

NATIONAL FUNDING FORMULA FOR SCHOOLS - UPDATE

Report of the Director of Children's Services

Author: Jonathan Burberry

Tel: 01992 555943

1. Purpose

- 1.1 To provide more information to the Forum about the National Funding Formula (NFF) for schools.

2. Summary

- 2.1 This paper gives further information about the NFF and how it compares to the current Hertfordshire Schools Funding Formula.

3. Recommendations

- 3.1 The Forum is asked to note and comment on the information in the paper.

4. Background

- 4.1 The DfE announced the second stage of its consultation on the schools' NFF in December and a paper to the January Forum gave an overview of the proposals and their impact on Hertfordshire schools.

In recent weeks there has been some national media coverage about the NFF and some schools have lobbied their MPs about the proposal. Officers have attended a regional meeting to liaise with other South East counties and the DfE regarding the NFF.

Several themes are emerging nationally and this paper will provide an update on these. It will also look in more detail at the impact of the NFF in Hertfordshire and in particular the reasons why some schools gain or lose significantly compared to their existing funding.

5. National Issues

5.1 Derivation of formula weightings in NFF:

The DfE has explained that it derived the outline of the NFF by taking the national average of current local authority funding formulae and then making three main adjustments to this pattern of funding:

- i) Switching extra resource into additional needs factors, in particular prior attainment;
- ii) Amending the deprivation finding so that it is spread more evenly and is not as targeted at the most disadvantaged as typical local authority funding formulae;
- iii) Reducing the lump sum in order to move funding to the per pupil allocations.

Thus the NFF is not based on an analysis of the need to spend and it is not demonstrable that it represents the most appropriate distribution of the available funding.

A point to note in this context is that the National Audit Office has recently produced a report looking at the real terms cuts in school funding that will be occurring in the next few years. The report includes a review of the DfE's plan to achieve balanced budgets in schools despite the cuts. A major component of this plan is a workforce strategy, including case studies and training in curriculum-based planning. However, this information has yet to be announced. There is an argument that the NFF should be finalised only after the staffing guidance is available, so that schools can see how the funding system and expectations around staffing link together.

5.2 Local Knowledge

Although most data currently used in the calculation of school budget shares is supplied by the DfE, local authorities do significant work to ensure the operation of the funding system. This work includes;

- Determining eligibility for premises factors (e.g. split site);
- Applying for pupil number variations and minimum funding guarantee exceptions, where relevant;
- Identifying errors in the funding data.

The DfE has indicated informally that it is not clear how those elements of the funding system that require local knowledge will work under the NFF.

Also, under the NFF local authorities will have little incentive to continue to ensure value for money in the funding system (e.g. by appealing increases in

school rateable values or applying for MFG exceptions where protection funding would be anomalously high). Such work may seem less worthwhile if the resource freed up by it is not reallocated to schools in the authority's local area and instead disappears into the national funding quantum.

5.3 Growth Funding

The NFF consultation includes a proposal to allocate a grant for growth funding to each local authority which would then continue to operate its own growth fund. The grant would be calculated based on lagged data on the growth in pupil numbers in each authority's area. This has several implications:

- If the rate of pupil growth accelerates then the authority would have to pump prime the increases, only retrospectively receiving the additional grant funding;
- Some elements of growth funding (e.g. infant class size protection or the falling rolls fund) relate not to increases in pupil numbers but to the pattern of school organisation in an area. It is not clear how the new grant will provide sufficient funding for these.

It is not clear whether the calculation would be based on the net increase in pupil numbers across Hertfordshire. Were this the case then decreases in some parts of the County would be offset against increases elsewhere and Hertfordshire would not receive the grant necessary to fund growth in the expanding areas.

The illustrative NFF data published by the DfE in December did not include information about 'growing schools' (i.e. recently opened free schools still adding year groups). Their NFF funding will be calculated differently. Although the DfE had anticipated publishing the information about growing schools in January, it has still not been published, leaving a gap in the overall picture of the impact of the NFF.

5.4 Funding Floor

The NFF proposals include a funding floor such that no school will lose more than 3% per pupil compared to its current funding. This protection is not time limited and is helpful in reducing turbulence. However, there are several potential consequences of the funding floor:

- It will create uncertainty going forward. As time passes there may be pressure to amend the funding floor rather than continue to base a significant proportion of school funding on a comparison with an increasingly historic local funding formula;
- The floor will perennially protect MFG protection allocations which would otherwise often have phased out over time;

- Schools with significant increases in pupil numbers will have increases in their protection funding as it is calculated on a per pupil basis;
- The funding floor undermines the principle that the same funding formula is being applied to every school and every pupil.

6. Calculation of NFF protection and capping

6.1 In the NFF calculations, protection and capping works on the pupil led element of funding, expressed as an amount of funding per pupil.

6.2 For each school this amount is calculated as follows:

- Baseline budget share (2016-17 is used in the DfE's published illustrative figures);
- Less the element funded by DSG carry forward;
- Add back per pupil funding in respect of special unit places;
- Less premises funding;
- Less mobility funding;
- Less lump sum and sparsity funding as per NFF;
- Equals pupil led funding;
- Divided by funded pupil number;
- Equals baseline amount of pupil led funding per pupil.

This is compared to the per pupil unit of funding allocated through the NFF. Protection or capping is then applied to prevent changes exceeding the following percentages:

	Protection/floor	Capping
Year 1	-1.5%	3.0%
Year 2	-3.0%	5.5%

6.3 The NFF's school led funding, which for most schools comprises the lump sum, is excluded from the calculation which is why the DfE's spreadsheet shows a number of schools protected at a 2.9% (rather than 3%) reduction to their total funding.

7. Impact of the NFF in Hertfordshire

7.1 To understand better the potential impact of the NFF and how it differs from Hertfordshire's existing funding formula we have looked at the largest gainers and losers excluding the impact of protection and capping (i.e. comparing the pure funding formulae).

We have looked at those primary schools which are gaining or losing more than 10% per pupil, and those secondary schools gaining more than 2% or losing more than 4% per pupil.

Annex A lists these schools and shows a comparison of their funding between the NFF and the current Hertfordshire formula, factor by factor. (To be consistent with the NFF, the figures for the current Hertfordshire formula exclude the element of funding met by carry forward and include pupil funding in respect of special unit places.) The NFF's area cost factor is intended to fund all the higher costs resulting from Hertfordshire's South East location. Therefore it is somewhat different to the existing London fringe factor, which differentiates between schools within the London fringe area and those outside it.

7.2 The main conclusions of the comparison are as follows:

7.2.1 Primarys

Almost all the largest losers are small village schools. This is the result of the much lower lump sum in the NFF and the fact that the NFF's sparsity factor benefits very few Hertfordshire schools. Even those that do receive sparsity are not compensated for the reduction in the lump sum.

The greatest primary gainers tend to be large schools that have high proportions of children with low prior attainment. The NFF distributes far more funding via the prior attainment factor than the Hertfordshire formula.

7.2.2 Secondaries

Again, the largest gainers are generally those schools that have a higher proportion of children with low prior attainment. Their extra AEN funding therefore more than offsets the losses resulting from the NFF's substantially lower KS4 AWPU and lump sum. Middle schools and all age schools benefit from the NFF's higher funding of primary and middle schools are also unaffected by the NFF's lower KS4 AWPU.

The largest losers are secondaries with relatively low levels of AEN. These schools lose heavily from the NFF's lower KS4 AWPU and lump sum. Particularly affected are schools with above average numbers of KS4 pupils, such as upper schools and university technology colleges.

We understand that the NFF's AWPU relativities have been determined based on national averages. However, authorities whose secondary schools all cover the age range for years 7 to 11 may not have felt the need to distinguish very precisely between the KS3 and KS4 AWPUs, providing their average secondary AWPU seemed set at an appropriate level. This will affect the national averages and impact on areas like Hertfordshire where there are some secondary schools which are largely (or entirely) providing for KS4 pupils.

8. Conclusion

- 8.1 The DfE's consultation on the NFF closes on 22 March 2017. The Authority will be responding to the consultation.

The Forum is asked whether it considers that heads' associations and individual schools are in a position to respond to the consultation if they choose to do so.