



National Funding Formula 2019/20 Consultation Document

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Deadline for responses: 12 November 2018

1. Introduction

- 1.1. Last year, the Government announced that a National Funding Formula (NFF) for schools would be introduced from April 2018. The total DSG allocation in Sutton from 2018/19, and in future years, will now be set by the National Funding Formula, however, the Government have left it to Local Authorities to decide how the NFF should be implemented locally and prior to the introduction of the 'hard' national funding formula expected in 2021/22 (i.e when all schools must be funded on the national formula factors). LAs will therefore continue to set local formula factors until 2020/21 and they must do this in consultation with Schools Forum and with schools in general.
- 1.2. The Local Authority consulted on the implementation of a National Funding Formula in October/November 2017 and, broadly speaking, determined to

move towards the National Funding Formula as quickly as possible in 2018/19 but to provide basic protections in place for those schools that see a reduction in funding from the NFF (through the Minimum Funding Guarantee 'MFG'). Information about last years consultation can be found in Schools Forum papers [here](#) (see October 2017 and December 2017 folders).

- 1.3. In addition to previous consultation papers linked above, there is a significant amount of information published on the DfE's website (2019/20 operational guidance) which can be found [here](#) as well as published [school level tables](#) indicating the *notional* allocations to each school that the NFF provides. This consultation paper does not repeat much of the background to the NFF which can be found via the links above, however it is worth reiterating here that the notional allocations published by Government are NOT what schools will receive in 2019/20. Whilst the government has stated that it will provide for at least a 1% per pupil increase for each school nationally in 2019/20 over the 2017/18 baseline, not all schools can expect such an increase - this is because the 1% per pupil calculation is an aggregated assessment of the total allocation to the Local Authority NOT what the NFF actually delivers for each individual school. What schools will receive will depend on the local factors agreed this year after consultation with all schools in the Borough and Schools Forum.
- 1.4. Officers of the Local Authority met with the Formula Review Group on 11 September 2018 (a sub group of the Schools Forum in place to discuss changes to the Schools Formula) to discuss the potential options for 2019/20 and then agreed the options for consultation at the Schools Forum on 9 October 2018. We are asking all schools in the Borough to consider the options set out in this document and the LA/School Forum's recommended option and to let us know your views before final decisions are taken by the LA/Schools Forum in December.
- 1.5. You can respond to the consultation [online via this link](#). All responses to the consultation should be sent back by 12 November 2018. Officers will analyse all responses received and write a report to be considered by the Schools Forum on 4 December 2018.

2. Changes in 2019/20

- 2.1. There are a number of features which remain the same and were announced in 2017, but taking effect this year:

- The **minimum per pupil funding** level for secondary schools will increase to £4,800 per pupil and for primary schools this will increase to £3,500
- The **funding floor** – the funding floor will increase to ensure that the aggregate allocation that Sutton receives is based on a 1% gain per pupil against 2017-18 baselines - it being 0.5% last year. As stated above, this is the basis upon which the total DSG allocation per authority will be calculated NOT what schools will actually receive - this uplift in effect helps to deliver the NFF in Sutton.
- The **gains cap** – the gains cap will increase to 6.09% per pupil against 2017-18 baselines. This is in effect a 'compounded figure' e.g. schools that gain 3% on top of the 3% they gained in 2018-19. Again, this is the basis upon which the total DSG allocation will be calculated NOT necessarily what schools will actually receive.

2.2. There are also a number of changes on the guidance published in 2018/19. The main changes are summarised below:

- **Date of full implementation of the NFF** - originally the Government was planning to implement the NFF by 2020/21. They have now confirmed that Local Authorities will continue to set local formula factors for 2020/21 - including the ability to request up to a 0.5% from the schools block to the high needs block with schools forum agreement / or via a disapplication process where there is no agreement. There is no wording in the guidance which explicitly states that the revised intention is to implement the NFF by 2021/22 but as Local Authorities move closer to the NFF this would appear the likely progression.
- **Growth funding** - this is probably the most substantial change in 2019-20. Where previously growth funding was allocated to LAs on historic spend, the Government will introduce a formulaic approach to the growth factor based on what the growth is (by comparing autumn census NOR in 2017 with what it is in 2018). The gains and losses on growth funding will be capped and scaled as a transitional measure (50% cap on gains, with 50% scaling thereafter). They are also allocating £65k for any new school opening in the Borough (appearing on October 2018 Census) - this would apply in Sutton to Harris Academy Sutton. This only affects what the LA receives, it does not fetter the discretion that Schools Forum has to allocate the funding. Although allocations will not be published until December, officers estimate that Sutton could receive circa £900k additional growth funding as a result of this change.

- **Introduction of a funding floor** - the Government have introduced a funding floor factor which enables LAs to apply a minimum 1% increase for all schools on the 2017/18 baselines should they wish to in discussion with Schools Forum.
- **Reduction in Primary LPA** - slight reduction in the low prior attainment factor from £1.050 to £1,022 (prior to area cost adjustment). Overall this would represent an average reduction to primary schools in Sutton of £132k (total allocation across all schools).

3. Sutton's 2019/20 DSG Allocation - overview

- 3.1. Based on October 2017 NOR we will receive an estimated allocation for 2019/20 of £150.2m. This is an estimate only, because we will only receive our actual allocation in December 2018 once October census information has been compiled. The estimated allocation above excludes any allocation for growth (this would ordinarily be part of the schools block allocation - however it has been separated out here to make it clearer what residual funding remains after the local formulae are applied in each of the options in this paper.
- 3.2. This allocation is against a total figure allocated in 2018/19 of £146.8m (also excluding growth). The total allocation will change once 2018 numbers on roll are known from the October 2018 census as well as growth allocations are published - this will be available to Local Authorities in December 2018. We must therefore agree what local factors we are to use for 2018/19 by modelling like for like comparisons against the October 2017 NOR data (as the Government has). The figures quoted in all of the options below are therefore based on 2017 NOR data for comparison purposes.
- 3.3. Broadly speaking, with a larger allocation this year than last, there will be flexibility in terms of our ability to transition to the NFF, but also flexibility to provide funding support to the High Needs block as well as protection for those schools that see 'funding reductions' through the NFF. This is in effect the subject of the consultation as set out in the options below.

4. Overarching principles

- 4.1. Formula Review Group and Schools Forum reviewed the overarching principles that were used in 2018/19 to develop the options for the implementation of the NFF and have restated them as broadly the framework in which options in this

consultation document have been developed when considering formula factors for 2019/20.

- a. To seek a graduated transition towards the 'pure' NFF, where affordable, and to not propose options in 2019/20 that move the local formula further away from the NFF than the option that was agreed in 2018/19.
- b. To continue to use the minimum funding guarantee at -1.5% to allow a reasonably swift transition to the NFF unless there is an opportunity to increase the MFG whilst still delivering the overall NFF factors.
- c. Capping and scaling should generally only be used where the NFF is unaffordable having applied the MFG.
- d. Whilst it is recognised that the Government has allowed Local Authorities to apply a funding floor as one of the factors, such that all schools would receive at least a 1% increase on the baseline 2017/18 allocation (n.b. 2017/18 formula factors being very different to NFF factors) this is deemed to be contradictory to the principle of moving towards the NFF in a transitory way - in other words, to apply a funding floor would move some schools further away, not closer to, the NFF and should therefore be avoided unless there are reasons identified in the consultation to consider it.
- e. Growth - to consider what funding for growth would be available following the implementation of the NFF given that the allocation has increased this year.
- f. High Needs - it is accepted that the Local Authority will generally request a transfer of 0.5% from the schools block to the high needs block, where it can be demonstrated that without such a transfer the high needs block would go into deficit and where doing so would not disproportionately deprive schools of gains that they would ordinarily make under the NFF. The Local Authority will generally not seek a disapplication for any funding beyond 0.5% (which would be determined by the Department for Education) unless in exceptional circumstances.

5. Growth

- 5.1. Growth funding provides support to existing schools that are expanding. It covers the lag in funding when growing schools take additional pupils in September which are only captured in school budgets in the following April following the October school census.
- 5.2. At its meeting on 8 December 2016, Schools Forum resolved to significantly reduce growth funding for schools that are expanding in the Borough given the financial pressures on DSG in 2017/18 and based on the consultation responses received that suggested this was the 'least worst' option.

- 5.3. Schools Forum's existing policy on growth is that schools that are permanently expanding will receive £51k (full year equivalent) for the first year of expansion - defined as the year in which the PAN formally increases - provided that the project meets basic need with no funding provided thereafter. In 2018/19, £251k was spent on growth, however, based on the revised methodology set out in the Government's guidance (and estimating likely NOR in October 2018) the LA estimates that Sutton's allocation would be about £1.1m after capping and scaling deductions. The actual growth allocation will not be known until December 2018.
- 5.4. What to allocate for growth funding is a decision that is made by the Schools Forum and not the Local Authority. The Government state in their guidance that they do not necessarily expect Schools Forums to change their policies on growth to mirror the revised methodology that they have used to calculate growth funding for LA areas. However, given that Sutton has moved towards the NFF, it could be argued that the allocation for growth should also be distributed to schools for that purpose in line with the NFF unless there is good reason not to. Any increase in growth funding (pending the value agreed by Schools Forum) is unlikely to hinder the ability to achieve the NFF in Sutton in 2019/20 but it could impact on the overall affordability should this be combined with a 0.5% transfer from the schools block to the high needs block.
- 5.5. In September 2018, there are three schools that were eligible for growth funding (academies receiving funding for the full year effect):
- Harris Academy Carshalton (bulge class 2018)
 - Hackbridge Primary School (expansion 2018)
 - Westbourne Primary School (expansion 2018)
- 5.6. There are no schools permanently expanding in 2019/20 and the Local Authority has not confirmed any primary or secondary bulge classes for September 2019 yet. Based on the latest set of projections, bulge classes are not expected to be required in the primary sector, with between 2 and 4 bulge classes potentially being needed in the secondary sector. It is not possible to say the precise quantum of additional classes to be created to meet basic need at this stage (though the LA should have a better idea following application deadlines in November and January respectively) therefore it seems sensible to err on the side of caution and plan on the basis that 1 bulge class might be required in the primary sector and 4 classes in the secondary sector.

- 5.7. Based on the current policy the expected costs of growth in 2019/20 would therefore be (Westbourne - £21.25k, Harris Academy Carshalton - £21.25k part year effect, Hackbridge - £26k) plus (5 x - £29.75k bulge classes in 2019) = £217k.
- 5.8. £217k is considered by officers to the minimum allocation with scope to increase the allocation as a result of the expected increase in allocation for 2019/20. We would like to hear whether schools agree or disagree with the principle of increasing growth funding for schools as a result of the increased allocation we are likely to receive for 2019/20. There are a variety of different options that could be considered which will invariably involve (i) increasing the amount that is provided, (ii) widening the way the allocation is made (currently growth is only provided in Year one of an expansion and half in year 2). As the funding options in the paper make clear, there are trade offs between growth, high needs and the value of delegated budgets. At this stage we are not consulting on any particular option, but would like to know what schools think about the principle of increasing growth funding. Pending the consultation response, a proposal will be brought back to the Schools Forum for the meeting on 4 December 2018. Any views on this would need to be taken in the round having reviewed the options below and their differing outcomes (including amount of residual funding remaining for growth).

6. SEND / High Needs

- 6.1. Although the Schools block has been ring-fenced from 2018/19, as was the case last year, local authorities have limited flexibility to transfer funding to other areas such as high needs if they need to. The Local Authority can request up to 0.5% of the schools block to the high needs block with agreement from Schools Forum and following a consultation process involving all schools in the Borough. The Government has confirmed that Local Authorities will be able to continue to consider this option in 2020/21. Should Schools Forum not agree with a request, the LA can 'disapply' and request to the DfE that this be implemented without Schools Forum agreement. It is also possible for the Local Authority to 'disapply' and request to the DfE that more than 0.5% from the schools block be transferred to another block where this is deemed to be needed.
- 6.2. A transfer of 0.5% would be worth about £754k based on 2017 numbers on roll data.
- 6.3. SEND remains a significant financial risk to the DSG in the future. As has been reported to schools and Schools Forum previously, the following

features in Sutton set the scene for the the scale of the challenge that lies ahead:

- The number of statements/EHC Plans has increased by nearly 45% since March 2014.
- The number of requests for statutory/Education, Health and Care Needs assessments from schools has increased by over 90% over that same period
- Sutton has a higher proportion of its budget spent on non-maintained or independent placements (source: DfE SEN benchmarking data 2017)
- Sutton has a high spend per head in comparison to other Local Authorities in the Country on SEN provision (DfE high needs baseline data).
- Overspends in the DSG this year and last year are largely due to pressures resulting from SEN demands, yet the revised National Funding Formula for high needs recently published by the Government (if it was implemented 'purely' and without protections) would provide significantly less funding than is currently received. Sutton cannot therefore expect any additional funding for SEN for the foreseeable future.

- 6.4. High Needs Pressures - Sutton has experienced overspends against the high needs block allocation in every year since 2013/14. Contributory factors to these pressures include: (i) population increase / increased complexity of need, (ii) the unfunded extension of LA responsibilities from 4 to 19 to 0 to 25 (iii) increased costs of NMI and in general raised expectations as a result of the Children and Families Act 2014.
- 6.5. Sutton is far from alone in experiencing these pressures. Last year, 27 of the 32 London Boroughs reported significant overspends on high needs reporting an accumulated deficit of £72m. Clearly, there are improvements that the LA and Cognus want to make to the management and provision of SEND in the Borough through the programme of work associated with the Written Statement of Action, however the prevalence of these pressures in London and nationally suggest that improved management is a contributory factor, not a panacea. In this regard, the Council has been proactive in seeking to address this issue with London Councils, writing to the Secretary of State on a number of occasions noting both the pressures that Local Authorities and schools are under collectively.

- 6.6. Whilst detailed work on the 2019/20 high needs budget will be undertaken later in the year, the case for additional funding appears strong. In 2017/18 the DSG outturn position showed an overspend on high needs of £436k. Whilst the month 5 reported position for 2018/19 suggests an improved position on high needs, officers are extremely cautious about this forecast at present. With the number of EHC plans in the Borough increasing from an average of 1550 in 2017/18 to their current position of 1650 currently it is likely that the high needs budget will continue to be under significant pressures in 2019/20 as it has been in previous years.
- 6.7. It is recognised that schools are also under financial pressure and for this reason may be reluctant to agree to a transfer of 0.5% from the schools block. However given that the number of EHC plans has increased in the Borough and given that high needs is the collective responsibility of the local area, including schools, officers believe that there is a strong case for the 0.5% transfer in 2019/20 to avoid the DSG going into deficit. As was the case last year, the LA would like to hear the views of schools in this regard before any decisions are made.
- 6.8. Local authorities must submit a disapplication request to the Secretary of State in cases where:
- The local authority wishes to move more than 0.5% of the schools block;
 - The Schools Forum has turned down a proposal from the authority to move funding out of the schools block, but the authority nevertheless wishes to proceed with the transfer;
- 6.9. As was also the case last year, the Government have stated that a disapplication request has to be submitted by 30 November 2018, using the best information available. This would be in advance of decisions made at Schools Forum scheduled for December (see timetable below). Officers suggest that we deal with this in the same way as last year whereby the Authority (should it decide to do so) submits a disapplication request 'in any case' - it could then be confirmed to the Department for Education following the Schools Forum meeting on 4th December whether (i) there is an objection from schools or not, (ii) the Local Authority wishes to withdraw the disapplication request.
- 6.10. High Needs Review - the Local Authority would want to move towards a position whereby the spend on high needs is contained within the budgets set

by the National High Needs Funding Formula. This represents a considerable challenge based on the current context and with a significant amount of work required to address the areas of weakness identified by the Local Area Inspection, the Local Authority is in the process of commissioning external support to undertake a high needs review which builds on the work undertaken last year and forms part of the Council's Written Statement of Action.

7. Options for Consultation

- 7.1. The Local Authority agreed local formula factors in 2018/19 as set out in Appendix A. These factors represent a close match to the NFF factors with the exception of the English as an Additional Language factors which remained at historical levels. 'Capping and scaling' was also necessary in 2018/19 to make the overall allocation affordable.
- 7.2. Officers met with the Formula Review Group and Schools Forum to develop options that (i) best met the overarching principles set out in section 4, (ii) were affordable overall, (iii) where possible provided funding for growth and high needs. The options in the table were agreed to be put forward for consultation. The 2018/19 formula is included in the list and in the options for comparative purposes so that schools can see the individual impacts on their schools and across the Borough as a whole over allocations last year.
- 7.3. In all options, growth allocations have been excluded and as such all growth and SEND funding, if agreed, would need to be funded through the residual balance remaining and indicated in the appendices. The following should be noted when considering these options:
- Based on the current information and provisional allocations from Government, it is possible to implement the NFF fully without the need for capping and scaling in 2019/20.
 - Most options leave some residual funding for growth and SEND - but by varying amounts.
 - All of the options could be 'adjusted' - for example, in options 2 and 3 we could raise or lower the lump sum factors to create more or less funding for high needs and growth. Equally, in option 4 the MFG could be decreased to -0.5% or -1% to create more room for SEND and growth. The 4 options are not absolute in this sense and schools could state in their responses what adjustments they think should be made.
 - All options deliver the minimum per pupil funding rates for primary schools (£3,500) and secondary schools (£4,800) - only one school in

the Borough (Nonsuch High School) required topping up to this amount because the NFF didn't deliver the minimum amount.

Options for 2019/20	Description
Control Option - NFF 2018/19, EAL 1, EAL 2 Cap 3% scaling 100% (<u>comparative purposes only</u>)	This is the existing local formula factors agreed for 2018/19 e.g NFF factors used apart from EAL set at Prim EAL1 and Sec EAL2, capping 3% and scaling 100%, MFG set at -1.5%
OPTION 1 - NFF Factors	This applies the NFF formula factors 'entirely', with MFG set at -1.5%.
OPTION 2 - NFF Factors plus additional £10k lump sum plus Area Cost Adjustment for primaries (1 year only)	This applies the NFF formula factors 'entirely' and increases lump sum to primary schools from £110k to £120k as a <u>one off</u> for 2019/20 to support all primary schools - including those that gain as well as those lose from the NFF. This results in a lower residual amount of funding for growth and SEND than option 1
OPTION 3 - NFF Factors plus additional £5k lump sum plus Area Cost Adjustment for all schools (1 year only)	This applies the NFF formula factors 'entirely' and increases lump sum to primary schools AND secondary schools from £110k to £115k as a <u>one off</u> for 2019/20. This provides an increase in funding to all schools above the NFF. This results in a lower residual amount of funding for growth and SEND than option 1
OPTION 4 - NFF Factors, MFG 0%	This applies the NFF formula factors 'entirely' and reduces the MFG from -1.5% to 0% for those schools that see significant reductions in funding as a result of the implementation of the NFF - in effect this provides further time for schools to adjust to the NFF.

- 7.4. Each of the options in the table above results in a different allocation and in a different amount of residual funding for growth and SEND. The aggregated impact of each option is set out in Appendix B and indicative outcome for each individual school is included in Appendix C.
- 7.5. Individual school illustrations are calculated so that schools can understand the impact on their individual schools. Schools should note the following when reviewing this information:
- The figures provided are indicative only they are NOT actual allocations for next year. The calculations are based on October 2017 census figures -

these will be updated by Government in December using October 2018 Census information.

- The Government published school level data which showed “notional” budgets for each school. The notional budgets give a *sense* of how the aggregated schools block budget for each local authority has been calculated but the notional allocations do not include allowances for growth, do not include any allocation for high needs, do not include premises factors for academies and it calculates EAL contributions differently. Schools should not therefore compare (like for like) what their notional allocations are against each of the options identified in Appendix C.

7.6. The Formula Review Group met in September and on balance their preferred option which they recommended to School Forum was Option 3. Schools Forum chose not to provide a preferred option as part of this consultation exercise.

8. Making your views known

8.1. It is important that the Local Authority understands what the views of schools are before a decision is taken in December. The expected timeline for a decision is set out below:

Date	Activity
11 September 2018	Meet with Formula Review Group to: <ul style="list-style-type: none"> - Discuss and agree principles and overarching approach - Review options officers have modelled - Recommend options we should consult on / any further options FRG would wish officers to model - SEND Disapplication and High Needs Funding Review
9 October 2018	Meet with Schools Forum to: <ul style="list-style-type: none"> - Review options discussed with the FRG - Agree options we should consult on and consultation paper / process - SEND Disapplication and High Needs Funding Review
15 October 2018 - November 12 November (4 weeks)	Consultation with all local maintained schools and academies on Schools block funding as part of progress to NFF
30 November 2018	Deadline for disapplication (requests to move money from schools block to high needs block)

4 December 2018	Schools Forum - to agree local formula factors for 2019-20
6 December 2018	People Committee - to ratify local formula factors for 2019-20
Mid December	DfE/ESFA APT issued to local authorities containing October 2018 census-based pupil data and factors.
End of December	DfE/ESFA publication of DSG schools block and high needs block allocations for 2019 to 2020 (prior to academy recoupmnt).
Mid-December	DfE/ESFA publication of provisional early years block allocations
18 January 2019	Deadline for submission of final 2019 to 2020 APT to ESFA
28 February 2019	Deadline for confirmation of schools budget shares to mainstream maintained schools.

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

<https://sutton.citizenspace.com/children-young-people-and-learning-services/sutton-schools-forum-consultation-national-funding/>

- 8.3. It is expected that all schools will be able to respond online (preferable) however if you would like to request a paper copy of the consultation form please contact adsupport@sutton.gov.uk
- 8.4. We have sought to keep the consultation response form as simple as possible but to leave adequate space for detailed and open ended responses where appropriate.
- 8.5. The consultation will run for four weeks from **15 October to 12 November 2018** - **please ensure all responses are received within this timeframe.** Please also refer to the Schools Forum papers already circulated when considering your response and get in touch with your Schools Forum representative in the first instance should you have any questions about this consultation.

Appendices

Appendix A - 2018/19 Local Formula Factors

Appendix B - Aggregated impact of Options (2019/20)

Appendix C - Notional School Level Allocations by Option (2019/20)

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