

9 January 2020

Schools Funding Update

Ward(s): All

Portfolios: Councillor Chris Towe - Education and Skills

1. Aim

To provide the Committee with an update about schools funding, further to the previous report in March 2019.

2. Recommendations

To inform the Committee of the financial system that schools and the Local Authority operate within in relation to education funding and to identify the main points and key issues that Members need to be aware of.

3. Report detail – know

- 3.1 Each local authority receives a revenue grant, the Dedicated Schools Grant (DSG), each year to fund the provision of education. The DSG grant is made up of 4 “blocks”, each of which is set out in more detail below.
- 3.2 Central School Services Block (CSSB) – For Walsall, for 2019/20, this equates to £1.375m, and is provided to local authorities to support the statutory services that they are required to provide to all schools.

Financial Issues:

The actual cost of the statutory services that the Local Authority has to provide to all schools is significantly more than the CSSB funding that is received. Historically, local authorities previously received Education Services Grant (ESG) funding, which for Walsall was circa £3m per year, to support the statutory services but this funding was cut nationally from 2017/18 with only part of the funding moved into DSG to create the CSSB block of funding.

As such, this change has placed financial pressure on authorities, as they are required to provide these statutory services but funding paid within the CSSB is not in line with costs.

Schools funding guidance does allow the Authority to seek a contribution towards these costs from schools, but given that no funding has been provided to schools for these services, schools have not been supportive of this approach as it would, in effect, constitute a reduction in funding for them. As such, the Local Authority has had to invest its own revenue funding as part of the budget process to offset the fall out of grant funding.

- 3.3 Schools Block – For Walsall, for 2019/20, this equates to £209.028m and is provided to local authorities to fund mainstream education. Funding for the Authority is driven by the October school census carried out by each mainstream school in Walsall each year and then there is a requirement for the Authority to set a 'local funding formula', which details how it will then allocate this funding to individual schools (with a requirement for 100% of funding to be passed on).

It should also be noted that once the local funding formula has been agreed each year any funding to be allocated to mainstream academies is not paid to Walsall Council, and is held by the DfE and paid directly to those schools (for 2019/20 this equates circa £105.833m of the total schools block funding).

Financial Issues:

Totality of funding – whilst education budgets have been protected by Government since 2010, what this has meant is that funding per pupil has remained flat (although the Government has invested additional funding per pupil over the last 2 years) but if more pupils are supported then more funding is paid (to the Authority and then on to the individual school). The Institute for Fiscal Studies has highlighted that this means school funding has not risen in line with inflation and, therefore, schools, whilst being protected, have seen a real terms reduction in funding per pupil since 2010.

Individual schools have, therefore, had to identify ways in which to contain increases in costs (e.g. pay awards, progression through salary grades, increases in pension costs) within the total funding that is available to them.

Schools National Funding Formula (NFF) – historically, the total funding paid to each authority has, in the main, followed historical spending on education in each area; however, Central Government has now begun the implementation of a NFF, which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the previous methodology.

This commenced from April 2018, with authorities informed in September 2017 that for 2018/19 and 2019/20 although allocations for each school would be calculated nationally by the Education & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations would not be paid directly to schools and would, instead, be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.

For Walsall, the main impact with the NFF is that there is a lower level of 'lump sum' funding allowable (an amount of funding paid to each school to cover the types of costs all schools will see regardless of pupil numbers, e.g. a head teacher, a business manager, admin staff, etc.), at £110,000 per school rather than £175,000 used in the local formula; however, the funding this has freed up has been invested within the NFF in targeted areas of support, e.g. deprivation funding and low prior attainment funding.

The risk here though is that for those small schools with lower levels of deprivation the reduction in lump sum funding may not be offset by an increase in targeted funding.

This has led to significant work with the Schools Forum to seek to identify each year a local formula which aims to reduce the number of schools seeing a reduction in funding (per pupil) but starts to prepare schools for the allocations that they may actually receive once the NFF has been fully rolled out.

The DfE have advised that the revised implementation date will be April 2021 at the earliest (this has been deferred from April 2020).

- 3.4 High Needs Block - For Walsall, for 2019/20, this equates to £33.140m and is provided to local authorities to fund support to children with additional needs, whether supported in mainstream schools, Additionally Resourced Provision, Special Schools, Pupil Referral Units, Independent Schools or Alternate Provision.

A report on High Needs Funding was presented to the Education Overview and Scrutiny Committee in November 2019.

- 3.5 Early Years Block - For Walsall, for 2019/20, this equates to £21.221m and is provided to local authorities to fund early education (15 hours per week, term time, for eligible 2 year olds, 15 hours per week, term time, for all 3 / 4 year olds, and the additional 15 hours per week, term time, for 3 / 4 year olds of working parents who meet eligibility requirements) whether this is taken up in Private / Voluntary / Independent (PVI) settings, with childminders, in nursery schools or in nursery classes at primary schools.

With the implementation of the additional 15 hours of support for 3 / 4 year olds of working parents in September 2017, the Government introduced an Early Years National Funding Formula as the basis of allocating funding to each local authority, and which also introduced a requirement to pay all providers a universal hourly rate for all 2 year old hours and also all 3 / 4 year old hours.

Financial Issues:

Early Years National Funding Formula (EYNFF) – as there are a range of settings that parents can choose to provide funded hours to their 2 / 3 / 4 year olds, each of these providers is likely to see a different cost for each hour of care provided, e.g. private, voluntary or independent (PVI) providers are likely to see lower employer's pension costs as they will not be contributing to teachers / local government pension schemes, nursery classes in primary schools will be paying in to these pension schemes and also (following the decision of the Local Authority) will also be paying the 'actual living wage' as a minimum (which PVI's are less likely to pay), and maintained nursery schools are likely to see the highest cost of provision as they will also have the pension costs / actual living wage costs and additionally their overheads (head teacher costs / premises costs) will only be spread over the small numbers of pupils in each school (rather than the wider number of pupils that will be supported within a primary school).

As such, differential hourly rates used to be paid to different providers; however, the implementation of the EYNFF includes a requirement to pay a universal hourly rate for each hour of provision, i.e. the Authority can only pay the same amount per hour to all providers, and cannot pay different amounts based on costs that each provider may incur.

This led to a national campaign by maintained nursery schools to set out the financial impact on the sector and the potential for nursery schools to close. The Government responded to this campaign by confirming that for 2017/18 – 2019/20, a 'Maintained Nursery Schools Supplement' (MNSS) would be paid to local authorities to be utilised to provide additional funding to maintained nursery schools for the costs that this sector was likely to see.

For Walsall, the MNSS funding has so far been sufficient to compensate maintained nursery schools for the funding that they have lost in the reduction in their hourly rate payments, but there is currently no commitment from Government to continue the funding until the outcome of the next spending review is known (Government have recently confirmed that MNSS funding will continue until the end of the 2020/21 academic year, i.e., March 2021 rather than August 2020), and therefore nursery schools, with the support of the Authority, may have to identify potential options that may need to be considered if funding is not ongoing, e.g., potential federation / amalgamation with other schools.

In autumn 2019, the DfE announced an increase in the hourly rate payments, which will come into effect from 2020/21; however, this is not likely to ease the financial pressures outlined above.

4. Decide

At the present time, Members are requested to note the details of the school funding system and financial uncertainties that are outlined in this report.

5. Respond

Members are requested to note the content of the report and raise any further questions that they feel may be required to support their understanding of education funding.

6. Review

All key issues are highlighted on a regular basis to Schools Forum and the Children's Services Directorate management team.

Background papers

Author:

Mohammed Irfan
Lead Accountant

☎ 652330

✉ mohammed.irfan@walsall.gov.uk