

London Councils

The voice of London local government

School Funding in London

Westminster Hall, Wednesday 29 March

This briefing highlights the key points from the government consultation on school funding as far as London is concerned, as well as the wider financial context. The briefing also analyses how the government proposals are likely to impact London's schools.

The government's second stage consultation on the proposed National Funding Formula (NFF) has now closed. The new formula aims to address gaps in school funding between different geographical areas by using a new method to distribute cash. London Councils' submission to the consultation can be found at: <http://bit.ly/2nWMscJ>

Key points:

- **70 per cent** of London's schools will receive cuts to funding.
- The NAO has reported schools across the country face an **8 per cent funding shortfall by 2020** as a direct result of per pupil funding being protected in real terms since 2010, but not increasing with the rate of inflation or taking into account other rising cost pressures.
- London Councils has found that the combined impact of introducing the NFF at a time of wider budget pressures means that collectively **London's schools will lose £360 million in 2018/19.**
- **94 per cent** of London's schools have been judged to be good or outstanding by Ofsted.
- **Around 70 per cent of a school's budget is spent on staff salaries**, funding reductions are likely to result in fewer teachers and support staff posts in schools, as well as increased class sizes.
- London Councils' analysis shows that it **would take £335 million per annum** of additional funding, **just a 1 per cent increase in the schools block budget**, to protect all schools across the country from a funding cut arising from the introduction of the national funding formula.

Overview

The second phase consultation for the NFF for schools provided detailed proposals for the design of the new national funding formulae for schools and high needs, and for the new central school services block for local authorities. It builds on the previous consultation about the principles and structure of the new funding system, which ran between March and April 2016.

The first consultation set out proposals to create a new NFF based on redistribution of the existing funding pot. London Councils' preliminary modelling of these proposals estimated that London could lose £245 million per year through a new NFF based on redistribution without any capping or additional investment. London Councils lobbied against a number of specific proposals set out in the department's initial proposal, including the removal pupil mobility factor and calling for additional funding for schools. London Councils recognises that DfE has made a considerable shift in the way it plans to introduce the NFF since its last consultation, however we have significant concerns on the impact that funding cuts will have on the 70 per cent of London schools facing cuts to their funding.

Regional breakdown

While each region will see schools gain and lose funding under the government proposals, more schools in London will see reductions in their allocations in 2019/20 compared to all other regions. A total of 1,536 London schools (70 per cent) will receive less funding, followed by 58 per cent of schools in the North West and 53 per cent of schools in the West Midlands.

London borough breakdown

While DfE has not published its technical note to explain details behind some of its illustrative allocations, London Councils has however been able to carry out a preliminary analysis of the impact per constituency

London Councils has modelled the impact that the proposed NFF will have on each constituency in London. MPs may wish to make contact with the Director of Childrens services in their borough to understand which schools are likely to be affected.

Analysis

The second stage consultation included indicative allocations for every school. London collectively will lose £19 million, significantly less than London Councils' initial modelling suggested last year. This is primarily due to the introduction of additional funding, along with a permanent 3 per cent funding floor.

However, nationally, 9,047 schools experience a reduction in funding under the revised NFF, including 1,536 schools in London. In total, these schools will experience a loss of £335 million per year. This, therefore, would be the total amount of additional funding that would be required to protect every school in the country from a cash cut. £335 million equates to a 1.0 per cent increase in the schools block.

The initial reporting of the consultation focused on inner London losing considerable amounts of funding and outer London gaining. Some outer London boroughs are, however, losing funding and some in inner London would gain – whilst a significant minority of schools still lose funding even in those boroughs that gain overall .

Additional funding has been made available to ensure that no local authority loses funding as a result of the new high needs funding formula. Ten London boroughs gain high needs funding.

Key concerns for London from the consultation proposals

Funding position for schools

The Department for Education has made a considerable shift in the way it plans to introduce the NFF since its last consultation. These changes will make a difference to how much funding is available to many London schools. In particular, London will benefit from the 3 per cent cap on overall reductions facing every school and the additional £200 million per annum announced.

However, the formula will result in 70 per cent of London schools facing budgetary reductions. Across the country schools are already coping with constrained budgets. Combining the wider cost pressures, as identified by the NAO, with the predicted cuts arising from the introduction of the NFF, London Councils estimates that collectively London's schools will lose £360 million in 2018/19.

London Councils has serious concerns about the ability of London's schools to cope with such significant budgetary reductions without it impacting on their ability to deliver a high quality education.

London Councils' analysis shows that it would take £335 million per annum of additional funding (just a 1 per cent increase in the schools block budget) to protect all schools across the country from a funding cut arising from the introduction of the national funding formula. London Councils, therefore, is calling on the government to find this additional funding to ensure that no school faces further budget cuts as a result of the introduction of the NFF.

London Councils is concerned that without sustained investment to raise all schools up to their final formula allocations more quickly, many schools will be overtaken by a prolonged and unmanageable funding freeze into the next parliament.

High needs

Pressures on high needs budgets are amongst the most acute of any local government service area in the capital. London Councils is disappointed that the scale and urgency of this financial challenge has not been recognised in the second round consultation.

Boroughs are already spending significantly more than the allocations provided by central government through the high needs block, which has failed to keep pace with rapid and unpredictable demand pressures in recent years. Reserves and general council funds are not a viable funding stream for high needs at a time of unprecedented financial cuts in local government, with core funding from central government to councils falling 63 per cent in real terms over the decade by 2019/20. As a result it is unlikely that councils will be able to help out schools, thereby leaving no option beyond significant cuts in special school budgets.

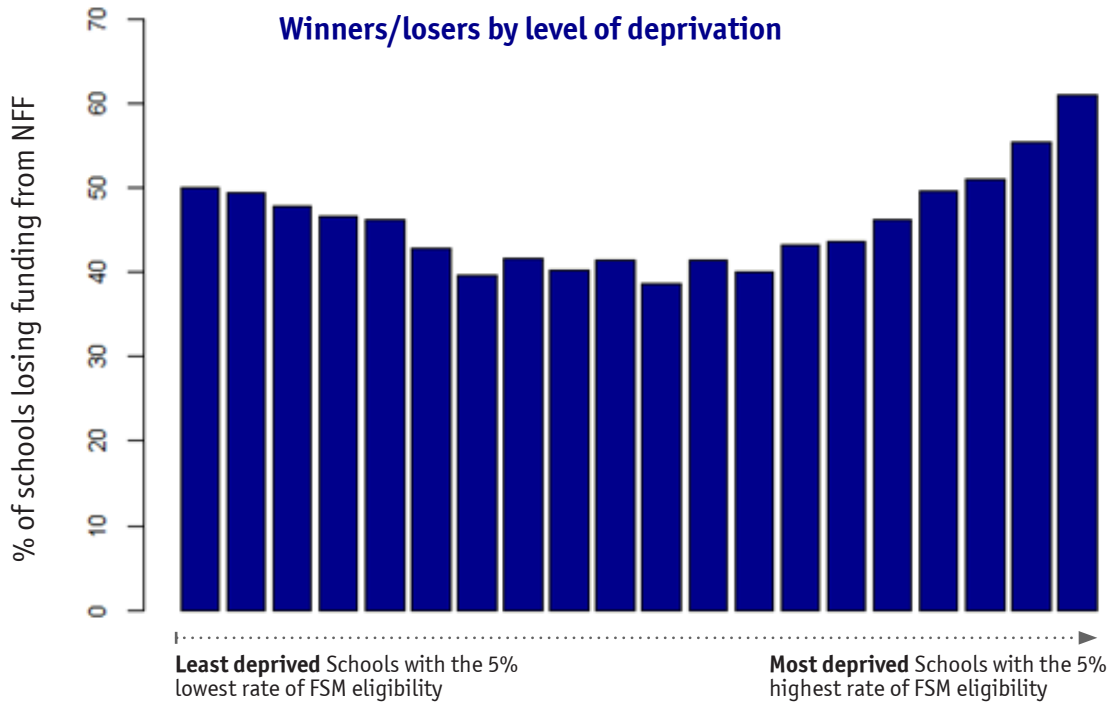
London Councils is concerned that insufficient funding from central government now causes serious risk to the welfare and educational outcomes of high needs pupils in the capital and elsewhere. We believe that a substantial injection of additional funding into the high needs block is required urgently to keep pace with the triple pressure of rapidly rising demand, rising prevalence rates and changing types of need.

Predicting SEND growth is very difficult for both local authorities and central government, but it is vital that the government recognises and funds according to accurate numbers of children with high needs as much as is possible. London Councils believes that the high needs block should have an automatic mechanism to ensure that funding increases as demand rises.

Deprivation funding

London Councils supports the increased weighting in the proposed NFF on additional needs factors to ensure that schools are better able to cope with the impact of deprivation. However, London Councils has concerns about the impact of the national funding formula on disadvantaged schools.

On average, the proposed funding formula would redistribute funding away from schools with the most deprived intake towards schools in more affluent areas.



Source: London Councils analysis of DfE's illustrative school-level allocations

Pupil growth

The consultation proposes basing funding for pupil growth on lagged figures, which is highly problematic for London. Given that the capital needs an additional 113,000 school places between 2015-2020, it is vital that schools have a funding mechanism that can direct money where it is needed quickly to cope with rising demand. London Councils believes that the fairest way of funding additional unforecasted demand would be through in-year contingency funding.

Accountability

The NFF for schools is to be distributed directly to schools, no longer going via the Schools Forum, yet the NFF for high needs will continue to be determined locally via the Schools Forum. London Councils is concerned that having different distribution and accountability mechanisms for the schools and high needs blocks is inefficient and is likely to lead to confusion. London Councils believes that the schools forum is the best mechanism through which to distribute all school revenue funding to schools as it allows for local flexibility to address any emerging issues swiftly and effectively.

Apprenticeship levy

London Councils does not support the difference in approach to the introduction of the apprenticeship levy between different types of schools. While 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. We believe that this variation cannot be justified and we call on the government to apply a consistent exemption to all schools with a pay bill under £3 million.

Education Services Grant

London Councils' analysis suggests that London boroughs face an effective £38.1 million (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 funding¹. The significant funding gap for statutory functions that this leaves creates an acute risk to school standards and pupil welfare in the capital. Therefore London Councils is calling on the government to reinstate this funding.

London Councils will continue to lobby on behalf of London to make the case for more investment in its schools.

1. 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.

Contact:

Ryan Gow, Public Affairs Officer
ryan.gow@londoncouncils.gov.uk
020 7934 9557

London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership