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NATIONAL FUNDING FORMULA

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide the Forum with initial information on stage 2 of the DfE's consultations on the introduction of national funding formulae for schools and high needs.

2. Summary

- 2.1 This paper gives an overview of the proposals in stage 2 of the DfE's consultation on national funding formulae (NFF) for schools and for high needs.

3. Recommendations

- 3.1 The Forum is asked:
- to note and comment on the issues raised in this paper
 - to identify any particular aspects or information about the NFF that it would like to see covered in detail in a further paper on the NFF at the February Forum.

4. Background

- 4.1 The DfE conducted a first stage consultation on the introduction of national funding formulae for schools and high needs between March and April 2016. These first consultations focussed on the principles that should underpin the new formulae.
- 4.2 Stage 2 of the consultations was released in December 2016. There is a 14 week consultation period, closing on 22 March 2017. The DfE

expects to publish their response to these consultations, together with the final funding arrangements, in July 2017.

- 4.3 The launch of stage 2 of the NFF consultations coincided with the period over Christmas when officers are finalising the 2017-18 budget. Therefore the Authority has not yet prepared an in depth analysis of the extensive information published by the DfE, alongside the consultation. The content of this paper is largely drawn from the consultation documentation itself and the illustrative figures for the impact of the NFF which have been published by the DfE.
- 4.4 Sections 5 and 6 below cover the schools NFF. Section 7 looks at the high needs NFF.

5. Schools NFF – Key aspects

- 5.1 The DfE has built the NFF partly by using national averages of current local authority funding formulae. However, it has also made specific changes to the current pattern of distribution, in order to reflect government policy objectives.

Key aspects of the NFF are as follows:

- Primary/secondary ratio
The NFF's ratio of primary to secondary funding has been set in line with the national average of 1:1.29. Hertfordshire's ratio is currently 1:1.32.
- Prior attainment
There has been a large increase in the proportion of funding allocated according to low prior attainment data, compared to current local authority practice. The proposal is to increase this to 7.5% from 4.3% of the total national schools block budget.
- Lump Sum
The lump sum factor, which allocates an amount to every school, regardless of size, has been set at the relatively low level of £110k. This is to distribute more funding on a per pupil basis and to encourage schools to share functions and services where possible. Both primary and secondary will receive the same lump sum under the NFF. Currently in Hertfordshire, the secondary lump sum is set at the maximum permitted by the DfE of £175k, which is £15k higher than the primary lump sum.
- Deprivation
There has been a transfer of resource from the AWPU's to deprivation. The DfE's rationale for this is that some authorities in deprived areas do not allocate much funding through deprivation factors because there is no need to make this distinction between their schools – all are deprived. In the context of a national formula,

however, the funding formula needs to target deprivation more clearly.

There is a focus on just managing families. Therefore a broader definition of disadvantage is used in the NFF than is currently typical in local authority funding formulae. This is to address the policy agenda of supporting families who struggle to access the same opportunities as others, even if they are not in the lowest income households.

- Protection of losers
Schools losing under the NFF will be protected by a floor on losses of 3% per pupil. This seems to offer permanent protection. Therefore it appears the NFF will never be fully applied to all schools. (The DfE has indicated that some schools would lose up to 10% per pupil if the NFF was fully applied with no floor). The minimum funding guarantee (MFG) will also operate, limiting losses in the first year to 1.5% per pupil.
- Cap on gainers
There will be a cap on gains of 3% per pupil in 2018-19 and 5.5% per pupil in 2019-20.
- Ring-fencing schools block
The schools block of DSG will be ring-fenced, except by agreement with the Schools Forum and schools. Where such agreement is obtained, local authorities can transfer delegated funding from the schools block into high needs. This is to build some flexibility into the funding arrangements to facilitate provision for pupils with SEND.
- Growth
Local authorities will potentially still be responsible for the Growth Fund, with a formulaic allocation of funds to each authority to resource this.
- Timescale for implementation.
In 2018-19 the NFF will be used to calculate the schools block DSG for each local authority area, while school and academy budget shares will still be calculated according to the local funding formula. The DfE refer to this as the “soft NFF”.

In 2019-20 the NFF will be used to determine the budget shares of each school and academy, a situation referred to by the DfE as the “hard NFF”.

The DfE is encouraging local authorities to move towards the NFF in their local funding formulae in 2018-19.

6. Impact of schools NFF on Hertfordshire

6.1 The two annexes A and B give further detail about the impact of the NFF on Hertfordshire.

6.2 School by school impact

This is shown in annex A, which is taken from a DfE table and shows the illustrative NFF allocations, compared to 2016-17 baseline figures. Two figures are shown for the NFF, full implementation and the first year of implementation. The variation between the two is caused by the limiting of gains and losses in the first year as a result of the MFG and gains capping. The cash differences shown in the table are between the baseline and the first year NFF figures.

A point to note is that the 2016-17 baseline allocations are not exactly the same as the 2016-17 budget shares calculated by the Authority. The baseline figures exclude the element of the budget share funded from the DSG carry forward. Other differences are:

- prior year adjustments are excluded;
- academy rates are excluded;
- there is an adjustment for special units;
- there is an adjustment for the difference between the MFG allocations in academies' EFA grants and the MFG allocations calculated by the Authority;
- academies are on an academic year basis.

Overall, on full implementation, DfE figures indicate that Hertfordshire schools would gain approximately £3m but within this overall total there is a transfer of £4m from secondary to primary. Primary gains £7m and secondary loses £4m. There is also a switch of resource from affluent to more disadvantaged schools.

Schools which have recently opened and are still adding year groups are excluded from the table. Their NFF will be calculated on a different basis, which is yet to be announced.

6.3 Comparison of NFF with Hertfordshire funding formula

Annex B shows the differences in unit funding rates by formula factor. Key differences between the NFF and the current Hertfordshire funding formula are:

- KS4 AWPUs – there is a large reduction (16.7%) in the KS4 AWPUs
- FSMs – the NFF uses both the current FSMs and the Ever 6 FSMs indicators
- Prior Attainment – there are major increases in the Low Prior Attainment factor for Primary (120% increase) and Secondary (144% increase);
- The Looked After Children and Mobility factors are removed

- English as an Additional Language – Primary: 115% increase, Secondary: 27% decrease;
- Lump Sums – these decrease, by 30% in Primary and 36% in Secondary.

7. High Needs National Funding Formula

7.1 The DfE has announced the formula for distributing high needs DSG between local authority areas from 2018-19. However, the weightings between the factors in the formula are now being consulted on, so the final position is not year clear. The illustrative figures published by the DfE, alongside the consultation, show Hertfordshire gaining approximately £5m, when the new formula is fully implemented.

7.2 Other changes outlined in the consultation are:

- a) An arrangement whereby schools could agree to de-delegate resource for high needs.
This is an attempt by the DfE to reconcile two conflicting priorities, which are:
 - the need to ring fence the school block under a “hard” NFF because the schools DSG block will be the sum of all the school budget shares;
 - the need to encourage shared ownership by schools and local authorities of provision for high needs pupils.
- b) DfE support for a model of collaboration between schools in making high needs provision, including the pooling of budgets. This is potentially similar to the DSPL approach.
- c) The need for local authorities to review high needs provision and publish strategic plans. Hertfordshire is currently undertaking a SEN strategy review along these lines.
- d) A capital fund to make resources available to authorities to expand local high provision, in order to reduce dependence on high cost out county placements.

8. Conclusion

8.1 A more in depth analysis of the schools NFF will be brought to the February Forum meeting.

8.2 The Authority will be responding to the DfE consultations. It is anticipated that individual schools, or groups of schools, may also want to submit responses.

Annex B

Hertfordshire's Funding Formula in comparison to NFF			
Description	Herts Funding Formula 2016-17	National Funding Formula	Difference
Primary (Years R-6)	£2,731.95	£2,712.00	-20
Key Stage 3 (Years 7-9)	£3,837.44	£3,797.00	-40
Key Stage 4 (Years 10-11)	£5,176.55	£4,312.00	-865
FSM Primary			
<i>Ever6 FSM</i>		£540.00	540
<i>Current FSM</i>	£2,874.95	£980.00	-1,895
FSM Secondary			
<i>Ever6 FSM</i>		£785.00	785
<i>Current FSM</i>	£2,272.23	£1,225.00	-1,047
IDACI A			
<i>Primary</i>	£326.11	£575.00	249
<i>Secondary</i>	£1,321.53	£810.00	-512
IDACI B			
<i>Primary</i>	£105.79	£420.00	314
<i>Secondary</i>	£1,321.52	£600.00	-722
IDACI C			
<i>Primary</i>	£105.79	£360.00	254
<i>Secondary</i>	£89.62	£515.00	425
IDACI D			
<i>Primary</i>	£105.79	£360.00	254
<i>Secondary</i>	£89.62	£515.00	425
IDACI E			
<i>Primary</i>	£105.79	£240.00	134
<i>Secondary</i>	£89.62	£390.00	300
IDACI F			
<i>Primary</i>	£0.00	£200.00	200
<i>Secondary</i>	£61.62	£290.00	228
Looked After Children (LAC)	£2,207.29	N/A	-2,207
Low Prior Attainment			
<i>Primary</i>	£478.49	£1,050.00	572
<i>Secondary</i>	£634.63	£1,550.00	915
English as an additional language (EAL)			
<i>EAL 3 Primary</i>	£240.15	£515.00	275
<i>EAL 3 Secondary</i>	£1,903.68	£1,385.00	-519
Mobility	£694.64	N/A	-695
Lump Sum			
<i>Primary (per school)</i>	£157,431.00	£110,000.00	-47,431
<i>Secondary (per school)</i>	£172,190.00	£110,000.00	-62,190
Sparsity Factor			
<i>Primary (per school)</i>	N/A	£0 - £25,000	
<i>Secondary (per school)</i>	N/A	£0 - £65,000	
Primary/Secondary ratio	1.32	1.29	