

School funding update

a London Councils briefing

October 2017



Background

This briefing highlights key policy developments in revenue funding for schools, high needs funding and capital funding. It highlights the main areas of focus for London Councils' lobbying on school funding.

Our key asks of government are:

1. **That all children receive a good education – every child in the country deserves this.**
2. **That the government invests £406 million to ensure that all schools in the country are fully funded to cope with the additional cost pressures. This is a vital investment that will pay dividends in improved national economic growth, productivity and innovation.**
3. **That the government commits to upholding educational standards by fully reflecting the growing cost of education in London.**

Revenue funding for schools

The Conservative election manifesto, published in May 2017, announced a plan to introduce the new National Funding Formula (NFF) with a commitment to ensuring that no school is worse off as a result.

The Secretary of State for Education, Rt. Honourable Justine Greening MP, made an Oral Statement on 17 July, setting out the government's school funding plans. She announced that the core schools budget will increase by £1.3 billion in 2018/19 and 2019/20. Every school will receive at least a 0.5 per cent a year per pupil cash increase, and schools classed as underfunded will receive a per pupil cash increase of up to 3 per cent per year.

The investment in the schools budget will be funded through efficiencies and savings made in the Department for Education's (DfE) budget. These savings will be made in:

- The main capital budget (£420 million), primarily in healthy pupils capital funding (£315 million).
- The free schools programme (£280 million).
- DfE resource budget (£250 million in 2018/19 and £350 million in 2019/20).

Also in the statement, the Secretary of State reconfirmed her commitment to create an additional 140 free schools by 2019/20, as announced in the last Budget, and highlighted that efficiencies would "include delivering 30 of the 140 schools through the local authority route rather than the central free schools route". The Secretary of State also confirmed plans to introduce the NFF in 2018. There was no mention of school funding plans after 2019/20.

The provision allocations for schools were published on 14 September 2017.



Implications of revenue funding announcements for London schools

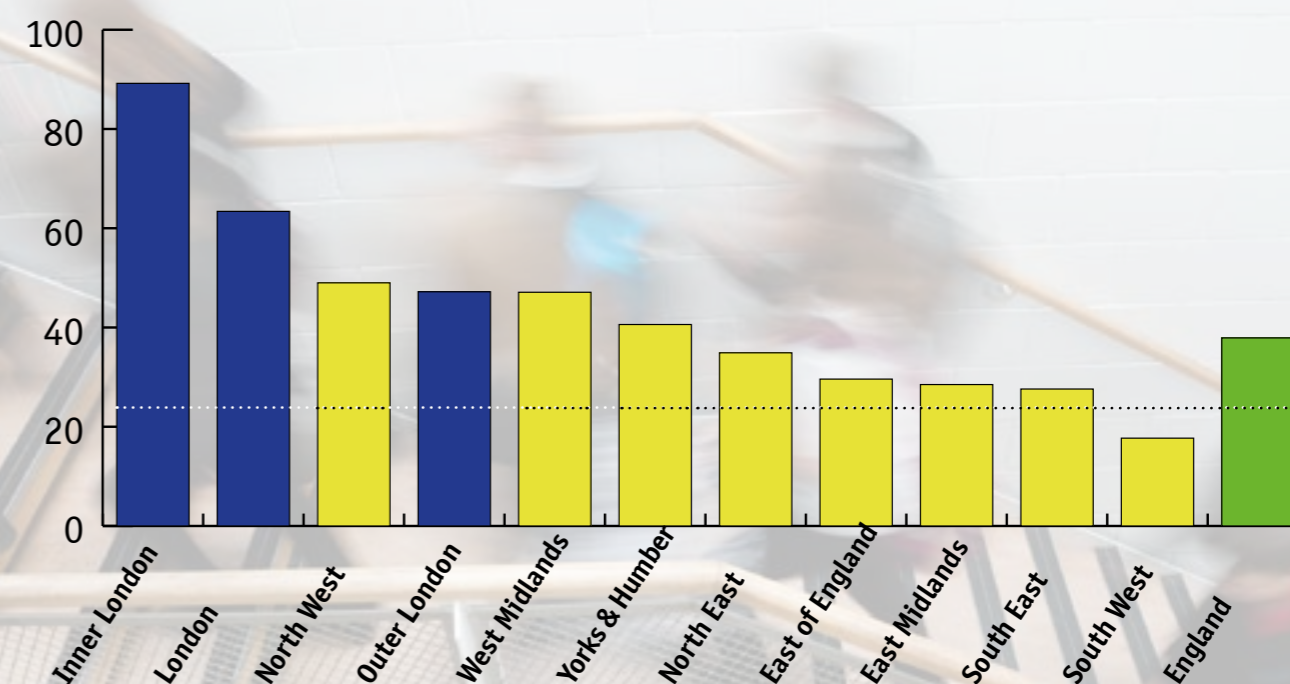
The Secretary of State's announcement of a £1.3 billion investment in school budgets over the next two years represents a major success for London's school age children and indeed for the lobbying of London Councils and the boroughs it represents. We have undertaken substantial lobbying activity since the initial consultation on the NFF to call for the government to consider the funding pressures already facing schools across the country and to invest an additional £335 million in school budgets to ensure that no school loses out as a result of the introduction of the NFF. The additional investment in the schools budget will be vital in supporting London's schools to build on their current performance and continue to improve standards.

However, London Councils' analysis of the provisional allocations for the NFF published by the Department for Education last week show that **London's schools will receive a significantly lower proportion of the new money than any other region in the country.** 67 per cent of schools in London will receive the minimum (0.5 per cent per pupil) funding increase in 2018-19¹, compared with just 35 per cent of schools across the rest of England (see fig.2 in the appendix). Fourteen boroughs will see more than 90 per cent of their schools receive the floor of 0.5 per cent per pupil in 2018/19.

The National Audit Office (NAO) forecasts costs pressures of 1.6 per cent in 2018/19. Under the published allocations, 53 per cent of schools nationally will receive funding that adequately meets this pressure. However, only 27 per cent of London schools will receive the 1.6 per cent funding uplift, compared to 56 per cent in the rest of England. **We estimate that the cost of meeting budgetary pressures for every school by 2018/19 would be £406 million nationally, including £99 million in London²** (see fig.3 in the appendix).

The impact of the savings and efficiencies on other programmes in the Department for Education is uncertain. For example, it is unclear how the proposed savings to the capital funding budget will affect the government's ability to help manage demand for school places in London, and what support and funding will be provided for councils creating new free schools via the local authority route.

Proportion of schools at funding floor and above NAO cost pressure level by region



¹ NFF allocations are not yet available for new schools, so the 67 per cent figure excludes these schools. The comparable figure including new schools would be 63 per cent.

² Calculated by bringing the provisional allocation of every school set to receive below a 3.4 per cent gain up to exactly 3.4 per cent (the cost pressures identified by the National Audit Office in 2018/19 and 2019/20), without reducing funding for any school set to gain greater than 3.4 per cent.

Special Educational Needs and Disabilities (SEND) funding



London has experienced a rapid increase in demand for places for pupils with high needs in recent years, far exceeding growth in other regions and that of London's mainstream school population. London Councils' survey found that, since 2013/14, the number of pupils with Education Health and Care Plans (EHCPs) increased by 10 per cent, with actual expenditure increasing by 16 per cent (£117 million). However, this growth has not been recognised in government funding allocations, as high needs allocations to London boroughs increased by just 2 per cent (£14 million) over the same period.

The issue has become particularly acute in 2016/17 when the number of pupils with Education, Health and Care Plans (EHCPs) grew by 4.2 per cent, around three times the 1.3 per cent growth rate for the general pupil population. The insufficiency of the government high needs funding has meant that 26 out of 31 London boroughs spent more than their high needs block allocations in 2016/17, **creating an aggregate 'funding gap' across these 26 boroughs of £100 million (£3.9 million per borough).**

Meeting this substantial shortfall has had a knock on effect on other funding streams including around £46 million being diverted from other blocks within the DSG, boroughs having to draw on £20 million of reserves, carrying forward previous DSG underspending (£11 million) and utilising general funds (£5 million). These short-term measures to meet the funding gap are unsustainable and there are now nine boroughs in London with a cumulative DSG deficit carried forward into 2017/18 totalling £30 million. This is not a one-off pressure as Special Educational Needs and Disabilities (SEND) pupil numbers are expected to increase further in 2017/18 and will be significantly higher in London than the rest of England.

The provisional school funding allocations for 2018/19 were published on 14 September as part of the government's final National Funding Formula. Analysis of the allocations reveal that additional funding for the High Needs Block amounts to just £124 million in 2018/19 nationally (£27 million for London). It also confirms that restrictions on movement of funds between the schools and high needs blocks will start from 2018/19, limiting transfers to 0.5 per cent of authorities' total schools block and only with the agreement of the Schools' Forum.

In the context of the existing £100 million shortfall on high needs funding across the capital, the additional £27 million for London boroughs does not go far enough. The removal of flexibility between blocks within the DSG will remove the main mechanism currently used by boroughs to ensure all schools meet their responsibilities for pupils with SEND, which would seriously limit the options available to boroughs for dealing with any funding shortfalls in the future. While the formula includes proxies for high need (through deprivation and other measures) and reflects changes in pupil numbers and general 2-18 population – it does not recognise increasing *incidence* of SEND meaning the continued disproportionate growth in London is unlikely to be reflected going forward.

Finally, the survey highlighted another significant area of overspend within children's services across London, SEND transport. The exponential growth in the number of children with SEND and the increasing complexity of need has caused overspends in SEND transport budgets in 26 out of 30 London boroughs in 2016/17, which equates to an average £1 million overspend per borough. **Across 20 boroughs providing full data over time, spend on SEND transport increased by 20 per cent between 2013/14 and 2016/17.**

Capital funding



London Councils recently published the latest edition of *Do The Maths*, our annual school places planning report. This year's projections in *Do The Maths* highlight a shortfall of 63,710 places across schools in London until 2022/23; this includes 27,376 at primary and 36,335 at secondary. This represents a slowing down of demand in the primary sector for the first time in almost a decade, although demand is growing steadily at secondary. Some London boroughs are still facing considerable demand for places at both primary and secondary levels, in part due to ongoing housing developments.

Despite the reduction in the shortfall for places, **London will still need additional funding for school places of an estimated £1 billion over the next six years** – through a combination of additional basic need funding and the central funding of places through the free school programme.

The report also sets out key recommendations in relation to the free schools programme, arguing that when local authorities are

involved in creating new schools from the outset the new schools are more likely to meet the needs of the local community and avoid creating surplus places. At a time of considerable pressure on schools budgets the DfE should be focusing on avoiding surplus places, which could lead to school closures, and prioritising free schools in areas of high demand. The report also highlights issues with free school delays, including the inconsistency in compensating local authorities for the cost of making additional places available when a free school coordinated by the Education Skills Funding Agency (ESFA) is delayed.

London Councils proposes in *Do The Maths* that the government should undertake a shift in the way it manages the free schools programme by:

- Ensuring strategic join-up between local government and the ESFA on free schools and land acquisition from the outset to ensure better value for money and delivering of sufficient school places
- Only approving free schools where they meet basic need
- Recognising and covering the costs to councils in working on free schools
- Compensating local authorities for all contingency costs when a free school has been delayed
- Aiming for all new secondary free schools to be no smaller than six Forms of Entry

The report also includes a substantial section on demand for dedicated Special Educational Needs and Disabilities (SEND) places, which has risen by 22 per cent since 2010. The report calls on the government to commit to providing capital funding consistently to fully meet the costs of creating SEND provision, and to hold a further round of applications for special free schools to increase the amount of local SEND provision available.

For the first time, the report includes a section on further education (FE) provision. **Demand for FE provision is expected to rise from 2020 as demand in primary and secondary move through the system.** Furthermore, the government's focus on technical education and the multitude of reforms including the apprenticeship levy and the introduction of T levels will place significant capital requirements on providers. Thus, the report calls on the government to ensure that sufficient funding is provided in a timely manner to ensure that local authorities can deliver on their duty to ensure sufficient places for all young people until the age of 18.

Appendix 1: Analysis of London borough allocations, school funding allocations by region, and proportion of schools at funding floor and above NAO Cost Pressure Level by Region

Figure 1: London Borough Allocations (£m)

	Baseline	Notional NFF 2018/19 (year 1)		Illustrative NFF 2019/20 (year 2)	
	2017-18	Notional Total	% change	Baseline funding	% change
Barking and Dagenham	200.0	202.7	1.4%	205.0	2.5%
Barnet	232.9	234.7	0.8%	235.7	1.2%
Bexley	173.0	176.0	1.7%	177.2	2.4%
Brent	220.8	222.3	0.7%	223.4	1.2%
Bromley	192.6	195.4	1.4%	197.0	2.3%
Camden	118.3	118.9	0.5%	119.5	0.9%
Croydon	222.3	227.4	2.3%	231.6	4.2%
Ealing	218.7	223.5	2.2%	226.0	3.4%
Enfield	237.8	242.3	1.9%	245.3	3.2%
Greenwich	199.7	200.8	0.6%	201.6	1.0%
Hackney	189.5	190.3	0.5%	191.2	0.9%
Hammersmith and Fulham	94.9	95.4	0.5%	95.8	0.9%
Haringey	184.9	185.8	0.5%	186.7	1.0%
Harrow	141.1	143.0	1.3%	143.7	1.8%
Havering	164.3	167.1	1.7%	168.6	2.6%
Hillingdon	201.1	205.4	2.1%	208.1	3.4%
Hounslow	170.2	173.4	1.9%	174.7	2.7%
Islington	127.4	128.2	0.7%	128.7	1.0%
Kensington and Chelsea	61.1	61.4	0.5%	61.7	0.9%
Kingston upon Thames	90.5	92.3	2.0%	93.5	3.3%
Lambeth	193.7	194.6	0.5%	195.5	0.9%
Lewisham	208.9	209.9	0.5%	210.9	1.0%
Merton	114.4	117.1	2.3%	119.4	4.3%
Newham	312.1	314.0	0.6%	315.5	1.1%
Redbridge	203.0	208.1	2.5%	211.7	4.2%
Richmond upon Thames	97.5	99.5	2.0%	100.9	3.4%
Southwark	223.5	224.5	0.5%	225.6	0.9%
Sutton	139.7	142.5	2.0%	144.8	3.7%
Tower Hamlets	247.8	249.0	0.5%	250.3	1.0%
Waltham Forest	192.6	193.6	0.5%	194.6	1.1%
Wandsworth	149.2	150.4	0.8%	151.2	1.3%
Westminster	106.4	107.5	1.0%	108.2	1.7%

Figure 2: School Funding Allocations by region (£m)

	Baseline	Provisional NFF funding in 2018/19		Illustrative NFF funding in 2019/20		Illustrative NFF funding as if the NFF had been implemented in full	
		Total 2017-18 baseline	Total allocation	Change from 2017/18	Total allocation	Change from 2017/18	Total allocation
East Midlands	3,176.0	3,248.1	2.3%	3,302.4	4.0%	3,333.4	5.0%
South East	5,849.2	5,985.7	2.3%	6,085.5	4.0%	6,118.8	4.6%
South West	3,418.9	3,495.2	2.2%	3,546.4	3.7%	3,566.7	4.3%
East of England	4,138.2	4,223.3	2.1%	4,275.0	3.3%	4,293.6	3.8%
Yorkshire and the Humber	3,811.0	3,886.7	2.0%	3,940.7	3.4%	3,987.9	4.6%
Outer London	4,327.3	4,404.2	1.8%	4,445.3	2.7%	4,463.8	3.2%
West Midlands	4,310.5	4,384.5	1.7%	4,433.9	2.9%	4,460.0	3.5%
North East	1,816.2	1,845.5	1.6%	1,864.0	2.6%	1,873.4	3.1%
North West	5,265.4	5,348.6	1.6%	5,402.7	2.6%	5,433.2	3.2%
London	7,132.9	7,233.0	1.4%	7,286.5	2.2%	7,303.8	2.4%
Inner London	2,805.6	2,828.8	0.8%	2,841.2	1.3%	2,840.0	1.2%
England	38,918.4	39,650.7	1.9%	40,137.1	3.1%	40,370.7	3.7%

Figure 3: Proportion of schools at Funding Floor and above NAO Cost Pressure

Region	Per Pupil Funding		Baseline funding
	2018/19 0.5% (Floor)	2018/19 1.6% (NAO)	2019/20 3.4% (NAO)
Inner London	94.3%	3.2%	1.5%
London	67.0%	27.4%	18.7%
Outer London	49.9%	42.6%	29.5%
North West	49.5%	42.0%	29.4%
West Midlands	47.6%	44.0%	29.7%
Yorkshire and the Humber	41.1%	51.9%	39.1%
North East	35.1%	54.7%	38.8%
East of England	30.1%	59.3%	41.6%
East Midlands	28.8%	63.4%	50.6%
South East	28.2%	63.6%	46.4%
South West	18.0%	73.9%	57.9%
ENGLAND	38.5%	53.2%	39.0%

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This briefing provides an update on our January 2017 school funding briefing available at www.londoncouncils.gov.uk

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