

Schools Forum

24th January 2017

Schools National Funding Formula Consultation Response Phase 1 and Phase 2 Consultation

Phase 1 Consultation Responses

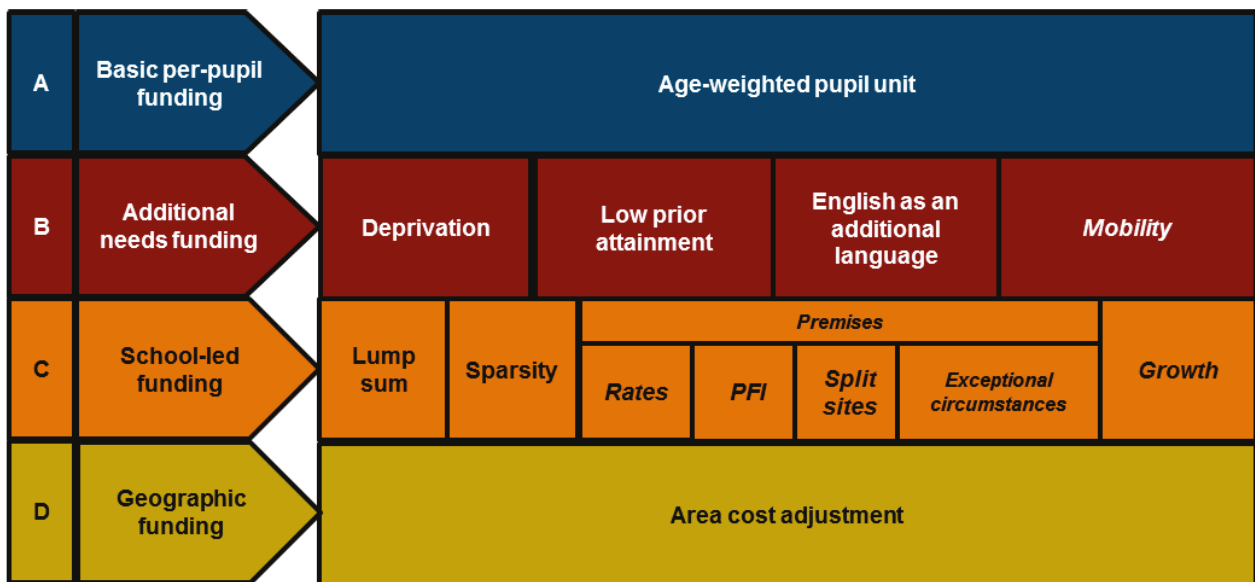
1. On the 7th March 2016 the Department for Education (DfE) launched the first staged consultation on a national formula for schools. 25 questions were asked covering the following areas:
 - Reforming the funding system
 - The schools national funding formula
 - The transition to a reformed funding system
 - Funding that will remain with local authorities
 - The future of the Education Services Grant
2. The following is an overview of the first stage responses on the proposals and the decisions that have flowed from them.

Reforming the Funding System

3. Overall there was strong support for reform of the school funding system. 74% of those who responded to the DfE's question on the principles for the schools funding system agreed with the principles identified. The clear majority of responses supported moving to a national funding formula to ensure the school funding system is fair, open and transparent.
4. Therefore DfE will introduce a hard national funding formula in which the vast majority of mainstream school budgets are set directly from 2019/20.

The Schools National Funding Formula

5. All the factors that were proposed including the national funding formula received support from a majority of respondents, with strong representation on the importance of including a mobility factor into the formula.
6. The formula will comprise 4 building blocks to reflect the 4 different types of costs: per pupil, additional needs, school costs and geographical costs. The formula factors that were proposed in the consultation have been agreed with the addition of a mobility factor. The building blocks are shown in the diagram below.



7. With regards to per pupil costs a basic per pupil amount for all pupils will be implemented, differentiated at primary, key stage 3 and key stage 4.

Transition to a Reformed Funding System

8. The importance of allowing schools and local authorities sufficient time to plan and manage any changes in their budget was a recurring theme from respondents. Therefore an absolute floor so no school will face an overall reduction of more than 3% per pupil as a result of the formula and the minimum funding guarantee (MFG) of minus 1.5% per pupil year on year will continue providing additional stability for schools.

9. DfE are not taking forward the proposal for local flexibility in setting a MFG.

10. DfE have confirmed that they will be ring-fencing the schools block in 2018/19, but with additional arrangements that will address the risks highlighted during the consultation about support for pupils with SEN and disabilities. DfE are proposing that local authorities would have limited ability to move funding between the schools and high needs blocks in 2018/19, **following local consultation and with explicit agreement of the schools forum and a majority of their schools.**

Funding that will remain with Local Authorities

11. The central school services block will be created from 2 existing funding streams: the DSG funding that is held centrally by the local authority for central services and the retained duties element of the ESG. At the last school forum it was agreed that the retained element of the ESG would be transferred to the local authority.

Future of the Education Services Grant (ESG)

12. DfE sought views on any statutory duties that could be removed alongside the national saving from the ESG that was announced at the 2015 spending review.

There was limited responses to this question and at this stage DfE are not proposing to remove any additional duties.

13. DfE's aim is though a move towards a school led system of improvement with head teachers and school leaders at the forefront to drive improvement in schools. .
14. Some respondents suggested that DfE set a maximum cap on the amount of funding the local authority can retain, but they do not believe this is necessary. **The level of funding retained centrally is to be agreed by the maintained schools members of the schools forum**, with recourse to the Secretary of State if the local authority and schools forum are unable to agree.

Phase 2 Consultation Proposals

15. This consultation seeks views on detailed proposals for the design of the new national funding formulae for schools, and for the central school services block for local authorities. It builds on the phase 1 consultation discussed above. Phase 2 of the consultation is now currently open and runs until the 22nd March 2017.

Phase 2 of the consultation is structured around the following;

- Our overall approach to constructing the national funding formula for schools
 - Detailed formula design proposals
 - The impact of the proposed national funding formula for schools
 - Implementation of the national funding formula for schools
 - Proposals for the central school services block
16. DfE are also publishing illustrative funding allocations for schools and local authorities, if the proposed formula had been implemented in full without transitional protection in 2016/17 and in the first year of transition. This information will assist us in formulating responses to the questions in the consultation.
 17. The following provides a brief overview of the main proposals in each of the above elements of phase 2 but the full consultation documents can be found by clicking on the following link. https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting_documents/NFF_Stage2_schools_consultationdoc.pdf

Our Overall Approach to Constructing the National Funding Formula / Detailed Formula Design Proposals

18. These sections build on the first stage consultation where DfE sought views on the building blocks and factors that should be included in the formula. DfE proposed the principles that should underpin funding reform and the structural changes needed to allocate funding directly to schools from 2019-20. They proposed that the building blocks of the national funding formula for schools should be basic per-

pupil funding, additional needs funding, school-led funding and geographic funding. This is shown in the diagram in section 6 above

19. Having established the factors that will be included in the formula, DfE are now putting forward detailed proposals for the relative weighting of each factor, and therefore the per-pupil unit values used to work out schools' estimated funding levels under the proposed formula. This part of the consultation focus on these factors and proposed values.

The Impact of the Proposed National Funding Formula for Schools

20. This part of the consultation sets out their assessment of the impact of the proposed national funding formula for schools. It is supported by the summary data tables published alongside this consultation, which show the illustrative outcome under the proposed formula for every school and local authority area, compared to the funding they received in 2016-17.

21. This section highlights some of the main reasons why some types of schools or areas gain or lose, looking at particular features of the existing funding system and the policy decisions to increase or decrease funding through a particular factor.

Implementation of the National Funding Formula for Schools

22. The proposals set out in this consultation will create a fairer funding system for schools. They represent the greatest change in funding arrangements for over a decade. For some schools, the change will be significant, as they adjust to a new funding level. For many, there may be little change to their funding level, but the introduction of a national funding formula will mean they have more clarity about their future funding, so will be better able to plan their finances strategically for the long term.

23. In this context, DfE are clear that changes must be introduced with consultation; a clear forward plan; and support for schools to make the best use of resources and improve efficiency. This part of the consultation

- explains the school funding arrangements for 2017-18, in the run-up to the implementation of the national funding formula;
- sets out what will happen in 2018-19 under the 'soft' national funding formula;
- discusses what will happen in 2019-20 under the 'hard' national funding formula and the issues on which we will be consulting further; and,
- explains the support we are providing for schools on efficiency, to help ensure every pound goes as far as possible in improving outcomes for pupils.

Proposals for the Central Schools Block

24. In the first stage of consultation, DfE proposed creating a central schools block within the dedicated schools grant (DSG) to reflect the ongoing local authority role in education.
25. This section of the consultation confirms that DfE will proceed with the creation of the central school services block as planned, and sets out the proposed formula for its allocation from 2018-19 onwards. It also sets out their proposals for transition from current arrangements.

Next Steps

26. The consultation on the schools national funding formula runs until 22nd March 2017.
27. Officers to draft a response to phase 2 of the consultation.

Recommendations

28. That the Forum notes the contents of this report.

Andy Bryson
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