

Schools National Funding Formula

Government Consultation – stage 2

Summary and Implications for West Berkshire Schools

1. Background

- 1.1 On 14 December 2016 the Government launched its second stage consultation on implementing a national funding formula for primary and secondary schools. The consultation questions are set out in Appendix A. The closing date for responses is **22 March 2017**. The relevant documents can be found here:
<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>
- 1.2 The premise is that all schools will be funded fairly, so that children with similar characteristics and similar needs attract similar levels of funding regardless of where they live. There are currently significant differences in the levels of funding received by similar schools but located in different parts of the country.
- 1.3 The first stage consultation in March 2016 set out the case for reform and proposed a methodology on which to fund schools. Both were widely accepted. The second stage consultation now sets out the proposal for how funding will be weighted across the different factors and what protection will be built in.
- 1.4 Exemplifications based on 2016/17 data have been provided, showing the impact on individual schools, assuming pupil numbers remained the same.

2. Summary of Proposals

- 2.1 Implementation will be from 2018/19 financial year. In year one, the local authority will still determine the formula but based on the new level of funding. From 2019/20 the national formula will be in place with minimal local flexibility.
- 2.2 Although additional funding is being added to the total national budget, this is minimal and it is therefore not possible to bring the lower funded schools up towards the level of the highest funded schools. Thus in distributing similar funding based on a new formula, there will be winners and losers.
- 2.3 For schools that gain funding, the maximum gain per pupil in 2018/19 will be 3%, and a further 2.5% in 2019/20.

2.4 For schools that lose funding, there will be a minimum funding guarantee of minus 1.5% per pupil year on year. There will also be a funding floor, meaning that no school will lose more than 3% per pupil overall.

2.5 The funding factors have been confirmed as per the following table:

A	Basic per-pupil funding	Age-weighted pupil unit						
B	Additional needs funding	Deprivation	Low prior attainment		English as an additional language		Mobility	
C	School-led funding	Lump sum	Sparsity	Premises			Growth	
				Rates	PFI	Split sites		
D	Geographic funding	Area cost adjustment						

2.6 Although there has been broad agreement of the factors to be used, the key issue is the weighting of funding applied to each one, as this will be the main influencing factor on which schools gain or lose. The weightings applied are shown in Appendix B, alongside the proposed factor values.

2.7 It had been assumed that under a national formula, the factor values used would be close to the current national average, particularly for the basic per pupil funding (this is what happened when the Government distributed an additional £390m to the lowest funded schools in 2015/16). However, this is not what has happened with the proposed national formula, and funding has been redistributed between factors. This has taken away funding from the basic entitlement and lump sum, and added funding to additional needs.

2.8 At a time when all schools are struggling to balance their budgets due to significant increases in costs, it seems harsh that nearly half of all schools in the country will see a reduction to their funding.

Schools to be funded at a higher level	10,740	54%
Schools to be funded at a lower level	9,128	46%
Schools with a reduction of between 1% and 3%	7,603	38%

It is also questionable whether the schools gaining deprivation/prior attainment funding will be able to actually invest this funding towards these pupils, or whether it will just be a matter of making it easier for these schools to balance their overall budgets.

2.9 The DfE has not determined the basic entitlement and lump sum funding rates by applying a needs based approach. Therefore, no evidence has been

supplied to justify a reduction in these rates, and no demonstration supplied on how the proposed rates are sufficient funding for an average school.

- 2.10 Due to the funding floor, the proposal does not achieve fair funding, and there will still be many schools (particularly in London) receiving significantly higher funding, albeit that they will be losing up to 3%. Fair funding cannot be achieved without more funding in the system and a removal of the funding floor.

3. Implications for West Berkshire Schools

- 3.1 When comparing the total of all school formula allocations in 2016/17 to what the total would be using the proposed formula (based on the same number of pupils), West Berkshire is a loser (one of only three in the South East alongside Slough and Brighton), though the loss in financial terms is very small - £218k or 0.23%. The real issue for West Berkshire is the redistribution of this funding.

- 3.2 The table below shows the number of winners and losers and the maximum gains and losses under the proposed national formula (in year 2 under full implementation). The school table in Appendix C shows the breakdown by school.

	No. of Schools that Gain	No. of Schools that Lose
Primary	34	32
Secondary	2	8
Total	36	40
	Maximum Gain £	Maximum Loss £
Primary	63,000	-38,000
Secondary	39,000	-148,000

- 3.2 All schools lose basic entitlement and lump sum funding. The schools that gain overall are those with higher deprivation and/or high level of low prior attainment, and/or small rural primary schools qualifying for sparsity funding.

Basic Entitlement:	WBC Current Rate (17/18) £	Current National Average Rate £	Proposed National Rate £
Primary	2,945	3,044	2,712
Secondary KS3	4,372	4,197	3,797
Secondary KS4	4,372	4,714	4,312
Lump Sum	122,800	129,923 / 142,281	110,000

- 3.3 The rates for all the other factors are an increase on the current West Berkshire rates, except secondary sparsity which reduces from £100,000 to £65,000.
- 3.4 Had the basic entitlement been maintained at the average, and all other factors moved to the new proposed rates, all schools would have gained, and those schools with pupils requiring additional needs would have received

significantly more funding which would have enabled greater support to pupils that need it.

4. Other Areas Covered by the Consultation

4.2 Central Services Schools Block. Central services previously funded from the Schools Block will have a separate new funding block. The services relevant to West Berkshire are:

- School admissions
- Servicing of Schools Forum
- Education Welfare services
- Asset Management
- Statutory and regulatory duties

4.3 Funding for this will be through a new formula. The new formula will be a per pupil amount *plus a deprivation element*. However, the costs of the services are not driven by deprivation. It is also proposed that it will be based on the number of pupils in the schools block, whereas the services are in relation to all pupils.

4.4 Overall, the funding for 84 LAs will increase, and for 66 LAs their funding will gradually reduce. Increases of up to 2.4% will be allowed in 2018/19 and 2019/20. No local authority will lose more than 2.5% of its per pupil funding in either 2018/19 or 2019/20.

4.5 West Berkshire will see a significant reduction to the funding it currently receives for these services, but will benefit from protection funding in 2018/19 and 2019/20. In theory the first year funding with protection as shown in the table below should increase to be more in line with the current cost.

Proposed Funding – full formula	£741,000
Proposed funding – first year (with protection)	£839,000
Current Cost 2017/18	£1,160,000

5. Next Steps

4.1 West Berkshire will be responding to the consultation, but schools should respond individually to express their own views on whether the national formula proposals are fair.

6. Appendices

Appendix A – Consultation Questions

Appendix B - National Funding Formula – Factor Values and Weightings

Appendix C – Impact on West Berkshire Schools

Consultation Questions

1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?
2. Do you support our proposal to set the primary to secondary ratio in line with the current national average of 1:1.29, which means that pupils in the secondary phase are funded overall 29% higher than pupils in the primary phase?
3. Do you support our proposal to maximise pupil-led funding, so that more funding is allocated to factors that relate directly to pupils and their characteristics?
4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)?
5. Do you agree with the proposed weightings for each of the additional needs factors?
6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond?
7. Do you agree with the proposed lump sum amount of £110,000 for all schools?
8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools?
9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term?
10. Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee.
11. Do you support our proposal to set the floor at minus 3%, which will mean that no school will lose more than 3% of their current per-pupil funding level as a result of this formula?
12. Do you agree that for new or growing schools the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity?
13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5% per pupil? This will mean that schools are protected against reductions of more than 1.5% per pupil per year.
14. Are there further considerations we should be taking into account about the proposed schools national funding formula?

15. Are there further considerations we should be taking into account about the impact of the proposed schools national funding formula?
16. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?
17. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?
18. Are there further considerations we should be taking into account about the proposed central school services block formula?

Appendix B

National Funding Formula – Factor Values and Weightings

Factor		Proposed weighting for the national funding formula	Total we propose to spend through factor in the formula. NB These include area cost adjustment funding		Per-pupil/school funding under the proposed national funding formula. NB These exclude area cost adjustment funding.			
					Primary		Secondary	
Basic per-pupil funding (£ per pupil)		72.5%	£23,255m		KS1	£2,712	KS3	£3,797
					KS2		KS4	£4,312
Deprivation (£ per pupil)	Ever6 FSM	9.3%	£1,746m	£2,985m	£540		£785	
	Current FSM		£980		£1,225			
	IDACI A		£1,239m		£575		£810	
	IDACI B				£420		£800	
	IDACI C				£360		£515	
	IDACI D				£360		£515	
	IDACI E				£240		£390	
	IDACI F				£200		£290	
Low prior attainment (£ per pupil)		7.5%	£2,394m		£1,050		£1,550	
English as an additional language (£ per pupil)		1.2%	£388m		£515		£1,385	
Mobility (allocated to LAs on basis of historic spend)		0.1%	£23m		N/A			
Lump sum (£ per school)		7.1%	£2,263m		£110,000		£110,000	
Sparsity (£ per school)		0.08%	£27m		£0 - £25,000		£0 - £85,000	
Premises (allocated to LAs on basis of historic spend)	Rates	1.8%	£569m	N/A				
	PFI							
	Split sites							
	Exceptional circumstances							
Area cost adjustment			£792m		A multiplier that is applied to certain factors. Shown in italics because it is already included in the total spend through each factor.			
Explicit spend on growth (allocated to LAs on basis of historic spend)		0.5%	£167m		N/A			
		Total	£32,071m					