	3.22%
Low Prior Attainment	4.20%	7.50%	3.30%
EAL	3.02%	1.20%	-1.82%
Mobility	0.14%	0.10%	-0.04%
Lump sum	3.00%	7.10%	4.10%
Sparsity	0.00%	0.08%	0.08%
Other - Rates, Split Sites	1.57%	2.22%	0.65%
Total	100.00%	100.00%	0.00%

6.3 As stated before, the DfE have produced some financial data that shows the estimated impact on every school in Reading, see annex 2. The majority of schools that have negative impacts are schools that received the majority of their total budget through the AWPU and due to the formula changes moving funds from AWPU to other pupil factors these schools potentially lose. The DfE figures are from Oct 15 Census and budget submission data and will change when the actual formula is approved and with Oct 17 census.

6.4 Deprivation for schools is an indicator for why some schools will gain and lose as you can see that major parts of the north Reading will lose out on the changes and the majority of south Reading schools will gain. Deprivation is not the only reason, with the impact being paid on an individual school's circumstances. In general terms, 35% (17) of schools will lose funding in Reading.

6.5 Reading has a chance in 18-19 "soft" formula to help the impact of schools while moving towards the 19-20 "hard" formula. Within the summer 2017, the LA will recommend to schools forum the creation of a working group to help produce a consultation on the 18-19 local schools formula that will reflect the future vision of the national formula and help with the schools transition.

## 7 Proposed High Needs formula

7.1 The new funding formula will use 9 factors (See Appendix 3) and the estimated data from the DfE suggests that Reading will not receive any additional funding from this funding proposal. 72 other LAs are receiving increases with 78 (that includes Reading) receiving additional funds to keep to the same 16-17 funding level. No LA will receive less than 16-17 for the first year of the formula.

7.2 Table below shows the split of funding proposed by the DfE. Without a funding floor (no LA loses funding) then Reading would have its High Needs budget reduced by just over £1m. This needs to be seen as a warning to future budget allocations and should give more urgency to address the current High Needs pressure the council is currently facing.

National High Needs Funding Formula	Reading	%
(1) Basic entitlement factor	£ 1,106,389	6%
(2) Historic spend factor	£ 8,974,850	47%
(3) Population factor	£ 4,022,730	21%
(4) FSM factor	£ 835,438	4%
(5) IDACI factor	£ 731,399	4%
(6) Bad health factor	£ 502,313	3%
(7) Disability factor	£ 633,982	3%
(8) KS2 low attainment factor	£ 721,320	4%
(9) KS4 low attainment factor	£ 486,846	3%
<b>(A) Funding floor factor</b>	<b>£ 1,040,822</b>	5%
(B) Hospital education funding (Ring-fenced)	£ 181,000	1%
NFF allocation before import/export adjustment	£ 19,237,088	100%
(C) Import/export adjustment	<b>-£ 1,956,000</b>	
Illustrative high needs NFF final allocation	£ 17,281,088	

7.3 The government has announced capital funding of at least £200 million will be allocated to help build new places at mainstream and special schools, and to improve existing places to benefit current and future pupils. LAs are also able to commission new schools via the free school presumption route, drawing on the basic need and special provision capital funding sources. This area of funding needs to be reviewed and taken as part of the local authority's Capital Plan.

## 8 Background Documents

8.1 The Government has launched consultations on the second stages of reforming the School and High Needs funding formulas respectively. Government responses to the previous consultations have also been published.

Second stage consultations: Schools national funding formula:	<a href="https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2">https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2</a>
High needs national funding formula:	<a href="https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/">https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/</a>

## Appendix 1 - Comparison of current Reading and DfE proposed Formula values

Factor	Phase	Reading		National Funding formula		16-17 National Averages values
		17-18 Values	% of Overall Budget	Proposed Values	% of Overall Budget	
AWPU	Primary	£ 3,131	81.99%	£ 2,712	72.50%	£ 3,024
	Secondary KS3	£ 3,833		£ 3,797		£ 4,169
	Secondary KS4	£ 4,370		£ 4,312		£ 4,683
Deprivation - FSM	Primary	£ 1,356	6.08%	£ 980	9.30%	£ 963
	Secondary	£ 2,791		£ 1,225		£ 963
Deprivation - EVER 6 FSM	Primary	£ -		£ 540		£ 1,132
	Secondary	£ -		£ 785		£ 1,132
Deprivation (IDACI - Primary)	IDACI A	£ -		£ 575		£ 704
	IDACI B	£ -		£ 420		£ 626
	IDACI C	£ -		£ 360		£ 476
	IDACI D	£ -		£ 360		£ 320
	IDACI E	£ -		£ 240		£ 191
	IDACI F	£ -		£ 200		£ 128
Deprivation (IDACI - Secondary)	IDACI A	£ -		£ 810		£ 874
	IDACI B	£ -		£ 600		£ 840
	IDACI C	£ -	£ 515	£ 639		
	IDACI D	£ -	£ 515	£ 417		
	IDACI E	£ -	£ 390	£ 254		
	IDACI F	£ -	£ 290	£ 161		
Low Prior Attainment	Primary	£ 649	4.20%	£ 1,050	7.50%	£ 812
	Secondary	£ 912		£ 1,550		£ 1,058
EAL	Primary	£ 679	3.02%	£ 515	1.20%	£ 482
	Secondary	£ 1,367		£ 1,385		£ 926
Mobility	Primary	£ 745	0.14%	Subject to historic spend	0.10%	£ 346
	Secondary	£ 745				£ 532
Lump sum	Primary	£ 48,480	3.00%	£ 110,000	7.10%	£ 128,213
	Secondary	£ 48,480		£ 110,000		£ 139,473
Sparsity (Reading does not qualify)	Primary	£ -	0.00%	Up to £25,000	0.08%	£ 6,206
	Secondary	£ -		Up to £65,000		£ 10,515
Other - Rates, Split Sites		Adhoc	1.57%	Adhoc	2.22%	

## Appendix 2 - Estimated effect of National funding formula on Reading Schools

School	Transition Protection	
	Without	With
John Madejski Academy	-2.90%	-1.50%
Alfred Sutton Primary School	-2.50%	-1.40%
Caversham Primary School	-2.70%	-1.40%
Battle Primary Academy	-2.40%	-1.40%
The Hill Primary School	-2.40%	-1.40%
The Ridgeway Primary School	-2.70%	-1.40%
Emmer Green Primary School	-2.80%	-1.40%
Micklands Primary School	-1.50%	-1.40%
St John's Church of England Primary School	-2.80%	-1.40%
Reading School	-2.90%	-1.40%
Kendrick School	-2.90%	-1.40%
New Town Primary School	-1.80%	-1.30%
Park Lane Primary School	-2.10%	-1.30%
Ranikhet Academy	-2.70%	-1.30%
All Saints Junior School	-2.30%	-1.20%
Moorlands Primary School	-0.40%	-0.40%
Katesgrove Primary School	-0.20%	-0.20%
Southcote Primary School	0.00%	0.00%
St Michael's Primary School	0.00%	0.00%
E P Collier Primary School	0.50%	0.50%
Thameside Primary School	0.50%	0.50%
Highdown School and Sixth Form Centre	0.80%	0.80%
Redlands Primary School	1.30%	1.30%
Meadow Park Academy	1.80%	1.80%
All Saints Church of England Aided Infant School	7.20%	1.80%
Coley Primary School	5.70%	2.50%
Caversham Park Primary School	3.60%	2.50%
St Anne's Catholic Primary School	6.60%	2.50%
St Martin's Catholic Primary School	4.20%	2.50%
Prospect School	2.50%	2.50%
Oxford Road Community School	2.90%	2.60%
Wilson Primary School	2.60%	2.60%
New Christ Church, Church of England (VA) Primary School	4.30%	2.60%
UTC Reading	7.60%	2.60%
Geoffrey Field Junior School	4.90%	2.70%
Geoffrey Field Infant School	5.10%	2.70%
Churchend Primary Academy	2.70%	2.70%
Manor Primary School	4.70%	2.70%
Christ The King Catholic Primary School	7.40%	2.70%
The Palmer Primary Academy	4.30%	2.80%
St Mary and All Saints Church of England Voluntary Aided Primary School	4.80%	2.80%
English Martyrs' Catholic Primary School	3.70%	2.80%
Whitley Park Primary and Nursery School	3.80%	2.80%
Reading Girls' School	9.80%	2.90%
Blessed Hugh Faringdon Catholic School	10.10%	2.90%

Appendix 3 - The building block and factors in the high needs national funding formula

**Formula factors**

<b>Basic entitlement: basic unit of funding for pupils and students in specialist SEN institutions</b>	
<b>Population factor</b>	
<b>Health and disability factors:</b>	Disability living allowance
	Children in bad health
<b>Low attainment factors:</b>	Key stage 2 low attainment
	Key stage 4 low attainment
<b>Deprivation factors:</b>	Free school meals
	IDACI
<b>Historic spend factor</b>	

**Other formula factors and adjustments**

- Area cost adjustments (ACA)
- Import/export adjustments
- Funding floor factor
- Hospital education factor