

EDUCATION SCRUTINY – 13 MARCH 2017

Response to DfE consultation on Schools and High Needs National Funding Formula

Report by the Director for Children, Education and Families

Introduction

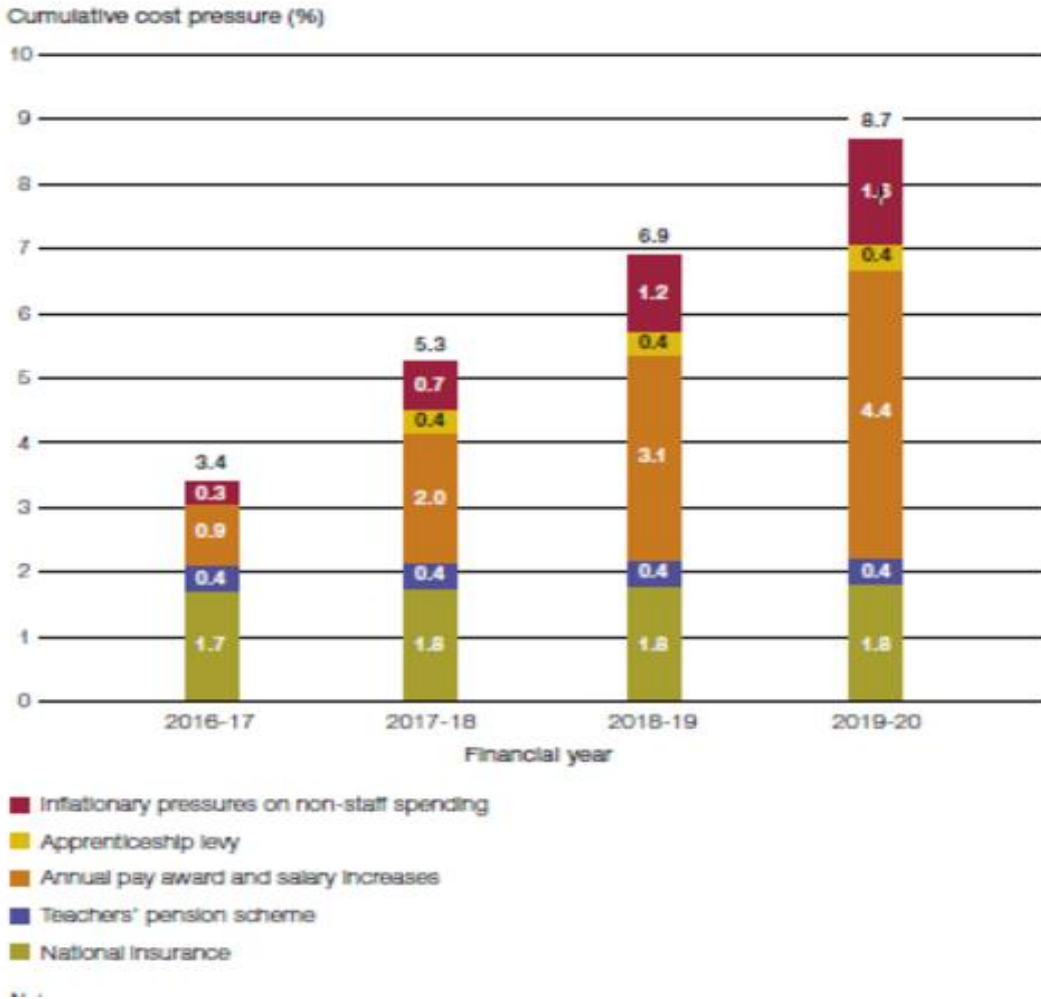
1. On 14 December 2016, The Department for Education (DfE) released Stage 2 of the School National Funding Formula (NFF) consultation which closes on 22 March 2017. This is in addition to publishing its response to Stage 1 of the consultations. The DfE expects to publish the response to the Stage 2 consultation and final arrangements in summer 2017.
2. Alongside the Schools National Funding Formula, the DfE has released Stage 2 of the High Needs National Funding Formula. This follows the same timeline as the Schools NFF.
3. This paper outlines the implications of the new formula for Oxfordshire and suggests a response to consultation.

Funding for Schools: overview

4. In the National press, the National Funding Formula discussion is being mixed up with the issue of whether Schools are funded at a sufficient level. Although the Funding Formula seeks to redistribute a fixed pot of money between Schools, it is difficult to respond to redistribution without commenting on whether the “pot” is sufficient.
5. The DfE estimates that mainstream schools will have to find savings of £3.0 billion to counteract cumulative cost pressures by 2019-20 or 8% savings.
6. The pressures facing schools are summarised in the DfE table overleaf.

Cumulative cost pressures facing schools, 2016-17 to 2019-20

The Department estimates cumulative cost pressures on schools of 3.4% in 2016-17, rising to 8.7% by 2019-20



7. **School National Funding Formula: Key points**

The DfE’s target is that the new scheme would be implemented in 2018-19 via Local Authorities local formula. Full implementation of the Schools National Funding Formula, with funding directly allocated to schools by the EFA/DfE, will commence in 2019-20.

To provide stability, no school will receive an overall reduction of more than 3% per pupil as a result of the National Funding Formula and the minimum funding guarantee (MFG) of -1.5% per pupil year on year will continue.

The pupil premium, pupil premium plus, and service premium will continue to operate through the separate allocations.

The DfE has confirmed that the Dedicated Schools Grant will be split into four blocks:

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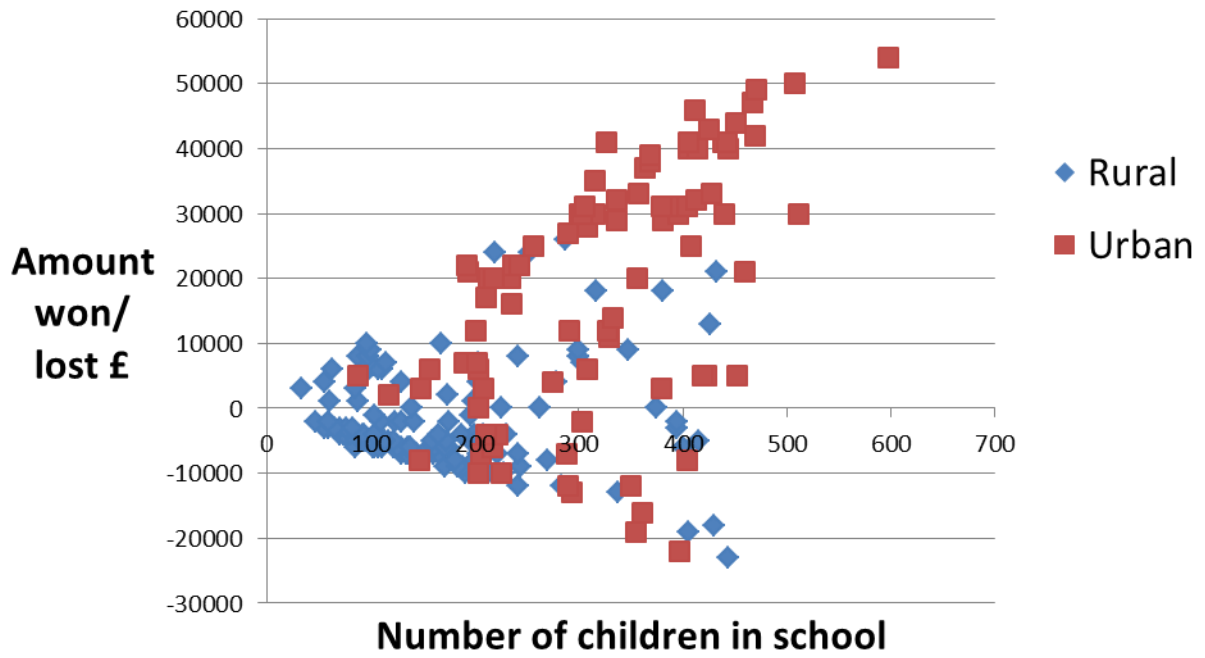
- a) Early Years (this has already been consulted on - the first allocations have been released for 2017-18)
- b) Schools National Funding Formula
- c) Central School Services Block (Taking historic LA commitments and the former ESG Retained Rate element – this has been renamed from Stage One for clarity)
- d) High Needs National Funding Formula

Impact on Oxfordshire

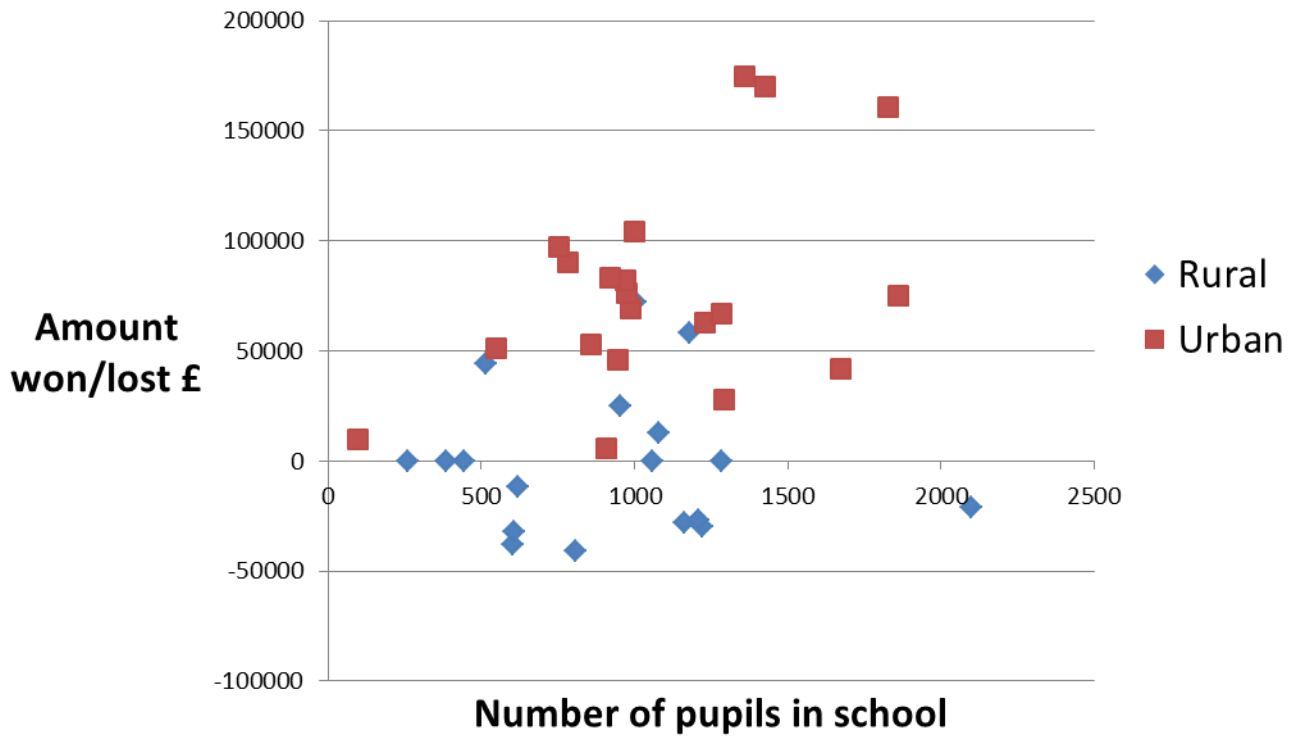
- 8. The factors proposed for the Schools NFF and those proposed for the High Needs NFF have been confirmed. The DfE has published full details of the impact of the proposed formulae as part of the consultation.
- 9. The indicative figures in the current consultation show Oxfordshire as a whole gaining around £2.9 million in the first year of the new formula (about £30 per pupil) rising to £3.95 million in 2019-20 (about £45 per pupil). Whilst an overall increase of 1.5% is welcome it only goes a small way towards addressing the gap between the most and least generously funded local authorities.
- 10. Whilst the proposed formula will reallocate funding towards Oxfordshire and other of the lowest funded Local Authorities, it has the unexpected, and unintended consequence, of some schools in the lowest (under) funded Local Authorities actually losing money. So in Oxfordshire there will be 133 'winners' and 130 'losers', with a maximum gain of £175,000 and a maximum loss of £41,000 per year. Of the 'losers' the overwhelming majority are small and rural schools, the very ones least able to absorb even the smallest of cuts in funding.
- 11. The impact of the current proposals can be seen in the following graphs.

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Graph 1: Primary School Gains & Losses: Rural & Urban



Graph 2: Secondary School Gains & Losses: Rural & Urban



12. The factors used to construct the National Funding Formula and the weightings given to each factor cause the loss to schools.

The main reasons for this are:

- A smaller basic per pupil allocation;
- A triple weighting for 'deprivation' (Free School Meals + Ever, in the past six years, FSM + IDACI, the Income Deprivation Affecting Children Index);
- A higher weighting for low prior attainment upon entry to school (which tends to be linked with deprivation); and
- A smaller lump sum for all schools.

The last point above means that a school will have reduced funding unless there are sufficient gains from the other factors to offset the lump sum loss.

13. Oxfordshire is a member of the f40 group that represents a group of the lowest funded education authorities in England, where government-set cash allocations for primary and secondary pupils are the lowest in the country. In its response to the consultation, Oxfordshire proposes to agree the 4 main points of the f40 response, that is:
- The weakness of evidence used to support the proposals.
 - The proportion of weighting given to additional needs rather than basic entitlement.
 - The 3% funding floor, which 'locks in' historical differences.
 - The amount invested in education funding and the cost pressures facing all schools.

High Needs Funding Formula

14. The High Needs Funding Formula protects all local authorities with a funding floor, so that no authority loses. There is a small increase for Oxfordshire of £1.138m (2.3%).
15. Oxfordshire currently has an overspend against the High Needs block of £1.8m. The increased funding is therefore insufficient to meet current demand and there is no indication of any growth funding to meet increasing need. In addition, the Funding Formula allocates 50% on historic spend which therefore locks in inequities between Local Authorities.
16. The DfE has funded all LAs to prepare and implement strategic plans for High Needs as well as providing "Capital funding to support the expansion of special provision in schools (including mainstream schools) and other institutions, and progress a new route for more special schools to be established through the free schools programme". Oxfordshire has received £287,494 to undertake a strategic review of High Needs provision

OCC draft responses to consultation

17. Draft responses to the consultation questions are attached at Annex A and Annex B (both annexes to follow).
18. Education Scrutiny is asked to consider the responses and amend as appropriate.
19. Any comments will be forwarded to Informal Cabinet on March 14 before submission by the deadline on March 22nd.

Financial and Staff Implications

20. The headline financial implications are outlined in the report. The detailed financial implications will only be known once the DfE responds to the consultation.

Equalities Implications

21. The changes that are proposed are being introduced nationally for all Local Authorities. Where the Local Authority continues to have discretion in the funding decisions made, it will continue to give priority to the needs of vulnerable pupils and the Council's aims of raising attainment, narrowing the attainment gap and safeguarding children.

RECOMMENDATION

22. **Education Scrutiny Committee is asked to comment on the Oxfordshire response to the Consultations.**

LUCY BUTLER

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Annex A: Schools National Funding Formula: OCC Draft Response (to follow)

Annex B: High Needs National Funding Formula: OCC Draft Response (to follow)

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