

Cabinet – 23 October 2019

Proposed Schools Local Funding Formula 2020/21

Portfolio: Councillor Towe, Education and Skills

Related portfolios: Councillor Bird, Leader of the Council

Service: Children's Services: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 The schools local funding formula is the process that is utilised (informed by national guidance which details the funding factors that can be incorporated) to allocate the Schools Block of the Dedicated Schools Grant funding that the Council receives to mainstream schools in the Borough of Walsall. The Department for Education requires all Local Authorities, in consultation with their Schools Forum, to produce a schools local funding formula for the following financial year by the third week in January each year. Due to the timing of Schools Forum and Cabinet meetings, agreement of the proposed direction for consideration in relation to the 2020/21 local funding formula requires agreement in advance of the Department for Education informing the Local Authority of its Dedicated Schools Grant for 2020/21 year, which is not expected to be provided until the last week of December 2019.

2. Summary

- 2.1 From April 2018 Central Government began the implementation of the schools National Funding Formula, which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the previous methodology (which was in the main based on historic spending on education in each area rather than on the basis of need).
- 2.2 In September 2019 the Department for Education confirmed that the full implementation of the "hard" National Funding Formula would be moved back to 2021/22, therefore for 2020/21 local authorities are still required to set a local funding formula for their mainstream schools. In support of this the Department for Education have confirmed that provisional National Funding Formula allocations, at local authority level, will be published in October 2019, as well as notional school-level allocations. Final allocations for 2020/21 will then be published In December 2019.
- 2.3 A report to Schools Forum on 16 October sets out the Proposed Schools Funding Formula for 2020/21 and makes recommendations on the allocation of any available funding into meeting the new mandatory requirements that the

Department for Education have introduced for the year, with any remaining funding allocated to either the Low Prior Attainment factor or to the High Needs block (in support of the outcome of the review of the Walsall high needs funding formula which is currently underway).

3. Recommendations

Subject to outcome of the discussion of Walsall's Schools Forum at their meeting on 16 October 2019:

- 3.1 That Cabinet approves the Schools Funding Formula (**Appendix A**) that was recommended by Walsall's Schools Forum at their meeting on 16 October 2019
- 3.2 That Cabinet notes that the Department for Education may request revisions to the school funding formula and that values attributed in the formula may need to change once the Department for Education reviews the October 2019 census data.
- 3.3 Cabinet approves to delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Education and Skills to amend the formula in line with Department for Education requirements and to comply with all and any relevant Department for Education regulations for the 2020/21 Schools Funding Formula.

4. Report detail - know

Context

- 4.1 For 2020/21 local authorities are be required to set a local funding formula for their mainstream schools.
- 4.2 An Authority Pro-forma Tool, with pupil data specific to individual authorities, will be published in December 2019. The agreed local funding formula factors will be used within the pro-forma to determine a budget share for all mainstream schools for 2020/21.

Proposed Schools Funding Formula

- 4.3 The recently published 2020/21 School Revenue Funding Operational Guidance confirms a number of changes to local authority formulae arrangements for the year which are:
 - The Department for Education's intention to make the Minimum per Pupil Funding levels a compulsory factor. A consultation on the Minimum per Pupil Funding, which closes on 22nd October 2019, focusses on how best to implement this change and the method to be used to calculate this within local funding formulae.
 - That local authorities will have the freedom to set the Minimum Funding Guarantee in the local formulae at between +0.5% and +1.84% per pupil, as well as to use a gains cap.
 - The removal of the funding floor factor that authorities had the option to use in 2019/20. The factor is no longer needed as schools' funding floor baselines

will be based on the National Funding Formula allocations in 2019/20, in line with minimum funding guarantee methodology.

- That local authorities will be able to transfer up to 0.5% of their schools block to other blocks of the Dedicated Schools Grant, with Schools Forum approval. Transfers above 0.5%, or any amount without Schools Forum approval, will require approval from the Secretary of State.
- 4.4 A proposed approach for the 2020/21 funding formula is being reported to Schools Forum at their meeting on 16 October 2019. This report, based on principles discussed at the Schools Forum meeting in September 2019, recommends that any additional funding available in the 2020/21 Schools Block should first be used to meet the new compulsory Minimum Per Pupil Funding factor and minimum funding guarantee requirements, following which any remaining funding should either be invested into the Low Prior Attainment factor to further align the local prior attainment rate towards that within the National Funding Formula (in line with feedback gained through a full local funding formula consultation undertaken with all mainstream schools as part of the process to set the 2019/20 formula) or be transferred to the high needs block, following the outcome of the Walsall high needs funding formula review currently being undertaken – a further report will be provided to Schools Forum in January 2020 following receipt of final Dedicated Schools Grant allocations to seek their recommended direction on this (with any recommendation regarding transfer of funding to the High Needs block then subsequently due to be reported to Cabinet in March 2020).
- 4.5 Appendix A to this report details the funding factors included within the proposed funding formula and their respective unit values, with a brief summary of each of the factors set out below.

Basic Entitlement (Age Weighted Pupil Unit) – a pupil - led factor:

This compulsory factor assigns funding on the basis of individual pupils, with the number of pupils for each maintained school or academy based on the October pupil census. This represents the largest element of the funding formula. Operational Guidance for 2020/21 confirms the requirement for a single rate for primary age pupils, which must be at least £2,000. Rates for secondary age pupils can vary between Key Stage 3 and Key Stage 4, with a minimum of £3,000 for each.

Minimum per Pupil Factor – new compulsory factor from April 2020:

The purpose of the factor is for local authorities to provide the National Funding Formula minimum per pupil funding levels to every school.

Deprivation – a pupil - led factor:

This is a compulsory factor and local authorities can use free school meals data (Free School Meals eligibility, taken from October census, and/or FSM6), the Income Deprivation Affecting Children Index, or a combination, to calculate the deprivation factor.

Walsall allocates funds to schools to meet the additional needs that children from deprived backgrounds may face using the 6 bands of the Income Deprivation Affecting Children Index measure and Free School Meals eligibility data.

It should be noted that new Income Deprivation Affecting Children Index data was published in September 2019, however, recently published operational guidance for 2020/21 confirms, that in order for the Department for Education to have sufficient time to review the effect of any changes, this data will not be used in the National Funding Formula in 2020/21 and will continue to use the existing data from 2015. Local authorities will therefore also be required to continue to use the 2015 data within a local funding formula.

Lump Sum – school - led factor:

A lump sum is an amount of funding that each school receives without reference to pupil numbers, deprivation, buildings etc. This is designed to cover the costs all schools need to meet regardless of their size. The maximum lump sum allowable under the regulations is currently £175,000 per school.

Prior Attainment – pupil - led factor:

This factor is applied to the proportion of primary pupils identified as not achieving the expected level of development in the early year's foundation stage profile and to the proportion of secondary pupils not reaching the expected standard in Key Stage 2 at either reading or writing or maths.

English as an Additional Language – pupil-led factor:

Pupils identified in the October census with a first language other than English may attract funding for up to three years after they enter the statutory school system. Local authorities can choose to use indicators based on one, two, or three years, and there can be separate unit values for primary and secondary.

Walsall allocates funding based on the three year indicator which mirrors the indicator used in the National Funding Formula.

Business Rates - premises factor:

Business rates for each school are funded through the formula based on an estimate of cost.

Split Sites - premises factor:

The purpose of this factor is to support schools which have unavoidable extra costs because the school buildings are on separate sites.

Premise Rental - exceptional premises factor:

One school in the Borough has to pay extra costs relating to rent. The rationale for allowing this funding factor is that it is similar to business rates and there has been individual agreement with the Department for Education to allow this factor.

- 4.6 Notional SEN – In addition to the proposed funding factors for 2020/21, Appendix A also details the funding factors, and the proportion of each factor, currently used to determine the Notional SEN funding for individual schools.

5. Council Corporate Plan priorities

- 5.1 The funding formula is seen as equitable and is transparent to those who have been consulted with when setting the formula. The funding formula will not alter the total amount of funding given to Walsall schools and as such the role that schools play in meeting Council objectives will not be adversely impacted by the proposed funding formula.

6. Risk management

- 6.1 The Department for Education, in their consultation with Local Authorities and schools in March 2012, recognised that smaller schools may become less financially viable under the new funding formula that was adopted nationally from 2013/14. Walsall Council's proposed funding formula for 2020/21 will continue to provide the maximum allowable lump sum. This lump sum commitment should continue to provide support to allow smaller schools time to manage these impacts.

7. Financial implications

- 7.1 As required under the Department for Education guidelines, the proposed local funding formula allocates all of the funding that Walsall Council receives within the Schools Block of its Dedicated Schools Grant to schools in Walsall.
- 7.2 As none of the individual factor values proposed for 2020/21 are being reduced the only circumstances in which schools will see reductions in funding allocations will be where they have seen fluctuations in pupil numbers between years or changes in pupil characteristics.
- 7.3 Once the authority receives final details of its Dedicated Schools Grant allocation for 2020/21 a further review of proposed funding factor values may be required, under the delegations set out within the recommendations for the report, to ensure that the final factor values that are utilised are affordable within the overall level of funding that will be available to the authority.

8. Legal implications

- 8.1 The Department for Education has prescribed the way in which schools should be financed for the 2020/21 financial year. These guidelines are set out in the Schools Revenue Funding 2020 to 2021 operational guide, and can be found at the following link:

<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2020-to-2021>

- 8.2 The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to schools. The Council is bound to adhere to the rules issued by Department for Education, and the proposed Walsall Funding Formula sets out how funding will be allocated to schools in Walsall within the prescribed arrangements.

9. Procurement Implications/Social Value

9.1 None relating directly to this report.

10. Property implications

10.1 Unless any schools in Walsall were to close, there will be no property implications associated with this report.

11. Health and wellbeing implications

11.1 The content of this report has taken into account the Marmot objectives and it is confirmed that the proposals have been tested against the relevant considerations in this respect. As such there has been no indication that the proposed school funding formula would have any adverse impact on the health and wellbeing of staff and pupils based at Walsall schools.

12. Staffing implications

12.1 Where the proposed funding formula sees any school suffer a budget reduction Finance officers will continue to work with and support those schools that do experience financial difficulties so that they can plan the most appropriate way in which to manage these changes.

13. Reducing Inequalities

13.1 When undertaking the consultation on the implementation of the National Funding Formula, Department for Education prepared an equality impact assessment. A copy of this is attached to this report.

13.2 With regard to equality implications the principles followed for allocating funding for 2020/21 are set out within the report, and were based on seeking consistency of funding between years, and to limit any financial impact on individual schools.

13.3 The current, and proposed 2020/21, schools funding formula takes account of all funding factors that are allowed to be used, and relevant to Walsall. Funding is allocated to support children where English is an additional language, children with low attainment and to support schools in meeting the additional needs that children from deprived backgrounds may face. There are no further eligible funding factors that can be taken into account in Walsall's funding formula to provide additional support in terms of equality and deprivation.

14. Consultation

14.1 Walsall Schools Forum have received a reports on the proposed schools funding formula for 2020/21. Additionally a full consultation exercise was carried out as part of the 2019/20 funding formula and the direction from this exercise has also been incorporated in to the proposed 2020/21 formula.

15. Decide

15.1 The operational guidance provided by the Department for Education identifies the mandatory factors and also the optional factors that can be utilised within the local

funding formula. The options discussed with Schools Forum were therefore based on ensuring all mandatory factors were met, including the new mandatory requirement to implement a Minimum per Pupil Factor, and on feedback from the full consultation exercise that was undertaken with all mainstream Walsall schools in November 2019.

16. Respond

- 16.1 Subject to approval of the recommendation, and confirmation of the 2020/21 Dedicated Schools Grant in December 2019, local funding formula factors values will be finalised and used to populate the Authority Pro-forma Tool. The completed pro-forma will be submitted to the Department for Education by the required deadline of 21 January 2020.
- 16.2 A Budget Statement for each maintained school will then be published, confirming their budget share for 2020/21 as determined by the local funding formula. In respect of mainstream academy schools the totality of budget share allocations for these schools will be top-sliced from Walsall's Dedicated Schools Grant and paid directly to academies by the Education and Skills Funding Agency.

17. Review

- 17.1 Any further information releases by Department for Education in respect of the implementation date of a hard National Funding Formula will continue to be reviewed. Should these indicate that the implementation of a National Funding Formula will be moved back beyond 2021/22 the process of determining a local funding formula will for that year will need to be decided by Cabinet, in consultation with Schools Forum.

Background papers

Schools Forum Report 16 October 2019 – Proposed Schools Local Funding Formula 2020/21
Schools forum Report 25 September 2019 – Outline Proposal for Mainstream School Local Funding Formula 2020/21
ESFA – Schools revenue funding 2020 to 2021 operational guide

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14.10.2019



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14.10.2019

Appendix A

Proposed Local Funding Formula Factors and their values for 2020/2021

Factor		Indicator / Criteria / Data	Notional SEN %	£ Unit / multiplier	
Basic Entitlement (AWPU)	Compulsory	October 2019 census	3.5%	Primary	£2,876.02
				Secondary	£4,332.75
Minimum per Pupil Funding	New compulsory	MPPF levels will be at least £3,750 per primary pupil and at least £5,000 per secondary pupil.	0%		
Deprivation Primary	Compulsory	via Free School Meals % pupils eligible	14.29	£1,228	
		The IDACI score 2015 has been matched, by DfE, to pupil records where the pupil's postcode is known and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	0%	Band F £200
			0.25 < 0.3	0%	Band E £240
			0.3 < 0.4	0%	Band D £360
			0.4 < 0.5	0%	Band C £390
			0.5 < 0.6	0%	Band B £420
			0.6 < 1	0%	Band A £575
Deprivation Secondary	Compulsory	via Free School Meals % pupils eligible		£1,473	
		The IDACI score 2015 has been matched, by DfE, to pupil records where the pupil's postcode is known and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	0%	Band 1 £290
			0.25 < 0.3	0%	Band 2 £390
			0.3 < 0.4	0%	Band 3 £515
			0.4 < 0.5	0%	Band 4 £560
			0.5 < 0.6	0%	Band 5 £600
			0.6 < 1	0%	Band 6 £810
Lump Sum		Maximum allowable	14.28%	£175,000	
Low Prior Attainment	Optional	Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP) Secondary pupils not reaching the expected standard in KS2 at either reading or writing or maths	100%	Primary - £518.37 Secondary - £622.00	
English as Second Language	Optional	Pupils identified in the October census with a first language other than English may attract funding for up to three years after they enter the statutory school system	0%	£515	
Business Rates	Optional	Rateable value of premises as at Jan.'19, with discretionary relief applied where appropriate.	0%	£0.493	
Split Site – fixed sum	Optional	A separate site is recognised either where a single school occupies more than one building separated by a public highway or following an amalgamation of two schools where the new school continues to use the two former sites and have two entrances	0%	£16,615	
Premise Rental	exceptional circumstance	An exceptional factor approved by DfE to fund one primary school for the premise rental charged by the diocese of the school	0%	£38,000	



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:
- a. **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.
 - b. **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.
 - c. **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.
 - d. **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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