

BRIEFING PAPER

SUBJECT: Update on Schools National Funding Formula
DATE: 22 March 2017
RECIPIENT: SCHOOLS FORUM

THIS IS NOT A DECISION PAPER

1 Introduction and Context

- 1.1 This paper provides an update on Schools National Funding Formula (NFF) and provides a summary of the Department for Education (DfE) proposals in Stage 2 consultation of NFF.
- 1.2 The Government is proposing the phased introduction of a new national funding formula from 2018-19. Originally, the intention was to introduce the formula from 2017-18.
- 1.3 Arrangements for schools remain largely unchanged for 2017/18 with funding via a local formula. This has been reviewed with Schools Forum who agreed no changes to the formula for 2017/18.

2 The wider school funding context

- 2.1 The Institute for Fiscal Studies (IFS) estimated in April 2016 that there would be at least a 7% real terms reduction in per-pupil spending between 2015-16 and 2019-20, or about 8% if changes in the costs likely to be faced by schools were also accounted for.
- 2.2 The National Audit Office (NAO) published a report on schools' financial health in December 2016. This reported that the department's overall schools budget was protected in real terms, but did not provide for funding per pupil to increase in line with inflation. Mainstream schools in England would be required to make £3 billion of savings by 2019-20, to counteract cost pressures. This equated to an 8% real-terms reduction in per-pupil funding for mainstream schools between 2014-15 and 2019-20.

3 First stage consultation – March 2016

- 3.1 The DfE launched the first of two major consultations on further funding reform in March 2016. This proposed a national school funding formula to include a basic per-pupil amount and factors reflecting pupil characteristics, school and areas costs. The precise composition of the formula and weighting given to the different factors is the subject of a second consultation.
- 3.2 The Government intends that most funding with the exception of high need funding will eventually be given directly to schools and not routed through local authorities, as now (in the case of maintained schools).
- 3.3 High need funding largely supports special educational provision. For this funding, the Government is also proposing the introduction of a national formula which will be used to allocate money to local authorities. However funding allocations would continue to be calculated on the basis of LAs' planned high needs spend in 2016-17 for at least the next five years and not solely on assessed area needs in order to ensure stability.

4 Second stage consultation of December 2016

- 4.1 The DfE published the second stage of its consultation on school funding reform on 14 December 2016. This confirmed the intention to introduce a 'soft' national funding formula from 2018-19 and a 'hard' formula from 2019-20. The DfE has proposed limits on gains and losses in 2018-19 and 2019-20.
- 4.2 Within this second stage of the consultation, the government is outlining the:
- Overall approach to constructing the national funding formula for schools and high needs, together with detailed formula design proposals
 - Impact of the proposed national funding formula for schools
 - Details for the implementation of the national funding formula for schools
 - Proposals for the central school services block.
- 4.3 There are 18 questions covering the School Funding consultation. The DfE are putting forward detailed proposals for the relative weighting of each factor and therefore the per-pupil unit values to be used to work out schools' estimated funding levels under the proposed new formula. The starting point for developing the formula weightings has been the collective formulae used by local authorities to distribute funding to schools. Under the national funding formula, it is proposed to spend more through the additional needs factors than currently, so this funding is directed to schools with pupils from a deprived background.
- 4.4 The new national formula will be used to calculate the Schools Block DSG in 2018/19 but LA's will still be responsible for distributing the funding to schools through a local formula (termed a 'soft national formula'). From 2019/20 the funding will be allocated directly to schools using the 'hard' national funding formula. The role of the Schools Forum beyond 2019/20 is still being considered.

The second stage Schools NFF consultation proposes:

- 13 factors have now been confirmed to be included in the national funding formula
- Maximise funding allocated through pupil-led factors in relation to pupils and their characteristics (total 91%) and reduce spend through school led factors (premises/lump sum)
- Increase total spend on additional needs factors to support pupils from disadvantaged backgrounds (socio-economic, low prior attainment, EAL and mobility) to 18% of the total national schools block funding
- Continue with substantial deprivation factor using pupil led and area led data – including a greater weighting directed at just managing families who do not typically qualify for FSM, through the use of area level deprivation factor using IDAC1 (Income Deprivation Affecting Children Index)
- Continue basic rates increases through the key stages to reflect higher costs as pupils progress
- Increase weighting of low prior attainment factor (3.2% increase) this includes a technical adjustment in 18/19 to the secondary low prior attainment factor due to the recent change to the key stage 2 assessment process
- Provide small and remote schools extra funding
- Fund rates and premises factors on basis of historic spend, but adjustment to PFI factor so that it is automatically updated in line with inflation (RPIX)
- Fund growth factor on historic spend for 2018/19 to allow stability and seek views on long term approach using lagged pupil growth data

- Mobility factor is to be maintained and funded on a historic basis pending development of a more sophisticated indicator
- The lump sum amount will be set at £110k for all schools – SCC currently uses £114k.

Transition / Protection

- Minimum Funding Guarantee (MFG) minus 1.5% per pupil will continue as currently
- Gains will be capped at up to 3% per pupil in 2018/19 then up to a further 2.5% 2019/20
- An overall 'floor' will be included so no school loses more than 3% per pupil overall as a result of this formula (compared to the funding currently received) to ensure stability.

The Role of the LA – Central Schools Services Block

- 4.5 It is proposed to create a central schools block within the DSG to reflect the ongoing local authority role. This will be named the central school services block and will be created from 2 different government funding streams: the schools block funding that is currently held centrally by local authorities (centrally retained) and the retained duties element of the Education Services Grant (ESG). This will be allocated on a simple formulaic basis which distributes an element of funding according to a per-pupil factor and an element according to a deprivation factor.
- 4.6 The ongoing responsibilities LA's will continue to hold include:
- School Admissions
 - Asset Management
 - Education Welfare
 - Equalities Duties
 - Data Collection
- 4.7 The removal of the General Duties Grant received through the Education Services Grant (ESG) will have major implications for the LA. Around £1.7m is currently received for services provided to maintained schools. Transitional funding will be provided for April to August 2017 and is estimated to be around £0.638m, the grant will cease w.e.f September 2017 and LA's will need to fund for these services from other income sources. To aid this, schools will be able to contribute funding towards the provision of these services until 2019/20 when the 'hard' national funding formula is introduced. The loss of this funding will have significant implications for both schools and the Council. For 2017/18 the net shortfall for SCC was £1.0m due to transition grant and Schools Forum agreed to meet the shortfall from DSG.
- 4.8 The de-delegation arrangements will be withdrawn with the introduction of the hard formula in 2019-20 and responsibility of these functions will lie with the schools. They will have the choice whether to buy the service from the LA via a traded service or an alternative provider. These services include:
- Fair access and equalities team
 - Contingency
 - Insurances
 - Licences
 - Trade Union facilities time.

- 4.9 It has also recently been announced £140m per year will be available for a new Strategic School Improvement Fund to support school improvement for academies and maintained schools - aimed at ensuring resources are targeted at the schools most in need of support to drive up standards, use their resources most effectively and deliver more good school places. Schools will be able to make a claim for this funding but further details are not available at this time.

The second stage High Need formula consultation proposes:

- 4.10 High needs funding will continue to be distributed by local authorities rather than directly to schools as LA's will continue to be responsible for education, health and care needs assessments and commissioning provision. The high needs national funding formula consultation – stage 2 is made up of 9 questions. The new formula funding would be protected to ensure no LA would face a reduction in high needs compared to their current spending and gains would be capped at 3% in each of the next 2 years.
- 4.11 It is proposed to distribute high needs funding to local authorities on the basis of a national funding formula based on proxy measures of need as this is deemed most appropriate. The formula will be based on:
- Basic per-pupil entitlement
 - Population aged 2-18
 - Health and disability
 - Low attainment
 - Deprivation
 - Historic spend factor.
- 4.12 The basic entitlement element will be set at £4,000 per pupil. This would be calculated on the basis of the school census and individualised learner record (ILR). The historic spend factor will be based on 50% of LA baseline information. The DfE are consulting on the weightings of the other factors within the consultation.
- 4.13 In 2018/19 and subsequent years there will be no restrictions on the transfer of funding between the high needs funding block, the central schools services block and the elements of early years funding that local authorities are allowed to retain for central spending.
- 4.14 There are no fundamental changes planned to the way that schools are funded for their pupils with SEN. Mainstream schools will be funded through their mainstream formula, costs of additional support up to £6,000 per annum for all pupils with SEN will be met through their budget. Special school places will be funded at £10,000 per place per annum. In all cases top-up funding from the local authority will be paid to the school in respect of individual pupils with high-level SEN to reflect the costs of the additional support they need in excess of £6,000.
- 4.15 It is proposed to change the methodology for funding special units which are attached to mainstream schools. At present these units are funded at £10,000 per place, with the place number deducted from the pupil number used for the school's mainstream funding to avoid double counting. From 2018/19 this deduction will not be made, instead the school's budget share will be determined on the basis of the full number of pupils on the roll of the school, including those in the special unit. The remaining funding will come from the place funding (at £6,000 per place), but places not filled by pupils on the school roll at the time of the census count will still be funded at £10,000.

Conclusions / Summary

- 4.16 The Arrangements for schools remain largely unchanged for 2017/18 with funding via a local formula and schools funding will move to a 'soft' national funding formula in 2018/19. This means that although the national funding formula will be used to calculate local authorities funding allocations, local authorities will still determine individual schools funding allocations through their local formula.
- 4.17 LA's will continue to be responsible for both assessing individuals SEN needs and commissioning provision to meet those needs and therefore the funding for high needs will continue to be distributed to LA's rather than direct to schools. The new formula funding would be protected to ensure no LA would face a reduction in high needs compared to their current spending. The DfE are consulting on the weightings of the factors to be used. There are no changes to way schools are funded for their pupils with SEN.
- 4.18 De-delegation will cease from 2019/20 and these services will be offered under SLA's and schools will have the option of buying back. The ESG will cease from September 2017. Schools will be able to de-delegate funding back to the LA to provide these services up until 2019/20. The loss of this funding will have significant implications for both schools and the LA.

Appendices/Supporting Information:

None

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