

Consultation on national funding formulae for schools and high needs

14 December 2016 to 22 March 2017



Schools and high needs national funding formulae consultation – 2 stages

- **Stage 1** (March to April 2016): a vision for the future funding system as a whole and the principles that underpin it, including:
 - the design of the system
 - the role of the local authority
 - the factors to include for each funding formula
- **Stage 2:** detailed proposals for the design of the formulae and illustrations of the impact on local authorities and schools, including:
 - The weightings of the factors within the formulae
 - The limits on losses (“funding floors”) and gains under the formulae
 - Transitional protections
 - Detailed impact tables for every school and LA in England
 - The stage 2 consultation is open **until 22 March 2017**

We received
6,000+ responses
to the schools
consultation and
1,000+ on high
needs



On 14 December we published:

- Response to consultation 1
- Executive summary
- Consultation 2 on national formulae for funding **schools, central schools services and high needs**
- Illustrative allocations:
 - LA-level tables
 - Schools
 - High needs
 - Central school services
 - Combined

As soon as possible we will be publishing illustrative funding for schools that are new and still filling up



Schools and high needs national funding formulae

Executive summary

December 2016

Individual schools and LAs can also access detailed school-level illustrations through the COLLECT system

- School-level tables
- Technical notes



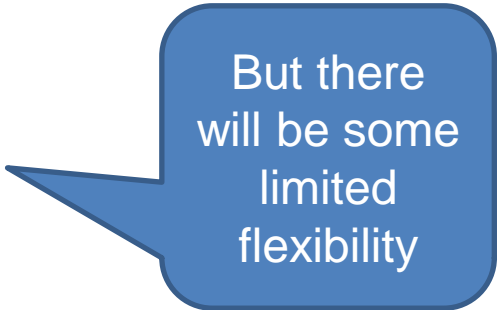
Consultation stage 1 outcome – structural changes

We have confirmed:

- We will introduce the **Central School Services Block** to the DSG in 2018-19
- We will move to a **hard formula in 2019-20**
- We will ring-fence the schools block in 2018-19



New name!



But there will be some limited flexibility



Schools national funding formula



Our starting point in developing the formula was local authorities formulae

We looked at **how funding is distributed** – similarities and differences, explicit and implicit use of factors – and are proposing to:

- maintain the **primary to secondary ratio** in line with the current average. This doesn't mean the same ratio everywhere: but in our formula, we have kept £ within the same phase.
- maximise the **% of funding for pupil-led** compared to school-led factors (slightly higher than current system)
- increase the total spent through the **additional needs factors**, to better reflect the implicit distribution of funding now – and therefore set a slightly lower % for basic per pupil funding
- step the **basic per pupil funding rates** from KS1/KS2 to KS3 to KS4, in line with current practice



Reflecting additional needs within the schools formula

Within the additional needs block, we propose to:

- Continue to have a substantial **deprivation** factor in addition to the pupil premium, using pupil-level and area-level data (6 IDACI bands) to reach a broad group of disadvantaged children
- Increase substantially the weighting of the **low prior attainment** factor, reflecting that attainment data is one of the strongest indicators of how children are likely to do later
- Increase total spend on the **English as an additional language (EAL)** factor as we are using EAL3 consistently
- Protect local authorities' current spend on **mobility**, but work on a more sophisticated indicator for 2019-20 onwards



New factor!

We will transfer funding for looked-after children (currently £24m) from the DSG to the pupil premium plus



School-led factors within the schools formula

We propose to:

- Provide a **lump sum**, but at a lower level than the current national average; and the same amount for all types of school
- Spend more on the **sparsity** factor than in the current system, with a combination of taper and floor to avoid cliff-edges and protect the very smallest remote schools
- Fund the **premises** factors on the basis of historic spend in 2018-19, but uprate the PFI factor by a measure of inflation
- Fund the **growth** factor on the basis of historic spend in 2018-19 (having looked at alternatives), but putting forward a proposal to adopt a **lagged growth** methodology from 2019-20



Providing stability for schools

We propose to include in the formula a **funding floor**, so that no school can lose more than 3% per pupil overall as a result of this formula:

- Calculation is based on the minimum funding guarantee (MFG) methodology (with some technical adjustments due to the treatment of premises funding in the modelling)

On **transition**, we are:

- able to afford gains of up to 3% per pupil in NFF year one, and a further 2.5% per pupil in NFF year two
- consulting on whether the MFG should remain at -1.5% per pupil throughout

We will not pursue our proposals for a locally variable MFG



Data to support schools formula consultation

To illustrate the impact of the proposed formula and inform the consultation, we have published:

- at school-level, each school's 2016-17 (or 2016/17) **baseline** funding
- at local authority level, 2016-17 baselines for each DSG block, based on the 2016-17 baselines exercise (with adjustments)
- at school and local authority level –
 - **illustrative funding** if the formula was implemented in full in 2016-17, without any transitional protections
 - **illustrative year 1 funding**, if pupil and school characteristics stayed as they are in 2016-17
 - As soon as possible we will publish illustrative funding for schools that are new and still filling up

Calculated on the basis that they are full rather than on current pupil numbers



Local authorities and mainstream schools are able to access detailed information

Through COLLECT, mainstream schools and local authorities can see:

- Explanation of how their baseline was calculated – including technical adjustments to pupil counts and baselines. For maintained schools, baselines come from the 2016-17 APT; for academies, from 2016/17 academy allocations
- Explanation of the illustrative national formula calculation – including pupil characteristics data for each factor; and additional funding through the floor
- Explanation of the illustrative year 1 formula calculation – taking into account the maximum change proposed in year 1, but noting that local authority formulae will still operate in 2018-19



NB: caveats to note on the illustrative funding figures

It is important to recognise that:

- The illustrative funding amounts are **not actual allocations** for any specific year: illustrations based on 2016-17 data, to inform consultation
- Schools' baselines are the **total core funding received through the schools block and the minimum funding guarantee adjustment** in 2016-17 – no other grants included
- Illustrative funding won't reflect **changes** to maintained schools since March 2016; or changes to academies since May 2016 – e.g. a school that merged in September will see data for its predecessor schools only
- We have illustrated all numbers in **cash terms** per pupil.



Central schools services block national funding formula

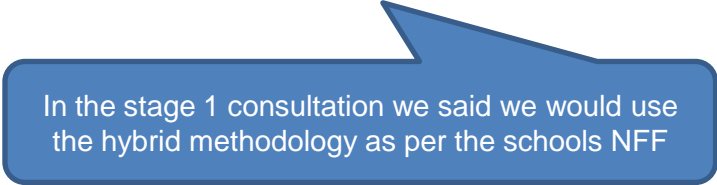


Central school services block

- We will use a per pupil formula for ongoing responsibilities with an **additional factor for deprivation**
- The funding for ongoing responsibilities will comprise:
 - £15 per pupil from retained duties ESG
 - Total local authority spend on relevant ongoing responsibilities (e.g. admissions)
- We have confirmed we will fund historic commitments on the basis of evidence
- We will apply an ACA using the **general labour market methodology**



New factor!



In the stage 1 consultation we said we would use the hybrid methodology as per the schools NFF



We are asking for views on the central schools services block

- Should we allocate 10% of funding through a deprivation factor?
- Does the limit to year on year reductions of 2.5% strike the right balance between progress towards formula and stability?
- Is there anything else we should consider?



High needs national funding formula



High needs consultation stage 1 responses

- **Broad support for the principles and building blocks** of a national formula to distribute high needs funding to local authorities
- But concerns were raised, including:
 - **Risks of a ring-fence** around mainstream schools funding
 - **Impact of reduced levels of high needs funding** in some areas
 - How we had proposed to change the **funding of special units** in mainstream schools, and of independent special schools
- Full details of the consultation responses, issues raised and the government's response, published in the stage 2 consultation document and annex A



High needs national funding formula consultation stage 2 – overview

The stage 2 consultation on high needs:

We are proposing that 50% of the spend baseline in each local authority is included to reflect actual costs

- Confirms which formula factors will be in the national formula, and proposes weightings and values
- Sets out that we can afford up to **3% gains per year** for over 70 local authorities in 2018-19 and 2019-20
- Proposes a **funding floor** in the formula so that **no local authority loses funding** compared to their spend baseline
- Proposes **limited flexibility** to address the risks of a schools block ring-fence, continuing into 2019-20 and beyond
- Confirms modified changes to the funding of special units in mainstream schools, and no changes to the funding of independent special schools

New factor!



High needs national funding formula factors.....

Formula factors

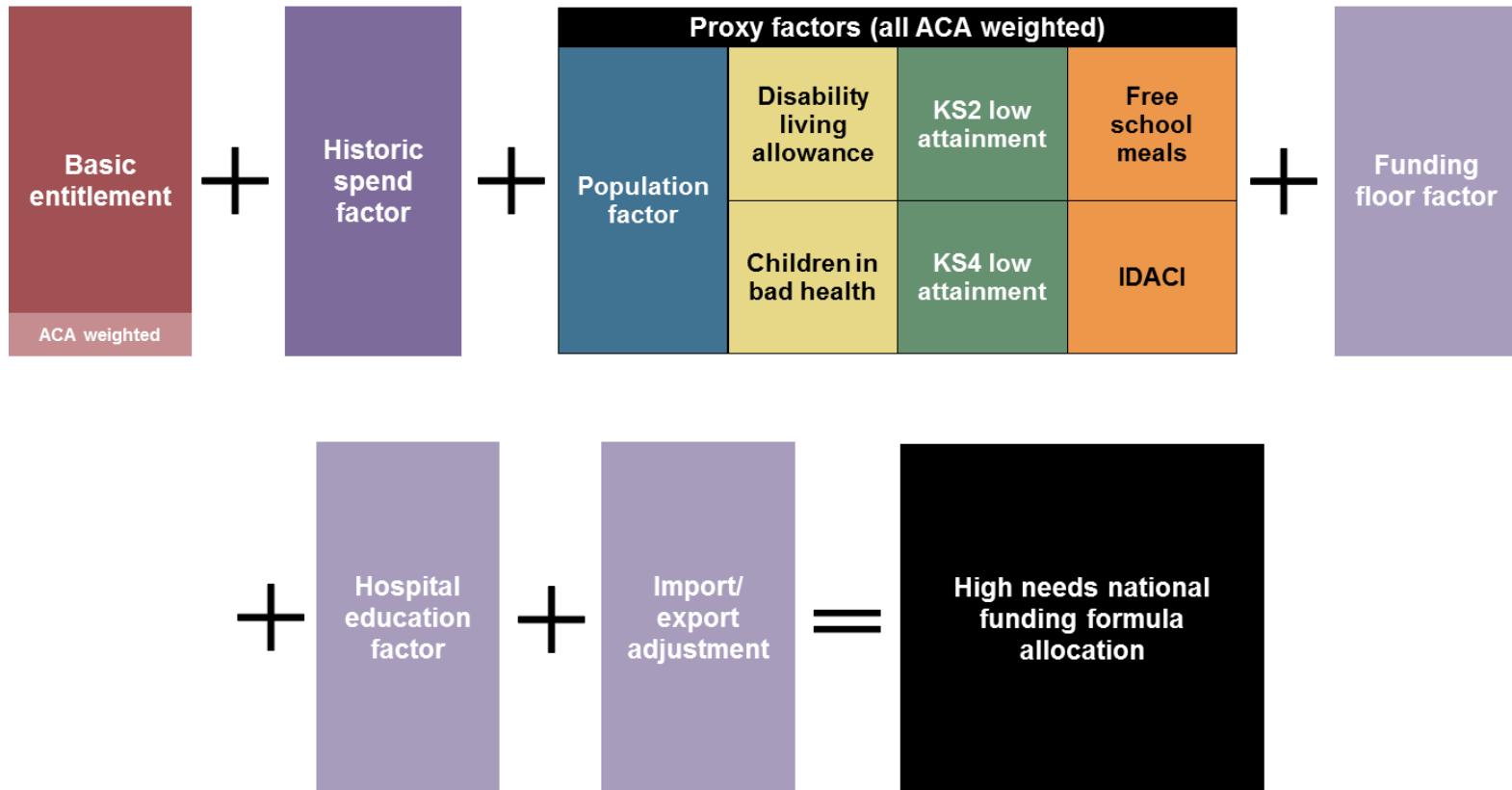
Basic entitlement: basic unit of funding for pupils and students in specialist SEN institutions	
Population factor	
Health and disability factors:	Disability living allowance
	Children in bad health
Low attainment factors:	Key stage 2 low attainment
	Key stage 4 low attainment
Deprivation factors:	Free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

Other formula factors and adjustments

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



..how the factors link to calculate allocations....



.....and the proposed values/weightings for each of the factors

- Basic entitlement factor
= £4,000 per special school pupil
- Import/export adjustments
= £6,000 per high needs pupil/student (net adjustment)
- Historic spend factor
= cash sum equivalent to 50% of spend baseline

Proxy factors	Proposed weightings		
	SEN (90%)	AP (10%)	Com-bined
1. Population	50%	50%	50%
2. Deprivation			
a. Free school meals (FSM) eligibility	8.3%	25%	10%
b. Income deprivation affecting children index (IDACI)	8.3%	25%	10%
3. Low attainment			
a. Key stage 2 (KS2) results	8.3%	0%	7.5%
b. Key stage 4 results	8.3%	0%	7.5%
4. Health and disability			
a. Children in bad health	8.3%	0%	7.5%
b. Disability living allowance (DLA)	8.3%	0%	7.5%



High needs funding formula – points to note

- The illustrative allocations use:
 - data available before November 2016 – we will use more recent data, where available, in the actual 2018-19 allocations
 - 2016-17 spend baselines, as published in July 2016, with an adjustment to reflect the change to the funding of special units in mainstream schools – we will carry out a further baseline exercise to create a 2017-18 spend baseline, liaising with LAs on what they report, as necessary
- In calculating the historic spend factor, the funding floor and the gains, we adjust the spend baseline to exclude hospital education funding, the basic entitlement funding and the import/export adjustments, so that changes on account of these flow in full through the formula



High needs funding – local budget flexibility

The role of mainstream schools in making special and alternative provision and need for local budget flexibility:

- Continuing facility to support mainstream schools with extra funding from local authority high needs budgets
- Proposal to allow, if necessary, limited transfers from schools to high needs budgets in 2018-19, with the approval of the schools forum and a majority of schools/academies, by phase
- Proposal for continuing limited flexibility in 2019-20 and beyond – schools could agree small charge on their budgets to enable pooling of funds to support where more special provision is needed



High needs funding formula – preparing for implementation

The importance of local authorities working in partnership to review and plan ahead:

- £23m high needs strategic planning fund allocated to all local authorities this year – see <https://www.gov.uk/government/publications/high-needs-strategic-planning-fund>
- Keeping the local offer under review – see chapter 4 of the consultation document
- Allocations of special provision capital fund to be announced early in 2017, and decisions on special free schools proposals to be taken forward
- What more can we do to help local authorities manage high needs cost pressures?



High needs funding reform – what else? What next?

- Need to consider further how the revenue funding for **special free schools** should work
- **Alternative provision** still under review following the white paper earlier in the year – funding implications of schools commissioning need to be considered further
- **Post-16 funding changes** proposed in first consultation need more work in the context of other developments. Specific consultation on post-16 changes likely in 2017.
- Plans to undertake **further research** – looking at the link between outcomes, costs and benefits; the availability of new data to improve the formula, and the funding of national and regional provision for very complex needs



Stage 2 consultation: next steps

- The consultation period is **14 weeks** until **Wednesday 22 March 2017**:
 - Schools: <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>
 - High Needs: <https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>
- **Please respond using the online survey**, so that we can fully capture and analyse responses. If for exceptional reasons respondents are unable to use the online system, they should contact us at:
SchoolsNationalFundingFormula.CONSULTATION@education.gov.uk & HighNeedsFundingReform.CONSULTATION@education.gov.uk

NB: Please use the same mailbox for **NFF data queries** and **NFF data access requests**, but use subject headings to help us differentiate

