

Report to the Schools Forum March 2016

National Funding Formula (NFF) for Mainstream Schools Consultation

1 Introduction

- 1.1 The DfE have recently released a series of papers regarding the future of mainstream schools funding. The declared intention is to move to a national funding formula (NFF) at school level in 2019/20, with two transitional years in 2017/18 and 2018/19. The papers released form stage 1 of the consultation, stage 2, which will presumably be released in the summer term, will contain details of the cash impact upon LAs and schools.
- 1.2 At the same time, the DfE also released the first details for consultation of an NFF for High Needs. This formula will however be at LA level, not school level.
- 1.3 Later in the year, there is also promised details of an NFF for early years.
- 1.4 This paper only covers the mainstream schools NFF consultation. The High Needs consultation is covered in a separate paper.
- 1.5 The details below are organised as follows:
- a summary of the contents of the consultation;
 - comments upon policy direction and the possible financial impacts upon the Council and schools.
- 1.6 The DfE papers can be found here:

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

2 Summary of Proposed Changes

- 2.1 There will be a school level NFF in 2019/20 – the “vast majority” of funding will be determined nationally.
- 2.2 In 2017/18 and 2018/19, the NFF will be used to calculate schools block allocations to each LA, i.e. the schools block will be a summation of individual school budgets in the LA as calculated by the NFF. However the actual allocations to schools will continue to be determined via a local funding formula. The DfE will use 2017/18 and 2018/19 to “Refine and improve” the NFF based on 2017/18 and 2018/19
- 2.3 A fourth DSG block will be created entitled ‘central schools’ which will include funding for central school services, historic spending commitments and the retained rate of ESG. The amount within this block for each LA will be calculated “*on a simple formulaic basis*” and will consist of retained duties ESG (£15 per pupil) and centrally retained DSG. The DfE will collect evidence from LAs of historic commitments in Spring 2016. “*Some LAs will receive a larger central schools block than they retain currently*” but equally some less.
- 2.4 Linked to this creation of a Central Schools block, all schools block funding will be required to be passed on to schools.

- 2.5 There will be no significant changes to allowable funding factors for schools in 2017/18 and 2018/19. However, in 2019/20 the NFF at school level will no longer include the LAC, mobility and post 16 factors.
- 2.6 The deprivation factor in the NFF is proposed to use a combination of IDACI and FSM.
- 2.7 Pupil Premium will remain separate to NFF *“for the duration of this parliament”*.
- 2.8 School cost factors that *“cannot be easily allocated on a formulaic basis...[will be] allocated to LAs on the basis of historic spend in 2017/18 and 2018/19.”* These factors are rates, split sites, PFI, pupil growth, falling rolls and exceptional circumstances. The DfE will *“explore whether this funding could be distributed on a formulaic basis from 2019/20”* and are proposing to look further at PFI on a scheme by scheme basis.
- 2.9 The DfE’s intention is to continue to fund rates so as to match charges to schools, so no net impact upon school budgets.
- 2.10 The DfE will use expenditure in each of the 3 blocks as their starting point rather than the amount of funding allocated to the LA in each block. In March 2016 the DfE will ‘re-baseline’ the 4 blocks for each LA so that each block aligns with the pattern of each LA’s planned spending in 2016/17. The DfE will *“ask LAs to set out their 2016/17 baseline across the 4 blocks”*.
- 2.11 There will be a national MFG and cap on gains in 2017/18 and 2018/19 but LAs may be allowed to use different local versions, as some LAs will receive less funding in 2017/18 than 2016/17, making local application of national percentages unaffordable.
- 2.12 In advance of introducing the school level NFF in 2019/20, the DfE will review from first principle the role, functions and membership of schools forums.
- 2.13 No de-delegation will be allowed after 2018/19.
- 2.14 There will be an ‘Invest to save’ fund in 2016/17. *“Schools will be free to decide how best to use this funding”* and one of the examples provided for using this is *“the cost of restructuring a school’s workforce”*.
- 2.15 With regard to the provision of home to school transport, assessing pupils with SEN, and the planning for and supply of sufficient school places, *“funding for these functions not in scope of this consultation”*.
- 2.16 The DfE *“expect LAs to step back from running school improvement from the end of the 2016/17 academic year...no funding for this function... continue to provide funding to support the delivery of a new strategy for school improvement and will say more about this shortly”*
- 2.17 LAs will be able to retain some maintained schools block DSG for statutory duties, but only with the agreement of maintained schools on the Schools Forum. If the LA cannot obtain the Forum’s agreement then the Secretary of State makes the final decision.
- 2.18 the Education Services Grant for 2016/17 consists of a ‘retained duties’ element, paid to LAs at the rate of £15 per pupil for all pupils (i.e. including pupils in academies) and a ‘general’ element at the rate of £77 per pupil in a maintained school. Academies will receive this £77 per pupil, plus any applicable protection directly into their budgets.
- 2.19 The general element of ESG will be paid to LAs at a reduced level between April 2017 and August 2017 and then entirely cease. The reduced ‘transitional’ rate between April 2017 and August 2017 will be confirmed in stage 2 of the consultation process.

- 2.20 There are 25 consultation questions, which are listed in Appendix A to this document. The deadline for responses is 17 April 2016. T&W Council will be responding and the Forum is invited to express a view regarding whether it wishes to respond and if so whether independently or as part of a joint Council / Forum response.

3 Possible Impacts upon T&W Schools and T&W Council

- 3.1 In this stage of the consultation the DfE have not released the financial details of the new NFF. However, in 2015/16, T&W benefited from a modest increase in Schools Block funding per pupil, in order to bring our level of funding up to the DfE's defined 'minimum level'. Whilst this is no guarantee, it therefore seems likely that the overall amount of schools block funding identified for T&W in the NFF will not be less than currently.
- 3.2 The amount of this sum that is allocated to individual schools will remain determined by a local funding formula for 2017/18 and 2018/19, but the whole amount will have to be passed to schools unless maintained schools agree to allow the LA to retain some for 'statutory duties'. Whilst this would appear at first sight to be similar to current arrangements for central top-slices, a significant difference is that only maintained schools would be able to do this services provided to academies would be charged.
- 3.3 In addition, this removes the flexibility to move funds between blocks. In T&W in recent years the direction of movement has been from the Schools Block (and the Early Years Block) to the High Needs Block.
- 3.4 Although, there will remain a local funding formula for 2017/18 and 2018/19, there will be clearly be a strong argument for converging to the national formula in these years ahead of its introduction in 2019/20.
- 3.5 The scale of the reduction in Education Services Grant is stark. The initial 2016/17 allocation for T&W Council is £2,077,932. This figure consists of £1,667,739 for general funding and £410,193 for retained duties. By September 2017 the general funding element of £1,667,739 duties element will have entirely disappeared. It would be difficult to find a more succinct or compelling illustration of national government's determination to reduce the role of local government in the English education system to high needs and other very limited aspects.
- 3.6 Until more specific details of proposed allocations are released in the next phase of consultation, the overall financial impact upon T&W schools cannot be measured. Further updates will be provided to the Forum and schools as more information becomes available.

Tim Davis
Finance Team Leader
March 2016

Appendix A: Consultation questions regarding the proposed mainstream schools national funding formula

The consultation asks 25 questions and responses are requested by 17 April 2016.

- Q1 Do you agree with our proposed principles for the funding system?
- Q2: Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?
- Q3 Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?
- Q4 a) Do you agree that we should include a deprivation factor?
b) Which measures for the deprivation factor do you support?
- Pupil-level only (current FSM and Ever6 FSM)?
- Area-level only (IDACI)?
- Pupil and area-level?
- Q5 Do you agree we should include a low prior attainment factor?
- Q6 a) Do you agree that we should include a factor for English as an additional language?
b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?
- Q7 Do you agree that we should include a lump sum factor?
- Q8 Do you agree that we should include a sparsity factor?
- Q9 Do you agree that we should include a business rates factor?
- Q10 Do you agree that we should include a split sites factor?
- Q11 Do you agree that we should include a private finance initiative factor?
- Q12 Do you agree that we should include an exceptional premises circumstances factor?
- Q13 Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?
- Business rates
- Split sites
- Private finance initiatives
- Other exceptional circumstances
- Q14 Do you agree that we should include a growth factor?
- Q15 Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?
- Q16 a) Do you agree that we should include an area cost adjustment?
b) Which methodology for the area cost adjustment do you support?
- General labour market methodology?

- Hybrid methodology?

- Q17 Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?
- Q18 Do you agree that we should not include a factor for mobility?
- Q19 Do you agree that we should remove the post-16 factor from 2017-18?
- Q20 Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?
- Q21 Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?
- Q22 Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?
- Q23 Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?
- Q24 Are there other duties funded from the education services grant that could be removed from the system?
- Q25 Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?