



National Funding Formula: Consultation Document

30 October 2017

Deadline for responses: 17th November

1. Introduction

- 1.1. The Government has announced that a National Funding Formula (NFF) for Schools will be introduced from April 2018. Whilst the Local Authority's total Schools Block allocation will be calculated using the NFF, for the first 2 years the Local Authority will continue to distribute funding to schools through the 'local formula'.
- 1.2. Sutton is an overall gainer from the NFF (but largely in line with inflation only) however whilst the total amount of money will increase from last year, a key decision that the Local Authority needs to make, in consultation with schools and Schools Forum, is how to manage the transition from a local formula which is in place now to a national funding formula which will be in place by 2020/21.
- 1.3. The Local Authority is consulting on three options and would like to hear the views of all schools in the Borough on which options they think best manages this transition.
- 1.4. A lot of information has been published by the Department for Education (DfE) on the national funding formula and they have also run a number of consultation exercises at a national level. Most recently the Government issued policy and operational guidance at the end of September 2017 for schools block, high needs and central school services revenue funding for 2018/19 to help Schools, Local Authorities and their Schools Forums to plan the local implementation of the NFF. This information is not repeated in this consultation document (which can be found [here](#)) however the more salient points are summarised below.
 - The Government wants to ensure that all primary pupils are funded at a minimum of £3,300 in 2018/19, increasing to £3,500 by 2019/20 (this is based on total funding including all pupil and non pupil led factors).

- For secondary age pupils, the minimum figures are £4,600 in 2018 and £4,800 in 2019/20.
- Local Authorities can set the 'minimum funding guarantee' at between 0% and -1.5% (put another way this would be the maximum amount that a school can lose year on year for pupil led factors)
- The Schools block will be ring-fenced from 2018/19 however the Local Authority can request up to 0.5% of the schools block to the high needs block with agreement from Schools Forum and following a consultation process involving all schools in the Borough.

2. Background

- 2.1. Local Authorities are allowed to use a limited number of factors in their Local Formula covering Basic Entitlement, Deprivation, Prior Attainment, EAL, Mobility, Sparsity, LAC and premises factors including rates and lump sum. There is no change to this in 2018/19 with the exception of an additional factor that would guarantee all schools a minimum amount of funding per pupil as per the bullets above.
- 2.2. The National Funding Formula takes a very similar approach in that the framework of factors are essentially the same, however the relative values against each factor will vary from local formulae. A copy of the local formula factors and the NFF factors were appended to recent [Schools Forum papers](#) on the NFF which should be read in addition to this consultation paper.
- 2.3. It is clear that the NFF differs considerably from the current Sutton Local Formula, particularly in the amounts it gives for deprivation and in support of more vulnerable pupils. As a result, the introduction of the NFF will inevitably result in there being 'winners' and 'losers'. In general terms, nationally the NFF moves money from the primary sector to the secondary sector. Locally, this is also generally true although not for all schools in each phase.
- 2.4. Overall, the NFF gives Sutton schools more money but, because there is a national minimum funding guarantee, the full effects of this gain will not be seen in full for two years. What this means is that the Local Authority cannot simply introduce the NFF straight away in year 1 (even if it wanted to), though it can attempt to get as close to the NFF as possible.
- 2.5. Following discussion at the Formula Review Group (prior to Government announcements in September) and at Schools Forum on 19 October, there has been a general consensus that the Local Authority should seek to implement the new national funding formula (or a variant of it) as quickly as possible whilst

protecting those schools that would be disproportionately affected in a negative way. The Local Authority would generally agree with this. Rightly or wrongly, Government has set out what it thinks schools should be funded at and therefore there will be an expectation that schools that benefit from the NFF should see those benefits as quickly as possible. Furthermore, given that schools that will see reductions in funding from the NFF, but will remain protected by the Minimum Funding Guarantee (MFG - where no school can lose more than -1.5% per pupil from one year to the next), it make sense for those schools to adjust over time rather than all at once in 2020/21.

- 2.6. With this in mind officers discussed a number of options with Schools Forum on 19th October and agreed 3 options upon which wider consultation with schools should take place. The presentation that was given at Schools Forum upon which that discussion took place was circulated to all schools on 20 October - this helps to explain how the 3 options were arrived at. This is also attached to the consultation page (see link below in paragraph 4.3))
- 2.7. In considering all options, the Local Authority discussed with Schools Forum what funding should come from the schools block to support (i) growth funding and (ii) support to the high needs block.

Growth

- 2.8. Growth funding supports those schools that are expanding. Growth funding is included in the LA's schools block NFF allocation and is based on historic spend. The growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools. Schools Forum makes decisions on the levels of growth funding.
- 2.9. It is expected that growth funding for the new secondary school (Harris Academy Sutton) opening in the academic year 2018/19 will be funded by the ESFA directly but in 2018 - Hackbridge Primary School is set to expand and Sutton Primary Heads Group have reiterated their desire for growth funding to be revisited following the reductions that were implemented last year. Schools Forum's existing policy on growth fund is that schools that expand will receive £51k (full year equivalent) for the first year of expansion - defined as the year in which the PAN formally increases - provided that the project meets basic need. Based on the current expansion programme there will only be two schools eligible for growth funding in 2018/19.

- 2.10. Whilst Schools Forum agreed that the current growth funding policy would remain and that a further allocation should be set aside for two bulge classes should they be needed, there was no agreement to any further growth funding for 2018/19. Total growth funding for 2018/19 would therefore equate to circa £200k.

Special Education Need and Disabilities (SEND) / High need block

- 2.11. The Schools block will be ring-fenced from 2018/19 meaning that local authorities will have limited flexibility to transfer funding to other areas such as high needs if they need to. The Local Authority can request up to 0.5% of the school block to the high needs block with agreement from Schools Forum and following a consultation process involving all schools in the Borough. Should Schools Forum not agree, the LA can 'disapply' and request to the DfE that this be implemented without Schools Forum agreement. It is also possible for the Local Authority to 'disapply' and request to the DfE that more than 0.5% from the schools block be transferred to another block where this is deemed to be needed.
- 2.12. SEN represents a significant risk to schools and the Local Authority in the future. The Council has been reviewing SEN in Sutton with a number of key statistics setting the scale of the challenge that lies ahead:
- The number of EHCPs (including statements) has gone up by nearly 40% since March 2014.
 - The number of referrals for SEN assessment from schools has increased by 92% over that same period
 - Sutton has a significantly lower % of children with Statements/EHC Plans in mainstream classes, compared with other outer London boroughs and nationally.
 - Sutton has the highest proportion of its budget spent on non-maintained or independent placements than anywhere else in the country (source: DfE SEN benchmarking data 2017)
 - Sutton spends more per head than any other Local Authority in the Country on SEN provision (DfE high needs baseline data).
 - Overspends in the DSG this year and last year are largely due to pressures from SEN, yet the revised National Funding Formula for high needs recently published by the Government (if it was implemented 'purely' and without protections) would provide £7.9m less funding than is currently received. Sutton cannot therefore expect any additional funding for SEN for the foreseeable future.

- 2.13. The budget for 2017/18 for SEN is £22.7m and as stated in the latest revenue report the LA is estimating that spend will be £23.2m at the end of the financial year - an overspend of about £500k. As such, the high needs block remains under pressure and is likely to do so for some time in Sutton given changes to the High Needs NFF outlined above.
- 2.14. The high needs budget for 2018/19 isn't finalised and won't be reported to Schools Forum until December. However, some early work has been done to give a sense of the likely spend next year on SEN based on known information together with projections of likely additional numbers that will join the system. This early work suggests that the SEN budget (excluding place funding for special schools and bases) will be circa £23.6m - an increase of £0.9m against the budget last year. 0.5% of the schools block in 2018/19 would equate to £722k.
- 2.15. If Schools were to agree a 0.5% transfer from the schools block to the high needs block it won't cover the total expected SEN pressure but equally officers are of the view that there isn't a sufficiently strong case to disapply for greater than 0.5% at this stage - though this remains a possibility. To this end it has been seeking options set out below that would facilitate sufficient funding to allow this to happen. This would require consultation with all schools and it is noted that Local authorities must submit a disapplication request to the Secretary of State in cases where:
- The local authority wishes to move more than 0.5% of the schools block;
 - The Schools Forum has turned down a proposal from the authority to move funding out of the schools block, but the authority nevertheless wishes to proceed with the transfer;
- 2.16. A complication is that Government have stated that a disapplication request has to be submitted by 30 November 2017, using the best information available. This would be in advance of decisions made at Schools Forum scheduled for December (see timetable below). The timetable set by Government is unhelpful in this respect. We therefore propose to submit a disapplication request 'in any case' - it could then be confirmed to the Department for Education following the Schools Forum meeting on 6th December whether (i) there is an objection from schools or not, (ii) the Local Authority wishes to withdraw the disapplication request.

3. Options for Consultation

3.1. Following discussion with Schools Forum on 19 October it was agreed that the Local Authority consult on the 3 options as described below. Each option has the following characteristics:

- the minimum thresholds advised by Government in terms of per pupil funding for primary and secondary schools are met (see para 1.3).
- Allows for the growth funding agreed by Schools Forum as described above
- Allows for a 0.5% contribution from the schools block to support the high needs block given the pressures in that part of the DSG budget.
- Each options sets the Minimum Funding Guarantee at -1.5%.

3.2. For each option individual allocations have been calculated so that schools can understand the impact on their individual schools and are set out in Appendix A to this document. Schools should note the following when reviewing this information:

- The figures provided are indicative only they are NOT actual allocations for next year. The calculations are based on 2017/18 numbers on roll figures - these will change for the 2018/19 financial year.
- The figures in Appendix A are provided so that schools can understand what the likely implications are between the options for individual schools - aggregated analysis has already been provided to schools as part of the schools forum papers circulated prior to the [19 October Schools Forum](#) meeting (see appendix C of those papers).
- Pupils in SEN bases are included in the NOR and budget calculations for those schools that have bases (this is a change to previous years)
- The indicative total schools block for 2018/19 is £144.5m (based on 2017/19 numbers on roll) however the options do not allocate the same amount of funding - for example option 1 distributes £141.2m whereas option 2 distributes £143.6m. This needs to be taken into account when comparing options.
- In September this year the Government published school level data which showed “notional” budgets for each school. This has led some schools to believe that this is what their budget will be next year. It is not. The notional budgets give a *sense* of how the aggregated schools block budget for each local authority has been calculated but the notional allocations do not include allowances for growth, do not include any allocation for high needs, do not include premises factors for academies and it calculates EAL

contributions differently. Schools should not therefore compare (like for like) what their notional allocations are against each of the options identified in Appendix A.

Option 1: Fund schools according to the existing local formula in 2018/19.

- 3.3. This option preserves the status quo. It gives schools which will lose money through the NFF longer to prepare but also denies schools that gain any benefit for up to two years. Of all options, this option distributes the highest amount of money through the basic entitlement factor, distributes the least through the deprivation/prior attainment factors, distributes little through the MFG factor and leaves a substantial residual budget which would be available for growth high needs or reserves (see below). Technically, it does not quite achieve the minimum funding criteria of £4,600 per pupil for every secondary school - one Grammar school would still be below the threshold but only by a very small amount and this could be easily resolved through the use of the 'minimum funding factor' (a factor that guarantees secondary schools the £4,600 per pupil). Under this option further funding could be provided to schools given that it leaves £3.2m residually for SEN and Growth and therefore to some extent this option and the 'gains and 'losses' of alternative options should be considered in this context. A final point on this option would be that it would be possible in year two to set the minimum funding factor for secondary schools to £4.8k whilst sticking with the local formula.

Option 2: Introduce the NFF in 2018/19 but reduce the FSM6 deprivation factor by 50% and reduce Lump sum to £100k

- 3.4. This option moves us as near as we can get to the full NFF, within our overall budget limit. It seeks to mitigate the amount of funding redistributed through FSM6 by halving this factor (a factor we don't currently use) and reducing lump sum from £120k to £100k (what it is currently). This increases funding distributed through deprivation factors against the Local formula but reduces funding through the basic entitlement. All schools would receive the minimum funding per pupil as set by Government but there would be residual funding of about £1m leaving some funding for growth and SEN. However this option takes a significant amount of money out of primary schools serving the most deprived pupils (£642k) which is not in keeping with the weightings set out in the NFF.

Option 3: Introduce the NFF in 2018/19 but ‘cap and scale’ gains made by schools and reduce basic entitlement of secondary schools

- 3.5. This option is an attempt to get as close to the NFF as possible but uses ‘capping and scaling’ to ensure that the overall allocation of funding is affordable and leaves sufficient funding for growth and SEN. Capping and scaling is explained in the presentation circulated to schools on 20th October with more information provided in the operational guidance referred to in paragraph 1.3.
- 3.6. The government will permit local authorities to cap and scale gaining schools, so long as the amounts ‘saved’ do not exceed the total Minimum Funding Guarantee provided to cushion the losses of losing schools.
- 3.7. This option seeks to create additional funding by reducing the basic entitlement of secondary schools from the standard NFF rates (by -£100 per pupil) and then capping gains at 3% with a scaling factor of 97%) to make the overall allocation affordable. The argument for reducing the basic entitlement for secondary schools only is that overall secondary schools still gain through this option given that it remains closely aligned to the NFF. This would be one way of managing the transition through to the ‘hard’ NFF that passes gains to the secondary sector but limits losses to primary schools. This option allocates a total of £142.883m and leaves £1.587m for residual funding on growth/SEN and contingency. All schools would receive the minimum funding per pupil as set by Government. It would distribute an additional £1.895m to the secondary sector (in line with the intentions of the NFF), provides an average increase of £134k per secondary school but limiting the greatest gain to any one school to £198k. Under this option, Primary schools lose £214k on aggregate and it generally has the effect of limiting gains for some primary schools too.
- 3.8. Of all the options considered above, the Local Authority is of the view that this is the preferred option in terms of getting close to the NFF but in an affordable way, protecting primary schools through the MFG, delivering the Government’s desire for an increase in funding for secondary schools, meeting minimum thresholds whilst also retaining some residual funding for growth and SEN.

4. Making your views known

- 4.1. Technically we are only seeking views on funding arrangements for 2018/19 at this stage. However, officers are generally of the view that any arrangements in 2018/19 and then 2019/20 should represent a graduated transition towards the 'pure' NFF (whether that is a quicker or slower transition). In other words, it would be very unlikely for the LA to propose an option in 2019/20 that moves the local formula further way from the NFF than the option that was agreed in 2018/19. This should therefore be considered when making your response.
- 4.2. It is recognised that this is complicated subject matter however it is important that the Local Authority understands what the views of schools are before a decision is taken in December. The expected timeline for a decision is set out below:

Date	Activity
September/October 2017	Production of indicative Schools block budgets based on variations on the National Funding Formula (NFF) - as agreed at Formula Review Group (FRG) September 2017
19 October 2017	Schools Forum - to agree options for consultation on Schools block
30 Oct - 17 November 2017	Consultation with all local maintained schools and academies on Schools block
6 December 2017	Schools Forum - to agree local formula factors for 2018-19
14 December 2017	CFE Committee - to ratify local formula factors for 2018-19
Mid-December	DfE/ESFA publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment).
19 January 2018	Deadline for LA to submit formula factors to Government for 2018 to 2019
28 February 2018	Deadline for confirmation of schools budget shares to mainstream maintained schools.

- 4.3. A consultation response form has been set up online and can be accessed via the Council's consultation hub.

<https://sutton.citizenspace.com/children-young-people-and-learning-services/national-funding-formula-consultation-2018-19>

- 4.4. It is expected that all schools will be able to respond online however if you would like to request a paper copy of the consultation form please contact olivia.mckenna@sutton.gov.uk
- 4.5. We have sought to keep the consultation response form as simple as possible but to leave adequate space for detailed and open ended responses given the complexity of the issues.
- 4.6. The consultation will run for three weeks to **17 November 2017** - **please ensure all responses are received within this timeframe**. Please also refer to the Schools Forum papers already circulated when considering your response and get in touch with your Schools Forum representative in the first instance should you have any questions about this consultation.