

# DARLINGTON SCHOOLS FORUM

17<sup>th</sup> May 2016

ITEM NO 5

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## SCHOOL NATIONAL FUNDING FORMULA CONSULTATION

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### **Purpose of Report**

1. To provide School Forum with a brief outline of the proposed changes to Education funding.

### **Background**

2. The Department for Education launched two consultations regarding funding on 7<sup>th</sup> March 2016. The first titled “Schools national funding formula” concerns the schools budget. The second titled “High needs funding formula and other reforms” concerns the funding of pupils with special education needs.
3. Both consultations are at stage one, with a second stage due out later in the year. Both consultations finished on 17<sup>th</sup> April.

### **Schools national funding formula**

4. The first phase of the school national funding formula consultation was seeking views on,
  - The principles that underpin the formula
  - The structure of the formula
  - The building blocks used to construct the formula
  - The factors to be included in the formula
5. The second phase of the consultation will concentrate on how the DfE propose to balance the different factors in the national formula and the impact of the formula on funding for individual schools.

### The Principles

6. It is proposed that the new formula will be based on seven principles as follows,
  - That supports opportunity
  - That is fair
  - That is efficient
  - That gets funding straight to schools
  - That is transparent
  - That is simple
  - That is predictable

## The Structure

7. The DSG is currently divided into three blocks namely, the Schools, High Needs and Early years. It is proposed to introduce a fourth block titled “the central schools block”.
8. It is proposed that the schools block will be calculated according to a national schools funding formula and it is intended that this will be calculated nationally by 2019/20, this is known as “the hard national funding formula”.
9. During 2017/18 and 2018/19 the schools block will be calculated using the national schools funding formula, but Local Authorities will continue to allocate funding to schools through the local formula. This is known as the “soft national funding formula”. This is proposed to be a transitional phase towards full implementation in 2019/20.
10. It is proposed that all funding within the schools block will be passed onto schools from April 2017, this will remove the current flexibility to move funding between the blocks.

## The Building Blocks

11. The new national formula will use the following building blocks to allocate funding,
  - Per pupil costs
  - Additional needs
  - School Costs
  - Geographical costs

## The Factors

12. Each of the building blocks contains separate factors to allocate funding through the new national formula. At this stage all of the attributes that will allow the factors to be calculated are not finalised. The following table details the factors and the proposals regarding how the factor will be defined.

<b>Block</b>	<b>Factor</b>	<b>Note/Data used in calculation</b>
Per Pupil Costs	Basic per pupil amount	A unit value for Primary, Key Stage 3 and Key Stage 4
Additional needs	Socio-economic deprivation	Pupil Level – FSM entitlement Area level - IDACI
	Low Prior Attainment	Pupils who did not reach the expected standard at the previous stage
	English as an additional Language	Pupils entering state education within the last three years
School Costs	Lump Sum	One per school
	Sparsity	Distance and school size
	Business Rates	Historic/TBC
	Split Sites	Historic/TBC
	PFI	Historic/TBC
	Exceptional premises	Historic/TBC
	Growth	Historic/TBC
Geographic	Area Cost Adjustment	General labour market (GLM) or DFE calculation (GLM/teacher market)

13. In the current funding formula there are additional factors that are not proposed to be used in the new national formula these are,
- Looked After Children – It is proposed to increase targeted support through Pupil Premium grant.
  - Mobility
  - Post 16.

### **Implementation**

14. The new funding formula is to be introduced from 2017/18 however in line with the soft national formula there will be a transitional phase.
15. The DfE will use the new formula in the first two years to build up the schools block, which will then be distributed to schools, calculated by the Local Authority using the current local funding formula.
16. The amount that is included in the schools block for these two years will be based on the national formula calculation for each school, adjusted for a national minimum funding guarantee and national capping. This will then be added to funding for growth and premises to give the schools block allocation.
17. Although the Local Authority will distribute this funding to schools using the current local formula there will be the requirement to,

- Pass all funding in the block to schools
  - No longer use the post 16 factor
  - Although the MFG should be in line with the national rate, where agreed at School Forum and following consultation with all schools a local MFG may be applied to allow schools to have greater losses.
18. The second part of the DfE consultation will have proposals on the national MFG/cap.
19. The DfE anticipates that some schools will lose funding through the new national formula, these schools will need to plan their budgets over the medium term to take decisions to reduce expenditure. As a result the government plans to launch an invest to save fund in 2016/17 to allow schools to invest in ways to save money in the future.

### **The Central Schools Block**

20. There will be a new central schools block that will provide funding to the Local Authority to provide their education responsibilities. This block will also include the centrally retained element of the Local Authority Education Services Grant, which will be merged in and no longer paid separately.
21. The allocation of the central schools block will be on a simple unit value per pupil. The second phase of the consultation will set out the proposal for this formula and the pace of implementation.
22. Currently a number of budgets are held centrally through a top slice of the DSG. This will no longer be allowable under the new formula. Where there are historic commitments the DfE believe that these should not be provided on a long term basis, therefore the DfE will collect information on historic commitments to decide if they will continue to be funded centrally in the short term.
23. Where historic commitments are agreed to be funded centrally additional funding will be provided into the central schools block. Any central historic commitments that are not agreed by the DfE, will no longer be funded.
24. The budget that is freed up from reducing the central schools block will be reinvested into schools funding nationally.

### **Schools Forum**

25. Schools Forums will continue to exist for the two years in which the soft formula is in operation, but due to changes in the responsibilities of Local Authorities it is expected that Forums will cease to exist from 2019/20.

### **What this means for Darlington**

26. The previous paragraphs give a brief outline of the consultation on a new national schools formula which has now closed. As mentioned above there will be a second consultation later in the year that will provide the way forward from the responses received in this

consultation. In addition the second consultation will provide more detail (and it is expected monetary values) in order to ascertain what affect the changes will have locally.

27. It is unclear at this stage how the national formula will affect individual schools in Darlington. As with any change it is expected that some schools will gain whilst others will have reduced budgets. However until unit values for the factors in the formula are given at a later date, this cannot be confirmed.
28. In terms of the makeup of the formula the factors used are on the whole the same as the formula that is currently used in Darlington. Of the factors that are no longer to be used only the Looked After Children factor is currently used in our formula. Whilst this will have an effect on those schools with qualifying children it is hoped that the shift of funding to Pupil Premium will be of a similar value to negate this loss of funding.
29. Of the factors proposed to be used, with the exception of the PFI, Exceptional Premises and Area Cost Adjustment all the other factors are used in our current formula (the exceptional premises is used in the Early year's formula only). It is unclear at this stage if Darlington will be affected by the area cost adjustment (i.e. we expect this factor to affect southern areas rather than Darlington) or the exceptional premises factor (i.e. we expect that Darlington Schools do not have any of the qualifying factors), therefore the only change here will be the use of the PFI factor.
30. In Darlington the PFI factor is currently not used as the affordability gap for the PFI scheme is picked up through the centrally retained budgets. Reading the proposals it is expected that in the future the centrally retained affordability gap budget will need to be delegated to schools through the PFI factor. This will mean that those schools in PFI buildings will receive more funding in their school budget share however their contribution to the PFI costs will increase as these will no longer be funded centrally.
31. Of the factors currently used in Darlington's formula, the methods used for allocating funding through these factors, are proposed to be similar to those used now. Therefore it would be expected that unless this changes, that there should be little difference to Darlington schools, in the new formula. However whilst the formula itself may not allocate funding differently, the unit values attached to the factors, the MFG and capping rates nationally will have a significant effect on how much funding schools receive in their budget share.
32. There are some factors where Darlington has low unit values (e.g. secondary prior attainment) where schools will benefit as it is expected that the national rates will be higher. However on the flip side, Darlington may have higher unit values in some of the other factors and hence schools may lose out on those factors. This will only become clear once the unit rates are announced, which it is expected will be in the second consultation.
33. What is clear at this stage (although at this point the full impact is not known) is that the ability to no longer move funding between blocks will cause some issues in Darlington. It is expected that this will have significant impacts on the high needs budget that are outlined in agenda item 6.
34. In addition the creation of a new central schools block will have issues in Darlington (the continued role of local authorities in education is subject to further consultation that is

due out shortly). It is expected that the amount of funding allocated through this block will be significantly less than is currently funded centrally. This means that a number of the services that are funded centrally will no longer be and schools will therefore need to make their own arrangements. Although full details are not known, it is clear that some services such as the central allocation for music remissions will no longer be available (as guidance specifically states that music will be fully delegated), therefore schools using this service will need to make alternative arrangements.

## **Summary**

35. Although the consultation provides detail on the principles of future years funding, at this stage is it difficult to quantify exactly what this means for Darlington schools and the Local Authority.
36. A timescale has not been set for the issue of the second consultation however it is assumed that this will be released in the summer. This second consultation should give the ability to inform Forum in more detail, the impact of the changes in Darlington.
37. Forum will be updated at their next meeting.

## **Recommendations**

38. That Forum notes the content of this report

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