

## London Borough of Barnet response to the National Funding Formula Consultation

### 1. NFF – Questions from the Schools National Funding Formula Consultation

#### Question 1: Do you agree with our proposed principles for the funding system?

The principles of fairness, simplicity, efficiency, predictability and transparency cannot really be challenged, nor the idea that money should go directly to schools, and support opportunity, since local authorities have always applied these principles in their own formula. Whether these proposals do this any better than local authorities have been doing so far is debateable.

***One of our main concerns is the short-term impact on school improvement of removing the LA role and funding for school improvement in maintained schools before a full system of MATs is established.*** Barnet has worked with schools to ensure all schools are part of a school improvement partnership and we believe that the development of these partnerships or groups of partnerships into MATs may be a good way of establishing a good school improvement system in the future. However, this will take patience and time and our concern is that a key LA role will disappear in the meantime and with it the safety net that LA statutory duties offer to maintained schools.

Barnet LA prides itself in knowing its schools well and having an excellent partnership relationship with them. Barnet primary schools are extremely supportive of the current arrangement of a small team of Learning Network Inspectors (3 recently serving heads for 89 primary schools) who co-ordinate primary school networks and school improvement partnerships and, through their monitoring of schools, are able to spot weaknesses early, challenge schools to improve and intervene informally to prevent failure by brokering extra support for schools and/or by working with the school leadership to address problems of weak leadership or weak teaching directly. If the funding for this activity and the associated powers are removed before an effective system of MATs is fully up and running, a significant number of schools could lose their safety net and see falls in standards in the absence of the sort of effective monitoring, challenge and intervention that the LA currently provides.

#### Question 2: Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?

There are strong arguments for having a rational approach to funding schools that is consistently applied across the country.

The government introduction of 'Spend Plus' years ago froze the level of local authority spending on schools, and so LA income was no longer responsive to the impact of geographical and socio economic changes. Other changes such as the mainstreaming of Standards Funds, and then simplification of local formulae in 2013 have created further inequalities, all of which have been stultified by the minimum funding guarantee.

We know the minimum funding guarantee will continue and note that a minimum level will be set by the DfE. We also note that local authorities will be given the flexibility to set a less generous minimum funding guarantee in order to make the formula affordable within the funding envelope. Our concern is that this will place local authorities in the invidious position of being the ones who propose to reduce the level of protection to schools beyond what the DfE has proposed. ***It would be much more appropriate for the DfE to set the MFG at a higher level, (say -3% instead of -1.5%) and to allow LAs to set it at a higher level if they can afford to and think it appropriate.***

**Question 3: Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?**

As Barnet does not have middle and upper schools, it does not make a lot of difference to schools in this LA whether the AWPU rate is different for the two key stages. In the past Barnet used to differentiate on the basis that KS4 could be more expensive because of exam costs and perhaps smaller class sizes and more expensive equipment, but this has been replaced by a single rate for all secondary pupils. Moreover a new secondary school growing from the bottom would receive lower funding for the first three years if the KS4 rate were higher. If there were to be different rates, the methodology behind the difference would need to be clear. Unless schools are expected to have notional KS3 and KS4 budgets, the total funding for Y7-11 is the most important issue.

**Question 4:**

**a) Do you agree that we should include a deprivation factor?**

Deprivation factors have long been used as a proxy indicator for additional educational need, as well as identifying pupils eligible for free school meals. However finding a reliable, objective, consistent and nationally available measure is difficult. Other measures such as the number of children in a school identified as needing support, or even low prior attainment, can create perverse incentives. As with the previous question, ***the important issue is that whatever measure is used, enough money will be provided for schools to pay the cost of free meals for eligible pupils, to provide in-class support for pupils with high incidence low cost additional needs and to provide the first £6,000 of support for pupils with statements / EHCPs.***

**4 b) Which measures for the deprivation factor do you support?**

**• Pupil-level only (current FSM and Ever6 FSM)?**

FSM6 is less volatile than FSM, and recognises that the effect of low income lasts well past the time when the family is back in work. FSM is more easily understood by schools, as they do not always have the history to know why a child shows up as FSM6. FSM6 funding is duplicated by pupil premium funding – a fact which schools also find confusing. However FSM registration has fallen in primaries since the introduction of universal infant free meals as parents do not see the point of applying. At secondary level, uptake is low because many pupils do not want to eat school meals. The consultation proposes using both FSM and FSM6 so that schools are certain of having enough funding to pay for free meals for those currently eligible, i.e. in effect weighting those currently eligible more heavily. This seems to introduce more complexity than necessary. FSM eligibility could fall if the threshold within universal credits is set too low, or if unemployment falls dramatically, so FSM6 would soften the impact.

**• Area-level only (IDACI)?**

IDACI has been popular as an objective indication of likely deprivation based on postcode, however the new index released in the autumn of 2015 was so different from the previous version that it created a great deal of turbulence not linked to real changes in the local authority area. The prospect of this happening every 5 years is worrying, but it should not preclude using the measure, so long as there is assurance that either the IDACI bands or the funding rates for them are adjusted when there is a change, so that the same amount of money is spent overall. Barnet supports IDACI as it identifies deprivation in some faith schools where parents are reluctant to claim free school meals.

**• Pupil- and area-level?**

As yet, there is no perfect measure of deprivation which works in all schools, so it is useful to use more than one factor to identify as much deprivation as possible, although this can lead to double counting.

For instance, in an LA which funds both free school meals and IDACI, if there are two schools which take children from the same geographical area, their area deprivation will be the same, but if one is a school where parents are reluctant to register for free meals, they will receive less funding than their neighbour.

#### **Question 5: Do you agree we should include a low prior attainment factor?**

Barnet does not use low prior attainment. It was rejected in 2013 firstly because there was a query over its accuracy and secondly because it did not identify schools in need any better than FSM6 and IDACI. The DfE intends to use KS2 and the Early Years Profile (or another baseline measure for the start of primary). Thus a primary school with a nursery will benefit from low attainment in its own early years department, and an all-through or middle school would benefit from low attainment of its pupils in Year 6. In a world of shrinking budgets will schools want to top the league tables one year knowing they will receive less funding the following year? ***Nationally it may be a good indicator of where to direct the most funding, but at school level it is not.***

#### **Question 6:**

##### **a) Do you agree that we should include a factor for English as an additional language?**

Pupils registered as non-English speaking identify a different set of schools in need from the indicators above, however the measure is reported by the schools themselves and seems to be interpreted in different ways. Many parts of the country, including London, have areas where many children are bilingual and their parents' first language is not English. These are not necessarily the children the funding should be targeting – rather, those who have just come to the UK and are starting from a zero base in learning English which compromises their ability to learn. EAL also tends to benefit infant schools and departments most, as any EAL child admitted will count as in their first or second year of learning English. Is this a good thing, in that it gives a good start to the youngest, or does it take money away from schools with older children who will struggle more to convey complex ideas to new English speakers? ***If the EAL data on the census can be better audited, this is a useful measure, but at present there is a perverse incentive to understate a child's level of English to gain more funding.***

##### **b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?**

Barnet uses EAL2, as EAL3 tends to spread the funding to more schools but more thinly. It is better that those schools in greatest need receive a more usable sum of money than nearly all getting a small amount. Given the reservations in the response to 6a, ***EAL2 would be a better measure. However a better question might be how funding should be weighted in primary and secondary. A new Year 7 pupil without a good knowledge of English would need greater resources put in than a 4 year old just joining Reception.***

#### **Question 7: Do you agree that we should include a lump sum factor?**

Barnet's lump sum is £122,000 per school. Before 2013, there was a larger lump sum for secondaries than primaries. This was based on the higher overheads in a secondary of headteacher, caretaker, SENCO and school administration. More recently, thinking has been around the needs of small schools which have low income generated by the AWPU but have to support fixed management overheads.

Larger primary and secondary schools do not need a lump sum – the money can easily be generated by a small increase in the AWPU, but the viability of one form entry infant and primary schools is likely to be dependent on the lump sum continuing. This would make the lump sum more of a small school supplement.

**Question 8: Do you agree that we should include a sparsity factor?**

There are some very small schools in remote areas that have to remain open in order to serve the local population but will become increasingly unviable if they do not receive additional support. For these schools a factor that recognises true sparsity is a good idea.

**Question 9: Do you agree that we should include a business rates factor?**

Business rates are difficult to manage because of discounts for different type of schools and because the actual business rate bill is not known until after the beginning of a financial year. In Barnet, community schools pay the full rate, VA schools nothing and most academies pay 25%, so it is difficult to see an easy solution. Perhaps community schools should just receive a slightly higher AWPU to allow for the payment of rates. Nursery schools and early years providers are not funded for NNDR - there should be a consistent approach.

**Question 10: Do you agree that we should include a split sites factor?**

Barnet has/had several split sites: Hasmorean High (girls and boys a mile apart); Danegrove (infants and juniors separate); St Mary's and St John's – soon to be on 3 sites with two very close together; Rosh Pinah (nursery and Reception in separate buildings but not far away – now combined); Mill Hill High (separate SEN unit, Oakhill, on the other side of the borough). We do not fund for off-site playing fields. The additional cost to the school of such arrangements varies. In some cases teachers and even pupils may spend time moving between sites, at others the movement is minimal with just the Head visiting the different sites. The recent expansion of schools has resulted in many more schools being split over more than one site in some authorities, and the eligibility threshold in terms of distance or type of school needs to be considered carefully. ***There should be a split site factor but only for schools meeting national criteria of (say) schools with classroom sites which are separated by a major road and/or more than half a mile (say) apart***

**Question 11: Do you agree that we should include a private finance initiative factor?**

PFI is a millstone round the necks of some authorities, luckily not Barnet's, but the cost across the country eats into the national DSG. So long as schools are not double funded through a PFI factor, the AWPU and DFC grant for building maintenance, it is difficult to see how schools and LAs can manage without being funded for this. However non-PFI schools should not suffer because of the additional funding needed for PFI.

**Question 12: Do you agree that we should include an exceptional premises circumstances factor?**

We understand that some other LAs pay for buildings rent or sports facilities (although swimming pools were not allowed). ***Barnet has never had an exceptional premises circumstances factor, so we are not clear why one is really needed and suggest it should be phased out.***

**Question 13: Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?**

- Business rates
- Split sites
- Private finance initiatives
- Other exceptional circumstances

***No, using historic spend breaks the principles set out at the beginning of transparency and fairness, and a better way should be found than this:***

- ***Business rates:*** see above. In areas of high growth, historic business rates will not keep pace. ***Better to fund actuals*** or to remove the factor and put it in the AWPU.
- ***Split sites:*** this ***should be formula-led*** based on a standard system for all schools across the country.
- ***PFI*** – this should also be ***on actuals*** – the repayments are contractual and known well in advance.
- ***Other exceptional circumstances*** – ***if they are exceptional, they should not be based on historical spend but on current need.***

**Question 14: Do you agree that we should include a growth factor?**

***Barnet needs over £3m per year to fund growth for the foreseeable future. There is no question that funding should be adequately provided for growth as schools cannot be expected to accommodate additional pupils without money to pay for additional teaching, resources and support before the funding feeds through from the census. Funding should be based on the projected growth in pupil numbers (with subsequent claw-back if actual numbers fall short).***

**Question 15: Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?**

Growth funding varies from year to year depending on the decisions of the DfE, academies, planning authorities and the local authority to open extra school places. Moreover, the larger primary cohorts will shortly move into ***secondary where the extra places are 28% more expensive.*** ***Growth funding should represent much more closely the planned need of each school / authority, not on the historic spend*** which may be completely unrepresentative. ***Local authorities should be able to submit their requirements for additional places in the same way as they already do for high needs places.***

**Question 16:**

**a) Do you agree that we should include an area cost adjustment?**

There is no doubt that some areas of the country have higher costs of all sorts but especially ***salaries in inner and outer London. This must be taken into account in any national funding formula, as it already is in the Post 16 formula.***

**b) Which methodology for the area cost adjustment do you support?**

- general labour market methodology
- hybrid methodology

We support returning to the general labour market measure for area cost adjustment. In an increasingly challenging environment for recruiting and retaining teachers, it is essential that a funding formula fully captures London's significantly higher staff costs.

The teacher salary component of the hybrid area cost adjustment methodology treats the market for teachers as if it operated in isolation from wider labour market pressures. Yet when recruiting and retaining teachers, schools must compete with both the independent school sector and alternative career paths. This is reinforced by the move to full academisation, which will reduce the power of national pay scales and mean that the wider labour market will increasingly determine teacher pay levels.

True staff costs are therefore best captured by the more straightforward, transparent general labour market measure, rather than the hybrid area cost measure.

The area cost adjustment should be updated regularly to reflect relative regional changes in the labour market over time.

**Question 17: Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?**

Barnet does not use a formula factor for looked after children, but a minority of LAs do. ***Increasing the pupil premium plus and distributing all funding as needed for our looked after children via the Virtual School is likely to more effective and efficient. This is especially so because the funding formula is based on the previous October's information and the child may have left the school by the time the funding arrives.***

**Question 18: Do you agree that we should not include a factor for mobility?**

Some years ago Barnet commissioned a major piece of work on mobility. Barnet has a mobility factor, which mainly benefits the former Excellence in Clusters schools, although the amount distributed is quite small and many of these schools are on the MFG anyway so see no benefit. These are mostly schools with high levels of deprivation funding as well. Mobility also particularly affects schools with service children for whom there is now the pupil premium. ***The mobility factor also currently benefits schools which are growing or merging, as they appear to have lots of children admitted after the normal date of entry; this does not make sense and should not continue.***

**Question 19: Do you agree that we should remove the post-16 factor from 2017-18?**

This factor was originally allowed as a transitional addition to recognise extra money historically put into 6th forms by the LA. Barnet has not funded 6th forms from the DSG since the national Post 16 formula was brought in and the money top sliced from us. ***We agree with the DfE that it is time to end this support from the budget for Pre 16 pupils.***

**Question 20: Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?**

***No. Where an LA is losing funding, they will need flexibility to use all the blocks in a way that is fairest for all needs. The DSG is already ringfenced for education with strict rules applied, so it seems unnecessary to ringfence the Schools Block within the DSG as well.***

**Question 21: Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?**

The likelihood is that many LAs will only be able to balance the budget if they set a lower minimum funding guarantee than -1.5% (so greater than a 1.5% loss per pupil). However it ***is unfair to put the onus on the LAs to set an unpopular low MFG. A better way would be for the DfE to set a minimum MFG (e.g. -3%) and allow those authorities which are better off to set a higher rate.***

**Question 22: Do you agree that we should fund local authorities' on-going responsibilities as set out in the consultation according to a per-pupil formula?**

***In principle yes, but the cost of these responsibilities varies a great deal across the country, so it is important that enough is allocated and an MFG applied to ensure continuation of service within LAs.***

**Question 23: Do you agree that we should fund local authorities' on-going historic commitments based on case-specific information to be collected from local authorities?**

***It is fair to review these historic commitments, but with core budgets under pressure it has to be recognised that services to vulnerable children could be affected if funding is cut as there would be no other source of funding for them.***

**Question 24: Are there other duties funded from the education services grant that could be removed from the system?**

None that we would propose.

**Question 25: Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?**

***This seems a rather muddled idea. De-delegation is to be removed from one set of services only to be replaced with de-delegation for statutory services. This question does not ask about funding the duties of the local authority to monitor all schools and provide intervention where necessary in the interest of the pupils. Barnet is particularly good at this and has a large number of good and outstanding schools as a result (94% of maintained schools compared with 80% of Academies). The money should be in the Central Block, not a matter for the Schools Forum.***

## 2. HNF – Questions from the High Needs Funding Formula Consultation

**Question 1 Do you agree with our proposed principles for the funding system?**

*Yes. We would add that it also needs to be introduced in a manageable way.*

**Question 2 Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?**

*Yes. Funding for lower level needs should continue to be delegated, but funding for individual pupils with high needs should follow named children. Similarly the services for SEN which are most efficiently provided by the LA (therapies, transport, specialist teaching etc.) should be made available to the LA.*

**Question 3 Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?**

*We agree that there should be no perverse incentive to identify high needs. However historic expenditure is based on the assessed needs of currently funded children, and this must also be taken into account to ensure they are not disadvantaged.*

**Question 4 Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?**

(Funding per pupil, population, DLA, children in poor health, KS2 & 4 low attainment, FSM6, IDACI, spending level factor).

In general, **yes**, but it is not clear whether this adequately meets the needs of **under 5s**. A continuing problem is that pre and post 16 have different funding methods for high needs. **The number of places funded in the Post 16 funding formula is unresponsive to change and high needs recoupmnt is confusing. In addition, LAs have not received additional funding for their 19-25 responsibilities.** With the raising of the participation age, Post 16 high needs support is becoming a greater pressure on budgets. **The per pupil funding should include all students with high needs, including those in independent provision, otherwise the latter will not be adequately funded.**

Two of the factors proposed are unfamiliar in the school context, i.e. DLA and children in poor health. LAs would need to be content that these are reliable, objective measures which are not subject to fluctuations (as seen with IDACI this year). Are these measures already used within the IDACI index and therefore being double counted?

**Using KS2 and KS4 attainment penalises those LAs with high performing schools which effectively support pupils with High Needs to perform as well or nearly as their peers. A better measure might be the number of students working below the expected national curriculum level for their age or at P levels.**

It has been noticed that some cultural / ethnic groups are overrepresented in the population of high needs pupils. Is this an indicator which should also be used?

**Question 5 We are not proposing to make any changes to the distribution of funding for hospital education, but welcome views as we continue working with representatives of this sector on the way forward.**

Hospital place funding was calculated in 2013 based on historical expenditure and since then has not changed. **Increases in demand or level of need have not been taken into account, and the closure of a hospital paediatric department can push demand on to a neighbouring borough without any means of recoupmnt.**



***Furthermore, pressure on hospital budgets has begun to prompt hospitals to charge hospital provision more for premises and services previously provided free. There should be greater clarity generally and a more responsive funding system.***

**Question 6 Which methodology for the area cost adjustment do you support?**

We support returning to the general labour market measure for area cost adjustment. In an increasingly challenging environment for recruiting and retaining teachers, it is essential that a funding formula fully captures London's significantly higher staff costs.

The teacher salary component of the hybrid area cost adjustment methodology treats the market for teachers as if it operated in isolation from wider labour market pressures. Yet when recruiting and retaining teachers, schools must compete with both the independent school sector and alternative career paths. This is reinforced by the move to full academisation, which will reduce the power of national pay scales and mean that the wider labour market will increasingly determine teacher pay levels.

True staff costs are therefore best captured by the more straightforward, transparent general labour market measure, rather than the hybrid area cost measure.

The area cost adjustment should be updated regularly to reflect relative regional changes in the labour market over time.

**Question 7 Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?**

Possibly but it may not be necessary if there is an effective minimum funding guarantee in place.

**Question 8 Do you agree with our proposal to protect local authorities' high needs funding through an overall minimum funding guarantee?**

There should be an MFG which should be set at at least 0% per pupil (using the all age local authority school census including children placed out of borough). This will ensure that no LA loses unless their school population falls, and those with increasing populations will rise to meet need.

**Question 9 Given the importance of schools' decisions about what kind of support is most appropriate for their pupils with SEN, working in partnership with parents, we welcome views on what should be covered in any national guidelines on what schools offer for their pupils with SEN and disabilities.**

National guidance on 'ordinarily available' support would be welcome provided it reflects the best inclusive practice existing currently in mainstream schools.

**Question 10 We are proposing that mainstream schools with special units receive per pupil amounts based on a pupil count that includes pupils in the units, plus funding of £6,000 for each of the places in the unit; rather than £10,000 per place. Do you agree with the proposed change to the funding of special units in mainstream schools?**

**Yes**, schools with specialist provision find it confusing that they are funded for fewer pupils than those on roll. This change makes sense and the alignment with Post 16 is welcome. However as a new provision grows, the school would only receive £6k for the extra places opening each September, instead of the full £10K they currently get. ***LAs and schools will want assurance that this will be taken into account rather than depend on lagged funding.***

**Question 11 We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an “invest-to-save” basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.**

n/a

**Question 12 We welcome examples of where centrally retained funding is used to support schools that are particularly inclusive and have a high proportion of pupils with particular types of SEN, or a disproportionate number of pupils with high needs.**

Barnet has a system for supporting inclusive schools with low notional SEN, by not requiring such schools to use more than 60% of their notional SEN on pupils with EHCPs.

**Question 13 Do you agree that independent special schools should be given the opportunity to receive place funding directly from the EFA with the balance in the form of top-up funding from local authorities?**

On the assumption that most independent special schools exist principally to educate children placed there by local authorities, it is logical that they should receive place funding like all other special schools. Safeguards would be needed to ensure that it is clear what the £10k covers, the number of places available in the school for local authorities and that top-ups are reasonable.

**Question 14 We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.**

As noted in Question 4, a standardised method of funding high needs in both pre and post 16 is to be welcomed. The post 16 funding formula should provide the equivalent of a notional SEN budget for the age group so that high needs pupils in mainstream would simply receive a top-up like younger children. £10K for specialist post 16 colleges and £6K for special units in mainstream colleges would also bring Post 16 in line with Pre-16, and help the conversation between the commissioner and provider when the student is placed. There may need to be further thought about students attending part time which is not generally an issue at pre-16.