

Consultation Summary for the 2019/20 Schools and Early Years Funding Formulae

1. Introduction and Background

1.1 Funding update

- 1.1.1 There are a number of changes to the funding system this year which impacts the funding Merton receives and how we redistribute that funding through Merton's schools funding formula.
- Due to the significant progress across the system in moving towards the NFF in its first year, the Education & Skills Funding Agency (ESFA) confirmed that local authorities will continue to determine local formulae in 2020/21.
 - Within the Schools Block, the Government will provide for at least a 1% per pupil increase for each school in 2019/20 through the NFF compared to their 2017/18 baseline (0.5% was provided for 2018/19).
 - The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11.
 - The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017/18 baselines (to note, the minimum per pupil levels are not gains capped).
 - Growth to local authorities will be allocated on a formulaic basis. The ESFA are not making any changes to the ways in which local authorities can distribute growth funding.
 - The ESFA have reduced the primary school low prior attainment factor value to £1,022 to balance the increase in the cohort. Should Merton use the local funding formula, a similar adjustment would be made to balance the increase in cohort.
 - Within the High Needs Block, the Government will provide for at least a 0.5% overall increase in 2018/19 through the high needs NFF. The High Needs Block will be protected against 2017/18 baselines, subject to some adjustments explained in paragraph 5.1.3.

2. Schools Block funding

2.1. Funding formula options

- 2.1.1 Local authorities have the choice to use the NFF, or set their own local school funding formulae, within parameters set down by the Government. The allowable funding factors in local formulae remain the same for 2018/19 with one exception which is to enable local authorities to mirror the increase of 1% per pupil against the 2017/18 baselines.
- 2.1.2 In addition to the new factor mentioned above, the ESFA have made a number of smaller changes to the arrangements for calculating local formulae, to support local authorities to mirror the NFF:
- Local authorities will no longer be able to set a primary weighting for low prior attainment because all results have been assessed under the new framework and there is therefore no longer a need to use a weighting.
 - The Authority Proforma Tool (APT) cap now has the functionality to vary the capping and scaling to apply the alternative gains cap used in the NFF, meaning that local authorities can allow schools to gain the greater of either 3% of their 2018/19 baseline, or 20% of their remaining gains.
 - While we are able to set a local funding formula, we can continue to de-delegate any items permitted within the guidance.
- 2.1.3 Based on the initial grant estimate provided by the ESFA, we are expecting that we would be able to allocate an additional £2,058,675 through the schools funding formula for

2019/20. This is an initial estimate and could increase or decrease once the final allocation is made in December 2018. The options we ask schools to consider includes this anticipated increase.

2.1.4 Merton is consulting schools, academies and the schools forum on four schools funding formula options this year. Appendix A provides an illustration of the differences between the four funding options.

- A: Using the previous local formula and allocate any additional funding available through the IDACI deprivation factor, allocating this funding between primary and secondary schools apportioned on the primary to secondary ratio as per the local funding formula which for 2018/19 was 1:1.33.
- B: Using the previous local formula and allocate any additional funding available through the Free School Meals deprivation factor, allocating this funding between primary and secondary schools apportioned on the primary to secondary ratio as per the local funding formula which for 2018/19 was 1:1.33.
- C: Replicating the NFF using the funding floor factor to reflect the NFF calculation of a minimum 1% per pupil increase over the 2017/18 baselines. In order to balance to the amount available to be allocated through the schools funding formula, this means that growth will need to be capped at 2.38%.
- D: Replicating the NFF, but not using the funding floor factor to reflect the NFF calculation of a minimum 1% per pupil increase over the 2017/18 baselines. In order to balance to the amount available to be allocated through the schools funding formula, this means that growth will need to be capped at 2.56%.

2.1.5 Merton's growth caps will be lower than the national cap of 6.09% mainly due to the following factors:

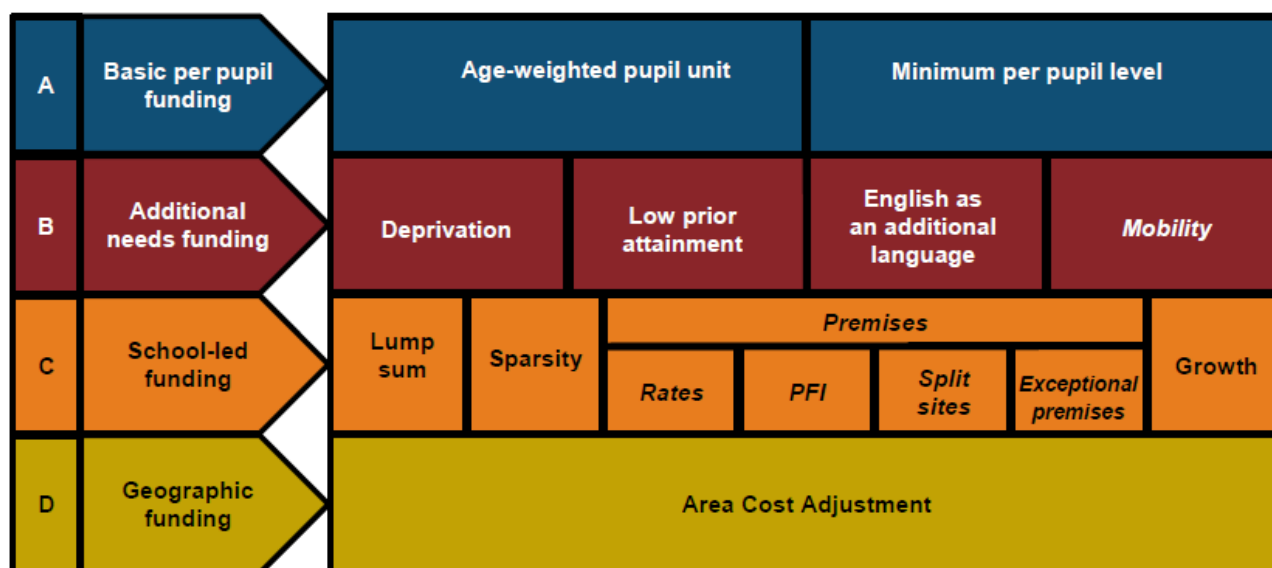
- Premises factors like rates and split sites are funded at historic costs (2018/19 values) while Merton is required to update these for inflation before allocating it out to schools in the 2019/20 formula.
- The growth fund allocation is changed from a historic basis to a formulaic basis from 2019/20. As part of this change there is a risk that Merton's funding will reduce. We have built in a contingency of £611k based on the ESFA protection guidance which has reduced the overall amount available to be allocated to schools. This amount will be updated once the final allocation is announced in December 2018.
- The NFF assumes no transfer from the Schools Block to the High Needs Block. Merton has assumed that we will transfer the allowable 0.5% (£600,000) which again reduces the amount available to then pay to schools.

2.2 The allowable formula factors

2.2.1 The main differences between Merton's local formulae (options A and B) and Merton's NFF replications (options C and D) are:

- The unit value assigned to each of the factors
- The NFF does not include the reception uplift
- The local formula uses FSP point 73 for the secondary school prior attainment allocations while the NFF uses FSP point 78.
- The funding floor factor is not used in the local formula, but is included in option C.

Figure 1: Factors in the schools national funding formula



2.3 Optional de-delegation for maintained schools

Table 1: Request for de-delegation of funding

Service	2019/20 £000	2018/19 £000
Contingencies	563	550
Primary school meals management	20	20
Licences and subscriptions	121	117
Supply staff cost for parenting cover and public duties	899	881
Support to underperforming ethnic minority groups and bilingual learners	101	212
Behaviour support services	201	199
School improvement	146	31
Total	2,051	2,010

- 2.3.1 Apart from inflation increases, the main difference in de-delegation from 2018/19 is the movement of funding that was previously identified as support for under-performing ethnic minority groups and bilingual learners to school improvement. We moved this funding to ensure a more accurate classification of what this funding was spent on. This means that the support to under-performing ethnic minority groups and bilingual learners funding required will reduce from £212,000 in 2018/19 to £101,000 in 2019/20 and the funding required for School Improvement will increase from £31,000 in 2018/19 to £146,000 in 2019/20.

2.4 Education services for mainstream maintained schools

- 2.4.1 The retained duties rate of the ESG which has previously gone to local authorities to fund services they provide to all schools, including academies, is now allocated through the DSG and is included in the Central Schools Service Block. See section 3.6 for more details.
- 2.4.2 The general duties rate of the ESG funding was cut by central government and the Schools and Early Years Funding Regulations changed to enable these duties to be funded by schools and local authorities.
- 2.4.3 The school contribution for 2019/20 is proposed to remain at £650,000. This will mean that schools will fund 32% of the education costs while the LA will fund 68%.

2.5 Minimum Funding Guarantee (MFG)

- 2.5.1 Local authorities will continue to be able set a pre-16 MFG in their local formulae, to protect schools from excessive year on year changes and to allow changes in pupil characteristics (for example reducing levels of deprivation in a school) to flow through.

Table 2: MFG at different % levels

MFG Percentage	Option A		Option B		Option C		Option D	
	No of schools	MFG amount £	No of schools	MFG amount £	No of schools	MFG amount £	No of schools	MFG amount £
0.5%	11	37,504	3	22,717	13	121,411	13	323,837
0.0%	1	4,444	1	13,622	8	42,238	11	235,099
-1.0%	0	0	1	1,391	1	4,808	8	114,970
-1.5%	0	0	0	0	1	2,495	7	71,560

2.6 Growth Fund

- 2.6.1 For 2019/20, growth funding will be allocated to local authorities using a new formulaic method based on lagged growth data rather than on a historic basis. Merton is assuming a loss of £611,000 until figures are confirmed in December 2018.
- 2.6.2 We propose to reduce the growth fund from £1,160,000 in 2018/19 to £990,000 in 2019/20 and will cater for both primary and secondary expansion classes. This will be used to fund the remaining 2 primary bulge classes (£60,000), an estimated 5 secondary bulge classes (£80,000) and the growing free school and academy. The total growth fund allocation by phase is split £190,000 for primary and £800,000 for secondary.

2.7 Transfer between blocks

- 2.7.1 The Schools Block was ring-fenced from 2018/19, but local authorities are able to transfer up to 0.5% of their Schools Block funding out with the agreement of their schools forum. These transfers are not permanent in nature, and will be subject to consultation and agreement by the Schools Forum again next year.
- 2.7.2 For 2019/20 Merton propose to transfer £600,000 from the Schools Block to the High Needs Block. This represents 0.49% of the indicative 2019/20 Schools Block allocation and will be used to continue to fund the increase in numbers at special schools as well as the 2% increase in top-up (banding) fees which were agreed for 2018/19.

3 Central School Services Block (CSSB)

The CSSB was introduced in 2018/19, to fund local authorities for the statutory duties that they hold for both maintained schools and academies.

Table 3: Centrally retained funding

Description	2019/20 £000	2018/19 £000
Central licences negotiated by the Secretary of State	121	119
School admissions	286	271
Servicing of school forums	12	12
Prudential borrowing	207	207
Statutory and regulatory duties LAs hold for all schools (including academies & free schools)	412	412
Total Centrally retained funding	1,038	1,021

4 Early Years Block funding

4.1 Formula Factors

- 4.1.1 Merton is not proposing any changes to its Early Years Funding Formula.
- 4.1.2 In addition to the funding formula, the Special Educational Needs Inclusion Fund (SENIF) and contingency make up the 95% high pass through rate. This is the minimum amount of the Early Years Block that local authorities are required to pay to setting.
- 4.1.3 Special Educational Needs Inclusion Fund (SENIF) - Local authorities are required to have SEN Inclusion Funds for all three and four year olds with special educational needs (SEN) who are taking up the free entitlements. These funds are intended to support local authorities to work with providers to address the needs of individual children with SEN. This fund will also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014. LAs should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the High Needs Block of the DSG. The value of the fund must take into account the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children. Local authorities must consult with early years providers to set the value of their local SENIF.
- 4.1.4 Additional funding continues to be provided to LAs in order to support disadvantaged pupils through the EYPP and to support access for children with disabilities via the Disability Access Fund (DAF).
- 4.1.5 In 2018/19 centrally retained items total £786,240 (967,530 in 2017/18). This is used to fund continuous improvement with a focus on settings requiring improvement, training and workforce development, inclusion and early intervention work with settings supporting children with SEND and/or other additional needs, plus management and administration.

5. High Needs Block (HNB) funding

5.1 Background

- 5.1.1 Merton is a loser rather than a gainer under the HNB NFF. We will only see a 0.5% increase in funding which does not come close to funding our overall 17.6% increase in EHCP caseload. Table 4 below shows Merton's increase in EHCPs over the past four years.

Table 4: Merton's EHCP caseload

Type of Provision	Jan 2015 (Statements and EHCPs)		Jan 2016 (Statements and EHCPs)		Jan 2017 (Statements and EHCPs)		Jan 2018 (Statements and EHCPs)	
	No.	%	No.	%	No.	%	No.	%
Mainstream School (Inc. Academies)	456	44%	423	39%	432	34%	526	35%
State Funded Special School	338	32%	354	33%	386	31%	415	28%
Independent/Non-Maintained Provision (including Other Independent Special Schools)	119	11%	145	13%	178	14%	217	15%
ARP (Additional Resourced Provision)	113	11%	108	10%	137	11%	116	8%
Further Education	0	0%	20	2%	97	8%	164	11%
Early Years (Inc. Private & Voluntary Settings)	4	0%	5	0%	2	0%	7	0%
Other (including children Educated at Home, Pupil Referral Units and Secure Units)	15	1%	23	2%	32	3%	41	3%
Total	1045	100%	1078	100%	1264	100%	1486	100%

- 5.1.2 Schools contribute the first £6,000 of additional educational support for High Needs pupils and students. This additional support is for provision over and above the standard offer of teaching and learning for all pupils or students in a setting. Pre 16, schools and academies continue to receive a clearly identified notional SEN budget from which to make this contribution.
- 5.1.3 Top-up funding above this level is agreed between Merton and the individual school when the individual EHCP is processed. Merton manages top-up funding through a banding model. Tables 5, 6 and 7 below detail Merton's band funding levels. Band funding and ARP funding for 2019/20 will be maintained at the 2018/19 values.

Table 5: High Needs EHCP banding levels (reception onwards)

Band	2019/20	2018/19	2017/18
Band 1	£0	£0	£0
Band 2	£5,805	£5,805	£5,691
Band 3	£7,983	£7,983	£7,826
Band 4	£10,160	£10,160	£9,961
Band 5	£12,378	£12,378	£12,096

Table 6: High Needs EHCP banding levels (2, 3 & 4 YO universal entitlement)

Band	2019/20	2018/19	2017/18
Band 1	£0	£0	£0
Band 2	£5,903	£5,903	£5,846
Band 3	£6,992	£6,992	£6,913
Band 4	£8,080	£8,080	£7,981
Band 5	£9,169	£9,169	£9,048

Table 7: High Needs EHCP banding levels (2, 3 & 4 YO extended entitlement)

Band	2019/20	2018/19	2017/18
Band 1	£0	£0	£0
Band 2	£9,739	£9,739	£9,645
Band 3	£11,536	£11,536	£11,406
Band 4	£13,332	£13,332	£13,168
Band 5	£15,129	£15,129	£14,929

- 5.1.4 Merton will continue to provide additional funding outside the main funding formula for mainstream schools and academies. During 2018/19 this methodology allocated an additional £249,949 (included in table 17 below) where more than 2.5% of a school's overall pupils had statements. Appendix K details the allocations for 2018/19.