

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

Date:	31 Jan 2017	AGENDA ITEM:	6
Title:	Outcome of DFE Second Consultation on National Funding Formula		
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1 SUMMARY

- 1.1 This paper outlines the DFE proposals for a national funding formula for schools, high needs and central block. The impact on RBWM schools and central DSG is highlighted and there are suggestions on how the Council and Schools Forum may wish to respond to the consultation.

2 RECOMMENDATIONS

Schools Forum is asked to note

- 2.1 The DFE Proposals on School Funding
- 2.2 The DFE proposals on High Needs Funding
- 2.3 The DFE proposals Central Schools Services Funding

Schools Forum is asked to approve:-

- i) A process for responding to the consultation.

3 INTRODUCTION

- 3.1 The DFE launched the consultation on funding reform (schools and high needs) in March 2016. The original intention was for the results to be published in early autumn and implementation in April 2017. As members are aware the implementation has now slipped to April 2018.
- 3.2 The consultation covers all aspects of DSG excluding early years. That is schools block, high needs and central block. Each of these blocks is covered in separate sections.
- 3.3 These proposals are under consultation and a separate section explains a process of how we may engage in responding to the consultation. Whilst this report discusses three blocks, there are only two consultations, schools and high needs. The central schools services block is included within the schools block consultation. **The deadline for responses to the consultation is 22nd March 2017.**

4 SCHOOLS BLOCK

- 4.1 The immediate concern is how individual schools within RBWM fare under these proposals. A summary of the impact on RBWM schools is given in annex 1. A summary of the implications is given below :-

2018-19 With Transitional Protection

- Primaries net loss = £68k
- Secondaries and middle schools net gain = £361k.
- All schools net gain = £293k

2019-20 Without any Transitional Protection

primaries net loss = £138k
secondaries and middle schools net gain = £349k
All schools net gain = £211k.

- 4.2 Individual schools will have their own opinions and responses to the consultation. The purpose of this report is to set out general themes which may assist in the Council's, Forum and School's responses to the consultation. IE This is about the impact on the size of the RBWM schools block, rather than examining the impact on individual schools.
- 4.3 It is important to recognise that these changes are after the additional £2.5m that was distributed in 2015-16. This £2.5m was an initial step towards a national funding formula and should be taken into account when considering the impact this has had on RBWM schools. The £2.5m meant an additional 3% (appx) for schools at the time. This in effect means that all schools have gained by between 0.6% and 7%.
- 4.4 A summary of the proposals for individual factors is shown in annex 2. The major change, is that schools nationally currently allocate 76.6% via basic entitlement and the DFE proposal is that only 72.4% is distributed via this factor. This is a major movement and is unfavourable towards RBWM schools. RBWM for 2017-18 (formula proposal) allocates 77.9% via this factor.
- 4.5 The DFE document argues that some local authorities do not use the deprivation factors to a large extent because derivation is evenly spread across their schools. This is the basis for the argument to increase deprivation funding nationally. The document makes no reference to the narrowing of the attainment gap and exactly why this additional investment in deprivation is required. Pupil Premium Grant arrangements will remain unchanged and £2.4bn is distributed via this grant. This is not in-significant, representing 7.5% of the national funding pot. Other general observations regarding the formulae are given below:-
- A general theme within the document is that it is about re - distributing funds rather than a critical examination of what a school needs to operate. It could be argued that a starting point should be what a typical primary and a typical secondary school needs to operate at a basic level. Additional needs and circumstances could be added on to that. IE a needs led approach, rather than a redistribution.
 - The next major change is that schools currently allocate 4.3% of funding via low attainment and the proposal is to increase this to 7.5%. This is probably a favourable movement as RBWM currently allocates 6.3% via this factor. The rationale behind this movement is that it targets funds to individual pupils with additional educational needs.
 - The DFE proposal is to set the lump sum at £110,000. In RBWM the figures are primary £124k and secondary £125k. The immediate concern maybe is that this is a reduction. That is not necessarily the situation. Schools may gain by having a smaller lump sum and more money in basic entitlement. It depends entirely on the size of the school and therefore schools will have differing opinions on this. National distribution and local

formulae can be confused. The current lump sum, is a local decision, there is no recognition of lump sums in the current national distribution system. This is a new factor as far as national distributions are concerned. The largest **overall** gainers under the schools block proposals are small rural schools, typically +20%. 726 schools gain by 10% or more and only approximately 50 of these are in non rural areas. It could be argued that having this factor discourages school mergers and therefore efficiencies.

- There has been strong pressure from the f40 group to have a national sparsity factor. The new formula allows for this but only distributes 0.1% (£27m) via this factor. Given that small rural schools benefit from the lump sum (see 4.6 above), the validity of a sparsity factor is questionable. The sparsity factor is also over complex given the amount of money it distributes.
- The primary secondary ratio is 1:1.29 nationally and the proposal is to maintain this at the current rate. In RBWM the rate is 1:1.26, which is why secondary schools favour better than primaries do. The document states “a recent review of the existing evidence on the impact of investment across phases (Gibbons and McNally, 2013) found that the impact of additional spend is similar across the country and that there is no strong case to make significant change to the current balance between the phases”
- The formula allows for an overall floor of -3%, which means no school will lose by more than 3%, when this formula is introduced in full. It could be argued that this is not a complete formula review because much of the previous formula funding is within the base. RBWM schools do not benefit from this because no RBWM school loses by the maximum 3%. Removing this floor and investing more into basic entitlement, would therefore benefit RBWM schools. (It is suggested that the capping arrangements are costing £200m) The MFG at -1.5% will remain.
- Schools gains are capped at 3% per pupil in 2018-19 and a further 2.5% in 2019-20. This does not impact on RBWM schools over the two year period, since no schools receives gains of more than 5.5%.
- The losses and gains arrangements only apply up until 2019-20. The arrangements beyond that are unclear. Schools are continually encouraged to set three year plans etc. but the DFE are only guaranteeing funding for 2 years.

4.5 The above observations are high level. This report cannot possibly cover all the details within the DFE document.

5 HIGH NEEDS BLOCK

5.1 The major change is that the high needs block allocations will be made to local authorities via a national formula rather than historical spend. It is proposed to use “proxy” data such as deprivation rather than factors which reflect actual spend (e.g. EHCP’s). The reason for this is that the number of EHCP for example, would give perverse incentives to issue more plans. The broad formula factors are outlined in the table within 5.3 below.

5.2 The important headline is that no local authority will lose funding when the new high needs block formula is introduced. What is not clear is the point at which local authorities will begin to lose funding, which is either 2019-20 or 2020-21. This is significant for RBWM

because the funding floor protection is £2.3m. IE If the funding floor is to disappear in 2019-20, then the HNB allocation for that year would be £2.3m lower. This is unlikely to happen because there will no doubt be transitional arrangements which would phase such a reduction over 4 or 5 years.

5.3 A loss of £2.3m funding within the HNB is disappointing given the pressures that exist within that block. However from the overall picture on the DSG as shown in 7 below, it would appear that DFE are effectively reversing the movements between the schools and high needs block that have been previously agreed and reported.

5.4 The proposals around applying the formula for the high needs block are complex, whilst the totals allocated via each factor appear over simplistic. The details around how the calculations will operate could be covered in the consultation process. A brief outline of the formula and the %ages proposed to be allocated via these factors are given below:-

		%age To Be Allocated
Population		50%
Derivation Factors	Free School Meals	10%
	IDACI	10%
Prior Attainment	Key Stage 2	7.5%
	Key Stage 4	7.5%
Health and Disability	Bad Health	7.5%
	Disability	7.5%

5.5 A brief summary of early observations surrounding the proposed allocations are given below:-

- The initial comment, is that the percentages used are over simplistic and do not reflect the percentages used within the schools block.
- The population is 0 to 18 but the high needs block supports young people up to the age of 25. It may however be difficult to obtain census information for people aged up to 25. If more than 50% was allocated via this factor, it would favour RBWM.
- The schools block puts more emphasis on free school meals than IDACI. (Approx. 1:1.24) A greater weighting to FSM would favour RBWM.
- The schools block gives a greater emphasis to prior attainment than the high needs proposals do. If prior attainment were to increase, at the expense of deprivation, it would favour RBWM.
- The information used to collect information on bad health is “ The number of children aged 0 to 16 in bad or very bad health who were resident in the local authority area, as

reported by parents in the 2011 general population census”. This would not appear to be a robust source of data for the distribution of funds.

- 5.6 The formula projections are based on current numbers and future data sets (e.g. movement in population) will change future allocations. The high needs block has not increased in line with pupil numbers over recent years and this situation is not likely to change. The document does state that the overall funding envelope for high needs will be the major factor in future allocations. Population in a local authority could therefore increase but the attached funding decrease, if the national pot remains static. E.g. If the national population increases by 0.05% and an authority population increases by 0.025% then that authority will suffer a loss, if the national pot for population remains static.
- 5.7 The overriding concern is that there is a risk the HNB allocation could reduce by approximately £2.3m over the next 5-6 years. This has to be built into the DSG strategy, referred to in agenda item 1 of this forum. The formula allocations will become clearer in the summer. At that point high needs block allocations need to be projected as accurately as is possible, over the next few years. These projections need to be built into the DSG strategy.

6 Central School Services Block

- 6.1 The DFE propose a fourth DSG Block from April 2018 entitled “central school services block” (cssb) which will be a combination of the current schools block central spend and the ESG retained duties. The central schools services block is relatively small (£1.1m) but the proposals around allocation and spend are complex.
- 6.2 It is intended to introduce a formula (see 6.6 below) which allocate funds for cssb in future which will be based upon historical data, pupil numbers and deprivation. The headline figure is that this formula would lead to a reduction in funding of £290k, which is significant given the current allocation is only £1.1m. The proposals for transitional arrangements is that losses are limited to 2.5% in 2018-19 and 2019-20.
- 6.3 The current schools block central spend is summarised in the following table:-

S251 Line			Amount £k	Amount £k
1.4.1	Contribution to Combined Budgets	Early Help Social Work	104	
		Educational Psychology	104	
		Other Combined Budgets	60	
	Sub Total 1.4.1			268
1.4.2.	School Admissions			277
1.4.3	Servicing Schools Forum			46
1.4.8.	Fees to Indep Schools without SEN			110
1.4.13	Other Items	Licences and SIMS	98	
		Contributions to Properties	69	
				167
	Grand Total			868

- 6.4 The ESG retained element of £315k was covered in detail at Octobers Forum and a summary of the spend is repeated below:-

	£k
Education Welfare services	83
Capital planning	86
Statutory and regulatory duties	146
Total	315

- 6.5 It is likely that any future reduction in cssb allocations will have to be met by savings in the budget lines shown in 6.3. This may well be possible but there will not be an opportunity to use cssb resources to fund high needs pressures. (This will be the case with some local authorities).
- 6.6 The total current resources within cssb are £1.183m which is the £868k in 6.3 plus the ESG of £315k. This figure is based upon historical spend and as with high needs, the DFE want to move to a national formula for re-distribution. The proposal is that historic commitments continue to be funded via historical spend and the remaining funding (on-going responsibilities) be distributed 90% pupil numbers and 10% deprivation.
- 6.7 Historic commitments for RBWM are £268k, which directly relate to line 1.4.1, shown in the table within 6.3 above. Other local authorities will include spend on termination of employment costs, capital expenditure funded from revenue, prudential borrowing, exceptions agreed by the Secretary of State, and other specific grants. RBWM does not have spend in these areas and therefore the total spend for RBWM is relatively low compared to other lea's. The proposal to protect this funding on historical spend does not therefore favour RBWM. (see 6.8 below.)
- 6.8 RBWM budget on historical spend is 0.09% of the national budget, whilst RBWM schools population is 0.26% of the total population. It would therefore be beneficial for RBWM if these funds were distributed according to pupil numbers. Basing discretionary spend of this nature, according to historical spend is a disincentive to save money and/or use resources within the other blocks. Also, many LA's use this spend for invest to save initiatives. Prudential borrowing, is by definition, invest to save. It would therefore appear that local authorities will be protected on their spend, whilst also benefiting from their corresponding savings elsewhere within the DSG.
- 6.9 The remaining £915k, (£1.183m - £268k) will be allocated 90% according to pupils and 10% on deprivation. RBWM spending share on on-going commitments is 0.38%, which is higher than the pupil proportion of 0.26%. Therefore allocating funding on the basis of population, will obviously have an adverse impact on RBWM. To some extent this is a penalty for being a small local authority. Take for example the admissions service. Larger local authorities should spend less per pupil on admissions because they have the benefit of economies of scale. It could therefore be argued that the formula should include a lump sum (say £250k) for every local authority and then allocate the remainder on pupil numbers and deprivation.

7 Overall Impact on DSG

- 7.1 Each funding reform has the objective of being more clear and transparent. In 2013-14 there was one overall DSG and from April 2019 there will be four blocks, each with their own set of associated regulations. Dividing the DSG up into blocks means forum members will easily lose sight of the overall impact these reforms are having. The table below attempts to bring together all the formula changes in the DSG. It ignores the impact of transitional arrangements, ie assumes the formulae are introduced in full in the first year. For early years it ignores the impact of the additional 15 hours.

This is illustrative only - if formulae fully implemented

Note		£k
1	Increase in School Block Funding 2015-16	2,500
2	Net Gain in Schools Block	211
3	Gain in Early Years Block	1,136
4	Loss in High needs Block	- 2,297
5	Loss in Central Schools Services Block	-290
	Net Gains	1,260

Notes

1. Schools were allocated an additional £2.5m in 2015-16 as a move towards a national funding formula. Therefore this has to be included.
2. This net gain is in addition to 1.
3. This is 3 and 4 year olds, new formula distribution, including nursery schools protection. It ignores the impact of the additional 15 hours.
4. This would be the figure if the overall protection was removed. The allocations beyond 2018-19 are unclear.
5. Similar to 4. The allocations beyond 2019-20 are unclear.

7.2 The general conclusion is that DFE have moved money between schools block and high needs whilst there is real growth in early years.

8 Consultation Process

8.1 It is suggested that the consultation process adapted in stage 1 is repeated for stage 2. That would involve having an informal meeting of forum members and explaining the Council's draft response to the consultation. Forum members can then formulate their own response.

				ANNEX 1	
	2016-17	Full Impact	Change	2018-19	Change
	Budget	Formula			
	£'000	£'000	%age	£'000	%age
Braywick Court School	Expanding school - no data provided				
Oldfield Primary School	1,181	1,229	4.1%	1,213	2.7%
Furze Platt Junior School	1,225	1,258	2.7%	1,258	2.7%
St Francis Catholic Primary School, South Ascot	765	783	2.4%	783	2.4%
Oakfield First School	1,125	1,151	2.3%	1,151	2.3%
Alwyn Infant School	1,140	1,164	2.1%	1,164	2.1%
Wraysbury Primary School	1,415	1,437	1.6%	1,437	1.6%
Furze Platt Infant School	1,016	1,028	1.2%	1,028	1.2%
Homer First School and Nursery	819	827	1.0%	827	1.0%
St Edward's Catholic First School	982	992	1.0%	992	1.0%
Trinity St Stephen CofE Aided First School	601	605	0.7%	605	0.7%
Clewer Green CofE First School	1,076	1,078	0.2%	1,078	0.2%
South Ascot Village Primary School	834	835	0.1%	835	0.1%
All Saints CofE Junior School	1,122	1,124	0.2%	1,124	0.2%
The Queen Anne Royal Free CofE Controlled First School	610	611	0.2%	611	0.2%
Riverside Primary School and Nursery	1,097	1,096	-0.1%	1,096	-0.1%
Eton Wick CofE First School	605	605	0.0%	605	0.0%
Woodlands Park Primary School	660	658	-0.3%	658	-0.3%
Cookham Rise Primary School	816	811	-0.6%	811	-0.6%
Holy Trinity CofE Primary School, Cookham	782	777	-0.6%	777	-0.6%
St Mary's Catholic Primary School, Maidenhead	1,144	1,136	-0.7%	1,136	-0.7%
Waltham St Lawrence Primary School	485	481	-0.8%	481	-0.8%
Lowbrook Academy	1,037	1,029	-0.8%	1,029	-0.8%
King's Court First School	802	795	-0.9%	795	-0.9%
Bisham CofE Primary School	263	261	-0.8%	261	-0.8%
Cheapside CofE Primary School	469	464	-1.1%	464	-1.1%
Larchfield Primary and Nursery School	847	839	-0.9%	839	-0.9%
Braywood CofE First School	574	568	-1.0%	568	-1.0%
Boyne Hill CofE Infant and Nursery School	766	758	-1.0%	758	-1.0%
St Michael's CofE Primary School, Sunninghill	796	786	-1.3%	786	-1.3%
Eton Porny CofE First School	518	511	-1.4%	512	-1.2%
Holy Trinity CofE Primary School, Sunningdale	857	844	-1.5%	846	-1.3%
St Edmund Campion Catholic Primary School, Maidenhead	1,415	1,393	-1.6%	1,395	-1.4%
Hilltop First School	883	869	-1.6%	872	-1.2%
White Waltham CofE Academy	767	755	-1.6%	757	-1.3%

	ANNEX 1					
	2016-17	Full Impact	Change		2018-19	Change
	Budget	Formula				
	£'000	£'000	%age	£'000	£'000	%age
Wessex Primary School	1584	1557	-1.7%	-27	1563	-1.3%
Courthouse Junior School	1493	1466	-1.8%	-27	1473	-1.3%
Holyport CofE Primary School	1331	1306	-1.9%	-25	1313	-1.4%
Cookham Dean CofE Primary S	683	669	-2.0%	-14	674	-1.3%
Burchetts Green CofE Infants'	379	371	-2.1%	-8	375	-1.1%
Dedworth Green First School	727	711	-2.2%	-16	718	-1.2%
The Royal First School	445	435	-2.2%	-10	440	-1.1%
Alexander First School	552	540	-2.2%	-12	546	-1.1%
Knowl Hill Church of England F	476	465	-2.3%	-11	471	-1.1%
Datchet St Mary's CofE Primary	965	942	-2.4%	-23	952	-1.3%
St Luke's CofE Primary School	1157	1128	-2.5%	-29	1141	-1.4%
Primary	39286	39148	-0.4%	-138	39218	-0.2%
Churchmead Church of Englan	2344	2410	2.8%	66	2410	2.8%
Charters School	5693	5804	1.9%	111	5804	1.9%
Furze Platt Senior School	4594	4675	1.8%	81	4675	1.8%
Newlands Girls' School	4251	4324	1.7%	73	4324	1.7%
Altwood CofE Secondary Schoo	2912	2959	1.6%	47	2959	1.6%
Windsor Girls' School	2702	2743	1.5%	41	2743	1.5%
The Windsor Boys' School	3246	3274	0.9%	28	3274	0.9%
Cox Green School	3699	3695	-0.1%	-4	3695	-0.1%
Dedworth Middle School	2089	2084	-0.2%	-5	2084	-0.2%
Desborough College	2432	2413	-0.8%	-19	2413	-0.8%
Trevelyan Middle School	1889	1869	-1.1%	-20	1869	-1.1%
St Peter's Church of England M	1004	983	-2.1%	-21	991	-1.3%
St Edward's Royal Free Ecumen	1838	1809	-1.6%	-29	1813	-1.4%
Holyport College	Expanding school - no data provided					
Secondary	38693	39042	0.9%	349	39054	0.9%
	77979	78190	0.3%	211	78272	0.4%
Primary Schools are set to lose 0.4%, 0.2% in the first year. Primary schools losses range from -2.5% to gains of 4%						
Secondary Schools are set to gain by 0.9%. Secondaries range is -1.6% to +2.8%						

THE DFE FUNDING PROPOSALS FOR 2018-19 COMPARED TO CURRENT FORMULAE

Annex 2

Factor	A DFE NATIONAL FUNDING FORMULA PROPOSAL					B 2016-17 NATIONAL SPEND		C RBWM FORMULA PROPOSAL 2017-18			
	Weighting	Amounts £m	Values			Weighting	Amounts £m	Weighting	Amounts £m	Primary	Secondary
			Primary	Secondary							
Basic Entitlement	72.4%	23,255	£2,712	KS3 KS4	£3,797 £4,312	76.6%	24,369	77.9%	63	£2,880	£3,950 £4,502
Deprivation											
Ever 6 FSM	5.4%	1,746	£540		£785	) 4.5%	1,432	2.2%	2	£697	£605
Current FSM	)		£980		£1,225)					
IDACI A	)		£575		£810	)				£776	£909
IDACI B	)		£420		£600	)				£776	£909
IDACI C	)		£360		£515	)				£776	£909
IDACI D	3.9%	1,239	£360		£515	) 3.1%	992	1.2%	1	£776	£909
IDACI E	)		£240		£390	)				£518	£606
IDACI F	)		£200		£290	)				£466	£466
Low Prior Attainment	7.5%	2,394	£1,050		£1,550	4.3%	1,367	6.3%	5	£1,951	£1,655
EAL	1.2%	388	£515		£1,385	0.9%	282	1.2%	1	£323	£988
Sparsity	0.1%	27	0- £25,000		£0- 65,000		15			n/a	n/a
Mobility	0.1%	23	n/a		n/a	0.1%	23			n/a	n/a
Lump Sum	7.1%	2,263	£110,000		£110,000	8.2%	2,610	8.8%	7	£123,738	£125,155
Premises Factors	1.8%	569	n/a		n/a	1.8%	567	1.2%	1		
Growth Fund	0.5%	167	n/a		n/a	0.5%	174	1.2%	1	£500,000	
Totals	100.0%	32,071				100.0%	31,831	100.0%	81		