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| 1.In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance? | 1.1 Following a number of positive developments since the first round consultation, the proposed national funding formula now strikes a better balance between fairness and stability. However, the delivery of a fairer system of school funding has been undermined by an inadequate level of overall funding.  1.2 Whilst the mechanics and financial impact of the new funding system are set out in detail, the government does not provide evidence that thousands of schools have the ability to maintain or improve performance levels with reduced cash budgets – at a time when savings of 8 per cent are already required to meet wider cost pressures by 2019/20[[1]](#footnote-1).  1.3 Over 1,500 London schools are set to face funding cuts as a result of the funding formula, typically of 2 per cent or more. Additional funding for schools set to gain will not be sufficient to meet wider cost pressures. Neither fairness nor stability can be achieved under a redistributive model.  1.4 Our analysis of illustrative school-level allocations suggests that £335 million of additional funding – just 1 per cent of the schools block – could be used to protect all schools from a cash cut and enable gainers to reach their formula allocations sooner. London Councils believes that this relatively modest amount of additional investment is the fairest approach to delivering such a far-reaching reform, mirroring arrangements for the high needs national funding formula. | No  Westminster is unique within Inner LONDON. Of 831 eligible schools, 96.5% of schools would lose funding as a result of the introduction of the NFF. Only 29 schools would benefit, of which 22 are in Westminster, and as such the city council’s response is nuanced in order to recognise that a number of schools within the city will be financially challenged by the proposals and that they require further protection but that this should not come at the expense of those local schools within Westminster who are due to benefit from the NFF.  The redistributive adjustment of the NF F proposal fails to recognise the necessary investment that local Inner London authorities invested in School Education following the abolition of ILEA. The introduction of the DSG and subsequent investment in schools based on historic spend compounded the differential in per pupil funding but these proposals go too far.  For those schools who are due to lose funding through the NFF, the impact of the introduction of the NFF increases the risk that the attainment levels of children will not be sustained as schools are obliged to respond to spending pressures by reducing the cost of staff.  To reflect the need to continue to invest in the educational attainment of children attending London schools, the additional funding required should be targeted through the Area cost Adjustment factor, increasing it to 30%. |
| 2. Do you support our proposal to set the primary to secondary ratio in line with the current national average of 1:1.29, which means that pupils in the secondary phase are funded overall 29% higher than pupils in the primary phase? |  | Yes.  [LA Response only : In addition establishing fixed rates will ensure that this ratio is maintained. The current system of allocating funds on a blended rate means that it is challenging to maintain this ratio when there is a disproportionate increase in the number of secondary pupils.] |
| 3.Do you support our proposal to maximise pupil-led funding, so that more funding is allocated to factors that relate directly to pupils and their characteristics? | Yes. Local authorities already aim to channel as much funding as possible through pupil-led factors locally, in line with national guidelines. Whilst this should continue under a national formula, it is equally important that schools with exceptional characteristics - such as split sites and PFI contracts - continue to be recognised fairly in the new funding system. | Yes  Whilst the majority of funding should be directed through pupil-led factors including Additional Needs Funding, appropriate consideration should be given to the weighting required for school-led funding, in particular:  a transparent means of establishing a core level of funding required to operate a school. As well as an adequate age-weighted pupil unit, this would include a lump-sum;  split sites, including school playing fields;  other exceptional circumstances;  fully-funded growth; and especially  an Area Cost Adjustment that reflects the needs of Inner London schools |
| 4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)? | 4.1 Yes. We support the principle of channelling a higher level of funding through additional needs factors in comparison to the proportion of funding currently allocated through these factors locally.  4.2 As the consultation recognises, under the current system a local authority might not use a particular factor if data does not vary significantly between schools in its area. For example, if all schools have equally high rates of EAL, funding could be channelled through the base rate instead of the EAL factor. The weightings in local formulas are therefore likely to underestimate the extent to which additional needs drive actual costs. | No.  Irrespective of the additional education needs of a child there is a base level of funding required to operate an efficient school.  Within the context of a national formula it is accepted that more funds needs to be allocated via additional needs factor. However it is a concern that the overall proposals do not recognise the concentration of deprivation in areas such as Inner London where higher per-pupil funding masked the need for additional deprivation. As such the proposals result in withdrawing funding from the majority of schools in London where the density of children with additional needs is highest.  To redress this anomaly consideration should be given to increasing the Area Cost Adjustment Factor for Inner London. |
| 5. Do you agree with the proposed weightings for each of the additional needs factors? | 5.1 English as an Additional Language data is currently the best available proxy for language proficiency, a key cost driver for many London schools. We agree that a more nuanced and direct measure of language proficiency would better align funding with need, so we support the ambition to move towards a system that uses data from the new school census question.  5.2 The high weighting proposed for prior attainment nationally is likely to redistribute funding away from relatively high-performing areas such as London. | No  There are too many concerns over how external factors are affecting the calculation of the deprivation indices causing them to distort rather than reflect the socio-economic situation.  For instance the failure to recognise varying income levels across the country, the number of children in a family and the impact of UIFSM distorts the number of children in Inner London who should benefit from Free School Meals. This needs to be addressed.  Similarly the updated IDACI data from the 2011 census painted an unrecognizable picture of change in the economic situation of deprived families in London.  Taken together this information was used to demonstrate increasing prosperity and used to compare the situation unfavourably with towns outside of London.  whilst this situation happened during local formula it allowed local schools and the local authority to come up with a local solution, which simply redistributed money within the LA. Under the NFF these indicators becomes a mean of allocating funding.  In short there is a concern over the values of the indicators and how they might change year on year |
| 6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? | 6.1 London Councils strongly welcomes the inclusion of mobility as a formula factor, in line with our first round consultation response. The decision to distribute mobility funding based on historic spend is a sensible interim measure, but we agree that a more sustainable methodology is required in the longer-term. Using a historic spend methodology, only 0.1% of funding will be channelled through the mobility factor, which is unlikely to capture the true cost of pupil mobility in London  6.2 London Councils commissioned the Education Datalab to produce detailed research into the impact of pupil mobility on London’s schools. The report provides evidence of the higher levels of mobility in the capital and provides estimates of the per pupil costs of different types of mobility based on interviews with schools. Practical proposals for the design of a national funding formula factor, based on the national pupil database, are also outlined. | Some local primary schools face mobility issues affecting up to 60% of pupils from reception to year 6. This change is not reflected in stable roll numbers but where schools face a disproportionate turnover in pupil numbers this should be appropriately reflected in the funding formula. |
| 7. Do you agree with the proposed lump sum amount of £110,000 for all schools? | 7.1 Especially following the opening of a number of small free schools in London, the financial viability of small schools is not just an issue in rural areas.  7.2 To support school place planning, the revenue and capital funding systems should work together to encourage the creation of new schools that are of an efficient size and able to deliver a full curriculum. The level of the lump sum is an important part of this incentive and whilst the proposed weighting seems reasonable, clearer national guidance on the minimum size of a sustainable school would be beneficial. | No.  The rationale for reducing the lump sum factor is to direct more funding to the pupil-led factors. Instead the EFA should set out what aspects of school funding the lump sum should cover and set an appropriate level. The EFA are definitive on a number of areas relating to the adequacy of the funding provided through the NFF. Clarity would be welcome in this area.  It is welcomed that changes to the lump sum will be protected through the minimum funding guarantee.  However there is a concern that the change falls disproportionately on small schools and that it is being used to nudge small schools to merge. |
| 8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? |  | No comment |
| 9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? | 9.1 The current system does not meet the costs of areas with a growing pupil population, so in-year growth has to be met by recycling existing funding. London Councils analysis suggests that unfunded in-year growth costs the capital’s schools around £50 million each year.  9.2 The proposal to provide dedicated funding through the growth factor for lagged pupil growth data would therefore be a clear improvement. However, the one year lag means that it is still not ideal in the longer-term.  9.3 Whilst we agree that ONS population forecasts are not suitable for the growth factor, we believe that school capacity survey (SCAP) data could be more promising. Since the department already uses this data for the distribution of basic need funding, it could also be used for the growth factor on the revenue side. | No.  Forecast pupil numbers should be used to adequately fund growth |
| 10. Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee. | 10.1 Yes. We support the principle of a floor funded by additional investment. The decision to introduce a ‘hard’ formula creates a very high degree of volatility, with the impact of the formula varying significantly between and within local authority areas. A permanent funding floor is therefore essential. | Yes. We support the principle of a permanent floor  Ideally this would be set at 0% to protect schools that would otherwise lose money, but this should not be done at the prospect of scaling back gains from schools who are due to gain. |
| 11. Do you support our proposal to set the floor at minus 3%, which will mean that no school will lose more than 3% of their current per-pupil funding level as a result of this formula? | 11.1 According to the National Audit Office, schools will be required to make £3 billion of savings by 2019/20. In this challenging financial context, the consultation does not demonstrates that a further 3 per cent cash cut can be delivered without impacting on school standards.  11.2 Without conclusive evidence showing that schools are able to keep pace with existing cost pressures, we do not believe that a redistributive model is suitable for the new national funding formula. London Councils analysis shows that the introduction of a stronger funding floor is an efficient mechanism for providing protection to all schools in the country whilst ensuring that gainers reach their formula allocation sooner. A funding floor of zero per cent would cost just £335 million, equivalent to 1 per cent of the schools block. | No. To do so would accept that schools should lose out when real-term spending increase are putting pressures on schools that are exacerbated by the introduction of the NFF at its proposed rates.  If a floor is to be set it should be at 0% |
| 12. Do you agree that for new or growing schools the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? |  | New and growing schools need to be adequately protected. |
| 13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5% per pupil? This will mean that schools are protected against reductions of more than 1.5% per pupil per year. | 13.1 Yes, the MFG should continue as under the current system. With allocations set centrally for each school in the country, there are likely to be outlying schools that face significant changes in funding each year as data updates. A protection mechanism is necessary in addition to the funding floor, especially once the local authority role managing turbulence is removed under a ‘hard’ formula. | Yes |
| 14. Are there further considerations we should be taking into account about the proposed schools national funding formula? | 14.1 The system of funding new schools from 2018/19 will need to be considered carefully and separate arrangements are likely to be required. Without a baseline against which to apply floors and caps, an unadjusted application of the new formula would lead to severely distorted funding levels for new schools.  14.2 Factors based on historic spend are unlikely to meet actual costs in high growth areas such as London. For example, the business rates factor will not meet the cost of bills for new and expanding schools. A mechanism for retrospective or in-year adjustment should be introduced for these factors. | Eligibility for Free School Meals in London should be calculated using an Area Cost Adjustment that accurately identifies the level of need..  The significant reductions in the Education Services Grant will be a significant challenge to local authorities as they seek to continue to support schools and should be reinstated.  Unfunded pressures on high needs expenditure are forcing local authorities and schools to balance support for children in mainstream schools. |
| 15. Are there further considerations we should be taking into account about the impact of the proposed schools national funding formula? | 15.1 Many of the cost pressures facing schools are the direct result of government policy, such as changes to national insurance and pension contributions. Any action the government can take to ease these cost pressures would make the introduction of a fair funding formula less challenging.  15.2 For example, the apprenticeship levy will apply inconsistently across schools. Whilst standalone academies are likely to be exempt, community and voluntary schools will be eligible for the levy because the local authority is classed as the employer. London Councils does not believe that this different approach cannot be justified and we call on the government to apply a consistent exemption to all schools with a paybill under £3 million. | The Area Cost Adjustment does not reflect the reality of spending pressures in Inner London schools.  Schools face other pressures which they do not separate from the impact of the NFF. Unfunded pressures together with the impact of the NFF will require schools to make up to 10% revenue savings, the majority of which will have to be on staffing which increases the risk on sustaining the educational attainment of children in Westminster Schools. |
| 16. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block? | 16.1 Yes. Local authorities in more deprived areas are likely to incur higher costs. | Yes. Local authorities in more deprived areas are likely to incur higher costs. |
| 17. Do you support our proposal to limit reductions on local authorities’ central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20? | 17.1 We support the inclusion of a funding floor in the new central school services block, but the protection that this isolated mechanism provides in 2018/19 will be insignificant when compared to the cuts to funding for central functions in 2017/18.  17.2 Our analysis suggests that London boroughs face an effective £38.1m (46 per cent) cut in funding for central functions in 2017/18 as a result of savings to the education services grant, assuming that schools forums approve the central retention of retained duties funding[[2]](#footnote-2). As the government recognises, this cannot be achieved through efficiencies alone.  17.3 To meet the shortfall, boroughs are forced to choose between reducing core school funding (either through a top-slice or buy-back model) or redirecting funding away from other key services through the use of general council funds. The funding gap is an acute risk to statutory functions which have a direct impact on school standards and pupil welfare. Therefore London Councils is calling on the government to reinstate this funding into the education services grant. | No. there ere already significant cuts in the Education Services Grant in 2017/18.  If they are not reinstated, then the floor should be set at 0%. |
| 18. Are there further considerations we should be taking into account about the proposed central school services block formula? | 18.1 Following the effective end of the education services grant and the decision to roll retained duties funding into the schools block, a new system of funding for central functions begins in 2017/18. One year later, a second system of funding central functions will be introduced through the new fourth block of DSG.  18.2 The introduction of two new systems in two years appears to lead to an uneven transition path for local authorities. A very large cut to funding for central functions from September 2017 will be followed by small losses or gains from 2018/19. London Councils does not agree with the proposed reduction in funding for central functions but, if the savings do go ahead, this would be an unnecessarily disjointed transition. | Local authorities should be appropriately funded for the duties that they are required to provide in support of local schools. |

1. *Financial Sustainability of Schools* , National Audit Office [↑](#footnote-ref-1)
2. Factoring in the transitional ESG grant and the new school improvement grant – assumes the top-slicing of former retained duties funding is approved in all boroughs. [↑](#footnote-ref-2)