

**Open Report on behalf of Debbie Barnes
Executive Director of Children's Services**

Report to:	Children and Young People Scrutiny Committee
Date:	1 December 2017
Subject:	National Funding Formula for Mainstream Schools

Summary:

This item invites the Children and Young People Scrutiny Committee to consider a report entitled *National Funding Formula for Mainstream Schools* which is due to be considered by the Executive Councillor for Adult Care, Health and Children's Services for decision on 10 January 2018. The views of the Scrutiny Committee will be reported to the Executive Councillor, as part of her consideration of this item.

Actions Required:

- (1) To consider the attached report (Appendix 1) and to determine whether the Committee supports the recommendations to the Executive Councillor set out in the report.
- (2) To agree any additional comments to be passed to the Executive Councillor in relation to the report.

1. Background

The Executive Councillor for Adult Care, Health and Children's Services is due to consider a report entitled *National Funding Formula for Mainstream Schools* for decision on 12 January 2018. The full report to the Executive Councillor is attached at Appendix 1 to this report.

2. Conclusion

Following consideration of the attached report, the Committee is requested to consider whether it supports the recommendations in the report and whether it wishes to make any additional comments to the Executive Councillor. The Committee's views will be reported to the Executive Councillor.

3. Consultation

The Children and Young People Scrutiny Committee is being consulted prior to a proposed decision by the Executive Councillor for Adult Care, Health and Children's Services on *National Funding Formula for Mainstream Schools*.

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Report to Councillor Mrs P A Bradwell, Executive Councillor for Adult Care, Health and Children's Services (10 January 2018) on National Funding Formula for Mainstream Schools

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Mark Popplewell, who can be contacted on 01522 553325 or Mark.Popplewell@lincolnshire.gov.uk

**Open Report on behalf of Debbie Barnes
Executive Director of Children's Services**

Report to:	Cllr Mrs P A Bradwell, Executive Councillor for Adult Care, Health and Children's Services
Date:	10 January 2018
Subject:	National Funding Formula for mainstream schools
Decision Reference:	I014788
Key decision?	Yes

Summary:

The purpose of this report is to seek approval from the Executive Councillor for the Local Authority's funding formula proposals for 2018/19 and direction of travel following the government's implementation of a national funding formula for schools in 2018/19 and 2019/20.

The outcomes of the Local Authority's consultation with mainstream schools (see Appendix A) have been considered, and the Local Authority is now in a position to present its latest proposals for schools funding in 2018/19, for Executive Councillor approval.

Recommendation(s):

That the Executive Councillor:

1. approves the Local Authority's funding formula proposals for 2018/19 set out in Appendix A; and
2. approves the direction of travel of replicating the government's national funding formula to ensure schools' allocations are on a sensible trajectory towards the move to the 'hard' formula from 2020/21.

Alternatives Considered:

Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21.

The government has made a number of funding commitments to schools for 2018/19 and 2019/20 including a minimum increase for all schools by 0.5% per pupil in each of the next two years, and a minimum pupil funding level. Local Authorities will continue to be responsible for determining and calculating schools funding allocations in 2018/19 and 2019/20 during this transition period, however the Local Authority would find it difficult to justify a decision to move away from the government's national funding formula, and the lateness in the government releasing the national funding formula information and datasets left limited time for consultation and the Local Authority decision-making process. No alternative funding option to the national funding formula was provided through the Local Authority's consultation with schools.

97% of schools that responded to the consultation supported the Local Authority's proposals to adopt the government's national funding formula in 2018/19 and 100% supported the direction of travel to adopt the government's 'hard' NFF. The Local Authority will keep the funding formula under review including contributing to the outstanding matters detailed within the 'direction of travel' section of the report.

Lincolnshire schools are gaining overall through the NFF compared to the local funding formula by 3.7% in 2018/19.

Reasons for Recommendation:

To enable the Local Authority to meet the requirements of implementing funding changes following the government's announcement of a national funding formula for schools in 2018/19. The approval will allow the schools funding formula to be formally approved, which will be used to fund all mainstream schools in 2018/19.

1. Background

On the 14 September 2017, the government announced the implementation of the national funding formula for schools in 2018/19. This follows the governments:

- stage 1 consultation on the 7 March 2016, which outlined the principles that would underpin the proposed formula and the pupil characteristics and factors to be included within the formula;
- stage 2 consultation on the 14 December 2016, which provided details of the proposed funding formula including illustrative school funding allocations. The consultation however outlined that its implementation would be pushed back to 2018/19, and
- in July 2017, the government confirmed that the introduction of the national funding formula would be supported by additional investment in 2018/19 and 2019/20. An additional £1.3bn for schools and high needs (£416m in 2018/19,

and £884 million in 2019/20) would be provided, over and above the schools budget set at the 2015 Spending Review (overall the total schools budget will increase by £2.6 billion between this year to 2019/20).

Local Authority 'schools block' funding

Through the national funding formula the government plan to implement a fairer settlement for each school. The changes are to be implemented in 2018/19. The government however plan to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities will continue to be responsible for calculating schools' funding allocations.

The overall funding will be determined at a Local Authority level by the government's national funding formula by calculating notional budgets for each school. Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21. Each local area will therefore be funded on a fair and equitable basis, according to the national funding formula, subject to funding protection floors and ceilings through the transition period.

Local Authority 'schools block' allocations of the Dedicated Schools Grant will be calculated by aggregating schools' notional allocations under the national funding formula. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each Local Authority.

Table 1 below outlines Lincolnshire's schools overall funding level for 2018/19 through the implementation of the national funding formula compared to other Local Authorities.

Table 1

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary Schools	£3,811	£4,114	-£303	33
Secondary Schools	£4,933	£5,343	-£410	37

Lincolnshire continues to remain in the lowest quartile for school funding levels with Lincolnshire primary schools overall being the 33rd lowest funded Local Authority, and Lincolnshire secondary schools being the 37th lowest out of 150 Local Authorities overall¹. The floors and ceiling arrangements adopted by the government during the transition to the national funding formula are limiting the re-distribution of funding nationally, however the implementation of the national funding formula is forecast to bring in more monies into Lincolnshire schools by an overall increase of 3.7% in 2018/19, and a 6.6% increase overall in 2019/20 from the current 2017/18 schools baseline funding, which is a positive position.

Implementing the government's national funding formula in full (i.e. without the ceiling restricting gains) and applying the government's increases for all schools by 0.5% per pupil in each of the next two years, Lincolnshire schools are forecast to gain by 7.4% overall. This would increase Lincolnshire's average unit of funding for

¹ The individual schools financial modelling is compared against Lincolnshire's local funding formula (not academy schools baseline data), since funding to Local Authorities are based on this treatment.

primary schools and secondary schools to £3,977 and £5,085 respectively². Although the average unit of funding rates would still be below the England national average, the injection of funding for Lincolnshire schools is encouraging.

A report to the Schools Forum on 4 October 2017, included in the Background Papers to this Report, explained the background to the national funding formula for schools, and the building blocks and formula factors. The detail behind the formula can also be found within Appendix A – Schools National Funding Formula Consultation Document.

Proposed Lincolnshire's schools funding for 2018/19 and direction of travel

Detailed modelling work has been undertaken by the Local Authority to understand the government's proposed national funding formula. The current funding settlement is up to 2019/20, and funding levels beyond 2019/20 will be subject to decisions taken at the next spending review, however the introduction of the national funding formula is beneficial overall for Lincolnshire schools based on the local formula funding levels. The government's funding commitment for 2018/19 and 2019/20 is a minimum increase for all schools of 0.5% per pupil in each of the next two years, therefore all schools will receive additional funding (subject to pupil number changes and the outcome of the schools consultation) providing financial certainty and stability for this period of change.

The Local Authority has consulted with mainstream schools on the proposal to replicate the national funding formula in 2018/19 ensuring schools' allocations are on a sensible trajectory towards the move to a 'hard' formula from 2020/21. There were a series of questions that schools were asked to respond to that would help shape the formula for 2018/19.

The schools consultation period covered the period 9 November to the 22 November 2017. The consultation period timescales were tight due to the lateness in the government releasing the national funding formula information and datasets (September / October) leaving limited time for consultation and the Local Authority decision-making process. Schools were however forewarned on the 17 October 2017 informing all county schools of the Local Authority's intention to conduct this consultation exercise.

The consultation document that was circulated to all mainstream schools can be found in Appendix A. As part of the consultation exercise, the Education & Skills Funding Agency required Local Authorities to illustrate the likely financial impact of the proposals upon individual schools. This was enclosed within the supporting documentation using the schools October 2016 census data (due to the October 2017 census date not available at this time), and the 2017/18 baseline information for illustrative funding purposes.

Tables 2 & 3 below show the monetary gains at school level from replicating the national funding formula in 2018/19 using October 2016 census data, which is compared against Lincolnshire's local funding formula. Had the governments

² The funding at a Local Authority level for premises (e.g. rates, split-site, and growth) are outside the average unit funding, since they are based on historic spend levels.

implemented the national funding formula without protection of losses, 11 primary schools and 6 secondary schools would lose funding – these schools were in receipt of protection therefore the Local Authority would have expected those schools to have planned for funding reductions in the medium term, and the minimum funding guarantee would have ensured manageable funding reductions take place (i.e. up to minus 1.5% per pupil).

Replicating the government's national funding formula in 2018/19 for Lincolnshire schools using 2017/18 census data and the Local Authority funding formula baseline, the tables below show the monetary gains by sector in year 1.

Table 2

Primary Schools (£)	Gains
0 - 5,000	20
5,001 - 10,000	86
10,001 - 15,000	32
15,001 - 20,000	41
20,001 - 25,000	26
25,001 - 30,000	15
30,001 - 40,000	21
40,001 - 50,000	19
50,001 - 100,000	12
100,001 - 150,000	2
150,001 - 200,000	2

Table 3

Secondary Schools (£)	Gains
0 - 10,000	6
10,001 - 60,000	8
60,001 - 110,000	10
110,001 - 160,000	12
160,001 - 210,000	5
210,001 - 260,000	5
260,001 - 310,000	1
310,001 - 400,000	4
400,001 - 500,000	2
500,001 - 600,000	1
600,001 - 700,000	1

Schools Consultation

Owing to the government's tight timescales for the completion of this work, the consultation with schools had to be conducted in a relatively short period of time. However, in anticipation of that, the Local Authority forewarned schools of the consultation that was due to take place. The response rate to the consultation was however disappointing (9% of primary schools and 20% of secondary schools). The overall response rate of 11% across the sectors was lower than the 2013/14 school funding reform consultation response rate of 17%³.

The Local Authority set out in the consultation document 11 questions covering 8 subject areas, and these are shown in Appendix A. Also shown is the percentage of schools in favour, against or not sure, together with an outline of the key comments that emerged from schools. All of this information has been considered by the Local Authority and Appendix A sets out the Local Authority's current proposals for consideration by the Children & Young Peoples Scrutiny committee and the Schools Forum in December 2017.

³ The response rates to consultations are typically below 30%. Since its creation in 2003, the Schools Forum has been responsible for considering school funding arrangements on behalf of schools, and acts an effective consultative body when proposing funding changes. It must also be added that the school funding arrangements are rather complex, and some schools may have found this difficult to understand.

It is clear from Appendix A, that of the schools that responded the vast majority supported the Local Authority's proposals to replicate the government's national funding formula in 2018/19 and the direction of travel to adopt the government's 'hard' NFF. Where schools identified issues, these were more national matters as opposed to local issues, which are covered in the 'direction of travel' section. The Local Authority's proposal is to adopt the national funding formula from 2018/19.

Schools have been aware for some time of the government intentions to implement changes to schools funding, which was finally confirmed by the Secretary of State in July 2017. The national funding formula changes are positive for Lincolnshire schools overall bringing an increase in funding of 3.7% in 2018/19. The Local Authority has through the consultation exercise provided schools with illustrative funding for 2018/19 using the 2017/18 baseline information, which will allow schools to forecast their budgets over the next two years.

Funding from 2020/21 will be subject to decisions taken at the next spending review, however the government's intentions are to move towards the 'hard' funding formula, therefore allowing the gaining schools to move to the national funding formula or to be on a sensible trajectory (subject to overall affordability at a national level), and losing schools likely seeing manageable per pupil reductions through the operation of the minimum funding guarantee (i.e. of up to minus 1.5% per pupil).

Next Steps – Schools National Funding Formula

- to table a report at an Children & Young Peoples Scrutiny committee meeting (1 December 2017) on the consultation findings, and the proposed 2018/19 funding formula for the committees' consideration.
- to table a report at an extraordinary Schools Forum meeting (11 December 2017) on the consultation findings, and the proposed 2018/19 funding formula for Schools Forum consideration.
- the Education & Skills Funding Agency issue October 2017 census-based pupil data and factors to Local Authorities and Dedicated Schools Grant funding.
- Executive Councillor approval to agree the schools funding formula for 2018/19 on the 10 January 2018.
- submission of the Authority Proforma Tool by the 19 January 2018 to the Education & Skills Funding Agency outlining 2018/19 Lincolnshire's schools delegated funding to ensure compliance with regulations.
- the Local Authority Finance Team to provide further information on the implementation of the national funding formula to schools and academies to aid their understanding of the new funding formula.
- the Local Authority to calculate individual schools budgets by the 28 February 2018.

Direction of travel

The Council understands the impact of the National Funding Formula for 2018/19 and 2019/20 and it is proposed to replicate the National Funding Formula in each of those two years to ensure a sensible trajectory for schools towards the 'hard formula' due to take effect in 2020/21.

At the same time there are still elements of the National Funding Formula which are under review and therefore may change between now and the move to the 'hard' formula in 2020/21. The Local Authority will continue to respond to the government's schools funding consultations representing the position of Lincolnshire schools to achieve fairer levels of funding when comparing nationally.

Key factors to consider following the proposed implementation of the national funding formula:

- the speed of which gaining schools (in excess of 6% per pupil gains) will be funded directly through the national funding formula.
- for losing schools nationally, the downward trajectory of funding through the operation of the minimum funding guarantee to move away from the historical funding arrangements and for all schools funded through the national funding formula.
- the schools funding levels from 2020/21 following the decisions taken at the next spending review, and how the government intends to fund school cost increases relating to pay and inflation.
- how the government intends to make changes to the historic funding arrangements, such as mobility, growth funding, split-site funding.
- how the government intends to re-invest monies released into schools budgets through the ending of existing school commitments.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- * Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- * Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- * Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

The Local Authority proposes to adopt the government's national funding formula. Attached at Appendix B is the Department for Education's 'national funding formula for schools and high needs: equalities impact assessment' (September 2017). This has thoughtfully considered the Equality Act in areas of Age, Sex, Gender, Religion, Race and Disability in determining the funding arrangements. It is considered that the Local Authority can legitimately adopt this analysis.

The one area where the proposals in this Report diverge from those of the national approach is in the application of a mobility factor in the formula. Within the government's Equality Impact Assessment they referred to this factor in addressing a concern that exclusion of a mobility factor could disproportionately impact on Gypsy/Roma pupils and pupils of Irish traveller heritage.

Like the government, the Local Authority recognises this concern. Although it is not proposing the use of a mobility factor this is not considered to give rise to a differential impact on such groups. In particular the National Funding Formula Factor only applies where the proportion of new pupils exceeds 10% of the numbers at the school and then only funds pupils above the 10% threshold. The Council has previously assessed the cost of the mobility factor as £150 per pupil.

As the Council has not previously funded mobility, to introduce a factor now would require the money to be found from within other elements of the formula. This would move the Council away from the National Funding Formula and make the transition to the 'hard' Formula more difficult.

Furthermore, only a small number of schools in Lincolnshire are affected by mobility at anything like the level that would trigger a payment. In relation to the identified group, they have historically sought places in schools on the east coast, an area which in any event benefits from the deprivation factor.

As a result of the Council's proposals all schools will receive protection and indeed additional funding and in the circumstances it is considered that the lack of a mobility factor should not impact differentially on the protected group concerned. This position will be kept under review as any changes are made to the national

formula as the 'hard' Formula approaches.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

Education is central to the wellbeing of young people and has a significant effect on their future health, wellbeing and life chances. The funding proposals enable children in Lincolnshire to continue to receive a good standard of education.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area

The proposals in the Report to provide a funding formula that will support schools in delivering effective school provision will include targeting funding for those pupils from disadvantaged backgrounds through deprivation measures of eligibility of current and Ever6 Free School Meals, an area deprivation indices (Income Deprivation Affecting Children Index), and low prior attainment to reduce pupil inequalities.

3. Conclusion

The Local Authority's proposal is to adopt the government's national funding formula in 2018/19 and the direction of travel to ensure schools are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21.

97% of schools that responded to the consultation supported the Local Authority's proposals to adopt the national funding formula for 2018/19.

Appendix A sets out the Local Authority's current proposals for consideration by the Executive Councillor.

4. Legal Comments:

The Council has the power to adopt the recommendation.

The decision is consistent with the Policy Framework and within the remit of the Executive Councillor if it is within the budget.

5. Resource Comments:

The recommendation in the report to support the Local Authority's funding formula proposals for 2018/19 by adopting the national funding formula is funded by the Dedicated Schools Grant 'schools block'. The Local Authority schools block allocations are calculated by aggregating schools' notional allocations under the national funding formula, therefore ensuring sufficient funding is available to meet the funding commitment to schools.

6. Consultation

a) Has Local Member Been Consulted?

No

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This decision is to be considered by the Children and Young People Scrutiny Committee on 1 December 2017. The comments of the Committee will be provided to the Executive Councillor.

d) Have Risks and Impact Analysis been carried out?

Yes

e) Risks and Impact Analysis

School illustrative financial modelling has been undertaken and shared with all schools through the Local Authority consultation exercise on the national funding formula for 2018/19 using 2016/17 census data and baselines. The school illustrative allocations will have assisted schools in understanding the national funding formula and to help inform their consultation response.

The government's funding commitment in 2018/19 and 2019/20 is a minimum increase for all schools of 0.5% per pupil in each of the next two years, therefore all schools will receive additional per pupil funding providing financial certainty and stability during this period of change, which the Local Authority is proposing to adopt.

Lincolnshire schools are gaining overall through the NFF compared to the local

funding formula by 3.7% in 2018/19.

Schools are required to respond to pupil number and pupil characteristic changes, which is currently the case for schools.

7 Appendices

These are listed below and attached at the back of the report	
Appendix A	Schools National Funding Formula consultation document and school responses
Appendix B	DfE: the National Funding Formula for schools and high needs: equalities impact assessment

8. Background Papers

Document title	Where the document can be viewed
National Funding Formula for schools – Schools Forum (4 October 2017)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4876&Ver=4
Schools National Funding Formula - Announcement	http://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs
National Funding Formula for schools – Schools Forum (22 February 2017)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4876&Ver=4
Schools National Funding Formula – stage 2	https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/
National Funding Formula for schools – Schools Forum (27 April 2016)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=4439&Ver=4
Schools National Funding Formula – stage 1	https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula

This report was written by Mark Popplewell, who can be contacted on 01522 553326 or mark.popplewell@lincolnshire.gov.uk.



To: The Chair of Governors and Headteachers of all Lincolnshire maintained schools and academies

9th November 2017

Dear colleague

**Schools National Funding Formula 2018/19
Lincolnshire County Council's consultation with all maintained schools and academies**

The purpose of this letter is to communicate the launch of the Local Authority's consultation on schools funding with all of the county's maintained schools and academies in light of the government's implementation of the national funding formula in 2018/19.

Through the national funding formula the government plan to implement a fairer settlement for each school. The changes are to be implemented in 2018/19. The government however plan to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities will continue to be responsible for calculating schools' funding allocations.

The overall funding will be determined at a Local Authority level by the government's national funding formula by calculating notional budgets for each school. Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21.

The Local Authority is therefore required to consult with their local schools and Schools Forum on their proposed schools funding formula for 2018/19.

On the 14 September 2017, the government announced the implementation national funding formula for schools in 2018/19. This follows the governments:

- stage 1 consultation on the 7 March 2016, which outlined the principles that would underpin the proposed formula and the pupil characteristics and factors to be included within the formula;
- stage 2 consultation on the 14 December 2016, which provided details of the proposed funding formula including illustrative school funding allocations. The consultation however outlined that its implementation would be pushed back to 2018/19, and
- in July 2017, the government confirmed that the introduction of the national funding formula would be supported by additional investment in 2018/19 and 2019/20. An additional £1.3bn for schools and high needs (£416m in 2018/19, and £884 million in 2019/20) would be provided, over and above the schools budget set at Spending Review 2015 (overall the total schools budget will increase by £2.6 billion between this year to 2019/20).

The policy document released on the 14 September 2017 can be found from the link below. Included within the government's release are high-level illustrative school allocations ([Impact of the schools NFF](#)).

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

The latest Schools Forum paper on the national funding formula was presented on the 4th October 2017:

(<http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CIId=166&MIId=4854&Ver=4>)

On 17 October 2017, an email was sent to all county schools advising them of the Local Authority's intention to conduct this consultation exercise. It was suggested that in view of the tight timescales, schools might wish to arrange a meeting of their governing body to consider the issues before the consultation period.

You will be aware from that email, Lincolnshire Schools Forum papers on the national funding formula, government releases, and from the headteacher briefings held this term, that the government are to implement a national funding formula in 2018/19 that requires the Local Authority to consult with all schools and, as a consequence, the timescales are incredibly tight. The Local Authority has worked tirelessly to consider the government's national funding formula in what has been a short period of time following the government releasing information at the end of September and October. Detailed modelling work has been undertaken by the Local Authority to understand the government's proposed national funding formula. The current funding settlement is up to 2019/20, and funding levels beyond 2019/20 will be subject to decisions taken at the next spending review, however the introduction of the national funding formula is beneficial overall for Lincolnshire schools. The government's funding commitment for 2018/19 and 2019/20 is a minimum increase for all schools by 0.5% per pupil in each of the next two years, therefore all schools receiving additional funding (subject to pupil number changes and the outcome of the schools consultation) providing financial certainty and stability for this period of change.

The timescales for consulting are very tight (with a deadline of 22 November 2017) due to lateness in the government releasing the national funding formula information and datasets; the requirements for the Local Authority to table the outcomes of the consultation for consideration by the Children's & Young Peoples Scrutiny Committee (1 December 2017) and Schools Forum (11 December 2017), before a final decision is made by the Portfolio Holder in early January. The Local Authority is required to submit the agreed funding formula for 2018/19 based on the latest October 2017 census information to the Education & Skills Funding Agency (ESFA) by the 19 January 2018 for approval. The deadline for confirming schools budgets is the 28 February 2018.

The Local Authority is consulting on the proposal to replicate the national funding formula in 2018/19 ensuring schools' allocations are on a sensible trajectory towards the move to a 'hard' formula from 2020/21. There are a series of questions that schools are asked to respond to that will help shape the formula for 2018/19. As part of the consultation exercise, the ESFA requires Local Authorities to illustrate the likely financial impact of its proposals upon individual schools. This is enclosed within the supporting documentation, which is based on the schools October 2016 census data (due to the October 2017 census date not available at this time), and the 2017/18 baseline information for illustrative funding purposes. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and a schools October 2017 census information. The

position will of course be clear when final budgets for 2018/19 are published by the 28 February 2018.

To ensure openness and transparency, and to aid schools' understanding, the Local Authority has provided a sufficient level of detail (including links to government pages) and illustrative school allocations to assist schools in this process, and to help schools respond to the consultation by completing and returning the enclosed proforma by 22 November 2017.

Yours sincerely

Mark Popplewell
Head of Finance – Children's Services
Lincolnshire County Council

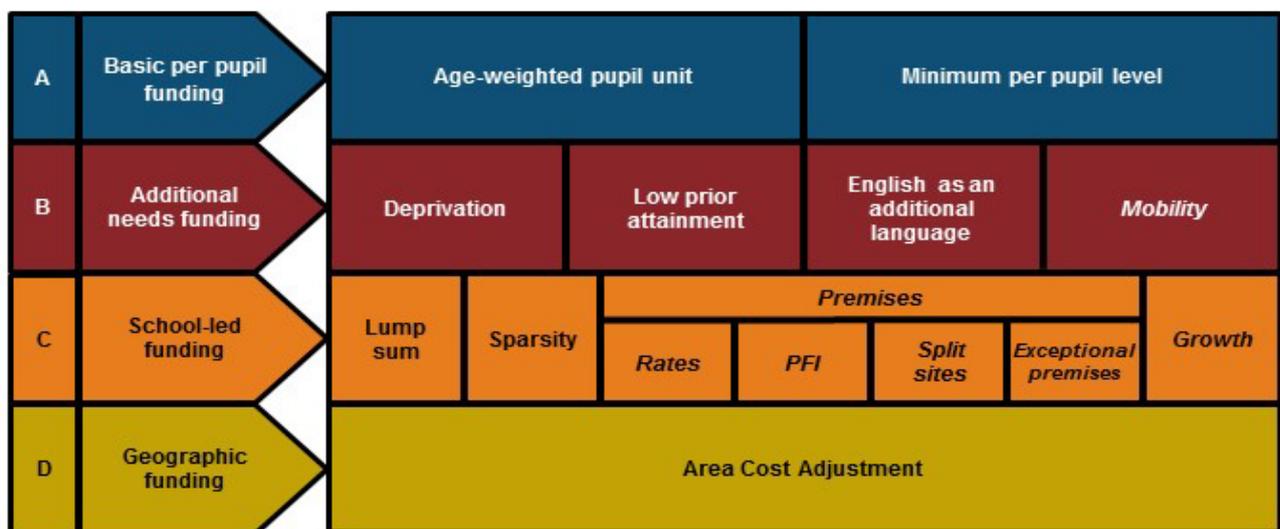
**SCHOOLS NATIONAL FUNDING FORMULA 2018/19
LINCOLNSHIRE COUNTY COUNCIL'S CONSULTATION WITH ALL MAINTAINED
SCHOOLS AND ACADEMIES**

Background

The government through the introduction of the national funding formula plan to implement a fairer settlement for each school from 2018/19. The government plan to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities will continue to be responsible for calculating schools funding allocations.

The overall funding will be determined at a Local Authority level by the government's national funding formula by calculating notional budgets for each school. Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21.

The government's building blocks of the schools national funding formula includes: basic per-pupil funding (including the minimum per-pupil level), additional needs funding, school-led funding and geographical funding. The 14 formula factors within these building blocks are detailed below⁴:



The key points from the government's schools national funding formula:

- a key consideration in designing the national funding formula for schools is the ratio of funding between the primary and secondary phases. The government intend to maintain the primary to secondary ratio in line with the current national average of 1:1.29 (i.e. secondary funding being on average 29% higher overall than primary funding).
- to continue to differentiate basic per-pupil funding between key stages by maintaining stepped rates between primary, key stage 3 and key stage 4, to reflect the higher costs as pupils progress.
- the age-weighted pupil unit (AWPU) is the fundamental building block of the national funding formula. This is the basic funding that all pupils attract.
- to maximise the proportion of funding allocated to pupil-led factors compared to the current funding system, so that as much funding as possible is spent in relation to pupils and their characteristics (therefore reducing spending on school-led factors e.g. lump sum).
- the basic per-pupil factor will distribute 72.9% of total schools funding, and 90.7% of total funding will be allocated through per-pupil factors. Local Authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors in 2018/19.

⁴ Extract from The National Funding Formula for Schools and High Needs – policy document (September 2017).

- the government has transferred the total amount spent through looked-after children (LAC) factors in local formulae in 2017/18 to the pupil premium plus budget. As a result of this transfer, the 2018/19 pupil premium plus rate will be £2,300.
- to continue to provide every school with a lump sum, but at a lower level than the current national average so that more funding can be directed to the pupil-led factors.
- to set the lump sum rate at £110,000 for all schools. The purpose of the lump sum is to make a contribution to the costs that do not vary with pupil numbers, and to give schools certainty that they will attract a fixed amount each year in addition to their pupil-led funding.
- The government has set the lump sum in the context of maximising pupil-led funding and encouraging efficiency. The monetary value is lower than the current average set by LAs (and Lincolnshire), and reflects the government's objective to encourage schools to share resources.
- to have a sparsity factor to provide small and remote schools with additional funding, over and above the lump sum, to recognise that they can face greater challenges in finding efficiencies and partnering with other schools. Eligibility for sparsity funding depends on the distance the pupils in the school would have to travel to their next nearest school and the average number of pupils per year group. Primary schools qualifying will attract up to £25,000 and secondary schools up to £65,000 of funding through a scaling approach.
- Premises-related funding allocated to Local Authorities for rates and split-sites will be funded on the basis of historic spend for the first year of the formula in 2018/19.
- schools can receive gains of up to 3% per-pupil in 2018/19, and then up to a further 3% in 2019/20. To ensure small schools are not restricted to small funding gains through the application of the 3% cap, the government will limit gains to the greater of 3% of a school's baseline or 20% of their remaining formula cash gains. The level of any gains caps beyond 2019/20 will be subject to decisions taken at the next spending review.
- the national formula will provide at least 0.5% per pupil increase in 2018/19 and at least 1% per pupil by 2019/20 in respect of all schools compared to their 2017/18 baselines.
- local authority maintained school baselines for protection purposes are based on Lincolnshire's 2017/18 funding formula. Academy and free school baselines are based on 2017/18 General Annual Grant data.
- the government has introduced an additional factor in the formula, which will provide a 'minimum per-pupil' funding level over the next two years. This is to recognise those schools where few pupils attract funding through the additional needs factors. The minimum per-pupil levels and transitional amounts will therefore not be subject to the gains cap methodology.

Please note, the Local Authority will be required to review the funding formula arrangements that are connected to schools delegated budgets, such as the school reorganisation policy and targeted notional SEN funding mechanism in light of the schools national funding formula changes.

CONSULTATION QUESTIONS – PRIMARY AND SECONDARY MAINSTREAM SCHOOLS

Enclosed within the supporting documentation is the schools illustrative financial impact based on the proposals of adopting the government's national funding formula (NFF). The illustrative funding for schools is based on the schools October 2016 census data (due to the October 2017 census date not available at this time), and the 2017/18 baseline information. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the updated schools October 2017 census information. The position will be clear when final budgets for 2018/19 are published by the 28 February 2018.

School Funding Formula Factors

Question 1a

Do you agree that the Local Authority should adopt the government's NFF for both the primary and secondary schools in 2018/19 using the following formula factors and monetary values? See [appendix A](#) for the government's NFF for 2018/19.

Yes / No

If the answer is **no**, please outline the reasons beside the relevant formula factor below. Where you do not want the formula factor to be used for 2018/19, or the monetary amount to change, please outline where the funding should be re-distributed to and from to ensure affordability.

- Age Weighted Pupil Unit:
- Ever 6 Free School Meals:
- Current Free School Meals:
- Income Deprivation Affecting Children Index (IDACI):
- Low Prior Attainment:
- English as an additional language:

- Lump Sum:
- Sparsity:

Question 1a – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
<p>Primary: 25</p> <p>Yes 100%</p> <p>No 0%</p> <p>Secondary: 11</p> <p>Yes 91%</p> <p>No 9%</p>	<p><u>Primary</u></p> <p>All 25 primary schools agreed to the NFF, but would ask for further refinement:</p> <ul style="list-style-type: none"> • One school does not wish for Ever 6 Free School Meals to be replicated as part of the NFF. • Two schools do not wish for IDACI (deprivation) to be replicated. <p><u>Secondary</u></p> <ul style="list-style-type: none"> • Two schools believe less money should go through IDACI and more should go through AWPU and the Lump Sum respectively, however only one school went as far as saying they do not agree with the adoption of the NFF. 	<p>Of the schools that responded to the consultation, only 1 school (or 3% of respondents) did not agree to adopt the NFF.</p> <p>All schools through the NFF will be receiving at least a 0.5% per pupil gain in funding in 2018/19. It is expected that the government will in the early stages of the NFF continually review and refine the formula in consultation with Local Authorities.</p>	<p>The Local Authority's proposal is to adopt the government's NFF for both the primary and secondary schools in 2018/19 using the determined formula factors and monetary values.</p>

Minimum Pupil Funding Level

The government's NFF has introduced a minimum pupil funding level both in the primary and secondary sector. Where the NFF funding for a school is calculated to be below the minimum pupil funding level, the school will receive additional funding per pupil to reach this minimum threshold. The pupil funding level is determined by dividing the schools pupil-led and school-led funding by the number on roll from the 2016 October census.

Question 1b

Do you agree that the Local Authority should adopt the government's minimum pupil funding level in 2018/19 of £3,300 for primary schools and £4,600 for secondary schools within the funding formula, including replicating the government's approach of excluding premise factors of rates and split-site funding from the calculation?

Yes / No

If the answer is **no**, please outline the reasons. Please note, this could be influenced by question 4a on affordability of the Schools Block funding.

Question 1b – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 96% No 0% No Response 4% Secondary: 11 Yes 100% No 0%	All responding schools are in support of the minimum funding levels determined for primary and secondary schools.	The minimum funding level will provide all schools with at least a minimum level of per pupil funding across the county.	The Local Authority's proposal is to adopt the government's minimum pupil funding level in 2018/19 of £3,300 for primary schools and £4,600 for secondary schools within the funding formula.

Direction of Travel

The Local Authority is proposing to replicate the government's NFF during this 'soft' transition period in 2018/19 and 2019/20 to ensure schools' allocations are on a sensible trajectory towards the move to a 'hard' formula from 2020/21.

Question 1c

Do you agree with the Local Authority's proposed direction of travel to adopt the government's NFF (subject to affordability) during the two year transition period before the hard national formula is applied in 2020/21?

Yes / No

If the answer is **no**, please outline the reasons why.

Question 1c – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 100% No 0% Secondary: 11 Yes 100% No 0%	All responding schools are in support of the direction of travel to adopt the government's NFF.	The direction of travel to adopt the government's NFF will provide stability (over the next two years) and predictability in funding.	The Local Authority's proposal is to adopt the direction of travel of the government's NFF.

Minimum Funding Guarantee

The Local Authority is required to set a minimum funding guarantee⁵ (MFG) per pupil between minus 1.5% and 0% against the schools existing per pupil baseline. The 2017/18 MFG level is minus 1.5%. The government in the NFF has adopted a 0% MFG value.

Of the 279 primary schools, the government's proposed NFF (before protection of losses is applied) shows 11 primary schools losing with the remaining gaining (268) compared to the schools existing per pupil baseline. Of the 55 secondary schools (before protection of losses is applied) it shows 6 secondary schools losing with the remaining gaining (49) compared to the schools existing per pupil baseline. Lincolnshire schools overall are gaining through the introduction of the NFF compared to the government's historic funding that was used for the current local funding formula, however the majority of those schools that would be losing (if no protection was applied) are as a result of them being in receipt of per pupil protection funding through previous funding changes or pupil characteristic movements.

The individual schools financial modelling for protection purposes (enclosed) are compared against Lincolnshire's local funding formula, since funding to Local Authorities is based on this treatment. Local Authority maintained schools baselines for protection purposes are based on Lincolnshire's local funding formula. The Education & Skills Funding Agency (ESFA) will recoup funding for academies from the Local Authority to pay over to the academy. The ESFA will apply the same protection arrangements that have been agreed locally. For academies however, the General Annual Grant (GAG) baseline and data will be used for protection and cap purposes, which may not be the same as that shown in the dataset. A number of Lincolnshire academies have received higher levels of funding in the past and so are protected against a higher baseline. This higher baseline is to be used by the ESFA when determining and funding academy school funding for the academies financial year running from September 2018 to August 2019. The level of GAG funding is an agreement between the academy and the ESFA, and GAG baselines have been shared with academies.

⁵ To protect schools from significant budget reductions, the minimum funding guarantee (MFG) ensures that no school loses more than a certain percentage per pupil compared to its prior year per pupil budget. A negative MFG allows school budget reductions to be set in a more sustainable way.

Question 2a

Do you agree that the Local Authority should adopt the government's proposal of a 0% MFG per pupil protection in 2018/19?

Yes / No

If the answer is **no**, please outline the reasons why and the level of MFG to be set at.

Question 2a – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 84% No 16% Secondary: 11 Yes 91% No 9%	Three schools across the sectors felt that the MFG should be positive and set in-line with inflation and salary pay awards. One school felt the MFG should be set between -1.5% and 0% to enable budget reductions to be set in a more sustainable way.	The Local Authority will continue to make representation to central government on school funding increases to be in line with cost rises. The 0% MFG will provide short-term stability in funding for schools losing through the government's NFF, however it is unclear whether the government can sustain this financial commitment and will be subject to decisions taken at the next spending review, therefore prudent school planning will be required.	The Local Authority's proposal is to adopt the government's 0% MFG per pupil protection in 2018/19

Funding Floor

The NFF includes a funding floor which ensures all schools see a minimum gain of 0.5% of their baseline pupil-led funding in 2018/19 (and a further 0.5% in 2019/20), therefore the government is committed to ensuring all schools receive a gain through the implementation of the NFF. The government through the NFF has applied this 0.5% funding floor in addition to the 0% MFG to enable all schools to receive a minimum gain of 0.5% even where they would be losing in the longer term through the NFF implementation.

Question 2b

Do you agree that the Local Authority should adopt the government's funding floor proposal for all schools to see a minimum gain of 0.5% of their baseline pupil-led funding in 2018/19?

Yes / No

If the answer is **no**, please outline the reasons why and where the funding should be re-distributed through the NFF.

Question 2b – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 100% No 0% Secondary: 11 Yes 91% No 9%	One school felt that by ensuring all schools gain through the NFF, the government is not tackling the intrinsic unfairness of different funding rates across the country.	The decision by the government to apply a minimum 0.5% per pupil increase for all schools funding will ensure a smooth transition and stability in schools funding during the 'soft' period, however equity in funding across the country will need to be addressed to ensure gaining Local Authorities like Lincolnshire receive the gains in funding they are entitled to sooner.	The Local Authority's proposal is to adopt the government's funding floor for all schools to see a minimum gain of 0.5% of their baseline pupil-led funding in 2018/19.

Percentage Gains Cap

To ensure the affordability of the NFF, the government has applied transitional protection by way of a percentage cap for schools gaining in pupil-led funding. For schools gaining in pupil-led funding against its baseline by 3% or below, then schools will move directly onto the NFF. If schools are due to gain over 3% then in 2018/19 they will receive the maximum of either: 3% gain on their transitional protection baseline or 20% of their remaining gains to support smaller schools. This will enable schools to move on a sensible trajectory towards the NFF. A further 3% gain in pupil-led funding is proposed in 2019/20.

Question 3

Do you agree that the Local Authority should adopt the government's percentage cap in pupil-led funding of the maximum of either: 3% gain on their transitional protection baseline or 20% of their remaining gains in 2018/19?

Yes / No

If the answer is **no**, please outline the reasons why, the desired per-pupil percentage gain in 2018/19, and where this is to be funded from if higher than the government's NFF level (for example, reducing or removing the funding floor 0.5% gain for all schools, application of a negative MFG, reduction in monetary amount of formula factors, such as the age weighted pupil unit funding).

Question 3 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 92% No 8% Secondary: 11	Those schools disagreeing with the cap felt that the gains cap should not be applied, as their gains would be significantly reduced and they did not feel this was fair since Lincolnshire schools have historically received a low level of funding compared to other parts of the	The matters raised by those schools disagreeing with the gains cap relate directly to the government's decision of protecting funding for schools that would be losing through the NFF (i.e. no schools should	The Local Authority's proposal is to adopt the government's percentage cap in pupil-led funding of the maximum of either: 3% gain on their transitional protection baseline or 20% of their remaining gains

Schools National Funding Formula consultation document and school responses: **Appendix A**

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Yes 82% No 18%	country.	see a loss in per pupil funding), therefore the gain are scaled down for affordability. Lincolnshire's Schools block is funded by the government's NFF therefore by applying levels of per pupil funding protections, the Local Authority must ensure the affordability of the Dedicated Schools Grant by applying a ceiling cap to gaining schools.	in 2018/19.

Affordability

It is crucial that the overall funding delegated to schools is affordable based on the allocation made through the Schools Block of the Dedicated Schools Grant to the Local Authority from central government. There remain a number of uncertainties that impact affordability.

- The outcomes of the NFF schools consultation.
- The revenue funding for planned school reorganisations to provide sufficient school places, which the government is funding on historical basis. The growth in Lincolnshire's pupil population will start to impact the secondary sector in September 2018.
- The funding for school rates bills is initially allocated at the start of the financial year based on the prior year cost. The government is however funding Local Authorities in 2018/19 on a historical basis using 2016/17 costs.

Question 4

If affordability was an issue in setting schools budgets for 2018/19 based on the government's Schools Block Local Authority allocation, where would you take the monies from and please explain the reasons why:

- Reduce the minimum pupil funding level for primary and secondary schools of £3,300 and £4,600 respectively?
- Reduce or remove the funding floor 0.5% gain for all schools, and application of a negative MFG (if required)?
- Reduce the percentage gains cap of 3% or 20% of their remaining gains?
- Reduce the monetary amount of age weighted pupil unit funding?
- Other.

Question 4 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25* Reduce Minimum Per Pupil Funding Level 2 Reduce Funding Floor 1 Reduce Cap 2 Reduce AWPU 1 Other 7 No Response 13 Secondary: 11* Reduce Per Pupil Funding	There were a mixed response from schools, but the schools across both sectors asked the Local Authority to review the overall deprivation allocated through the NFF.	See Local Authority proposal.	If affordability remains an issue due to the government's application of historical funding arrangement in parts of the NFF, the Local Authority will consider all options available to ensure individual school level implications are minimised.

Schools National Funding Formula consultation document and school responses: **Appendix A**

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Level 0 Reduce Funding Floor 4 Reduce Cap 0 Reduce AWPU 0 Other 6 No Response 2 *Please note some schools selected more than one option for question 4. The number of school selections have been detailed rather than a percentage.			

Primary Schools Rents Factor

Local Authorities can request the inclusion of additional factors in their formula for exception circumstances. The ESFA may approve additional factors in cases where the nature of the school premises gives rise to 'significant additional costs greater than 1% of the school's budget, and where such costs affect fewer than 5% of the schools (including academies) in the area'.

The Local Authority has been working with a number of primary schools to understand the financial challenges facing them for rents of ground and school buildings on the schools' site, and playing fields. In some cases, the cost is material and disadvantaging them financially compared to other similar schools that have no requirement to pay rents.

The Local Authority is proposing to introduce a primary school rents factor for 2018/19 (subject to the ESFA disapplication approval process). Primary schools meeting both the ESFA and Local Authority criteria would be funded in 2018/19 based on the full cost of the 2017/18 rents from information collected in the autumn term. It is proposed to be funded through a transfer in funding from the Central Schools Services Block to the Schools Block through reducing a historical budget commitment.

Question 5

Do you agree that the Local Authority should adopt a primary school rents factor for 2018/19?

Yes / No

If the answer is **no**, please outline the reasons.

Question 5 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
<p>Primary: 25</p> <p>Yes 88%</p> <p>No 8%</p> <p>No Response 4%</p> <p>Secondary: 11</p> <p>Yes 46%</p> <p>No 18%</p> <p>No Response 36%</p>	<p><u>Primary</u></p> <ul style="list-style-type: none"> • One school felt that a schools rent factor should not be adopted, instead money should be provided on an adhoc basis. • One school felt that a schools rent factor could artificially inflate rental costs from the private sector. 	<p>The costs for school rents can be significant for some schools and can impact the level of funding available directly for education purposes, therefore the Local Authority must put steps in place to protect those schools disadvantaged by their situation.</p> <p>The Local Authority will continue to challenge the sectors rent costs.</p> <p>The Regulations do not allow ad hoc allocations to be made for such costs outside of the funding formula. The Regulations also require costs to be greater than 1% of the school's budget, and that such costs affect fewer than 5% of the schools.</p>	<p>The Local Authority's proposal is to adopt a primary school rents factor for 2018/19</p>

The government has not used the Looked After Children (LAC) factor in the NFF, but instead increased the pupil premium plus rate for 2018/19 from £1,900 to £2,300. Local Authorities have been asked to consider how to reflect this in their funding formulae.

Only c.60% of Local Authorities used a LAC factor of which Lincolnshire was one of them, therefore by putting this funding into the national pot it has diluted the LAC funding for those pupils in Local Authorities that use the formula factor. The Local Authority funded £600 per LAC within its local funding formula, therefore to ensure these schools are not financially disadvantaged, the Local Authority will only adjust the schools baseline by £400 for each eligible LAC pupil to correspond with the pupil premium plus increase, therefore providing protection within the schools baseline.

Question 6

Do you agree that the Local Authority should only adjust the 2017/18 schools baseline by £400 (not £600) for each eligible LAC pupil for 2018/19 protection and scaling purposes?

Yes / No

If the answer is **no**, please outline the reasons.

Question 6 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 92% No 8% Secondary: 11 Yes 91% No 9%	One school felt the £600 should remain due to the average low numbers of LAC children in schools.	Lincolnshire highlighted through its consultation response on the NFF that with only c.60% of Local Authorities using a LAC factor, the funding will be diluted resulting in a reduction in funding for Lincolnshire schools relating to this factor.	The Local Authority's proposal is to only adjust the 2017/18 schools baseline by £400 (not £600) for each eligible LAC pupil for 2018/19 protection and scaling purposes.

Schools National Funding Formula consultation document and school responses: **Appendix A**

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
		The proposal made by the Local Authority will provide protection for those schools impacted.	

Rates Funding

Within the current funding formula, schools receive initial rates funding based on their actual rates bill from the prior financial year.

Local Authorities can make adjustments to rates funding during the financial year, but it must be undertaken outside the funding formula. The Local Authority currently undertake this rates funding adjustment through requesting each autumn term for information on the actual rates bills. The adjustment ensures the actual rates bill matches the rates funding the school receives.

The funding for this rates adjustment will be met from the Dedicated Schools Grant underspend, and therefore is a finite resource.

Question 7

Do you agree that the Local Authority should adopt the rates adjustment for 2018/19 and 2019/20 during the two year 'soft' approach of implementing the NFF subject to a further review on affordability from 2020/21?

Yes / No

If the answer is **no**, please outline the reasons.

Question 7 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 100% No 0% Secondary: 11 Yes 100% No 0%	All responding schools are in support of applying the rates adjustment for 2018/19 and 2019/20.	The funding for the rates adjustment will be met from the Dedicated Schools Grant underspend, and therefore is a finite resource.	The Local Authority's proposal is to adopt the rates adjustment for 2018/19 and 2019/20, however from 2020/21 the application will be subject to affordability.

Mobility Funding

The mobility factor in the NFF is intended to support schools that have a high proportion of pupils joining the school mid-way through the academic year. The government's approach to funding Local Authorities for mobility funding under the NFF for 2018/19 is to base funding on historic spend, therefore the mobility factor is an optional factor. The mobility factor applies a 10% mobility threshold, and funding is allocated based on the proportion above the threshold only.

The Local Authority does not have a mobility factor presently within the local funding formula, therefore Lincolnshire will not be in receipt of any funding for 2018/19. Any funding to support a mobility factor will need to be funded through an existing formula factor. The Local Authority last undertook a consultation with schools on pupil mobility in 2013, and it identified a cost of c.£150 per pupil for pupil movement. With the government's threshold of 10% before funding is received for those pupils above this level, the funding going out to schools would be minimal and would be offset by a reduction in another formula factor to fund it.

The government has explained in its consultation that national data on mobility is not yet sufficiently robust to be used to allocate funding on a formulaic basis, which is why the government have instead allocated funding to Local Authorities on a historic spend basis. The government is continuing to work on developing an accurate and robust indicator of mobility, in consultation with key stakeholders, to replace the use of historic spending patterns for this factor in future.

Question 8

Do you agree that the Local Authority should not adopt the mobility factor in light of the reasons identified above?

Yes / No

If the answer is **no**, please outline the reasons why and which formula factor(s) it is to be funded from.

Question 8 – School Responses

School responses	Schools' comments	Local Authority comments	The Local Authority's latest proposal
Primary: 25 Yes 96% No 4% Secondary: 11 Yes 100% No 0%	One school felt there is a lot of work and costs associated with admitting children mid-year which has a significant impact on their budget.	The Local Authority will continue to keep pupil mobility under review including responding to government reviews on the subject.	The Local Authority's proposal is not to adopt the mobility factor.

HOW TO RESPOND

The consultation closes on 22 November 2017. Schools are asked to complete the proforma attached (as this will aid the collation and analysis of responses which needs to be completed within a tight timescale) and email it to the following address with the email titled 'Schools National Funding Formula Consultation Response':

schools_finance@lincolnshire.gov.uk

Should you have any queries regarding these proposals, schools are to address correspondence to the above email account with the email titled 'Schools National Funding Formula Query' for the Schools Finance Team to respond to.

As indicated at the beginning of this document, the results of this consultation exercise will be reported to various groups. That information will also be made available to all schools.

Mark Popplewell, Head of Finance – Children’s Services, Lincolnshire County Council

Schools National Funding Formula consultation document and school responses: **Appendix A**

Government's National Funding Formula

Formula Factors	Schools National Funding Formula				Descriptions
	Primary Rates		Secondary Rates		
<u>Basic per-pupil funding</u>	KS1 & 2	£2,746.99	KS 3	£3,862.65	Each pupil on the school roll in year groups from reception to year 11 inclusive based on the preceding October pupil census will determine the following financial years funding.
			KS 4	£4,385.81	
<u>Additional needs funding</u>					The additional needs factors allocate funding to schools on the basis of the number of pupils who have particular characteristics. For each factor, schools receive a unit of funding per eligible pupil.
Ever 6 FSM	£540		£785		Schools receive funding for all primary and secondary pupils who have been recorded as eligible for Free School Meals (FSM) at any time in the last six years (FSM6) through this factor. This includes all primary pupils who are currently eligible for FSM. The FSM6 is a new formula factor for Lincolnshire schools.
Current FSM	£440		£440		Schools receive funding for all FSM eligible primary and secondary pupils through this factor.
IDACI A (Between 0.5 and 1)	£575		£810		Area-level deprivation data: Income Deprivation Affecting Children Index (IDACI) is a relative measure of socio-economic deprivation: an IDACI 'score' is calculated for a lower super output area (LSOA, an area with about 1,500 residents) based on the characteristics of households in that area. The IDACI score is a measure of the likelihood that a child is in a household experiencing socio-economic deprivation. The Department for Education applies a 'banding' methodology to enable the IDACI data to be used for school funding purposes. IDACI scores are grouped into seven bands, with each band representing an increase in the expected level of deprivation (IDACI A being the highest deprivation measure. The IDACI data to pupils' home postcode data recorded in the October school census in order to find the IDACI score relevant to each pupil in a school. The amount of IDACI funding received by a school depends on the IDACI scores of each pupil.
IDACI B (Between 0.4 and 0.5)	£420		£600		
IDACI C (Between 0.35 and 0.4)	£390		£560		
IDACI D (Between 0.3 and 0.35)	£360		£515		
IDACI E (Between 0.25 and 0.3)	£240		£390		

Schools National Funding Formula consultation document and school responses: **Appendix A**

Formula Factors	Schools National Funding Formula		Descriptions
	Primary Rates	Secondary Rates	
IDACI F (Between 0.2 and 0.25)	£200	£290	
IDACI G (Lower than 0.2)	£0	£0	
Low Prior Attainment	£1,050	£1,550	The prior attainment factor acts as proxy indicator for low level, high incidence, special educational needs. Schools receive funding for primary pupils who did not reach the expected level of development at foundation stage through this factor, and secondary pupils who did not achieve the expected level at key stage 2 in one or more of reading or writing or mathematics through this factor.
English as an additional language	£515	£1,385	Pupils identified on the October census with a first language other than English having entered state education in England during the last three years will be eligible. Lincolnshire's current formula funds only the last two years.
<u>School-led</u>			
Lump Sum	£110,000	£110,000	Each school receives a lump sum of £110,000, irrespective of size.
Sparsity	£0 - £25,000	£0 - £65,000	The sparsity factor targets extra funding to schools that are both small and remote. A school is eligible for sparsity funding if all the pupils for whom it is the nearest compatible school, the average straight-line distance from the pupil's homes to the second nearest compatible school (the sparsity distance) is more than three miles (for secondary schools) or two miles (for all other schools), and the average year group size is below the year group threshold. This is 21.4 for primary schools and 120 for secondary schools. A sparsity weighting for each school that is eligible for sparsity funding is calculated. This sparsity weighting sets the proportion of the sparsity sum that each sparse school is eligible for. The sparsity weighting for schools with an average year group size of less than half the year group threshold is 100%. These sparse schools

Schools National Funding Formula consultation document and school responses: **Appendix A**

Formula Factors	Schools National Funding Formula		Descriptions
	Primary Rates	Secondary Rates	
			receive the full sparsity sum. The sparsity factor is a new formula factor for Lincolnshire primary schools.

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Department
for Education

The national funding formula for schools and high needs: equalities impact assessment

September 2017

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The public sector equality duty

1. The Equality Act 2010 identifies the following as protected characteristics for the public sector equality duty:
 - Age
 - Disability
 - Gender reassignment
 - Marriage and civil partnership
 - Pregnancy and maternity
 - Race (including ethnicity)
 - Religion or belief
 - Sex
 - Sexual orientation
2. Under Section 149 of the Equality Act 2010, the Secretary of State is under a duty to have due regard to the need to:
 - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - tackle prejudice, and
 - promote understanding.

Schools and high needs funding reform

3. The government is committed to an education system that works for everyone. No matter where they live, whatever their background, ability or need, children should have access to an excellent education that unlocks talent and creates opportunity. We want all children to reach their full potential and to succeed in adult life.
4. The national schools budget has been protected in real terms since 2010. In addition to the budget set at Spending Review 2015, the government will invest a further £1.3 billion over 2018-19 and 2019-20, raising the total core schools budget from almost £41.0 billion in 2017-18 to £42.4 billion in 2018-19 and £43.5 billion in 2019-20. We need to ensure that the system for distributing this funding is fair. Under the current system, similar schools and local areas receive unjustifiably different levels of funding, and unfairness in funding levels is seen right across the country. This unfairness confirms our view that funding reform is needed to support the life chances of our most vulnerable children and young people; a fairer funding system will help provide all schools and all areas with the resources needed to provide an excellent education for all pupils.
5. The national funding formula is a significant reform. We have listened carefully to the consultation responses and noted the concerns raised. The additional £1.3 billion invested in schools and high needs will allow us to introduce the funding formula while increasing every school's national funding formula allocation by at least a 1% per pupil by 2019-20, compared to their 2017-18 baselines. Local authorities will receive a similar protection in respect of their high needs funding. We will also allocate a minimum of £4,800 per pupil for every secondary school, and at least £3,500 per pupil for every primary school in 2019-20.
6. Funding will be distributed to local authorities based on the notional school allocations according to the national funding formula for schools in 2018-19 and 2019-20, while local authorities will continue to allocate funding to schools based on the local formulae. It remains the government's long-term intention that individual school budgets should be set on the basis of a single national formula (a 'hard' funding formula), but we accept the importance of stability as the national funding formula is introduced; this was raised as a concern throughout the consultation. Spending plans beyond 2019-20 will be set out in a future Spending Review.

The consultation process

7. The first stage consultations on the national funding formulae for schools and high needs both opened on 7 March 2016¹ and set out the principles, building blocks and factors for the funding formulae. Both consultations concluded on 17 April 2016. Our proposals received strong support, confirming the case for proceeding with reform of a system that is not fit for purpose.
8. The government's response to both the schools and high needs first stage consultations was published on 14 December 2016, together with the second stage consultation proposals for the formulae². The second stage consultation built on the first and set out proposals for relative weightings of the various formula factors for the schools, high needs and central school services national funding formulae to be used from 2018-19 onwards. The consultations also set out our proposed approach to transition and provided illustrative allocations for all schools and local authorities in England.
9. We have published earlier assessments of the impact on characteristics protected under the Equality Act 2010 on 7 March 2016 with the stage 1 consultations and then on 14 December 2016 with stage 2 consultations. The current version reflects the final decisions on the national funding formulae, and the latest data and allocations.

¹ Department for Education, [Schools national funding formula](#), 7 March 2016

Department for Education, [High needs funding reform](#), 7 March 2016

² Department for Education, [Schools national funding formula stage 1 response](#), 14 December 2016

Department for Education, [Schools national funding formula - stage 2](#), 14 December 2016

Department for Education, [High needs national funding formula - stage 2](#), 14 December 2016

Funding formulae

10. Final decisions on the funding formulae are set out in the accompanying [policy document](#) and [technical notes](#) which have been published alongside this impact assessment. The table below summarises our final decisions on the national funding formulae to be implemented from 2018-19.

Figure 1: key decisions on the schools and high needs funding formulae

Schools national funding formula	High needs national funding formula
<ul style="list-style-type: none"> • In 2018-19 and 2019-20 funding will be allocated to local authorities based on the notional school allocations according to the national funding formula, while local authorities will continue to allocate funding based on their local formulae • The formula will consist of 4 building blocks: basic per-pupil funding; additional needs funding; school-led funding; and geographic funding • All schools will attract at least 0.5% more per pupil funding in 2018-19 and at least 1% more by 2019-20, compared to 2017-18 baselines • Gains in per pupil funding will be capped in both 2018-19 and 2019-20 at 3% on the previous year • Additionally, all primary schools will attract minimum per pupil funding of £3,300 in 2018-19 and £3,500 in 2019-20, and secondary schools of £4,600 in 2018-19 and £4,800 in 2019-20; this minimum will not be subject to the 3% cap on gains • The funding floor for new and growing schools will be calculated on an if-full basis • With agreement of their schools forums, in 2018-19 local authorities may transfer up to 0.5% of funds from the ring-fenced schools block for other purposes, e.g. to the high needs block 	<ul style="list-style-type: none"> • A national funding formula for allocating high needs funding to local authorities will be introduced from 2018-19 • The formula will provide basic per pupil funding of £4,000 for pupils in special schools, and allocate the rest of the funding using historic spend and proxy factors • The following proxy factors will be used: population, deprivation, low attainment, health and disability • 50% of what local authorities are spending on high needs from their 2017-18 dedicated schools grant allocation will be allocated through the historic spend factor • Basic entitlement and proxy factors will be adjusted for the variations in area costs • All local authorities will receive at least 0.5% more funding per head in 2018-19 and at least 1% more per head of population by 2019-20, compared to their 2017-18 baselines • Local authorities will be able to gain up to 3% a year, in proportion to any increase in their 2-18 population, in 2018-19 and 2019-20

In addition, the new central school services block (CSSB) will be created to fund the ongoing duties local authorities hold for both maintained schools and academies. Funding will be allocated by the formula proposed in December 2016.

11. The additional £1.3 billion we are investing in schools and high needs means that all local authorities will receive some increase in 2018-19, over the amount they plan to spend on schools in 2017-18. Every school will attract a higher level of per-pupil funding than it would have done had the December 2016 proposals been adopted. No school will lose funding through our national funding formula in 2018-19 and 2019-20.
12. As a result of the additional investment in the high needs national funding formula, all local authorities will see an increase in funding per head.

Consideration of the protected characteristics identified in the Equality Act 2010

13. As part of our first and second stage consultations, we published and sought views on our initial assessment of the potential impact with regard to protected characteristics. We received a number of responses to the equalities analysis from a variety of schools, local authorities and stakeholders. The vast majority of comments were not specifically in response to the impact on the identified protected characteristics, but were instead general comments on the national funding formulae. We have taken these responses into account under the relevant questions as set out in the government responses.
14. This document sets out our response to the relevant points raised during both stages of consultation and our further assessment of the impact of the policy decisions, made as a result of the second stage consultation, on persons with characteristics protected under the Equality Act 2010.
15. For the most part, this document provides the analysis of allocations under the full funding formulae. As detailed in figure 1, transitional arrangements will be in place in 2018-19 and gains will continue to be capped for some schools after 2019-20.
16. The analysis is also based on the assumption that local authorities will fund their schools in accordance with the national funding formula. In practice, in 2018-19 and 2019-20, local authorities will retain the discretion to distribute funds in accordance with locally-set formulae (and in doing so, they should also comply with equality considerations). So the actual impact of the reforms may not be exactly in line with our modelling assumptions. We are confident, however, that our modelling provides a sound basis for considering the potential impact on protected characteristics.
17. Introduction of the national funding formulae will create a fairer and consistent distribution of funding that is more closely aligned to need and is essential to supporting opportunity for all children, irrespective of their background, ability, need, or where in the country they live. Our funding system will target funds to those pupil groups where the evidence is clear that they need additional support. It does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement. We believe that all pupils will benefit from the clearer and fairer distribution of funding that these reforms will produce.

Age

18. The public sector equality duty, so far as it concerns age, does not apply to the exercise of a function relating to the provision of education to pupils in schools³, including those pupils over the age of 18.
19. A key consideration in designing the national funding formula for schools is the ratio of funding between the primary and secondary phases. We recognise that there is a differential in funding related to age – that is a deliberate feature of the current funding system, where we require local authorities to provide basic per-pupil funding of at least £2,000 at primary and £3,000 at secondary. As pupils progress through key stages, the breadth and complexity of the curriculum increases, requiring more subject experts, specialist teaching facilities and examination fees expenditure. For this reason, we continue to believe that funding allocations should differentiate between phases to reflect the higher costs in the secondary phase.
20. The basic per-pupil funding rates in the schools funding formula will increase in steps from primary to key stage 3 and key stage 4, in line with current practice by local authorities. The national funding formula will maintain the current average pattern of funding distribution between schools, where almost three quarters of local authorities increase their basic per-pupil funding rates from primary to key stage 3 and then again to key stage 4. The formula does not shift the current overall primary to secondary ratio.
21. It is for schools to decide how to use their funding across the age groups within the school.
22. Some respondents to the consultations were concerned that reductions in funding suggested by our earlier proposals could potentially incentivise premature retirement of older teachers in favour of younger, potentially less costly teachers. The additional investment we are making in schools means that all local authorities will see their funding increased. In addition, we will be helping schools to make efficiency savings which will allow them to direct a greater proportion of their budgets to investment in staff.
23. High needs funding supports provision for pupils and students with special educational needs (SEN) or disabilities aged between 0 and 25. We are not proposing to weight any element of the high needs national funding formula towards any particular age group because the cost of providing additional

³ Legislation, [Schedule 18, Equality Act 2010](#), 2010
Department for Education, [Equality Act 2010: advice for schools](#), 2014

support for pupils and students with SEN is not significantly affected by their age.

24. Some respondents raised concerns that using the population count for 2-18 year olds would ignore the 19-25 year olds with SEN or disabilities for which local authorities are also responsible. We have looked carefully at whether to include a factor relating to the population for 19-25 year olds in the high needs formula. However, we are aware that the total number of young people in this age group, in each local authority, is not necessarily proportionate to the number with high needs: for example, areas with significant university student populations are likely to have large concentrations of 19-25 year olds without high needs. As such, we remain convinced that the 2-18 population count is our best available population measure, and is more likely to represent a good proxy for the number of 19-25 year olds with high needs in an area than a count of the overall 19-25 population. It is for local authorities to decide how to spend their high needs budget to ensure that there is suitable provision for all pupils, taking account of their responsibilities to the entire 0-25 year old cohort.

Sex

25. Following current funding arrangements, the funding formulae for schools and high needs will not differentiate funding levels on the basis of sex. Whilst we recognise there is an attainment gap between boys and girls⁴, we are not aware of evidence that suggests funding levels disproportionately benefits a particular sex; targeting funding on the basis of pupils' sex would have very little impact as the vast majority of schools have a broadly equivalent number of boys and girls.
26. Some respondents raised concerns about this proposal. Although we recognise that boys, and in particular white boys, have lower average attainment than girls, this is addressed directly in the formulae through the low prior attainment factor (in the schools formula) and the low attainment factor (in the high needs formula). We do not believe that there is a case to direct additional funding on the basis of sex for this reason.
27. We have also considered consultation responses which argued that the female workforce will be impacted disproportionately by any primary school staffing changes that schools decide to put in place as a result of funding pressures. However, as noted above, overall funding will now be maintained in real terms per pupil. All schools' cash allocations under the national funding formula will be higher than their baselines.

⁴ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016

Gender reassignment, marriage and civil partnership, pregnancy and maternity, and sexual orientation

28. We believe there are no direct links between the funding reform and the protected characteristics of gender reassignment, marriage and civil partnership, pregnancy and maternity, or sexual orientation. We received no responses relating to these characteristics and have not been made aware of any evidence indicating that our funding reform proposals would differentially affect people who possess them.

Religion

29. Our funding reforms will be applied to all schools consistently, including faith schools. Schools' funding allocations will be set in line with funding of other similar schools around the country. Schools designated with a religious character would see their funding change, not due to the status of their school, but because they are subject to the funding reform in the same way as all other local state-funded schools.

30. The impact of the national funding formula is broadly similar for faith and non-faith schools. 56.3% of faith schools and 60.1% of non-faith schools are not on the funding floor and will attract gains of 1% or more.

31. There is a difference between Christian and non-Christian faith schools – 56.8% of the former, but only 15.9% of the latter are not on the funding floor and will attract gains of 1% or more. This reflects the higher occurrence of non-Christian faith schools in urban areas which have been more likely to see deprivation levels fall since the last time funding was allocated according to a formula.⁵ Where deprivation has declined over the last decade, schools are more likely to see lower gains. Nonetheless, non-Christian faith schools will still be funded at higher rates, receiving average per-pupil funding of £4,855, in comparison to the national average of £4,662. This reflects their tendency to be located in areas of higher overall levels of deprivation.

⁵ There is a significant overlap between non-Christian faith and minority ethnicity, and both have a positive correlation with deprivation. Thus, the following section on the characteristic of race also reflects the impact on non-Christian faith schools.

Race (including ethnicity)

32. We have considered the impact of our funding reform proposals on the protected characteristic of race. For schools we will use 3 'additional needs' factors – deprivation, low prior attainment and English as an additional language. For high needs, we will target funding according to low attainment, children's health and disability, and deprivation.
33. Some respondents in the first stage of the consultation raised concerns about our proposal to exclude a mobility factor from the schools funding formula. Some felt that this could disproportionately impact Gypsy/Roma pupils and pupils of Irish traveller heritage. We acknowledge the concerns raised and have decided to include a mobility factor. We will allocate funding for mobility on an historic basis in 2018-19 and will consider alternative methods of allocation to be used in later years.
34. Some respondents also expressed concern that the introduction of the national funding formula for schools could divert money away from ethnic minority groups. We have deliberately chosen not to include the broad characteristic of ethnicity as a funding factor in the formula, relying instead on the additional needs factors.
35. The majority of ethnic groups achieve above the national average⁶. Those ethnic groups that achieve below the national average will be targeted for additional funding through the low prior attainment factor, which we have increased significantly in weighting compared to the current spend by local authorities.
36. We also know that there is a significant overlap between areas of high deprivation and the proportion of pupils from an ethnic minority background. It follows, therefore, that the impact on schools with a high proportion of ethnic minority pupils will be similar to that of schools in deprived areas. We have chosen to increase deprivation funding to reflect the funding currently channelled to deprived areas through the per-pupil basic and lump sum factors by some local authorities.
37. Increased spending on the English as an additional language factor in the schools formula will also channel funding for some ethnic minority groups.
38. As set out above, schools with a high proportion of ethnic minority pupils will continue to attract more funding through the additional needs factors than schools with a low proportion of ethnic minority pupils. Schools with the highest

⁶ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016
Department for Education, ['Revised GCSE and equivalent results in England: 2015 to 2016'](#), 2017

proportion of low-achieving ethnic groups will attract average per-pupil funding of £5,030 compared to the national average of £4,662.

39. However, schools with a high proportion of ethnic minority pupils are likely to see relatively lower gains. This is because they tend to be concentrated in areas which have benefitted historically from higher rates of funding due to high historic deprivation levels. Many of these areas have seen a significant reduction in their level of deprivation since 2005-06, when a formula was last used to allocate funding to local authorities. The schools formula will be a fairer and more transparent way of distributing funding related to deprivation, and will include a definition of deprivation that reaches a broader range of pupils.
40. Overall, the impact of the national funding formula on the protected characteristic of race is explained not by pupils' ethnicity, but by the wider characteristics of the areas in which they are more likely to live. Our assessment is that the introduction of the formulae will deliver a fairer funding system for all pupils, with pupils from all backgrounds funded on a consistent and transparent basis.

Disability

41. With the additional £1.3 billion investment on top of existing spending plans, the core schools and high needs budget will increase by a total of £2.6 billion between 2017-18 and 2019-20, maintaining core schools and high needs funding in real terms per pupil up to 2019-20. As pupil numbers increase, so will the amount of money in our schools. This settlement provides protection for funding for children and young people with SEN and disabilities. Amounts allocated year-on-year will recognise demographic changes and support the continuing implementation of important SEN reforms introduced by the Children and Families Act 2014.
42. In our analysis, we have assumed that the number of SEN pupils in a school closely correlates with the number that have a disability, as most of the 12 types of SEN either relate explicitly to disability, or will encompass learning disabilities.

Schools funding

43. The department does not currently collect statistics on school pupils with a disability. We have decided not to include a specific SEN or disability factor in the national funding formula for schools because of the lack of reliable information or robust data, and because using such a measure would create a perverse incentive to over-identify SEN and disability. We have instead chosen to use low prior attainment in particular as a proxy indicator of need, in part because of its strong correlation to SEN. The low prior attainment factor directs additional funding for every pupil who did not reach the expected standard at the

previous stage. It takes into account every pupil in the school, and eligible pupils continue to attract this additional funding for as long as they are at the school. As well as helping schools to support all pupils who need to catch up with their peers, a particularly important function of this factor is to direct funding to schools likely to be supporting pupils with SEN in mainstream provision.

44. Schools are required to identify and address the special educational needs of the pupils they support. Mainstream schools are expected to meet the first £6,000 of additional costs for each child. We are not proposing to change these arrangements. The deprivation and low prior attainment factors in the schools national funding formula will direct extra resources towards mainstream schools that are likely to face additional costs in making provision for pupils with SEN and disabilities. We know that schools can be disadvantaged if they admit a disproportionate number of pupils with high needs, or a significant number of pupils with needs for which the formula does not have a suitable proxy. Where this is the case, it is entirely appropriate for local authorities to use funding from their high needs budgets to support mainstream schools that adopt a particularly inclusive approach, and many authorities already do this. Authorities with a high proportion of mainstream places for those pupils with high needs will not need to resource as many high needs places elsewhere, and the consequent savings should be directed into the inclusive schools.
45. We have looked at the impact the national funding formula could have on schools with high numbers of SEN pupils. Under a national funding formula, schools with higher proportions of pupils with a statement of SEN, an educational health and care plan (EHCP), or in receipt of SEN support would attract higher average per-pupil funding rates. For instance, schools with the highest proportion of pupils with a SEN statement or EHCP will attract average per-pupil funding of £4,947, and with the highest proportion of pupils with SEN support £4,986, compared to the national average of £4,662.
46. Some respondents were concerned that small remote schools would find it difficult to meet the first £6,000 of additional costs for SEN pupils. Due to their size, this amount for each pupil is a greater proportion of their budget and their opportunities to achieve greater economies of scale through collaboration with other schools are limited because they are remote. Lump sum and sparsity factors in the schools funding formula will benefit these schools, increasing their per-pupil funding. Those small rural schools that do not receive significant funding through the additional factors are likely to benefit from the minimum per-pupil funding. Local authorities will also be able to use their high needs budget to support such schools.

High needs funding

47. As part of the national schools budget protection, we provided an uplift of £130 million to the high needs block in 2017-18. The additional funding announced will allow us to ensure that all local authorities see at least a 1% increase per head of their 2-18 year old population by 2019-20.
48. The new funding formula for high needs will allocate more funding on a formulaic basis using proxy indicators to identify need:
- health and disability:** using two funding factors that directly relate to disability: disability living allowance and children in bad health. The disability factor specifically targets funding towards children who receive disability living allowance; both factors are specific indicators of the health and disability aspects of SEN and disability.
 - low attainment:** reflecting the strong correlation between attainment and SEN. 14% of pupils with SEN achieved the expected level in reading, writing and mathematics at key stage 2 in 2016 compared to 62% of those with no SEN⁷.
 - socio-economic disadvantage:** two indicators of deprivation: pupil-level and area-level deprivation data to reflect the significant overlap between pupils eligible for free school meals and SEN.
 - population:** using population data to allocate high needs funding will reflect that in every given population there will be a proportion of those with high needs.
49. The weightings of the formula factors, as set out in the [policy document](#) published alongside this document, will ensure that schools and local authorities with the highest level of need attract the most funding. This will, in turn, have a positive impact on the protected characteristic of disability. The formula also ensures that every local authority will gain some funding, which will ensure that children and young people in existing high needs placements will not need to have their provision changed simply because we are introducing a national funding formula.
50. We acknowledge that proxy indicators of need will not reflect every type of SEN or disability, but we believe that using proxy indicators is most appropriate to avoid any perverse incentives for a local authority to over-identify SEN to secure additional funding. We are also allocating 50% of funding according to existing spending patterns, which will help to reflect the position of any areas with higher levels of SEN or disability that are not picked up by our proxy indicators.

⁷ Department for Education, [National curriculum assessments: key stage 2, 2016 \(revised\)](#), 2016

Importantly, we are proposing to retain the system of top-up funding at local level, so that resources can be linked directly to the support that institutions give to individual pupils and students.

51. Concerns were expressed in both the schools and high needs consultations about the proposal to ring-fence the schools block impacting those pupils with a disability. We accept that some local authorities may face particular challenges, and in July we confirmed that we would not ring-fence the schools block in 2017-18. We will ring-fence the school block from 2018-19, but will allow local authorities, with the agreement of their schools forums, to transfer up to 0.5% of their school block allocation into the high needs block, to address the concerns raised. We have also set out a range of other support for local authorities, including a strategic planning fund to help them review, plan ahead and implement changes locally to make sure that suitable provision for children and young people with SEN and disabilities is available⁸.

Mental health

52. A number of respondents expressed concern about whether enough consideration was given specifically to mental health issues. Mental health is a protected characteristic under the Equality Act 2010 as long as it fits the definition of a disability under [section 6 of the act](#). The section states that a person has a disability if their mental impairment “has a substantial and long-term adverse effect on [the person’s] ability to carry out normal day-to-day activities”, where ‘long-term’ means lasting at least 12 months⁹. Thus, the act identifies disabilities by their effects rather than medical diagnosis and is more inclusive than previous legislation.
53. As stated above, we are not including a specific disability factor (including mental health) because there is a lack of robust data to support it, and because to do so would create perverse incentives to identify children in order to access funding. The Queen’s Speech 2017 confirmed the government’s intention to transform the provision of mental health support. A cross-departmental green paper on mental health support provision is forthcoming later this year. We will take the outcomes of that consultation into consideration in the funding formula, where appropriate, in due course .
54. The schools and high needs formulae to be introduced from 2018-19 use low prior attainment and deprivation proxy factors to allocate funding. These factors have a high correlation with both SEN and mental health. Funding allocated through these factors in the schools formula would help schools meet the funding need that falls below the high needs threshold of £6,000. The

⁸ Department for Education, ‘[High needs national funding formula and other reforms](#)’, 2016

⁹ See detailed guidance on the definition of disability under the act [here](#).

introduction of minimum per-pupil funding levels will help to ensure that schools which receive little or no funding from the additional needs factors can also address mental health issues.



Department
for Education

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