**Mainstream School Funding Formula Consultation**

**Autumn 2017**

**1. Introduction**

On 14th September 2017 the DfE announced details of the proposed National Funding Formula (NFF) for mainstream schools which is to be phased in from April 2018. The purpose of this document is three-fold, namely to:

1. Provide an overview of the NFF and its impact on funding in Derbyshire;
2. Seek views on Derbyshire’s local mainstream funding formulae for 2018-19; and
3. Explain how the NFF works in more detail (see Annexe)

The DfE’s announcement confirmed that, for the next two years at least, LAs will be permitted to set their own local formulae. However, LAs are encouraged to use this two year transitional period to make steps towards the NFF. Before making its final decisions for next year the Council would welcome the views of schools, academies and the Schools Forum on the way forward. To facilitate the process, enclosed with this consultation document is a pro-forma response form which should be used to give your views. Responses must be e-mailed to [schoolfunding@derbyshire.gov.uk](mailto:schoolfunding@derbyshire.gov.uk) by the closing date of **1st December 2017** at the latest.

The remainder of section 1 provides an overview of the NFF and its impact on funding levels in Derbyshire.

**1.1 National Funding Formula Overview**

In terms of the funding formula itself, the structure of the NFF is largely as per the consultation earlier this year, the proposed factors being as follows:



The full NFF multiplier values are provided in Table 1 overleaf, figures in bold show those values that have been increased since the December 2016 national consultation. Further details regarding the NFF factors are provided in the Annexe to this consultation document.

**Table 1 – Derbyshire and National Funding Formula multipliers**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **Multipliers** | |
| **2017-18 Primary Sector Factors** | | **Derbyshire** | **Final NFF** |
|  |  | **£** | **£** |
| Basic per pupil funding | AWPU – Key Stage 1 & 2\*1 | 2,648.44 | **2,746.99** |
| Additional needs funding | Deprivation: Ever 6 FSM  Deprivation: Current FSM | 1,472.53 | 540.00  **Or** |
| - | 980.00 |
| Deprivation: IDACI A | - | 575.00 |
| Deprivation: IDACI B | - | 420.00 |
| Deprivation: IDACI C | - | **390.00** |
| Deprivation: IDACI D | - | 360.00 |
| Deprivation: IDACI E | - | 240.00 |
| Deprivation: IDACI F | - | 200.00 |
| Low Prior Attainment <73/assessment | 161.29 | - |
| Low Prior Attainment <78/assessment | - | 1,050.00 |
| EAL1 | 356.32 | - |
| EAL3 | - | 515.00 |
| School-led funding | Lump sum\*1 | 129,621.79 | 110,000.00 |
| Sparsity | - | Up to 25,000 |
|  | Minimum overall per pupil\*3 | - | **£3,500** |
|  | | | |
| **2017-18 Secondary Sector Factors** | | **Derbyshire** | **Final NFF** |
|  |  | **£** | **£** |
| Basic per pupil funding | AWPU – Key Stage 3\*2 | 3,734.48 | **3,862.65** |
| AWPU – Key Stage 4\*2 | 4,375.55 | **4,385.81** |
| Additional needs funding | Deprivation: Ever 6 FSM  Deprivation: Current FSM | 1,921.25 | 785.00  **Or** |
| - | 1,225.00 |
| Deprivation: IDACI A | - | 810.00 |
| Deprivation: IDACI B | - | 600.00 |
| Deprivation: IDACI C | - | **560.00** |
| Deprivation: IDACI D | - | 515.00 |
| Deprivation: IDACI E | - | 390.00 |
| Deprivation: IDACI F | - | 290.00 |
| Prior attainment | 1,115.01 | 1,550.00 |
| EAL1 | 321.99 | - |
| EAL3 | - | 1,385.00 |
| School-led funding | Lump sum\*2 | 150,967.40 | 110,000.00 |
| Sparsity | - | Up to 65,000 |
|  | Minimum overall per pupil\*3 | - | **£4,800** |

\*1 Excludes £10.54 (AWPU) & £2,000 (lump sum) for school improvement & redundancy costs funded from DSG reserves

\*2 Excludes £10.54 (AWPU) and £2,000 (lump sum) for school improvement and redundancy costs and £53.86 (AWPU) additional investment – all funded from DSG reserves

\*3 By 2019-20, lower figures apply in 2018-19 (£3,300 and £4,600) – see Annexe

In addition to the above there will be specific allocations through the formula for PFI, rates, split site and exceptional premises factors based on 2017-18 planned spend. Only the PFI element will be uprated for inflation (using RPIX), the others will be held at 2017-18 cash levels.

The main change from the DfE’s original NFF proposals is the inclusion of a minimum overall per pupil funding rate. For primary schools this is £3,300 for 2018-19 rising to £3,500 in 2019-20, the equivalent figures for secondary schools being £4,600 and £4,800 respectively.

**1.2 Influence and impact of the NFF on funding levels for 2018-19.**

For many years the Schools Block element of the Dedicated Schools Grant has been calculated as the product of a funding rate per pupil – which varied between LAs – multiplied by the number of children on roll. In effect this model will continue for 2018-19 but with each LA’s funding rates reflecting the impact of the NFF. The calculations underpinning the Schools Block quantum for 2018-19 can be summarised as follows:

∑2017-18 National Funding Formula budgets (excl. premises/growth/mobility)

∑October 2016 pupil counts

=

Unit of funding for 2018-19\* (PUF/SUF)

X

∑October 2017 pupil counts

=

Schools Block (excluding premises/mobility)

+

Premises, mobility and growth funding

=

Total Schools Block 2018-19

\*Referred to as the Primary and Secondary Units of Funding (PUF/SUF)

If the above approach had been used to determine Derbyshire’s 2017-18 Schools Block the results would have been as follows:

**Table 2 – Calculation of Derbyshire’s Schools Block**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Primary | Secondary | Total |
| 2018-19 primary and secondary units of funding | **£3,877.27** | **£4,959.92** | - |
| NOR per October 2016 census | 59,187 | 37,277 | 96,464 |
| Funding excluding premises | **£229,483,710** | **£184,890,812** | **£414,374,522** |
|  |  |  |  |
| Premises factors: |  |  |  |
| Growth Fund (KS1) | £1,100,000 | - | £1,100,000 |
| Split site | £80,136 | £501,065 | £581,201 |
| Rates | £3,523,609 | £3,649,408 | £7,173,017 |
| PFI | - | £2,036,646 | £2,036,646 |
| Exceptional premises factors | £95,123 | £106,030 | £201,153 |
| Inflation on above – PFI | 0 | £78,003 | £78,003 |
| Sub-total premises factors | **£4,837,185** | **£6,332,835** | **£11,170,020** |
|  |  |  |  |
| **2018-19 NFF Schools Block** | **£234,282,578** | **£191,261,964** | **£425,544,542** |
| **2017-18 LA Baseline Schools Block** |  |  | **£416,719,116** |
| **Implied funding increase for 2018-19** |  |  | **+£8,825,426** |

N.B. The above total is still based on the October 2016 census. Derbyshire’s 2018-19 Schools Block will be based on the above calculation, but with the pupil led element being adjusted to reflect the October 2017 pupil count. Even with this caveat, the NFF will directly influence the size of the Schools Block for the LA from April 2018.

**1.3 Other Schools Block matters**

The NFF includes a cap on gains of 3% per pupil for 2018-19 and 2019-20. N.B. any support provided to a school to ensure it receives the minimum per pupil allocation is excluded from these capping arrangements. Also LAs are allowed to transfer up to 0.5% of the Schools Block to elsewhere within the DSG e.g. to meet high need pressures. However, this can only be done with the approval of the Schools Forum following consultation with schools and academies.

**2. Formula issues to consider locally for 2018-19 and 2019-20**

**2.1 Minimum Funding Guarantee (MFG) rate**

The purpose of the MFG is to limit the year on year change in per-pupil funding for an individual school thus providing greater funding stability. For 2018-19 LAs can set their own rate at between plus 0.5% and minus 1.5% per pupil, but the same rate has to apply to both sectors. The MFG rate is therefore a key issue as, whatever decisions are taken regarding the LA’s formula, the impact for many schools, particularly those that do less well under the NFF, will be largely determined by the MFG rate.

A plus 0.5% per pupil MFG provides the greatest level of protection and ensures an increase in budget for all schools, irrespective of the local formula changes. However, as this protection has to be funded, one consequence is that less funding is allocated via what might be termed the “pure” formula. Conversely, an MFG of minus 1.5% allows more funding to be allocated via the pure formula but allows some schools to lose funding year on year.

Two other points need to be remembered. First, the MFG is a per-pupil calculation which does not therefore protect schools from the impact of reductions in the number of pupils on roll: **a reduced NOR will still result in a reduced budget.**

The second point is that the MFG only applies to a proportion of a school’s budget, the lump sum and rates allocations are excluded. These excluded elements vary in importance at individual school level, for example for small schools the lump sum is far more important than for large schools. In the primary sector the lump sum and rates elements range from ~10% of the budget (in the largest primary school) to ~68% (in the smallest primary school.) Hence a “+0.5%” MFG protection rate would only guarantee the very smallest school an overall increase of 0.16% i.e. 0.5% x (100%-68%).

**2.2 Cap on gains**

The overall Schools Block will be based on the impact of the NFF in Derbyshire, see section 1.2 above. The NFF cap on gains of 3% per pupil effectively limits the size of the overall School Block for each LA. In terms of the local formula for next year, LAs are free to set their own cap. However, if a cap were to be set above 3% this would create an unfunded pressure which would have to be offset by other actions e.g. reductions in one or more multipliers in the local formula. The same percentage cap on gains has to apply to both sectors.

**2.3 Schools Block Quantum**

The calculation of the assumed Schools Block quantum is shown in Table 3 overleaf:

**Table 3 – Assumed Schools Block for Modelling Purposes**

|  |  |  |
| --- | --- | --- |
|  | **Primary** | **Secondary** |
| Primary/secondary unit of funding (PUF/SUF) per Table 2 | £3,877.27 | £4,959.92 |
| NOR\*1 | 59,079.58 | 37,134.17 |
| Funding excluding premises | £229,067,496 | £184,182,496 |
|  |  |  |
| Premises factors: |  |  |
| Growth Fund (KS1) | £1,100,000 | - |
| Split site | £80,136 | £501,065 |
| Rates | £3,523,609 | £3,649,408 |
| PFI | - | £2,036,646 |
| Exceptional premises factors | £95,123 | £106,030 |
| Total Schools Block | £233,866,364 | £190,475,645 |
| **Total Schools Block for modelling purposes (ex growth)** | **£232,766,364** | **£190,475,645** |

\*1 This is the NOR used to determine schools’ 2017-18 budgets. The DfE propose that, in future, schools will receive AWPU funding for pupils in ERS provision. The unadjusted NOR figures have been retained for modelling purposes to provide a more consistent comparison with actual 2017-18 budgets.

**2.4 The proposed approach for 2018-19**

The Authority proposes to use the NFF, as far as funding will allow, as the basis for calculating schools’ budgets for 2018-19. The prime reason for adopting this approach is that the 2018-19 Schools Block will itself be largely driven by the NFF (see section 1.2). If the LA were not to reflect the NFF in the allocations locally, this would mean that the gains of many schools would instead be reallocated to other schools. Another reason for moving to the NFF is that it provides greater certainty of funding in future years; an approach which moves to the NFF over several years would potentially create uncertainty about which formula indicators would be changed, and by how much, each year.

It should be noted that adopting the pure NFF in full in 2018-19 is unaffordable and it will be necessary to cap some schools’ gains; this mirrors the basis on which the Schools Block itself will be calculated. The Authority proposes a cap on gains of 3% per pupil for 2018-19.

The Authority does, however, recognise that the impact of the NFF is more favourable to some schools than others and therefore proposes to adopt an MFG of plus 0.5 percent per pupil for 2018-19 to ensure all schools receive an increase; this is the maximum rate allowed by the regulations.

With two exceptions, the proposed model will utilise the NFF multipliers and counts in full. This means that Derbyshire’s formula will, for the first time, use IDACI to allocate some of the funding for deprivation and EAL3 rather than EAL1 as the indicator to allocate support to children whose first language is not English.

The first exception is the primary sector Low Prior Attainment (LPA) indicator, previously referred to in Derbyshire as the Low Cost High Incidence (LCHI) factor. The primary NFF multiplier is £1,050 per pupil which is 6.5 times greater than Derbyshire’s multiplier. In addition, the formula counts have changed in two ways for Derbyshire. For Years 5 and 6, the counts are based on the number of pupils scoring less than 78 in the relevant tests i.e. the counts include more children than Derbyshire’s formula which uses scores below 73. The second, more important, change is that allocations for Years 1-4 are based on the number of children not achieving a good level of development and the counts for these years are generally much higher than those under the previous tests. Unlike in Derbyshire’s own formula the counts published by the DfE have not been scaled back to bring the proportion of children attracting support in these year groups consistent with Years 5 and 6.

The above changes have resulted in a much higher overall count and therefore a significantly higher level of funding in the NFF for LPA. The LPA funding implied by the new NFF multipliers and counts for Derbyshire is £18.825m which compares with the £1.051m distributed through our formula currently. Locally, if the primary sector LPA changes were to be implemented in our formula next year in full, then the other multipliers would have to be scaled back considerably to offset the additional cost.

To ensure progress is made towards the NFF the Authority proposes to allocate additional funding to the primary LPA factor only once funding for the other NFF multipliers and MFG protection has been set aside. Even with this restriction, this approach will still result in a significant increase in the funding allocated via the LPA indicator in the primary sector next year.

The other variation from the full NFF is that the LA will apply minimum per pupil funding thresholds of £3,300 and £4,600 in primary and secondary schools for 2018-19 with a view to applying the higher thresholds (£3,500 and £4,800) for 2019-20.

In summary, the basis for determining schools’ indicative budgets based on the proposals in this consultation document is as follows:

Step 1 - Apply the NFF in full based on the multipliers in Table 1 (except for the primary LPA quantum which is retained at 2017-18 levels and the minimum overall funding per pupil thresholds (see Step 4))

Step 2 - Apply a +0.5% per pupil MFG rate

Step 3 - Apply a cap on gains of 3.0% per pupil, in line with the NFF calculation

Step 4 - Ensure each school’s budget (pupil and school led elements, as per the NFF calculation) meet the minimum overall per pupil funding rates (£3,300/£4,600)

Step 5 - Increase primary sector LPA to utilise any residual funding

Step 6 - Recalculate MFG, capping and minimum thresholds as required

**2.5 Overall outcome of the modelling**

The multipliers which result from the process set out in 2.4 are shown in Appendix 1. With the exception of the primary LPA and the minimum thresholds, all of the proposed multipliers are consistent with the full NFF. The total funding allocated by each NFF indicator is also provided in Appendix 1. The LPA multiplier is effectively the balancing figure for the primary sector and ensures the cost of the model is in line with the funding envelope. The primary LPA funding allocated in the model is £9.659m which is substantially higher than the £1.051m actually allocated this year.

N.B. The modest residual unallocated funding will be the first contribution to any unfunded pressures e.g. inflation on schools’ rates bills.

**2.6 Impact on Individual Schools**

Separate schedules have been produced showing the impact the proposed formula would have had on individual schools **if it had been used in 2017-18**. Schedule 1 provides a restated 2017-18 baseline budget which is the school’s actual budget for 2017-18 less the one off resources allocated from DSG cash reserves, namely:

1. Funding to support the re-pooling of funding in respect of school improvement and schools’ redundancy costs; and
2. The additional investment in secondary schools, net of any resultant increase in MFG protection.

Neither of the above allocations were set to continue beyond 2017-18 so removing them from the LA baseline budgets makes for a fairer and more representative starting position.

Schedule 2 shows the gains and losses for each indicator using the proposed multipliers and the 2017-18 pupil and other data sets.

**2.7 Health warnings and LA baseline budgets (both sectors)**

The modelling, and the resultant individual school and multiplier information, are intended to illustrate the impact of the LA’s proposals. **However, the multipliers implied by the modelling cannot be guaranteed for 2018-19 at this stage.** All of the modelling has been based on the data used to determine schools’ 2017-18 budget shares. The actual budgets and multipliers for next year will be affected by:

1. The actual Schools Block quantum for 2018-19;
2. The impact of demographic data changes, other than pupil numbers, that are not reflected (funded) in the Schools Block e.g. increases in free school meals entitlement, changes in school rates valuations, changes in prior attainment data etc;
3. The need for funding to be top-sliced to increase the size of the existing growth fund or create new ones (see section 3);
4. The impact of unfunded cost pressures, such as any increase in the National Non Domestic Rating multiplier which determines schools’ rates costs, and for which no increase in funding is expected;
5. Further clarification of the likely funding quantum for 2019-20 to ensure the model remains affordable; and
6. Any changes arising from the responses to this consultation, including the impact of the potential growth fund developments discussed in section 3.

**2.8 Potential variations to the proposed model**

One of many potential variations to the model would be to set a less generous level of MFG protection. If MFG were set at, say, 0% per pupil this would reduce the cost of the MFG protection. In the primary sector the funding released (~£0.189m) could be reallocated by one or more of the following actions:

1. increasing the cap on gains above the proposed 3%;
2. increasing the minimum funding threshold above £3,300;
3. increasing the LPA multiplier further; and/or
4. increasing one or the other multipliers to a level above the NFF.

Another variation would be to phase the proposed reduction in the primary sector lump sum, £19,622 (from £129,622 to £110,000). However, the benefits of doing this are marginal, particularly for the smallest schools, as the increased lump sum funding would be largely offset by a reduction in MFG protection. A sample calculation of this change is provided at Appendix 2.

The reduced MFG rate would also have to apply to the secondary sector. The gross MFG saving (~£0.621m) would be partially offset by the automatic increases in the support needed to ensure schools still had a minimum per pupil funding of £4,600 per school: this would utilise £0.120m of the saving. There are no capped gains so the only options for utilising the residual £0.501m would be to:

1. increase the minimum funding threshold above £4,600; and/or
2. Increase one or more of the formula multipliers to a level above the NFF.

On balance the LA’s preferred option is to set the MFG at the maximum rate as this would ensure that all schools receive an increase to help with future cost pressures, rather than allowing other schools to receive higher gains.

**3. Other matters to consider**

**3.1 Schools Block transfer to other blocks.**

The Schools Block will be ring-fenced from 2018-19. This means that the vast majority of Schools Block funding allocated to local authorities must be passed directly to schools. However, local authorities will have limited flexibility to transfer funding to other areas, such as the High Needs Block, where this best matches local circumstances. Such transfers are limited to 0.5% of an authority’s total Schools Block – around £2m in the case of Derbyshire - and can only be made with the agreement of the Schools Forum. The DfE’s guidance goes further: *“LAs wishing to transfer funding will be expected to demonstrate to their Schools Forum that they have consulted locally with all maintained schools and academies. Local authorities should set out clearly the reasons for any transfer and, if the transfer is to their High Needs budget, how it sits with the local authority’s long-term planning for provision for children and young people with SEN and disabilities.”*

Despite the pressures facing the High Needs Block, Derbyshire does not propose to make any application to transfer funding for 2018-19. The Authority is undertaking a thorough review of its high needs budgets and spending and this work is expected to be completed in 2018. Should this review identify a strong case for additional investment in the high needs block, schools and academies would be consulted on any proposals to transfer resources for 2019-20 in the autumn term 2018. If schools and the Schools Forum were to agree to support a transfer of resources this would of course mean that one or more of the NFF multipliers would have to be reduced for 2019-20. As no transfer of resources is planned for 2018-19, the Authority will instead have to meet any pressures from its uncommitted DSG reserves.

**3.2 Growth fund – existing schools**

In 2018-19 funding will be allocated to Derbyshire on the basis of historic cost. This means the LA’s settlement will include £1.1m which is the sum the LA currently allocates to support schools in meeting the national Key Stage 1 Class size requirements.

Other than the above KS1 resource, there has never been a general growth fund for in-year increases in pupil numbers in Derbyshire. For maintained schools the expectation has been that they would manage any additional cost pressures from their balances, via a licenced deficit, or, in exceptional circumstances, with support from the re-pooled contingency fund. Academies have been required to fund any in-year increases from their own resources.

The Authority has no plans to change these basic arrangements other than in respect of academies, and only then when the in-year increase is because the Authority has directed an academy to admit the additional children. Even in these circumstances the starting presumption would be that the Academy would absorb the additional costs with any support from a growth fund being subject to rigorous scrutiny, including an assessment of:

* The financial cost of the extra pupils, relative to the size of the Academy’s budget; and
* The academy’s ability to absorb this cost based on their current/forecast balances.

Even for those claims that passed the above tests there would still be an expectation that the academy would pick up an element of the additional cost, equivalent to 1% of their annual budget, with only costs above this threshold being met from the growth fund: this arrangement is consistent with the tests applied to the re-pooled contingency fund.

The above restrictions are considered necessary as any increase in the growth fund would have to be resourced by a reduction in the multipliers in Appendix 1. For example a £100k growth fund budget would require a reduction in the AWPU multipliers in Appendix 1 of around £1 per pupil.

**3.3 Growth fund – new free schools**

The Authority recognises that the position of newly-opened schools is different. The Education Act 2011 changed the arrangements for establishing new schools and introduced Section 6A, the ‘Free School Presumption’, to the Education and Inspections Act 2006. Where a local authority (LA) thinks that there is a need for a new school in its area it must seek proposals to establish an academy (free school).

The DfE’s arrangements require LAs to provide the site for the new school and also meet the associated capital, pre-opening and post-opening costs. The capital costs may be supported by ‘S106 funding’, i.e. funding from the housing developer. However, the vast majority of the pre- and post-opening costs of a new school are funded via the Schools Block of the DSG.

The one off “pre-opening” financial support to any school created under the above legislation is capped at £220k. In addition, in the early years of operation newly-opened schools often have to operate a staffing structure which is more expensive than that which the number of pupils, and thus budget, can support. In these circumstances LAs are expected to provide additional help, known as “post-opening” support.

Post-opening support can be funded in one of two ways. The first approach would be to adjust the relevant school’s pupil numbers that drive its budget allocation. The alternative would be to top-slice the allocations of all schools and academies to create a fund to provide the required support.

The issue of funding to support new free schools is an emerging pressure in Derbyshire as potentially up to 5 primary sector free schools may be required by September 2019 to meet the expected increases in pupil numbers.

The Authority intends that the pre-opening support will be provided from DSG reserves whilst most of the post-opening support would be provided by adjusting the relevant schools’ pupil counts N.B. increasing the pupil counts in this way does not generate additional Schools Block funding from the DfE. However, it would be sensible to create a small fund to deal with any post-opening support costs that cannot be delivered through adjusting the pupil count and to reflect other non-pupil pressures such as changes in deprivation, low prior attainment etc.

**3.4 Falling rolls fund – good and outstanding schools**

LAs are already allowed to retain some funding to create a budget for good and outstanding schools with temporary falling rolls. However, to date Derbyshire has not utilised this provision as it has previously considered that: (a) schools with falling rolls should instead request a licenced deficit to help manage their reductions in spend; and (b) the requirement for a school to be categorised as good or outstanding before it could receive support was felt to be restrictive.

The Authority is not minded to create a falling rolls fund at this time as the above reasons are still valid and the creation of the fund would require a further reduction in the value of the formula multipliers. However, as it is some years since this position was adopted, the LA would welcome the views of schools and academies on this issue once more.

**4. Consultation questions**

Q1. Do you agree with the proposed introduction of the NFF as set out in section 2.4?

Q2. If the answer to Q1 is no, what other changes should the LA make as part of the transition to the NFF instead?

Q3. Do you agree with the proposed MFG per pupil of plus 0.5% per pupil (section 2.4)?

Q4a. If your answer to Q3 was no, what figure should apply instead?

Q4b. If appropriate, please give a reason for your answer to Q4a

Q5. Do you agree that no transfer from the Schools Block should be made for 2018-19 (section 3.1)?

Q6. Please let us have your views on the creation of a growth fund to support academies that experience an in-year increase in pupil numbers as a result of the LA directing an academy to admit additional children (section 3.2)?

Q6a. Based on your response to Q6, would you be prepared to see a reduction in the multipliers in Appendix 1 to create this fund?

Q7. Please let us have your views on the creation of a growth fund to support post opening costs of new free schools (section 3.3)?

Q7a. Based on your response to Q7, would you be prepared to see a reduction in the multipliers in Appendix 1 to create this fund?

Q8. Please let us have your views on the desirability or otherwise of a falling rolls fund to provide temporary support to good or outstanding schools (section 3.4)?

Q8a. Based on your response to Q8, would you be prepared to see a reduction in the multipliers in Appendix 1 to create this fund?

Q9. Do you have any other comments to make regarding the proposals in this consultation?

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**Summary of allocations based on proposed model Appendix 1**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Proposed DCC NFF-based formula** | | |  | **Current Derbyshire formula** | | |
| **PRIMARY** | **Count** | **Multiplier** | **Total** |  | **Count** | **Multiplier** | **Total** |
|  |  | **£** | **£** |  |  | **£** | **£** |
| KS1/2 AWPU | 59,079.58 | 2,746.99 | 162,291,025 |  | 59,079.58 | 2,648.44 | 156,468,848 |
| Deprivation: Current FSM | 8,037.23 | 440.00 | 3,536,381 |  | 0.00 | 0.00 | 0 |
| Deprivation: Ever 6 FSM | 13,602.26 | 540.00 | 7,345,221 |  | 13,602.26 | 1,472.53 | 20,029,753 |
| Deprivation: IDACI F | 6,283.41 | 200.00 | 1,256,682 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI E | 3,446.44 | 240.00 | 827,145 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI D | 3,835.64 | 360.00 | 1,380,832 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI C | 3,762.19 | 390.00 | 1,467,254 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI B | 3,493.70 | 420.00 | 1,467,354 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI A | 402.61 | 575.00 | 231,498 |  | 0.00 | 0.00 | 0 |
| LPA: EYFSP <73/Assessment | 6,528.35 | 0.00 | 0 |  | 6,528.35 | 161.29 | 1,052,976 |
| LPA: EYFSP <78/Assessment | 17,887.91 | 540.00 | 9,659,470 |  | 0.00 | 0.00 | 0 |
| EAL: 1 Year | 408.70 | 0.00 | 0 |  | 408.70 | 356.32 | 145,627 |
| EAL: 3 Years | 1,086.32 | 515.00 | 559,454 |  | 0.00 | 0.00 | 0 |
| **Sub Total – Pupil Led** |  |  | **190,022,315** |  |  |  | **177,697,203** |
|  |  |  |  |  |  |  |  |
| Lump Sum | 350.00 | 110,000.00 | 38,500,000 |  | 350.00 | 129,621.79 | 45,367,626 |
| Sparsity | 11.24 | 25,000.00 | 281,108 |  | 0.00 | 0.00 | 0 |
| Split Site: <500m | 4.00 | 2,489.91 | 9,960 |  | 4.00 | 2,489.91 | 9,960 |
| Split Site: >500m | 2.00 | 35,088.03 | 70,176 |  | 2.00 | 35,088.03 | 70,176 |
| Rates | N/A | N/A | 3,523,609 |  | N/A | N/A | 3,523,609 |
| Exceptional site factor | N/A | N/A | 95,123 |  | N/A | N/A | 95,123 |
| MFG Protection | N/A | N/A | 1,411,368 |  | N/A | N/A | 975,559 |
| Capped gains | N/A | N/A | -2,089,148 |  | N/A | N/A | 0 |
| Minimum per pupil (£3,300) | N/A | N/A | 532,415 |  | N/A | N/A | 0 |
| **Total** |  |  | **232,357,251** |  |  |  | **227,739,367** |
|  |  |  |  |  |  |  |  |
|  | **Proposed DCC NFF-based formula** | | |  | **Current Derbyshire formula** | | |
| **SECONDARY** | **Count** | **Multiplier** | **Total** |  | **Count** | **Multiplier** | **Total** |
|  |  | **£** | **£** |  |  | **£** | **£** |
| KS3 AWPU | 22,730.00 | 3,862.65 | 87,798,035 |  | 22,730.00 | 3,734.48 | 84,884,651 |
| KS4 AWPU | 14,404.17 | 4,385.81 | 63,173,938 |  | 14,404.17 | 4,375.55 | 63,026,130 |
| Deprivation: Current FSM | 4,587.41 | 440.00 | 2,018,460 |  | 0.00 | 0.00 | 0 |
| Deprivation: Ever 6 FSM | 9,147.61 | 785.00 | 7,180,877 |  | 9,147.61 | 1,921.25 | 17,574,884 |
| Deprivation: IDACI F | 4,008.47 | 290.00 | 1,162,455 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI E | 1,979.41 | 390.00 | 771,969 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI D | 2,126.46 | 515.00 | 1,095,129 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI C | 2,120.72 | 560.00 | 1,187,605 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI B | 2,116.11 | 600.00 | 1,269,666 |  | 0.00 | 0.00 | 0 |
| Deprivation: IDACI A | 197.01 | 810.00 | 159,574 |  | 0.00 | 0.00 | 0 |
| LPA: KS2 Results | 7,340.23 | 1,550.00 | 11,377,351 |  | 7,340.23 | 1,115.01 | 8,184,433 |
| EAL: 1 Year | 46.88 | 0.00 | 0 |  | 46.88 | 321.99 | 15,096 |
| EAL: 3 Years | 132.65 | 1,385.00 | 183,716 |  | 0.00 | 0.00 | 0 |
| **Sub Total – Pupil Led** |  |  | **177,378,775** |  |  |  | **173,685,194** |
|  |  |  |  |  |  |  |  |
| Lump Sum | 45.00 | 110,000.00 | 4,950,000 |  | 45.00 | 150,967.40 | 6,793,533 |
| Sparsity | 0.65 | 65,000.00 | 42,250 |  | 0.00 | 0.00 | 0 |
| Split Site | N/A | N/A | 501,065 |  | N/A | N/A | 501,065 |
| PFI | N/A | N/A | 2,036,646 |  | N/A | N/A | 2,036,646 |
| Rates | N/A | N/A | 3,649,408 |  | N/A | N/A | 3,649,408 |
| Exceptional site factor | N/A | N/A | 106,030 |  | N/A | N/A | 106,030 |
| MFG Protection | N/A | N/A | 1,505,791 |  | N/A | N/A | 2,187,358 |
| Capped gains | N/A | N/A | 0 |  | N/A | N/A | 0 |
| Minimum per pupil (£4,600) | N/A | N/A | 281,878 |  | N/A | N/A | 0 |
| **Total** |  |  | **190,451,843** |  |  |  | **188,959,233** |

The allocations would cost £422.809m which compares with as assumed available resource of £423.242m, leaving an unallocated balance of £0.433m towards other pressures e.g. increases in schools’ rates bills.



**Summary of the Mainstream National Funding Formula** **Annexe**

1. **Basic per-pupil funding**
   1. **AWPU**

The age-weighted pupil unit (AWPU) is the fundamental building block of the national funding formula. This is the basic funding that all pupils attract, different values have been set for primary, key stage 3 and key stage 4 pupils (£2,747, £3,863 and £4,386 respectively) and which reflect the higher costs that arise in educating older pupils, for example, due to the need for more specialist teaching and facilities. Basic per-pupil funding is the largest factor in the NFF, allocating 72.9% of the total schools block.

**1.2 Minimum Per pupil**

A new factor driven by responses to the consultation about the importance of basic per-pupil funding, particularly for those schools where few pupils attract funding through the additional needs factors. This factor will ensure that the NFF provides a minimum per pupil allocation for primary and secondary schools as follows:

|  |  |  |
| --- | --- | --- |
|  | Primary | Secondary |
| 2018-19 | £3,300 | £4,600 |
| 2019-20 | £3,500 | £4,800 |

Entitlement to the funding under the NFF is calculated by adding together the pupil led allocations (basic per pupil (AWPU), deprivation, low prior attainment, English as an Additional Language) to the school led elements (lump sum allowance and sparsity) and dividing the total by the number of children on roll (all pre 16). If the resultant per pupil funding level is less than the amounts in the above table for the relevant year, the NFF allocation is increased to raise it to the required minimum value.

1. **Additional Needs Funding**

**2.1 Deprivation**

The NFF allocates funding via two indicators, eligibility for free school meals (FSM) (where this will be current eligibility and historic eligibility through the Ever6 measure), and the level of deprivation in the postcode where the pupil lives (measured using the Income Deprivation Affecting Children Index, IDACI). Pupils attracting funding through the IDACI factor are divided into 7 bands, reflecting the relative levels of deprivation of the areas they live in (bands A to G, with band A representing the most deprived areas), the multipliers reflect these relativities.

|  |  |
| --- | --- |
| IDACI Band | NFF multiplier |
| Band A | £575 |
| Band B | £420 |
| Band C | £390 |
| Band D | £360 |
| Band E | £240 |
| Band F | £200 |
| Band G | £0 |

The Ever6 indicator measures the number of children that have been eligible (i.e. have applied successfully) for free school meals at any point in the previous six years. Eligible children will attract £540 (primary) and £785 (secondary) per annum. Children who are also currently entitled to free school meals will generate an additional £440 over and above the Ever 6 multiplier. This additional sum is notionally to cover the cost of their free school meal.

**2.2 Low Prior Attainment**

Prior attainment data is an important tool for schools to identify pupils who are likely to need extra support. Research has shown that a pupil’s prior attainment is the strongest predictor of their likely later attainment. The NFF will allocate 7.4% of the total national funding formula (£2.5 billion) in respect of pupils with low prior attainment, a substantially greater proportion than allocated currently within LAs’ formulae (4.3%). The indicators are as follows:

Primary – based on a combination of the number of pupils that do not achieve the expected level of development (Years 1-4) plus the number of pupils that achieved fewer than 78 points in the EYFSP assessment tests (Years 5 and 6). The actual number of pupils triggering a resource will be the sum of the two counts divided by the NOR (Years 1-6). The resultant proportion will then be multiplied by the overall NOR, including reception, to produce the count for funding purposes. Each eligible pupil will attract an additional £1,050 a year through the formula throughout their time in primary education.

Secondary – based on the number of pupils that do not achieve the expected level at key stage 2 in one or more of reading or writing or mathematics. Eligible pupils will attract an additional £1,550 a year while in secondary education.

**2.3 English as an Additional Language (EAL)**

The pupils eligible for funding through the NFF EAL factor are pupils recorded on the census as having entered state education in England during the last three years, and having been exposed to a mother tongue other than English (EAL3). Primary schools will receive £515 per eligible pupil and secondary schools £1,385.

The use of EAL3 represents a change for Derbyshire as we currently use EAL 1 i.e. – the number of children having entered state education in England during the last year and having a mother tongue other than English.

**2.4 Mobility**

The mobility factor is intended to support schools that have a high proportion of pupils joining the school mid-way through the academic year. Funding to local authorities will be allocated on an historic spend basis. Derbyshire does not use this indicator and therefore will receive no funding.

1. **School-led funding**

**3.1 Lump sum**

Each school will receive a lump sum allocation of £110,000, irrespective of size, there is also no differentiation between phases, primary and secondary schools will receive the same amount.

**3.2 Sparsity**

The sparsity factor targets extra funding to schools that are both small and remote. Eligible schools will receive up to £25,000 (primary) or £65,000 (secondary), the allocations being reduced as the size of the school increases.

A school is eligible for sparsity funding if:

1. For all the pupils for whom it is the nearest compatible school, the average straight-line distance from the pupils’ homes to the second nearest compatible school (the sparsity distance) is more than three miles (for secondary schools) or two miles (for all other schools); **and**
2. The average year group size (the pupil count divided by number of year groups) is below the set thresholds (21.4 for primary schools, equivalent to ~150 on roll for a primary school, 64.2 for an infant school and 85.6 for a junior school) and 120 for secondary schools (equivalent to a pre-16 NOR of 600).

Two points to note: firstly, test (a) above is based on each child’s residence and their proximity to the next nearest school, **irrespective of which school they actually attend.** Second, schools with an average year group size of less than 50% of the above thresholds will receive the maximum sparsity funding (£25,000 or £65,000). Schools with an average year group size above 50% of the threshold will have their allocations reduced as the chart below shows. Schools with an average year group size above the thresholds will not be eligible for sparsity funding, irrespective of their remoteness.



**3.3 Other Premises factors (Rates, PFI, split site and exceptional premises)**

In 2018-19, the NFF will allocate what local authorities plan to spend on rates, split-sites and exceptional premises factors in their local formulae in 2017-18. Funding for PFI will be allocated on the same basis, but uprated annually in line with RPIX to reflect the indexation of PFI contracts and evidence received through the consultations. The total planned spend on these premises factors in 2017-18 is £610 million, around 1.8% of the total national funding formula.

**3.4 Growth**

The NFF will allocate funding to enable local authorities to respond where significant growth in pupil numbers occurs in-year and is not immediately recognised by the lagged funding system. This is important because local authorities need to ensure every child has access to a high quality school place. Local authorities currently handle in-year growth in two different ways. They can create a growth fund by top-slicing DSG for allocation in-year or they can adjust the pupil numbers used to calculate growing schools’ local formula allocations. They may also retain some funding to create a budget for good and outstanding schools with temporary falling rolls.

In 2018-19, the growth factor will be allocated on the basis of what each local authority plans to spend, in total, on growth in 2017-18 – this totals £174 million and represents 0.5% of the total formula spend.

1. **Area Cost Adjustment**

The NFF will reflect the variation in labour market costs across the country. The NFF will apply a hybrid area cost adjustment (ACA) which takes into account the general labour market trends and the particular salary variations in the teaching workforce.