

PART 1 - PUBLIC

Decision Maker: **EDUCATION BUDGET SUB COMMITTEE**

Date: **15th March 2017**

Decision Type: Non-Urgent Executive Non-Key

**TITLE: SCHOOLS NATIONAL FUNDING FORMULA AND
HIGH NEEDS NATIONAL FUNDING FORMULA
SECOND STAGE CONSULTATIONS**

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Chief Officer: Executive Director of Education, Care and Health Services

Ward: Borough wide

1. REASON FOR REPORT

This report provides an overview of the second stage consultation documents including DfE presentation and worked examples relating to Bromley and to individual schools.

2. RECOMMENDATIONS

- 2.1 The sub committee are asked to consider the relevant information with a view to producing responses to the two consultations;**
- 2.2 The Schools Forum will have formulated a response to the consultations and the sub committee is asked whether they would want to have a joint response with the schools forum or respond separately.**

Corporate Policy

Policy Status: Existing Policy

BBB Priority: Excellent Council

Financial

1. Cost of proposal: N/A
 2. Ongoing Costs: N/A
 3. Budget head/performance centre: N/A
 4. Total budget for this head N/A
 5. Source of funding: N/A
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours – N/A
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Legal

1. N/A
 2. Call-in: N/A
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Customer Impact

N/A.

Ward Councillors Views

1. Have ward councilors been asked for comments? N/A
2. Summary of Ward Councillor comments: Council wide

3. Commentary

- 3.1 The second stage of the DfE consultation on the proposed National Funding Formulas (NFF) for Schools and for High Needs was launched on the 14th December with a closing date of 22nd March 2017. LA Officers have recently attended a number of DfE led presentations and seminars which have helped with the understanding of the proposals which are very detailed and complex. The schools consultation is in Appendix 1 and the High Needs in Appendix 2.
- 3.2 It is proposed that the Sub Committee would benefit with having access to this information and to detailed modelling that that has since been carried out showing the impact on Bromley as a local authority and on individual schools. This will then allow committee members to contribute to the preparation of the LAs responses to the two consultation documents.
- 3.3 The Schools Forum also met to discuss the consultations on the 9th March 2017 and their responses will be circulated prior to the sub committee meeting on the 15th March 2017. It is proposed that these responses, together with the responses from London Councils form the basis of a response from the Council
- 3.4 The Sub committee are asked whether they would like to make a joint response with the Schools Forum or formulate their own response.

4. Schools Block National Funding Formula - Overview

- 4.1 In December 2016 the DfE launched the second stage of the consultation regarding the Schools National Funding Formula. The government is committed to introducing a NFF by 2019/20 which will provide a system for distributing funding which is both fair and transparent.
- 4.2 The consultation states that 'Funding every school using the NFF will mean a fair settlement for each school and will determine whether, and to what extent, school will gain funding or will need to adjust to a lower level of funding. It is hoped that this will enable schools to become more efficient and manage their budgets well, helping them to achieve the highest standards for their pupils'.
- 4.3 The consultation is broken down into five sections as follows:
- Section 1: Our overall approach to constructing the NFF for schools
- Section 2: Detailed formula design proposals
- Section 3: The impact of the proposed NFF for schools
- Section 4: Implementation of the NFF for schools
- Section 5: Our proposals for the central school services block
- 4.4 Alongside this the DfE have published illustrative examples of how 2016/17 funding would look under the new formula, compared to 2016/17 actual funding – however schools should be aware that this is not necessarily an indication of their future funding

as pupil numbers and other demographics may change and therefore these comparisons should be used for illustrative purposes only.

Section 1 - Our overall approach to constructing the NFF for schools

- 4.5 This section outlines the approach to deciding which elements should remain within the new NFF. It is proposed that there should be four basic funding blocks to incorporate various factors:
- A. Basic per pupil funding – previously referred to as Age Weighted Pupil Unit (AWPU) funding
 - B. Additional needs funding – to include deprivation, low attainment, English as an additional language and mobility
 - C. School-led funding – to include lump sum, sparsity, growth and premises related factors such as rates, PFI and split sites
 - D. Geographic funding – area cost adjustment
- 4.6 Having established the factors to be included in the formula, the DfE is outlining proposals regarding the relative weighting of each factor to establish the proposed levels of funding.
- 4.7 The starting point for this has been to look at the current balance of formula factors based on data from all local authorities. Some of the relevant statistics show as follows:
- The national average for the primary secondary ratio is 1:1.29 (which means that the funding per pupil is on average 29% higher in the secondary phase than in the primary phase) – Bromley ratio is currently 1:1.18 in 2016/17. Following funding changes made in 2017/18 this has moved to 1:1.24
 - LAs are required to distribute at least 80% of funding through pupil led factors but the current average is 90% - Bromley is currently 89.68%
 - The minimum levels for basic funding (AWPU) are £2,000 at primary and £3,000 at secondary however current funding levels are on average 49% higher – Bromley AWPU funding levels currently £2,938 for primary and £4,168/£4,559 for secondary
 - All authorities currently include a lump sum however this can vary significantly from £48,480 up to £175,000 – this can also vary between primary and secondary schools. Bromley lump sum is currently £155,000 for all schools.
- 4.8 In summary, the DfE is proposing
- To maintain the primary secondary ratio in line with the current national average of 1:1.29
 - To maximise the proportion of funding allocated through pupil led factors so that as much funding as possible is allocated in relation to pupils and their characteristics
 - To provide a basic amount for each pupil and to continue to increase the basic rate as pupils progress through the key stages

- To increase total spend on additional needs factors to recognise that pupils from disadvantaged backgrounds are currently being subsidised through the basic per pupil funding.
- To continue to provide every school with a lump sum but at a lower level than the current national average so that more funding can be directed at pupil led factors
- During the transitional years, to continue with a minimum funding guarantee of minus 1.5% to provide additional stability for schools
- To cap gains at 3% per pupil in 2018/19, and then up to a further 2.5% in 2019/20.

Section 2 - Detailed formula design proposals

4.9 This section outlines the formula design proposals in detail

- Primary to secondary funding ratio to move towards 1:1.29. Local authorities will continue to be responsible for determining their own ratio in 2018/19 and will be encouraged to move towards the hard national funding formula in 2019/20 - Bromley is moving from 1:1.18 in 2016/17 to 1:1.24 in 2017/18.
- Proposals to reduce the proportion of funding allocated through the basic rate to around 73% - based on current pupil numbers this would equate to £2,712 for primary and £3,797 and £4,312 for secondary. These cannot be compared directly to Bromley figures as they do not include any area uplift i.e. to reflect inner or outer London weighting.
- Proposal to increase the amount of funding allocated through the deprivation factor and to use both pupil led and area level deprivation data - Bromley currently only uses pupil level data i.e. free school meal entitlement as a proxy indicator.
- Proposals to continue to use prior attainment to allocate funding to support those pupils who are likely to need extra support. In the longer term however, the DfE are looking to “tier” the secondary low attainment factor to differentiate between those pupils with the highest level of need.
- To extend the EAL factor to ensure all EAL pupils are supported on the same basis. Funding will be weighted towards secondary schools as evidence indicates that additional language acquisition becomes increasingly complex as children get older. This is reflected in Bromley’s current funding methodology.
- To include a mobility factor to support the challenges faced by schools when pupils join during the academic year, especially when the levels of pupil mobility are high. Currently Bromley does not have a mobility factor in the existing formula.
- Proposal to include a lump sum for every school that is lower than the current average – at £110,000 for all schools. Bromley lump sum is currently set at £155,000 but will be reduced for primary schools in 2017/18. Any changes to the lump sum will continue to be protected by the MFG.
- To continue to include a sparsity factor to support schools that are both small and remote – Bromley schools have historically not attracted this funding so it has not been included in the local funding formula.

- Proposal to continue to fund premises related factors such as rates, split sites , private finance initiative based on historic spend in the short term but will continue to consider and consult how these factors should be addressed in the hard formula.
- The national funding formula will include a growth factor that is responsive to significant changes in pupil numbers. This will initially be based on historic spend but the government will explore whether school capacity survey (SCAP) forecasts could provide a better basis for the growth factor in the longer term. SCAP data is based on local authority forecasts of growth and is currently used to allocate basic need capital funding.
- There will be an area cost adjustment in the schools funding formula to reflect the variation in labour market costs e.g. the impact of London Weighting. This will be applied to qualifying schools' allocations once the rest of the formula has been run. The government has not provided any information as to how this will be applied to each LA at this stage but nationally the area cost adjustment will provide for increases of up to 18%.
- Arrangements will be put in place to protect schools from unmanageable reductions in the long term whilst also allowing under funding schools to move towards their formula allocations as quickly as possible. Therefore the minimum funding guarantee will be set at -1.5% per pupil for schools that will lose funding with the addition of a "floor" to prevent schools losing more than 3% per pupil. There will also be a gains cap of 3% in the first year (reducing to 2% in 2019/20). Beyond that the gains cap will be subject to decisions taken at the next spending review.

Section 3 - The impact of the proposed NFF for schools

- 4.10 The proposed national funding formula will mean for the first time, all schools being funded on the same basis. The general impact is summed up as follows:
- Although there is no change in the overall national distribution of funding between primary and secondary schools their funding may change due to the shift to the primary : secondary ratio.
 - Schools that will attract more funding - schools with low prior attainment, schools with pupils who live in areas with above average levels of deprivation, schools in areas where funding levels have historically been low and small rural schools.
 - Impact at LA level – 101 LAs will see funding for their schools increase while 49 LAs will be lower. The impact on LAs funding will depend on two main factors – historic funding levels received by the LA and how it chose to allocate these between the DSG funding blocks and the characteristics of individual schools.

Section 4 - Implementation of the NFF for schools

- 4.11 The changes outlined in this document will represent a significant change for many schools, the greatest change in funding arrangements for over a decade.
- Funding arrangements will remain unchanged for 2017/18
 - In 2018/19 under the "soft" national funding formula the government will use the NFF to calculate LAs funding allocations but LAs will still determine individual schools

funding allocations through their local formula. The Schools Block will be ring-fenced but authorities will be able to transfer funding from the schools block to the high needs block with local agreement

- From 2019/20 the national funding formula will be used to calculate the vast majority of each individual schools budget

Section 5 - Our proposals for the central school services block

4.12 The government will create a new block within the DSG – the Central School Services Block – to be funded from two different government funding streams – the schools block funding that is currently held centrally by LAs and the retained duties element of the Education Services Grant (ESG).

- Funding will be distributed to local authorities using a simple formula based on a per pupil factor and a deprivation factor. Both elements will be adjusted for area costs. The indicative per pupil rate is £28.64 and the top up for deprived pupils will be £11.62
- The responsibilities to be funded from the central school services block are as follows:
 - Previously funded from centrally retained DSG – school admissions, servicing of schools forums, fees to independent schools for pupils without SEN
 - Previously funded from ESG – education welfare services, asset management, statutory and regulatory duties
- In addition to the above services, LAs may also fund historic commitments such as capital expenditure from revenue (CERA), Prudential borrowing costs, premature retirement costs for maintained school staff.

5. High Needs National Funding Formula Stage 2 - Overview

5.1 The High Needs funding review focusses on the distribution of high needs funding to local areas and opposed to individual institutions, and aims to ensure that funding is distributed on a more rational and consistent basis, more closely aligned to the underlying needs of individual areas. DfE have now confirmed that LAs planned spending levels in 2016-17 will be used as the basis for high needs funding allocations for 2017-18, and that they would move to a national funding formula from 2018-19.

5.2 The formula will be based on the following factors:

- Population aged 2 – 18
- Low attainment
- Health and disability
- Deprivation
- A basic per pupil entitlement

5.3 It is also proposed that there is an area cost adjustment to the above factors to ensure fairness to those local authorities that have pupils from other authority areas in some of the high needs places they fund.

Changes to funding of special units and resourced provision

- 5.4 Special units and resourced provision in mainstream schools are an important bridge between specialist and mainstream provision. The provision is designated by the LA as a place where the specific needs of pupils with education, health and care plans can be met. At present these units are funded by the LA (if they are a maintained school) or by the EFA (if they are an academy) on the basis of £10,000 per place, with the place numbers deducted from the pupil numbers used for the rest of the school's mainstream funding through the local formula to avoid double counting.
- 5.5 It is now proposed that places occupied by pupils on the roll of the school at the time of the school census return are funded at £6,000 per place but places not filled by pupils on the school roll at the time of the census will still be funded at £10,000 – in this proposal it assumed that the first £4,000 for “filled” places will come from the schools funding formula (i.e. basic funding plus and other relevant factors). This change will reduce how much of the funding for special units comes from the high needs block, and increase how much comes from the schools block – the EFA will transfer funding between the two blocks to reflect this.

Proposed High needs funding formula factor weightings

Formula factor	Proposed weightings			Data used for illustrative allocations
	SEN (90%)	AP (10%)	Combined	
1. Population	50%	50%	50%	Latest population aged 2-18 projection for 2018 from the Office of National Statistics
2. Deprivation				
a. Free School Meal eligibility	8.3%	25%	10%	Number of children eligible for FSM
b. IDACI	8.3%	25%	10%	Number of children in bands A-F from 2014 ONS population estimates
3. Low attainment				
a. Key Stage 2 results	8.3%	0%	7.5%	Number of children not achieving level 3 or above in KS2 tests in 2011-15
b. Key Stage 4 results	8.3%	0%	7.5%	Number of children not achieving 5+ A* to G GCSEs in 2011-15
4. Health and disability				
a. Children in bad health	8.3%	0%	7.5%	Number of children and young people declared as in bad or very bad health in the 2011 census
b. Disability living allowance	8.3%	0%	7.5%	Number of children aged 0 -15 for whom parents receive DLA
Total	100%	100%	100%	

6. What does this mean for Bromley and Bromley Schools

6.1 In terms of overall funding Bromley illustrative NFF is as follows:-

ILLUSTRATIVE NFF ALLOCATIONS

	SCHOOLS £	HIGH NEEDS £	CENTRAL £	TOTAL £	TOTAL % CHANGE
2016/17 BASELINE	196,272,628	43,398,865	1,533,064	241,204,557	
NFF FUNDING IF THE FORMULAE FULLY IMPLEMENTED	195,677,084	43,398,865	1,445,322	240,521,270	-0.3%
NFF FUNDING IF FIRST YEAR TRANSITION APPLIED	196,494,706	43,398,865	1,494,737	241,388,308	0.1%

More detail of all local authorities is contained in Appendix 3. Indicative individual school funding is contained in Appendix 4.

- 6.2 This would indicate that although the illustrative allocation shows a small decrease in percentage terms, the various protections either on a LA or individual school basis would actually result in a very small increase in the first year.
- 6.3 In terms of individual school funding, the illustrative figures indicate that most primary schools would lose funding whereas all the secondary schools would see an increase (please note there are no illustrative figures for the three primary free schools). This is as a result of the changes to the primary secondary ratio which is currently 1:1.18 - this is set to increase to 1:1.24 in 2017/18 which will reduce the impact of this the following years.
- 6.4 Funding overall for schools is looking fairly neutral. However no funding is as yet set in stone. Any figures given by DfE are indicative only.
- 6.5 DfE comparisons are with 2016/17 funding. LBB has had to make cuts in funding for 2017/18 so much of the reductions DfE are alluding to are already in place, it may not be in addition.
- 6.6 Secondaries will gain due to the movement of the ratio. In 2017/18 it is 1:1.24. DfE want it to go to 1:1.29. However protections will be in place to ensure that schools do not lose significant amounts of funding
- 6.7 In terms of the High needs block the indicative figures suggest that Bromley's funding will remain at a standstill and not increase. This will cause serious issues moving forward as the main pressures area are within this block and once the NFF is fully introduced Bromley will not be able to move funding between the blocks. The proposed funding methodology means that LBB could lose due to the increased factors around deprivation, etc.

6.8 The central block is small in comparison to the other blocks. However there will also be potential losses here that will have to be managed going forward.

7. Consultation Questions

7.1 The Consultation questions are listed in Appendix 5

7.2 London Councils response to the consultation is in Appendix 6

7.3 The Schools Forum are meeting on the 9th March 2017 to discuss and respond to the consultation. It is proposed, subject to the agreement of the Sub Committee on the comments of the Forum that a joint response be submitted. If this is not possible then a separate submission can be made. Submissions can then be made in time for the deadline of the 22nd March 2017

7.4 The comments of the Forum will be circulated prior to the meeting of the sub committee

Non-Applicable sections	Policy, Personnel, Legal,
Background documents	None