

Schools Funding Forum 18th January 2017

ITEM 12

Subject Heading:

Schools National Funding Formula

Report Author:

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Eligibility to vote:

All members

SUMMARY

In December 2016 the DFE launched the second stage consultation on changes to the funding of schools through a national formula. This followed the first stage consultation in March. The revised arrangements are to be introduced from 2018-19 with the direct funding of schools from Government in 2019-20. The deadline for responses is 22nd March 2017 and it is intended to consider a full response at the next meeting of the Schools Funding Forum.

RECOMMENDATIONS

To consider the impact of the proposals on schools funding, and arrangements for wider consultation with head teachers and governors to inform a response to the consultation.

REPORT DETAIL

1. Introduction

On 14th December, the Government issued the second stage of the consultation on a national funding formula. The deadline for responses is 22nd March 2017.

The intention is that funding will be allocated directly to schools from 2019-20 through 13 different factors with the standard funding rates for all schools applied to each factor, adjusted for area costs.

Funding allocated through pupil-led factors is to be maximised so that as much funding as possible is spent in relation to pupils and their characteristics. This is not, however, achieved through the basic per pupil factor (AWPU) but through increases to the amounts allocated through the additional needs factors.

Currently, local authorities use a nationally prescribed set of factors but apply their own funding rates. There will therefore be significant differences between the current and proposed funding rates.

2018-19 is to be a transitional year in which the Government will allocate funding to LAs according to the new formula factors and funding rates but LAs may continue to determine individual schools' funding allocations through their local formula.

The funding the LA will receive will therefore be the aggregate total of each school's notional budget having applied the new national funding rates, the MFG of -1.5% and a gains cap of 3%. The 2018-19 Schools Block will be ring-fenced although it will still be possible to transfer funding from the Schools Block into the High Needs Block with local agreement.

It is also proposed that ratio of funding between primary and secondary phases moves to the national average of 1:1.29. Havering's ratio is currently 1:1.35.

The combination of these changes will lead to gains and losses for individual schools, so protections and gains caps have been included in the new arrangements. The minimum funding guarantee will continue to be applied to ensure that no school loses by more than 1.5% per pupil each year to a maximum of 3% and gains will be capped at 3% in 2018-19 and at a further 2.5% in 2019-20.

2. Formula Design Proposals

2.1 Maximising the proportion of funding allocated through pupil-led factors

In the current system, local authorities are required to allocate at least 80% of their funding through pupil-led factors. In 2016-17 the range in LAs was 82% to 96%, with an average of 90%. The proposal is to allocate 91% through pupil-led factors.

The funding allocated through premises-related factors will therefore reduce where possible. Funding for premises factors will be maintained in the first year and further consideration given for the hard national funding formula. The amount allocated for lump sums, however, will reduce.

2.2 Basic amount for every pupil

The amount allocated through the basic amount per pupil (AWPU) will reduce slightly from £24.4 billion in 2016-17 (77% of the total) to £23.3 billion (73%). There will be a corresponding increase to the additional needs factors.

Stepped rates will continue between primary, KS3 and KS4, reflecting the current national position. No LA funds primary more than secondary and three quarters increase their per-pupil funding with each key stage.

In the current system, LAs can choose to include a 'reception uplift' to capture additional pupils who arrive after the October census. Havering applies this uplift. The proposal is to remove this factor.

2.3 Additional Needs Factors

The current additional needs factors will continue as follows: deprivation, low prior attainment and EAL. Funding for additional needs is to be increased from £4.1 billion (13%) to £5.8 billion (18%). The Government is keen to invest in this area, to promote social mobility and support schools in raising the attainment of pupils from deprived backgrounds and those who are just about managing.

Deprivation is to be the biggest additional needs factor, accounting for £3.0 billion (9.3%). Three factors are to be used: FSM eligibility, Ever 6 FSM eligibility and IDACI (Income Deprivation Affecting Children Index).

Low prior attainment is a strong predictor of pupils' later attainment so funding is allocated to enable schools to give extra support. The funding allocated is £2.4 billion (7.5%) compared to 4.3 % in the current system. As well as helping schools to support all children who need to catch up with their peers, this factor directs funding to schools likely to be supporting pupils with special educational needs.

For primary schools, data from the Early Years Foundation Stage Profile will continue to be used as a basis for funding.

For secondary schools, KS2 test results will be used but adjusted for pupils taking the more challenging assessment. This factor may be refined in the future to take account of pupils in the lowest 10 or 20%.

English as a second language will also continue for pupils who have entered the state education system during the last 3 years. This factor will attract 1.2% of the total schools block compared to 0.9% in the current system. Three quarters of the EAL funding will be directed to primary schools reflecting the higher proportion of EAL pupils in that sector. Further work is to be carried out on this factor to include the level of English proficiency recorded in the census of each EAL pupil.

A mobility factor is currently permitted and the Government is seeking views on the costs incurred by schools on pupils who join other than normal admission dates. In the meantime, funding will be allocated on an historic basis. In Havering, 16 primary schools receive funding through this factor ranging from £192 to £8,708 (total £64k) and one secondary school (£1,711).

2.4 School-led factors

Lump sums will continue but will reduce to £110,000. This will affect smaller schools that are more reliant on an element of funding that is not driven by pupil numbers. The lower lump sum reflects the Government objective to encourage schools to share services and functions where possible. Schools in more remote areas are likely to receive additional support through the sparsity factor.

A sparsity factor is available to LAs to support schools that are both small and remote. This will continue to recognise the importance of these schools to their local communities and ensure pupils do not have to travel long distances to school. The maximum permissible is to be £25,000 for a primary school and £65,000 for a secondary school. No Havering school has qualified for this funding in previous years.

2.5 Area Cost Adjustment

Having applied the national funding rates to each school's data, the total would be uplifted by an area cost adjustment. This is calculated to reflect variations in the labour market costs and variations in the teaching workforce. For Havering the ACA is 1.0809.

2.6 Growth factor

The national funding formula will include a growth factor, so that it is responsive to significant changes in pupil numbers that are not recognised by lagged funding. In 2018-19 funding for growth will be allocated on the basis of historic spend. It is recognised that historic spend on growth will not necessarily predict the amount of funding that will be needed for future growth and different approaches will be explored for years beyond 2018-19. The favoured approach will be to fund local authorities on a lagged basis on the actual pupil number increases in every school

between the two previous years. This would be allocated to an LA on a per pupil basis although it would be the year after the growth has occurred. It would be for LAs to manage their total growth funding.

2.7 Comparison of LBH funding rates and those of the national funding formula.

	2016-17 LBH rates	2019-20 national rates	ACA @ 1.0809	Lower	%	Higher	%
Reception Uplift	3,074.06	0.00	0.00				
AWPU (Primary)	3,074.06	2,711.64	2,931.01	-143.05	-5%		
AWPU (KS3)	4,542.03	3,797.29	4,104.49	-437.54	-10%		
AWPU (KS4)	4,740.43	4,311.59	4,660.40	-80.03	-2%		
Ever6 FSM (Primary)	0.00	540.00	583.69			583.69	100%
Ever6 FSM (Secondary)	0.00	785.00	848.51			848.51	100%
FSM (Primary)	1,252.32	980.00	1,059.28	-193.04	-15%		
FSM (Secondary)	2,260.66	1,225.00	1,324.10	-936.56	-41%		
IDACI Band 1 / F (Primary)	0.00	200.00	216.18			216.18	100%
IDACI Band 2 / E (Primary)	125.00	240.00	259.42			134.42	108%
IDACI Band 3 / D (Primary)	275.00	360.00	389.12			114.12	41%
IDACI Band 4 / C (Primary)	615.00	360.00	389.12	-225.88	-37%		
IDACI Band 5 / B (Primary)	630.00	420.00	453.98	-176.02	-28%		
IDACI Band 6 / A (Primary)	645.00	575.00	621.52	-23.48	-4%		
IDACI Band 1 / F (Secondary)	0.00	290.00	313.46			313.46	100%
IDACI Band 2 / E (Secondary)	125.00	390.00	421.55			296.55	237%
IDACI Band 3 / D (Secondary)	275.00	515.00	556.66			281.66	102%
IDACI Band 4 / C (Secondary)	615.00	515.00	556.66	-58.34	-9%		
IDACI Band 5 / B (Secondary)	630.00	600.00	648.54			18.54	3%
IDACI Band 6 / A (Secondary)	645.00	810.00	875.53			230.53	36%
LAC	1,000.00	0.00	0.00	-1,000.00	-100%		
Low Attainment (Primary)	489.22	1,050.00	1,134.95			645.73	100%
Low Attainment (Secondary)	802.89	1,550.00	1,675.40			872.51	109%
EAL (Primary)	232.67	515.00	556.66			323.99	139%
EAL (Secondary)	734.73	1,385.00	1,497.05			762.32	104%
Mobility (Primary)	240.56	n/a	n/a				
Mobility (Secondary)	534.88	n/a	n/a				
Lump Sum (Primary)	150,000.00	110,000.00	118,899.00	-31,101.00	-21%		
Lump Sum (Secondary)	175,000.00	110,000.00	118,899.00	-56,101.00	-32%		
Sparsity	0.00	n/a	n/a				

Further detail on the impact on Havering and on individual schools will be presented at the meeting.

The DFE consultation documents can be found on the following link:

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>