

## **The Mayor of London's response to the Department for Education Schools national funding formula consultation: stage 2 March 2017**

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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?**

No. The Mayor of London supports the idea of a new, national funding formula (NFF) on the basis of a properly funded schools' sector overall and with a levelling up so that no school suffers losses. There is no doubt that the funding proposals put forward by Government will cause an education crisis for the capital. It is completely unacceptable that the Government has chosen to hit London's children the hardest.

The implications are severe – as the government's proposal stands it would reduce the funding for 70% of London schools. As a result schools in every single one of the capital's 33 local authorities will lose funding. Headteachers and school governors will have to make difficult decisions about savings. We will lose teachers, standards risk dropping dramatically, special educational needs units will be impacted, school days could be shorter, extracurricular activities could become a thing of the past. And pupils will suffer.

This is very difficult for all the headteachers and their staff who have worked relentlessly in recent years to make London an international beacon for education, with a proven track record in supporting disadvantaged pupils. London's improvement has only been possible through sustained Government investment, with the huge investment in new schools and school leadership in the late 1990s and the London Challenge programme launched in 2003. To take that away will undermine everything our excellent teachers and heads have achieved.

The Mayor wants to see our young people get the best chance in life possible, with funding going into local schools rather than expanding a selective system that benefits the few at the expense of the many.

The Mayor can only support the idea of a new, national funding formula if there is a levelling up and no school suffers losses. As a first step with an extra £335 million no school across the country has to lose funding. This is just 1% of the schools block budget and represents a relatively small amount in terms of the overall education budget. It would be an investment worth paying. Cutting school budgets is a false economy. A high-quality, fair education system is one of the best investments we can ever make as a country.

The improvement of schools in the capital has only been possible through sustained Government investment. To take that away will undermine everything our excellent teachers and heads have achieved. The capital's schools are being penalised for success.

Given this and the already existing context of financial pressures on schools as outlined in the National Audit Office report of 8% increase in costs, the Mayor believes it would be irresponsible to denude schools of funds when avoiding any funding losses would be inexpensive for the Government in terms of overall schools funding.

## **2. Do you support our proposal to set the primary to secondary ratio in line with the current national average?**

No. The Mayor supports additional funding for primary and early years to tackle social inequality.

The consultation acknowledges that the proposed funding ratios have been set based on current funding. We support increased funding to primary schools in order to acknowledge the well evidenced benefits of effective interventions that occur at the earliest stages of educational development. Research by the Centre for Analysis of Social Exclusion at the LSE and IFS (2015) concluded that while there is no single explanation for London's turnaround, gradual improvements in primary schools since the mid-1990s played an underestimated role in both key stage 2 and key stage 4 performance; greatly improving educational outcomes in the capital.

We also note the importance of investment in the early years as being of high value to achieve good outcomes for children. Funding for education needs to be understood across the whole system.

Any changes to the balance of funding between primary and secondary would need to focus on pupils' additional need funding to achieve better outcomes and narrow the gap for disadvantaged pupils in primary in preparation for secondary school.

We agree that the impact on primary and secondary schools needs to be understood in relation to the Pupil Premium funding.

## **3. Do you support our proposal to maximise pupil-led funding?**

Yes. The Mayor agrees with the proposal to maximise the amount of pupil-led funding, whilst increasing funding based on pupils and their characteristics with a smaller proportion of the funding available to support factors related to school premises and geographic factors.

## **4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors?**

Yes. The Mayor agrees with the principle of pupil-led funding with additional funding linked to pupil needs. The Mayor would also support a further increase in the proportion allocated to additional needs.

The pupil-led factors in the schools funding formula reflect the disadvantage issues which London schools face. In order to ensure schools funding goes to pupils most in need we would want to maximise the proportion of the formula available for additional pupil disadvantage factors. As stated in the consultation, it is not possible to directly compare current funding allocations to the proposed additional needs factors due to other changes across many of the elements eg the lump sum.

Whilst historically inner London boroughs will have benefited more from funding aimed at disadvantage factors such as deprivation, low prior attainment and mobility we are now seeing population movements to outer London boroughs with disadvantage across London becoming more dispersed. More schools across London require funding which recognises disadvantage factors. Mobility and EAL remain as pupil additional needs which are especially relevant to London schools.

We support the approach set out in the consultation to use a combined indicator bringing together both pupil and area based factors. Although we do have concerns about the FSM and IDACI elements (more details below) as both measures are problematic. We would welcome on-going monitoring of the impact of these measures on the national schools funding formula. On both indicators it is likely that the levels of deprivation will be underestimated for London.

We would welcome the Government considering introducing a similar approach of area based cost factors for the Pupil Premium funding.

## **5. Do you agree with the proposed weightings for each of the additional needs factors?**

### **Free School Meals weighting**

No. The Mayor is concerned that the FSM indicator, the basis for allocating funding for pupil deprivation, will have a negative impact on London.

Whilst we support the deprivation factor which brings together both pupil and area based factors we have concerns about the IDACI measure (see question 6). The FSM measure is also problematic and we would therefore prefer a lower proportion allocated to pupil based deprivation based on the FSM indicator.

We would welcome further information on how the current use of FSM measure might need to be amended in light of Universal Credit implementation. We note in the consultation (Page 52) that the impact of the reduction of FSM across London from 27% to 18% is identified as a key factor for reduction in funding for London.

We would urge that the government's use of FSM data should take account of the following:

- i) The welfare system is currently in flux and it is not clear whether the FSM eligibility criteria will change and, if so, how and when this will take place.
- ii) Eligibility for Universal Credit when fully rolled out (not expected until 2022) will mean there is no automatic entitlement to FSM.
- iii) As stated in our response to the first consultation this would disproportionately affect children in London and other metropolitan areas who are more likely to be deprived. This concern has been expressed by the National Audit Office, which has warned that future changes to benefits, including the introduction of Universal Credit, could make it even harder to identify the most deprived pupils.
- iv) Infant universal FSM for pupils means fewer parents are registering their eligibility for FSM with major adverse consequence for schools' Pupil Premium funding and now, potentially, schools funding. In some boroughs, for example Southwark, universal FSM has been extended to all primary pupils
- v) The current measure is also deficient in reflecting the needs of children at a time when, whilst overall employment is up, there are increasing levels of in-work poverty, especially in London.

## **IDACI weighting**

No. The Mayor is concerned that the IDACI indicator, as the basis for allocating funding for area deprivation, will have a negative impact on London (although potentially a lesser impact than FSM data for pupil deprivation).

IDACI has its own issues, in terms of being a fixed figure, not updated annually. The “certainty” of being fixed for the next five years (as stated in the consultation) comes at a cost, creating potentially large change in future years.

The calculations behind IDACI aim to provide a fine grained detail at LSOA on:

- children in low income working households
- children in not-working families claiming means-tested benefits whatever their income
- children in working families claiming means-tested benefits with incomes below a nationally calculated median.

The data used overestimates the numbers of children in workless families that are in poverty and underestimates the numbers of children in working families that are in poverty. As a result, while it will pick up more children in working families that are in poverty than the FSM measure, it does still underestimate the numbers of children in working families that are in poverty. As London has a higher proportion of children in the latter group than the national average means that IDACI will tend to underestimate levels of deprivation in London.

It is unclear how data from IDACI will be amended in response to the Universal Credit changes. We would welcome further information on how IDACI might need to be amended to reflect working families in poverty.

## **Low Prior Attainment weighting**

Yes. The Mayor agrees the focus on Low Prior Attainment as one factor of the additional needs funding and the proportion is about right. London schools are already doing well in improving pupil outcomes based on Low Prior Attainment although further progress is still required. However, this could act as a further penalty to London’s high performance; especially primary schools.

We note that this is linked to the continuation of the EYFS as the means of assessment and further consultation will be undertaken later in 2017. London early years providers have made substantial improvement to EYFS, and the Mayor’s aspiration is for further progress. But potentially this could have a negative and perverse funding effect when linked to LPA funding.

As this aspect of the formula is refined there could be an opportunity to focus resources onto the primary age to enable more pupils to achieve the new key stage 2 standards and support their learning for secondary school. We would want the funding formula to drive activity which improves outcomes for pupils, but not to then penalise schools for success.

We support further targeting of secondary funding based on a tiered model to provide further support to SEN pupils.

## **EAL weighting**

Yes. The Mayor agrees the focus on EAL as one factor of the additional needs funding and the proportion is about right.

EAL is relevant to a high number of London pupils. As outlined in Question 4 London would benefit from a higher proportion of funding related to additional needs. In London EAL pupils perform well by the time they leave school. We agree that additional funding is required for the first years when pupils first join the school and teachers require additional professional development support to improve teacher confidence and practice in relation to this cohort of children. We support the focus on primary and the recognition of the increasing difficulty of teaching EAL pupils in secondary.

## **6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond?**

The Mayor is pleased that the department took the GLA's concerns into account and has introduced a mobility component into the draft formula. We consider that this should remain as an element of the additional needs funding and potentially increased as a proportion of the formula. However, it has been set at a very low rate 0.1% and a higher rate would better reflect the significant impact of mobility on London schools.

We recognise that this may be an issue of greater importance to London and other large urban areas (in the same way as sparsity is a factor for rural areas).

In London there is a problem with school-level formula funding as opposed to the schools forum model for dissemination of funding. Due to very high in-year mobility, it is important for resources to be fed into schools as required mid-year. It is impossible to predict which schools will be relatively affected by this and purely school-level funding would be much less flexible and responsive, relying as it does on a predictive algorithm over empirical fact. There could be excess in some years and insufficiency in others. Any formula for in-year mobility is inherently inferior to a system that deploys scarce resources in response to in-year actual pupil movement across the school system.

The Mayor accepts that London may be an exceptional case and advocates that in London at least, aggregate funds allocated to a borough's schools under the formula for mobility should be paid instead to the local authority for deployment to schools as needed and agreed with the local Schools Forum.

## **7. Do you agree with the proposed lump sum amount of £110,000 for all schools?**

Yes. The Mayor agrees with the principle of a lump sum payment for schools. The lump sum is of particular benefit to smaller schools and it is worth noting that this does apply to London schools, where there are many one form entry primary schools and a number of new free secondary schools which are relatively small in terms of forms of entry.

The budgetary pressures on schools now mean that financial viability is becoming an increasing concern. The NFF is likely to make this more critical as schools face budget reductions and rising costs.

We note and support that Area Cost Adjustment is applied after adding in the lump sum, so it is already London weighted (Page 30 of the [technical note](#)).

**8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary and up to £65,000 for secondary, middle and all-through schools?**

Yes. The Mayor understands the particular pressures on rural schools that justify sparsity funding and supports a population-density related component to the formula.

However, the population-density outliers at both ends of the bell curve ought to be eligible for the component. Hyper-dense inner city neighbourhoods also have unique problems of their own that are equally deserving of recognition and support as outlined in response to mobility (for example see response to Question 6).

**9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term?**

No. The Mayor does not agree the lagged data approach will be appropriate for London.

Although sensible in normal circumstances, lagged data may inadequately cater for accelerating growth rates such as those expected in the secondary sector in the capital. Using projected growth rates, or a 50/50 lagged/projected split, may make the formula more robust.

The consultation identifies potential problems with local authority incentive to inflate SCAP returns and the lack of granularity of ONS predictions is valid. However, in London the GLA produces figures down to LSOA level that are robust and sufficiently granular to provide the detail required. In London therefore it would be possible to run a lagged/projected split as the Mayor proposes.

Overall we would want to see greater transparency on data used and shared agreement across all stakeholders on the data on pupil numbers, projected numbers, demand and projections for school places.

**10. Do you agree with the principle of a funding floor?**

Yes. The Mayor believes strongly that it would be a mistake for the funding formula to leave some schools worse off, particularly in London. He therefore supports all measures that mitigate negative financial consequences for schools. Instead, the Government should find an additional £335 million for the schools that stand to gain through the National Funding Formula, without taking money away from other schools. This is just 1 per cent of the schools block budget and represents a relatively small amount in terms of the overall education budget. Cutting school budgets is a false economy. A high-quality, fair education system is one of the best investments we can ever make as a country.

We would want government to be monitoring the impact of the implementation of the schools funding formula taking into account the rising real costs which schools are facing.

We have already seen through the published Academies accounts that more schools are operating on deficits. We agree with the principal of floor funding to protect schools from reductions in funding.

**11. Do you support our proposal to set the funding floor at minus 3%?**

No. The Mayor does not support any measure which reduces schools funding.

As explained in 1 and 10 above, the Mayor believes there is no need for any schools to suffer losses due to the formula as avoiding this would be inexpensive for the Government.

Currently 70% of London schools will suffer needless funding reductions despite the pre-existing pressures on school budgets outlined in 1 above and the forecast severe further cost pressures of 8%.

**12. Do you agree that for new or growing schools (i.e. schools that are still filling up and do not have pupils in all year groups yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity?**

Yes. The Mayor agrees the proposed tailored approach for schools which are still filling up. It will help schools become established and position themselves to receive their new year groups.

However, in addition to the scenario identified in the consultation, under-occupancy needs to be addressed. Under-occupancy can impact both on new schools and other schools in the vicinity of a new school. In these circumstances it may take several years for need in the immediate area to take up all the available pupil places and bring under-occupancy down.

**13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%?**

Yes. We note that the consultation states that inner London will remain the highest funded area in the country, reflecting the higher labour market costs and concentrations of pupils with additional needs.

We also note that inner London will see the biggest reduction in funding due to a number of changes, principally (i) to the way that teacher's pay relates to historic approaches to general labour market costs and (ii) the reduction in the level of pupils Free School Meals take-up. There are likely to be schools which see fluctuations from year to year.

Maintaining the consistency of 1.5% maximum budget change from year to year is essential.

**14. Are there further considerations we should be taking into account about the proposed schools national funding formula?**

**Further considerations**

The impact of the NFF for London schools will be significant. Schools are facing other rising costs as noted by the NAO and in the consultation document.

We have also noted in the [Mayor's Annual Education Report 2017](#) that London schools also face higher teacher vacancies, lower teacher retention rates and concerns about school leadership requirements with increasing retirement levels at the same time as the number of schools are expanding. The Mayor is supporting the London schools system with the school leadership development scheme "Getting Ahead London".

Additional funding is required for London to address these concerns on recruitment, retention and leadership.

It follows that cost pressures of 8% and above would also have major negative impacts. Government should take immediate steps to reassure parents and teachers that funding will be protected. A first step in this direction would be to level up funding so that no school loses resourcing as a result of the NFF.

### **Impact of implementation**

Changes to school budgets will require a period of adjustment and whilst there is some flexibility for mitigation in the first year schools will need to be aware of indicative budgets as early as possible. The majority of the school budget is staffing costs.

London schools are already facing recruitment pressure for teachers and headteachers. The difficult financial situation will inevitably exacerbate this.

Schools will also need to know the financial impact of the NFF post 2020 and the proposals for minimum and maximum budget changes. Certainty on future budgets will be essential to successful school management.

### **15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?**

Yes. The Mayor supports the important role and responsibilities which local authorities hold in relation to provision of education and oversight of schools and the local education system.

Local authorities will require ongoing resources to deliver these functions. We welcome the commitment to update funding for local authorities in relation to pupil numbers (Page 56). We believe that local authorities play a significant role in the local education system; driving local aspiration on school outcomes, school to school support and linking schools into local children's services and wider support systems.

We support allocation of additional funding related to deprivation in the central school services block.

### **16. 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?**

The impact of proposed changes in levels of funding from the education services grant to the central school services block are significant for local authorities. Local authorities will need to have some flexibility to manage the transition over the next two years working closely with their local schools to establish the most suitable local arrangements. It is already clear that different models are emerging across London.

Local authorities have continuing statutory functions in education which the Mayor believes they are best placed to deliver and require sufficient funding to do this.

### **17. Are there further considerations we should be taking into account about the proposed central school services block formula?**

Schools undertake a wide range of functions which support pupils and families. We would want to see London schools continue to provide this wider enabling role which can ensure, for example, that pupils access health services and that schools can provide additional wrap-around services such as Breakfast Clubs and additional childcare outside of school hours.



These services are crucial for working parents and for ensuring wider improved outcomes for children's health, safety and well-being as well as their learning and educational achievements.