

CABINET

Date: 9 January 2018

National Funding Formula

Report of Andy Johnson Interim Director of Children's Services,

Cabinet Member: Councillor Wayne Daley, Lead Member for Children's Services and Deputy Leader of the Council

Purpose of Report

To update Cabinet regarding the National Funding Formula (NFF) and the implications for Northumberland, following the recent schools' consultation exercise.

Recommendations

Cabinet are recommended to:

- 1) Approve the proposals for the phased implementation of the National Funding Formula in 2018/19, in line with recommendation of the Schools Forum meeting of 14 November and the results of the subsequent consultation exercise held with schools.
- 2) Approve the transfer of 1% funding from the Schools' Block to the High Needs Block, in line with recommendation of the Schools Forum meeting of 14 November and the results of the subsequent consultation exercise held with schools.
- 3) Note that, in consultation with the Schools Forum and the Lead Member for Children's Service, the Interim Director for Children's Services may need to make some minor modifications to the values of the formula factors and to the level of Minimum Funding Guarantee (MFG) to be applied consistent with the agreed principles and criteria once the October 2017 pupil data and the final DSG settlement are received from the Department for Education (DfE) in December 2017.

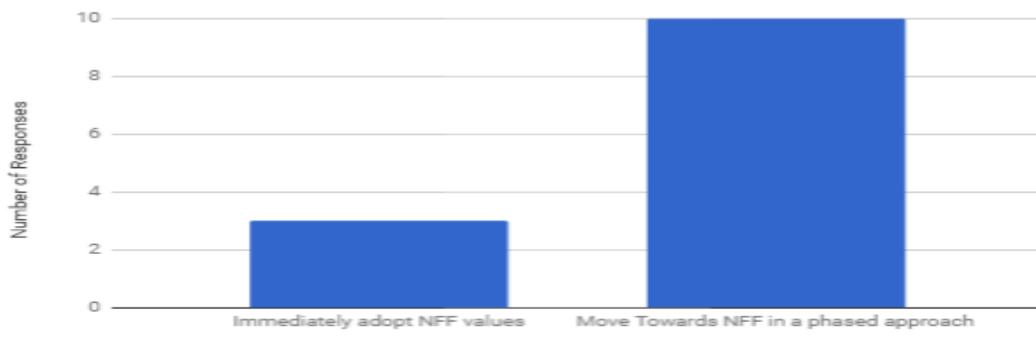
Key issues

1. Information from the Department for Education has confirmed their intention to move to a National Funding Formula (or "Hard" Formula) with effect from

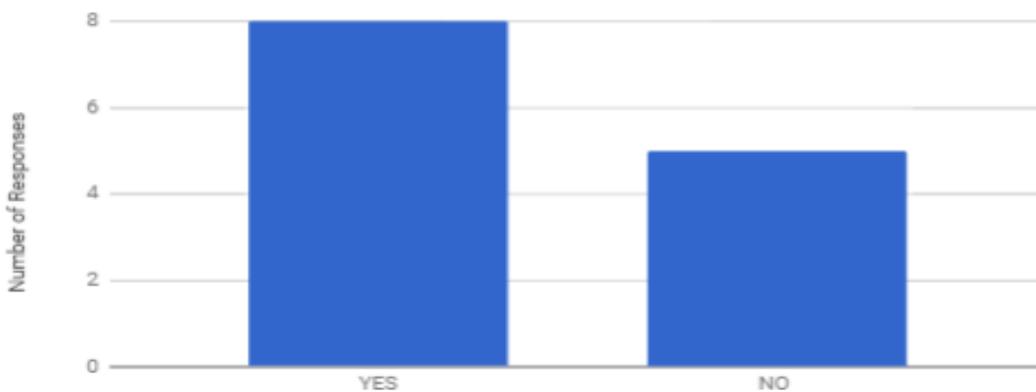
2020/21, though this is subject to agreement in the next Comprehensive Spending Review. This means that local authorities will have no discretion in the values of the individual factors used to distribute funding to schools.

2. For the financial years 2018/19 & 2019/20 local authorities retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors, as authorities move from local to nationally determined formula values.
3. Essentially the key issues to be determined were:
 - how to move towards the adoption of the NFF by 2020/21, and any interim measures during the intervening period; and
 - to consider a transfer of funding from the Schools Block to the High Needs Block for 2018/19.
4. It was not considered that continuing with NCC values was a viable option as this would potentially result in volatile changes in funding when the “Hard NFF” was introduced for 2020/21.
5. The model proposed involved the adoption of NFF values, subject to transitional protection of 50% of any fall in the Age Weighted Pupil Unit (AWPU) values, and a positive MFG of 0.5%; subject to affordability when final figures are available in late December based on October 2017 School Census information.
6. Schools’ Forum agreed this approach, subject to a consultation exercise that was carried out, in line with the Department for Education requirements.
7. Schools’ Forum was also requested to support the application to the Department for Education to transfer 1% of 2018/10 Schools Block funding to the High Needs Block. This was in light of :
 - A £1.5 million overspend on the current High Needs Block allocation;
 - Rising Number of pupils in receipt of Top Up funding and in independent sector placements;
 - Pressures arising from increasing number of Permanent Exclusions;
8. Funding was also sought in order to invest in additional places in our own maintained special schools, subject to the outcome of the current SEND consultation exercise.
9. Schools’ Forum again agreed this transfer, but it was again the subject of the wider consultation exercise across all Northumberland Schools.
10. In total 13 responses were received, the results are shown below :

How should Northumberland approach the adoption of NFF?



Do you agree to the Councils proposal to transfer 1% from the Schools Block to the High Needs Block?



11. As stated previously, final figures are not yet available from the Department for Education but it is estimated that this approach will make available to schools an **overall figure of £175,760,165, representing a 1% increase on 2017/18 funding.**

12. A 1% transfer from the Schools Block to the High Needs Block would involve a sum of up to £1,772,770 .

BACKGROUND

13. The National Funding formula reflects the Department for Education's intention that school budgets should ultimately be set on the basis of a single national formula.

14. Schools' Forum has previously had reports outlining developments in relation to the proposed National Funding Formula. The update to the 27 September 2017 meeting covered the headline information as per the Secretary of State's announcement :

- Headline overall minimum increases in funding of 0.5% per pupil;
- A Minimum Funding Guarantee (MFG) of between 0% and **minus** 1.5% per pupil; and
- Overall minimum funding levels for primary and secondary pupils;

15. In November, following the release of NFF formula values, a further report was provided that highlighted key differences in the factors previously used by Northumberland and those proposed in the NFF:

- A uniform NFF lump sum factor of £110,000 across all phases, compared to the weighted figure used by Northumberland across the different phases.
- An increase in KS3 age weighted pupil unit)(AWPU) in the NFF compared to NCC, but falls in Primary and KS4;
- The secondary prior attainment factor saw a large increase from £956 to £1,550 under the NFF;

16. In summary, the impact of the move towards NFF will very much depend on the type of school, **but given that the basic per pupil funding accounts for 72.9% pupil numbers will remain the single most important factor.**

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	Changes to the formula funding mechanism for schools from 2018/19 due to implementation of the NFF
Finance and value for money:	Changes to the formula funding mechanism for schools from 2018/19 due to implementation of the NFF, and transfer to High Needs Block funding
Legal:	Potential Changes arising in support to Schools as and when further schools academies.
Procurement:	None
Human Resources:	Potential issues for school staffing structures arising from budgets, depending on individual school circumstances
Property:	Further academisation of schools will affect school estate
Equalities: (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	Changes arising from the implementation of the National Funding Formula will impact on children in schools, particularly when fully implemented from 2020/21.
Risk Assessment:	There are risks arising from the switch to the NFF, particularly to individual schools but the LA has sought to mitigate these for 2018/19
Crime & Disorder:	There are considered to be no implications arising from this report.
Customer Considerations:	The introduction of the National Funding Formula has implications for schools, parents and children, particularly over the longer term
Carbon Reduction:	None
Wards:	All

CONSULTATION

BACKGROUND PAPERS

Report sign off.

Finance Officer	Suzanne Dent
Monitoring Officer/Legal	Liam Henry
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Interim Director of Children's Services	Andy Johnson
Portfolio Holder(s)	Cllr Wayne Daley

Report Author Bruce Parvin – Education and Skills Business Manager
 (01670) 623431 Bruce.Parvin@Northumberland.gov.uk



Northumberland County Council

Wellbeing and Community Health Services Group

Education and Skills Service

Agenda Item : 5

14 November 2017

NATIONAL FUNDING FORMULA: UPDATE AND CONSULTATION

1. PURPOSE OF REPORT

To update Schools Forum regarding the National Funding Formula(NFF) and seek their agreement for the basis of the consultation exercise to be undertaken on how this should be adopted and the resulting funding allocation mechanisms and budgets for 2018/19 and beyond.

2. RECOMMENDATIONS

Schools Forum members are requested to:

- consider the report prior to the meeting, discussing it with other schools;
- agree the principles and the basis of the consultation as set out in the attached paper;

3. BACKGROUND

Schools Forum has previously had reports outlining developments in relation to the proposed National Funding Formula. Information from the Department for Education has confirmed their intention to move to a "Hard" Funding Formula with effect from 2020/21, though this is subject to agreement in the next Comprehensive Spending Review. For the financial years 2018/19 & 2019/20 local authorities retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors, as authorities move from local to nationally determined formula values.

4. KEY DECISIONS

Essentially the key issues to be considered by Schools Forum are:

- how it chooses to move towards the adoption of the NFF by 2020/21; and
- To consider the transfer of funding from the Schools Block to the High Needs Block for 2018/19 (see Agenda 6).

The challenge is to consider how swiftly we wish to move to the NFF values, and any further interim measures we would wish to take, subject to the funding available and potential implications arising from constraints within the formula such as the Minimum Funding Guarantee (MFG).

5. COMPARISON OF NATIONAL AND LOCAL FACTORS

The key information that has subsequently been made available is the respective National Funding Formula factor values. Details of the National Formula Factors (NFF), compared to the current values used by Northumberland County Council (NCC) are shown at Appendix A, but key changes include:

- A uniform NFF lump sum factor of £110,000 across all phases, compared to the weighted figure used by Northumberland across the different phases.
- An increase in KS3 age weighted pupil unit)(AWPU) in the NFF compared to NCC, but falls in Primary and KS4;
- The secondary prior attainment factor saw a large increase from £956 to £1,550 under the NFF

Details of the respective values are included at Appendix A

It should however be emphasised that this does provide a simplistic view, given the diversity of education structures in Northumberland. The changes in the factor values proposed under the NFF could be interpreted as:

- Proportionately middle schools benefit from the proposed changes in the AWPU, given the increase in KS3 value, compared to decreases at Primary and KS4.
- The standard NFF lump sum factor means decreases for middle and high schools.
- The impact of decreases in deprivation will depend on the location of the school;
- Similarly the changes to the prior attainment factor will again vary according to the circumstances of the individual school.

In summary, the impact of the move towards NFF will very much depend on the type of school, **but given that the basic per pupil funding accounts for 72.9% pupil numbers will remain the single most important factor.**

6. IMPLEMENTATION OF NFF

A range of options were discussed at the Formula Funding Committee held on 1 November, resulting in the development of a number of funding models to inform the consultation in relation to the model to be adopted and approach to be taken for 2018/19 and 2019/20 prior to the implementation of the Hard NFF.

It was agreed that the models developed would be:

- Adoption of NFF values
- A phased approach to the move towards NFF values with a proportionate shift in values from current NCC figures to NFF values.

Any approach taken will be dependent on affordability & the overall funding available after adjustment for the respective Minimum Funding Guarantee (MFG) factor to be used.

It should also be noted that in line with the correspondence under Agenda item 4 (Communications) the Authority Proforma Tool (APT) also has limitations in relation to its flexibility for financial modelling.

It was not considered that continuing with NCC values was a viable option as this would potentially result in volatile changes in funding when the “Hard NFF” was introduced for 2020/21.

Initially models were shared via Formula Funding Group based on NFF Values + 0% MFG. Other options were produced with variations in the AWPU and lump sum factor between the current NCC and proposed NFF Values.

This resulted in the development of an option which involved the adoption of the NFF formula values, with compensating adjustments to the AWPU values at Primary and KS4; these adjustments were calculated as 50% of the difference between the NCC and NFF values, resulting in the distribution of £ 175,412,752, a 0.9% increase on 2017/18 figures.

Consideration was then given to the treatment of MFG. Guidance provided by the DfE states:

We are introducing greater flexibility for the MFG in 2018 to 2019; local authorities will be able to set an MFG between 0% and minus 1.5% per pupil. Setting the MFG at 0% rather than 0.5% gives local authorities the flexibility to make local decisions about the distribution of funding, and enables them to manage any changes in pupil characteristics when characteristics data is updated in December.

(section 60.1 School Funding Operational Guidance, Sept 2017)

A decision was then taken to improve the offer to schools by increasing the MFG figure to a positive 0.5% as this represents a method of providing the 0.5% “minimum increase” headlined in the operational guidance.

This resulted in an additional £347,413 being distributed to schools, with no school being adversely affected by the inclusion of the +0.5% MFG. This therefore forms the basis of the proposal and the consultation. **The overall figure of £175,760,165 represents a 1% increase on 2017/18 funding.**

A table showing individual school illustrative values is attached at Appendix B. For reference the notional NFF figures issued by the DfE and included in the September report are included for reference, however these figures are not achievable as they take no account of Minimum Funding Guarantee, as reflected in the Authority Pro forma tool shared with Local Authorities for modelling purposes.

It must be stressed at this stage that such figures are purely illustrative, due to the fact that October 2017 census data is not yet available from all schools; at the time of writing information is outstanding from 4 academies, therefore 2018/19 figures are projected on the basis of October 2016 pupil numbers. **Final allocations will reflect October 2017 pupil numbers.**

7. CONCLUSION:

Schools’ Forum is invited to endorse the use of the option proposed above, using the key formula characteristics of:

- Adoption of NFF Formula Values; plus
- Transitional protection of 50% of any fall in AWPU values; and
- +0.5% MFG

Comparison of Northumberland County Council and National Funding Formula Values (Rec to Yr 11)

Formula Factor values	Primary				Secondary			
	NCC (2017)	NFF (Proposed)	Change		NCC (2017)	NFF (Proposed)	Change	
	£	£	£	%	£	£	£	%
AWPU								
Primary (Years R-6)	2,807	2,747	- 60	-2.14%	-	-	-	-
Key Stage 3 (Years 7-9)	-	-	-	-	3,715	3,863	148	3.98%
Key Stage 4 (Years 10-11)	-	-	-	-	4,580	4,386	- 194	-4.24%
TOTAL FSM / FSM 6	1,297	980	- 317	-24.44%	1,562	1,225	- 337	-21.57%
IDACI Band F	150	200	50	33.33%	250	290	40	16.00%
IDACI Band E	200	240	40	20.00%	300	390	90	30.00%
IDACI Band D	350	360	10	2.86%	450	515	65	14.44%
IDACI Band C	500	390	- 110	-22.00%	725	560	- 165	-22.76%
IDACI Band B	600	420	- 180	-30.00%	800	600	- 200	-25.00%
IDACI Band A	700	575	- 125	-17.86%	800	810	10	1.25%
PRIOR ATTAINMENT	1,109	1,050	- 59	-5.32%	956	1,550	594	62.13%
EAL (English as an Additional Language)	220	515	295	134.09%	220	1,385	1,165	529.55%
LUMP SUM	110,000	110,000	-	0.00%	170,000	110,000	- 60,000	-35.29%
SPARSITY	13,000	25,000	12,000	92.31%	60,000	60,000	-	0.00%

**Illustrative 2018/19 in order to inform consultation exercise on NFF
implementation:
Individual School Basis**

**(Document circulated to Schools Forum separately - Agenda Item 5 Appendix
B)**



Northumberland County Council

Wellbeing and Community Health Services Group

Agenda Item : 6

Education and Skills Service

SCHOOLS FORUM

14 November 2017

SEN – REDUCING HIGH NEEDS OVERSPENDING

1. PURPOSE OF REPORT

To update Schools Forum regarding SEN pressures and the potential financial implications arising, and seek agreement to a number of measures to address this.

2. RECOMMENDATIONS

- Support that Top Up Payment paid only when Top Up Status recorded in School Census data, in line with the new DfE funding allocation procedures from January 2018.
- Note the planned Review of the SEN Funding Mechanism ;
- Agree to support the application to the DfE for the transfer of up to 1% of Schools Block Funding to High Needs Block to support the growth in our special school places for September 2018.

These steps are necessary in order to move towards a balanced funding position when the NFF is introduced

3. BACKGROUND

Schools Forum has previously received information in relation to various aspects of the increasing pressures arising in the High Needs Block. Papers provided to September's meeting highlighted:

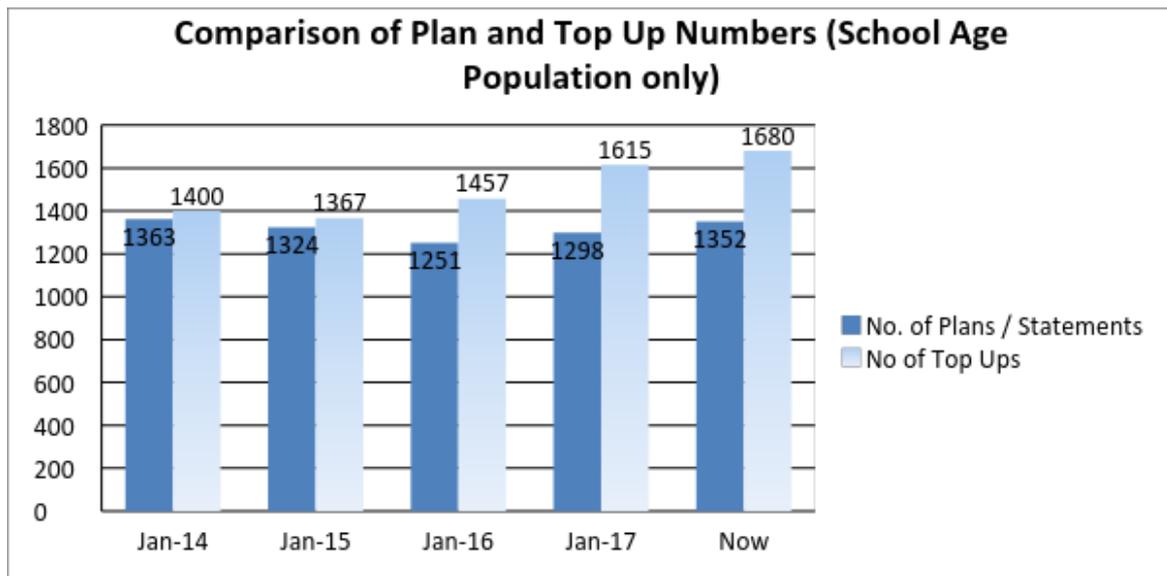
- The DSG monitoring report highlighted a £1.5 million overspend in 2017/18, arising from various aspects of Special Educational Needs ;
- The SEN update identified the rising trend in pupils in receipt of Top Up funding and Independent Sector "Out of County placements; this was in tandem with a 32% increase in pupils within our own maintained Special Schools.
- The pressures arising from the increasing numbers of Permanent Exclusions;

Schools Forum are also aware of a £1.7 million overspend in 2016/17, as reported to the July Schools Forum. Clearly action is required in order to establish a balanced budget position in relation to SEN expenditure funded via the High Needs Block.

4. CURRENT POSITION

Top Up Numbers

The chart below, shared previously, shows the disproportionate rise in the number of pupils receiving Top Up support compared with the overall Plan numbers.



This represents a 313 (22.9%) increase in the number of pupils being supported by Top Up. If the average assessment outcome is assumed as Band 4 (i.e. a midpoint in the scale, costing £6,000 per annum), these 313 extra cases would result in additional annual cost pressures of £1.878m.

A sample review of cases identified a number of errors arising, e.g.:

- More than one School claiming Top Up for the same pupil;
- Top Up funding being paid where a pupil had previously left the school

Another major issue arising was in relation to the accurate recording of Top Ups within SIMS or the equivalent School Information System. There are various aspects of SEN to be recorded, in line with the standard School Census data requirements including:

- Education Health and Care Plan / SEN Statement status;
- Category of Primary Need; and
- Top Up Funding Status (True or False)

The accurate completion of this information is crucial in ensuring we have an accurate picture of SEN in Northumberland. Furthermore, from recent discussions with the DfE it has emerged that the Top Up payment information is being used in the calculation and allocation of High Needs Block funding. Additional information has been requested from the DfE in relation to this.

Due to the importance of this, the Additional Educational Needs Committee on 2 November 2017 agreed the establishment of the principle that Top Up funds would only be paid where a record is being correctly maintained within SIMS or the equivalent school information management system.

It is acknowledged that this may create additional challenges where schools do not use SIMS. For that reason it is proposed that Top Up funding will be paid once a term, using the respective School Census return information as the data source for payments. School representatives at the Additional Educational Needs Committee were again supportive of this proposal because of the reduction in associated administrative time. Subsequent feedback from Schools has also supported this.

Extensive information will be provided to schools prior to the January census data collection to make them aware of this change in SEN Top Up administrative arrangements. The key objectives driving these proposals are:

- Improvements to performance and management information in relation to SEN; and
- An obligation to ensure that Northumberland High Needs block grant allocations are accurate and reflect the nature of the actual SEN profile.

There are potential financial implications arising for schools should they not comply with this requirement. Of the 120 cases identified in the May 2017 census who were receiving payments but not recorded as in receipt of Top Up, there were 50 Schools involved and the number of cases involved per school varied from 1 to 20. Should Schools continue to fail to comply with this requirement, this could potentially result in the withdrawal of £450,000 of top up payments. This should also be seen in the context of the 2017/18 DSG Monitoring Report highlighted a £561,320 overspend in this area.

As this proposal to link Top Up payments to School Census information simply reflects good practice in relation to financial and information management, this will be implemented from January 2018.

5. Review of SEN Funding Mechanism

As well as the above amendment to Top Up payment processes, a wider review of SEN Funding Mechanisms is also required in order to understand why these pressures are arising, and are they specific to Northumberland or indicative of wider regional or national issues.

This will include:

- a review of the system for the payment of Top Up, both for pupils with EHC Plans and the sizeable cohort of children receiving Top Up who do not have a Plan.
- the need to establish a graduated approach in this context, with clarity in relation to the support available and thresholds for accessing this;
- a review of the current banding structure and associated descriptors;

- consideration of the processes by which funds are allocated including the Placement Panel ; and
- consistently embedding regular review.

This will involve further work including a review of other Local Authorities procedures and practice, with the intention of the Additional Educational Need being closely involved in supporting this. In practice it is hoped that recommendations can be implemented with effect from September 2018 in relation to this.

6. Transfers between Schools Block and High Needs Block:

Before setting out specific intentions in relation to requesting a transfer from the Schools Block to the High Needs Block for 2018/19, it is important that the historical context and trends are understood. While the two blocks are funded separately, they are clearly related due to the need to fund growing numbers of pupils not supported in mainstream education for a variety of reasons (e.g. permanent exclusions, SEND etc). Schools also receive a large proportion of High Needs funding through the payment of Top Up funds

Top Up funding has previously been covered within this report, and this represents the largest single expenditure category within the High Needs Block (£12.3 million forecast for 2017/18).

However there are other pressures on this block. There has been an increase in the number of independent sector placements funded in this way, which has been another major factor in the pressures faced by the High Needs block. Since April 2015 the number of placements funded has increased by 50 (53%), from 94 to 144.

Placements that are outside of the county also involve additional expenditure in terms of Home to School Transport. Northumberland spends over £4 million per year on SEN transport (£1.147 million via DSG, due to historic commitments), both within and outside the county but what this does not take into account are the long travel times and the impact has on our pupils.

As at July 2017, we were supporting 1095 pupils and students to attend 57 different establishments on a daily basis. The average annual cost per pupil is almost £4000 each, a figure broadly equivalent to the amount of funding per pupil to operate a school in a mainstream setting.

This position has been exacerbated by the fact that Northumberland's 8 maintained special schools have seen number rise by 32% between 2013 and 2017 as shown in the table below :

Special School	2013	2014	2015	2016	2017
Atkinson House	62	53	56	59	66
Barndale House	36	38	40	37	39
Cleaswell Hill	126	149	155	163	173
Collingwood School	105	129	145	137	137
Cramlington Hillcrest	46	56	58	62	74
Hexham Priory	61	65	77	78	89

The Dales School	68	73	76	76	89
The Grove School	36	39	42	43	45
TOTAL	540	602	649	655	712

There is therefore no capacity to accommodate additional pupils.

Given that Northumberland's 8 maintained special schools are all either good or outstanding, the Council reiterates its intention to reverse the trend of increasing out of borough placements by increasing the capacity to provide quality SEN education within the county, and enable pupils to be educated within their communities. In order to begin to address this pressure, Northumberland is investing capital funds developing additional capacity (75 places) at Hexham Priory and The Dales. However this will also require additional revenue funding in the short term to enable placements to be made and supported in our maintained special schools.

For that reason Northumberland is seeking School Forum agreement to the transfer of up to 1% of Schools Block funding to High Needs. This will involve a figure of up to £1,772,770 of the overall provisional allocation of £177,276,970, depending on:

- Final overall budget allocations ; and
- The agreement of the proposed option for the allocation of Schools Block funding in 2018/19

The Department for Education in its *School Revenue Funding 2018-19* requires that such requests should be made by 30 November, hence the timing of this report to Schools Forum. Agreement does not commit Forum to this allocation; it simply enables a transfer for up to this amount, subject to the DfE agreement.

CONCLUSION

The intention of this paper is to highlight the continuing pressures on High Needs block expenditure, and outline how Northumberland is beginning to address these issues.