

Report on the Consultation on Formula Funding for Schools

The Government has been consulting on a future national formula for funding schools. This paper gives a summary of the consultation paper and indicates where the proposals might have impact upon schools' funding.

1. how the current formula applies within Rutland;
2. the potential impact of the proposed changes on schools.

1. How the current formula applies within Rutland

Schools and local authorities are funded via two grants: 1. DSG and 2. ESG.

1.1 DSG (designated school grant). In 2015/16 the DSG for Rutland was £27,532,000. This is intended in the main to fund schools' and settings' main costs. It is currently divided into 3 blocks:

- a. schools block;
- b. high needs block; and,
- c. early years block (not covered in the consultation).

1.1a. Schools block – c£22.468m. This provides funding for almost all of schools' running costs. In Rutland 99.6% of this fund is distributed directly to schools using a formula agreed at the Schools' Forum. The formula takes into account various factors including deprivation, low attainment, mobility of pupils etc.

The remaining £94k of the Schools Block is retained by the Council to fund:

- the Admissions service; and,
- the nationally agreed copyright licences determined by the DfE.

Unlike some other Councils, Rutland does not hold back any funding for school improvement, family support or related activity.

1.1b. High Needs block – c£3.5m. This block funds children with high needs, i.e., special educational needs and disabilities, etc. The needs of these children are individually identified via, e.g., EHC assessments, and the funding follows to those schools where these children are placed.

Of the total, £3.1m is distributed to specific schools, £402k funds centrally-organised services to children and schools as below.

- Early years inclusion - £49k.
- Special Needs teaching - £66k.
- Education Otherwise - £90k.
- Contribution towards High Needs staffing - £197k.

1.1c. Early years block - £1.558m. Of this block, £1.4m is distributed directly to early years settings (including childminders) based on an hourly rate per pupil. £105k funds centrally-organised services:

- Education for under 5's - £76k;
- Early years foundation stage - £29k.

1.2 ESG (Education Service Grant). In 15/16 the ESG for Rutland was £157k (£85k on retained duties and £72k for general duties).

The **ESG** is intended to fund:

- a. local authorities' statutory duties for maintained schools and academies (Retained Duties Rate); and,
- b. education services to maintained schools (General Rate).

The grant is intended to cover the following:

- statutory and regulatory duties;
- school improvement;
- education welfare services;
- central support services;
- asset management;
- premature redundancy and retirement;
- therapies;
- monitoring national curriculum assessments.

1.2a. General Rate. The general rate (£77 per maintained school pupil) is given to:

- local authorities to fund duties they are responsible for on behalf of maintained schools;
- academies where they carry out these duties.

1.2b. The Retained Duties Rate. (£15 per pupil) is paid only to local authorities to fund duties that the authority delivers for all pupils, including those in academies.

2.Potential impact on schools from the proposed changes

2.1 Potential for an increased schools block

There is the potential that the schools block (1.1a. above) is larger for Rutland. This is for two reasons:

- a. The total amount distributed to schools is £31.521m. (The DfE allocates £32,649m of DSG via the Schools Block and approximately £1,128m is retained centrally by local authorities - approx. 3.45%). The DfE plans to add

back to the £31,521m amounts that local authorities currently hold back¹.

This may increase the gross figure available to schools.

- b. On top of this, the DfE aim is for 90% of the schools who stand to gain funding under the new formula to receive the full amount by 2020. To enable this they would provide an additional £500m core funding to schools (broadly £71.42 per pupil) over the course of the spending review.

Summary: the schools block in total will be bigger and the amount to go direct to schools is likely to be greater than present.

2.2 Rutland's share of national schools block is likely to increase and schools will benefit

Currently local authorities are allocated funds based on a Schools Block Unit of Funding (SBUF) per pupil. National figures show that the highest of any authority is £8,587.04 and the lowest is £4,166.51 (the average is £4,637). Rutland currently receives £4,242.84 making it one of the lowest paid authorities in England.

In 2016/17, Rutland allocated to schools through the funding formula £22.374m. Taking the data supplied by the DfE and using national averages for all factors allowable in the current funding formula, Rutland schools might have received £23.56m.

Summary: despite the uncertainties it is still reasonable to assume that Rutland schools will ultimately receive more funding under a national formula.

2.3 Individual schools' allocation might change

Individual school allocations will fluctuate depending on the funding allocated to each factor within the formula (the consultation does not set this out).

DfE propose not to use certain criteria in the national funding formula which are currently used by LAs.

- Looked after Children and children who have left care. The DfE propose to increase the pupil premium for these groups of children rather than include a specific factor in the new formula.
- Mobility. The DfE view is that the pupils most affected by mobility will be better covered by other factors in the new formula such as deprivation, English as an additional language and low attainment.
- Post-16. The DfE wishes to move to a position where the DSG does not fund post-16 and so this factor will be removed from 2017/18.

Summary: individual school allocations may change but it is not possible to predict the benefit or loss for individual schools at this point.

¹ Though it is possible that DfE allows those amounts to be included a possible new 4th block of the DSG – a “Central Schools Block”.

2.4 Schools will have reduced control over budget allocation from 2019/20

Currently schools and local authorities can agree in the Schools' Forum to move funds between the 3 funding blocks. For example, in 2016/17 the Schools' Forum decided to transfer funding from the schools block to the early years block to help fund an increase in hourly rate payable to the settings for 3 and 4 year olds.

Following a rebasing exercise, it will not be possible to transfer funds between blocks and 100% of the schools block will be allocated directly to schools.

2.5 Schools might get less for High Needs

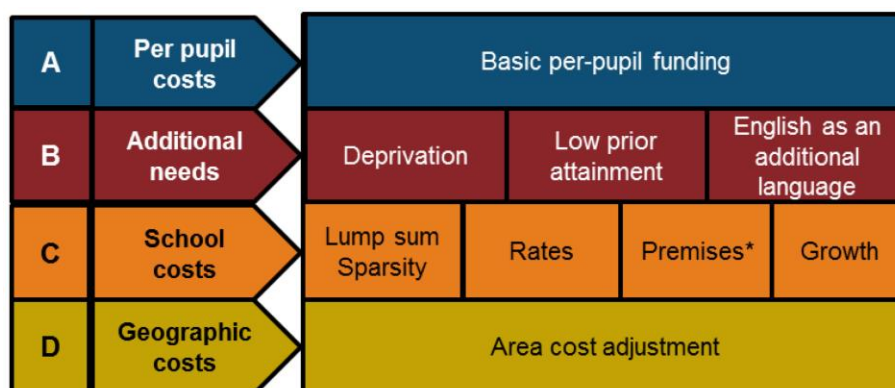
Currently, High Needs block funding is based on historic levels of spend and does not reflect pupil needs. Rutland's historic spend is high. If the allocation to the LA decreases due to the move to a formulaic approach then the figure available for schools may reduce.

However, the consultation indicates that additional capital funds and other incentives may allow existing schools to access more funding to, e.g., expand or create new SEN provision.

Appendix One – further details of DfE proposals on formula funding

1. School funding formula (consultation closing 17 April).

The proposed basis for the national formula is the following:



This is not very different to the current formula: but there will no longer be local discretion over how to weight the various elements. Pupil premium, pupil premium plus and service premium will continue to operate outside the DSG schools block framework.

The aim is to move, by 2019 to a 'hard' national funding formula, where the funding goes directly to schools and per pupil funding (currently about 76% of DSG) is the same everywhere. For 2017-18 and 2018-19 there would be 'soft' arrangements, where the schools block, calculated according to the national formula, is allocated for distribution according to their own local formulae as at present.

Local authorities currently receive funding from the government for their responsibilities from two separate funding streams – the DSG funding that is held centrally by the local authority, and the retained duties element of the education services grant (ESG). The consultation proposes to bring these two funding streams together into a new central schools block, distributed on a simple per pupil formula. Meanwhile, DfE will continue to recognise historic central funding commitments entered into before 2013. The consultation suggests that LAs should cease to maintain a school improvement function (see below), and that the retained duties funding stream will run down and stop as historic commitments reduce.

Specific detailed points in the consultation include:

- the schools block funding for each LA to be calculated using a national funding formula for 2017/18 and 2018/19. The allocation for the LA would be subject to a minimum funding guarantee (MFG) or capping by the DfE. The local authority would then distribute the funding according to its local formula. This is termed the "soft" national funding formula;

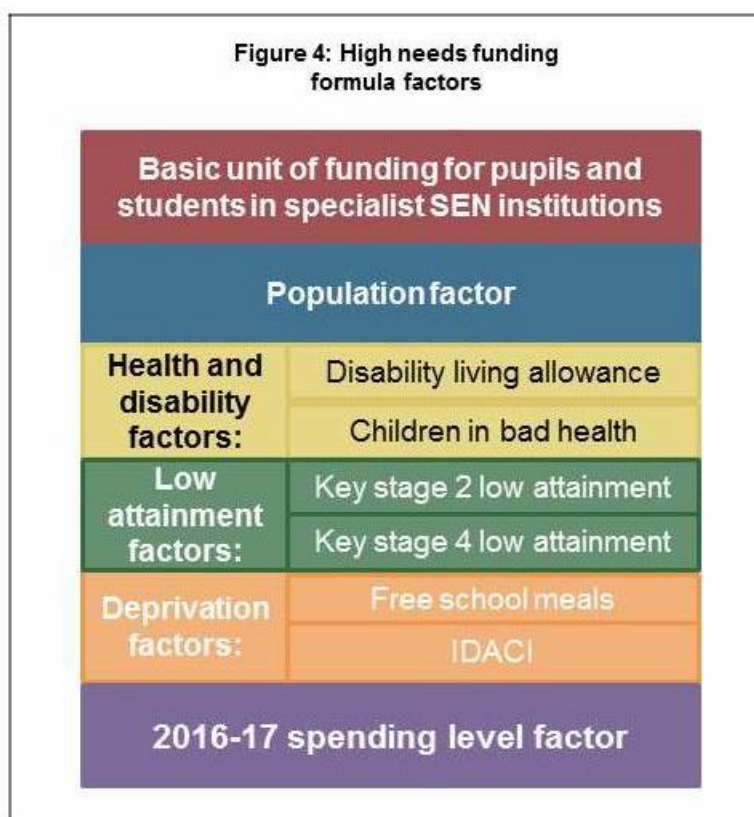
- the factors currently used by the LA will remain allowable in 2017/18 and 2018/19;
- the schools block allocation from the DfE to be ring-fenced with effect from 2017/18 which means that the Schools Forum will not be able to agree to move funding from the schools block to high needs or early years;
- a school level national formula will be introduced from 2019/20. This is termed the “hard” national funding formula. There would be no local flexibility in determining schools funding. MFG or capping to be applied by the DfE so that “in time” a pupil would attract the same funding to their school irrespective of where they are in the country. There does not yet appear to be an end date for the implementation;
- a new growth factor is proposed to recognise in year growth in pupil numbers and reduce the impact of the lagged system of funding. During the “soft” funding formula, it is proposed that the DfE allocate the funding based on historic spend; the consultation requests other suggestions for the allocation of the growth funding;
- Looked after Children (LAC) factor to be removed and the proposal is to target this funding through increased rates for the pupil premium plus.

Other formula proposals include:

- questions about the appropriateness of the basic per pupil funding split between primary, KS3 and KS4;
- both FSM and IDACI, used in combination, are proposed as deprivation indicators in the additional needs block. The updated dataset for IDACI (updated every 5 years) caused some turbulence in 2016/17 budgets;
- the important role of the lump sum in the funding of small schools is recognised and the consultation asks for feedback about the size of the lump sum to inform proposals for stage 2 of the consultation.

2. High needs block

In short, the high needs block includes funding for SEND. Funds are allocated to local authorities based on historic expenditure patterns and are currently not linked to pupil needs or any other factor which may impact on pupils with additional needs.



The proposal is to change to a formulaic allocation based on a number of factors in order to better target resources to needs. The funding factors being proposed are:

- A basic unit of funding for pupils in specialist SEN institutions – this would be at a similar level to the pre-16 pupil-led funding are allocated for their pupils in mainstream schools;
- A child population factor – to reflect that within any size of population there is a minimum number of children with high-level SEN and disabilities;
- Health and Disability factors – based disability living allowance data and ‘children not in good health’ population census data;
- Low attainment factors – utilising KS2 and KS4 data (KS2 data is already used in the schools block funding formula);
- Deprivation factors – using Free School Meals and IDACI (which are currently used in the schools block funding formula);
- Planned spending levels factor – to take account of placements being made for a number of years and sudden changes in funding levels could prompt authorities to make disruptive changes to the support for the most vulnerable children and young people.

In order to support authorities facing reduced funding in the future, the DfE are proposing five main forms of help as follows:

- developing new specialist provision to better meet needs. This will be supported with capital funding through the free school programme;
- capital funding to support expansion of existing provision as well as the development of new schools to create new specialist provision;

- promote collaborative working between local authorities in regional and sub-regional groups. Working in groups to share administration costs;
- make changes to encourage schools and colleges to include pupils and students with SEN within mainstream schools;
- support special schools, pupil referral units and the equivalent academies to reduce costs.