**DERBYSHIRE COUNTY COUNCIL**

Agenda Item 3

Rep 687

**SCHOOLS FORUM**

**9th January 2017**

**Report of the Strategic Director for Children’s Services**

**Mainstream Schools - National Funding Formula (NFF) consultation**

1. **Purpose of the Report**

To inform the Schools Forum of the government’s second phase consultations regarding a National Funding Formula (NFF) for mainstream schools.

1. **Information and Analysis**

The government published its detailed proposals for a NFF for mainstream schools on 14 December 2016, the closing date for responses is 22 March 2017. Work is ongoing to analyse and understand the implications of the changes and this report summarises the key issues and impacts identified to date. N.B. figures in brackets denote paragraph references in the consultation document, copies of the full consultation documents can be found at:

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

**2.1 The proposed National Funding Formula**

A “soft” version of the NFF will be introduced from 2018-19 i.e. the NFF will drive the allocations to LAs but allocations to schools can still be based upon local formulae. From 2019-20 a “hard” national formula will be in place i.e. no/very limited local discretion. This means that in effect there is only one year of transition i.e. 2018-19.

The National Funding Formula will have the following 13 factors (1.3):



The proposed NFF formula indicators and their values (multipliers) are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Multipliers** | |
| **2016-17 Primary Sector Factors** | | **Derbyshire** | **National** |
|  |  | **£** | **£** |
| Basic per pupil funding | AWPU – Key Stage 1 & 2 | 2,648 | 2,712 |
| Additional needs funding | Deprivation: Ever 6 FSM  Or  Deprivation: Current FSM | 1,473 | 540 |
| - | 980 |
| Deprivation: IDACI A | - | 575 |
| Deprivation: IDACI B | - | 420 |
| Deprivation: IDACI C | - | 360 |
| Deprivation: IDACI D | - | 360 |
| Deprivation: IDACI E | - | 240 |
| Deprivation: IDACI F | - | 200 |
| Prior attainment | 161 | 1,050 |
| EAL | 356 | 515 |
| School-led funding | Lump sum | 129,622 | 110,000 |
| Sparsity | - | Up to 25,000 |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Multipliers** | |
| **2016-17 Secondary Sector Factors** | | **Derbyshire** | **National** |
|  |  | **£** | **£** |
| Basic per pupil funding | AWPU – Key Stage 3\* | 3,734 | 3,797 |
| AWPU – Key Stage 4\* | 4,376 | 4,312 |
| Additional needs funding | Deprivation: Ever 6 FSM  Or  Deprivation: Current FSM | 1,921 | 785 |
| - | 1,225 |
| Deprivation: IDACI A | - | 810 |
| Deprivation: IDACI B | - | 600 |
| Deprivation: IDACI C | - | 515 |
| Deprivation: IDACI D | - | 515 |
| Deprivation: IDACI E | - | 390 |
| Deprivation: IDACI F | - | 290 |
| Prior attainment | 1,115 | 1,550 |
| EAL | 322 | 1,385 |
| School-led funding | Lump sum | 150,967 | 110,000 |
| Sparsity | - | Up to 65,000 |

\* N.B. excludes £94.29 per pupil funded by £3.5m from DSG cash reserves

**2.2 More detail about the proposed formula**

In summary the NFF (1.20):

* Reflects the current relative distribution of funding between the two sectors, which is a primary: secondary ratio of 1:1.29 (Derbyshire’s ratio is 1:1.33 which partially explains why our secondary sector fares less well);
* Maximises the proportion of funding allocated to pupil –led factors;
* Increases the basic rate funding as pupils progress through the key stages;
* Increases the total spend on additional educational needs factors (socio-economic deprivation, low attainment, English as an additional language and mobility);
* Continues to have a substantial deprivation factor, in addition to the pupil premium including greater weighting towards areas with high concentrations of “just about managing” families who do not typically qualify for FSM deprivation by using an area-level deprivation factor (Income Deprivation Affecting Children Index, IDACI). N.B. IDACI uses pupils’ post codes to establish their level of deprivation based on the proportion of households in each super output area on low income. The level of deprivation attributed to a pupil through this process may not necessarily reflect the level of deprivation in the pupil’s own household;
* Increases substantially the low prior attainment factor as attainment data is one of the strongest indicators of how children are likely to do later;
* Continues to have an English as an additional language factor, the NFF will use the number of pupils who have entered the state education system in the last three years (known as EAL3, Derbyshire uses EAL1);
* Protects local authorities’ historic spend on mobility pending the development of a more sophisticated mobility indicator;
* Provides every school with a lump sum allowance but at a lower level than the national average in order that more funding is directed via pupil-led factors;
* Provides small and remote schools with additional funding via a tapered sparsity factor to recognise that they can face greater challenges in finding efficiencies and partnering with other schools;
* Funds rates and premises factors (PFI, split site, exceptional circumstances) on the basis of historic spend - PFI allocations will be uprated for inflation;
* Funds growth on an historic basis for 2018-19 whilst seeking views from the current consultation on a proposed basis which would use lagged growth data; &
* Recognises the higher salary costs faced by some schools in London via the area cost adjustment.

To provide stability the DfE have provided a funding floor so that no school will face a reduction of more than 3% per pupil as a result of the National Funding Formula.

During the transitional period a Minimum Funding Guarantee of minus 1.5% per pupil will remain in place (1.20), however a cap on individual gains will also apply of 3% for 2018-19 and 2.5% for 2019-20 (1.20).

LAs are encouraged to move towards the NFF in 2018-19 (2.6).

**2.3 Mainstream funding – potential impact in Derbyshire**

The DfE have published individual school figures showing the amount each school would have received this year under the NFF (post transition) compared with their 2016-17 budget. The figures for Derbyshire schools are provided in Appendix 1, the headline changes are as follows.

The primary sector shows an overall gain of £11.2m (5%), the spread of this change grouped by school size is provided below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Size of school | No. schools | Gains | No. schools | Losses | No. schools | No change |
| 0-50 | 32 | £72,000 | 5 | -£97,000 | 27 | 0 |
| 51-100 | 77 | £394,000 | 38 | -£166,000 | 36 | 3 |
| 101-200 | 121 | £3,640,000 | 115 | -£46,000 | 5 | 1 |
| Over 200 | 120 | £7,410,000 | 118 | -£7,000 | 2 | 0 |
| Total | 350 | £11,516,000 | 276 | -£316,000 | 70 | 4 |

The biggest percentage gainer is Hilton primary (+7.8%, £193,000) and the greatest loser Spire Junior (-2.5%, -£17,000).

For Derbyshire, large primary schools in particular have benefitted from the increase in the AWPU (+£64). For schools with over 306 on roll the increased AWPU has more than offset the reduction in the lump sum allowance (-£19,222). However, the most significant variation affecting the primary sector has been the change to the low cost high incidence additional educational need (LCHI AEN) allocation. Derbyshire’s multiplier (£161.29) is the 2nd lowest of 27 shire LAs and the 12th lowest nationally. The proposed NFF primary multiplier for LCHI AEN is £1,050 which is 550% higher than Derbyshire’s current multiplier and would ultimately bring in an extra £16.673m.

A further significant change affecting the primary sector is deprivation with a £2.826m lower allocation, a 14% reduction on the current total. The introduction of IDACI and current entitlement to a free school meal as indicators has also proved turbulent with gains and losses at individual schools of between +48.9% and -63.3% of their current deprivation allocation.

For secondary schools the picture is an overall reduction of £965,000 (-0.5%) as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Size of school | No. schools | Gains | No. schools | Losses | No. schools | No change |
| 0-600 | 12 | £11,000 | 2 | -£263,000 | 10 | 0 |
| 601-900 | 16 | £121,000 | 4 | -£450,000 | 12 | 0 |
| 901-1200 | 14 | £167,000 | 4 | -£472,000 | 10 | 0 |
| Over 200 | 3 | £58,000 | 1 | -£137,000 | 2 | 0 |
| Total | 45 | £357,000 | 11 | £-1,332,000 | 34 | 0 |

The biggest percentage gainer is Shirebrook Academy (+1.3%, £56,000) and the greatest loser Ormiston Ilkeston Enterprise Academy (-2.9%, -£107,000).

In the secondary sector the reduction in the lump sum of £40,967 per school is a significant factor removing £1.844m from the sector. Unlike the primary sector, changes to the AWPU values will not compensate, the NFF AWPUs only bring in a net additional £1.030m as Derbyshire’s current multipliers are similar to those in the NFF.

The changes to LCHI AEN also benefit the secondary sector as the proposed NFF multiplier of £1,550 is 39% higher than Derbyshire’s figure (£1,115.01) and results in a net increase in resources of £3.214m. The NFF distributes a lower level of deprivation funding reducing Derbyshire’s allocation by £2.507m (-14.5%). The introduction of IDACI and the current free school meal count have resulted in gains and losses at individual school level of between +5.5% and -51.2% of their current deprivation allocation.

N.B. in publishing comparative figures the DfE have removed the £3.5m additional funds allocated to secondary schools in 2016-17 which were financed from DSG cash resources and scaled the primary allocations by £0.619m to ensure the overall DSG spending balanced to the grant income.

**2.4 Central School Services Block (CSSB)**

This is a new block and will cover a range of defined functions. Derbyshire’s baseline funding is £2.736m and consists of the following components:

|  |  |  |
| --- | --- | --- |
| Item | £k | DfE category |
| Family Resource Workers | 1,686 | Historic commitment |
| Licences | 554 | Ongoing responsibility |
| Admissions | 468 | Ongoing responsibility |
| Schools Forum | 28 | Ongoing responsibility |
| Total | 2,736 |  |

In addition Derbyshire’s Education Services Grant (Retained Duties) this year is £1.570m to give a combined starting baseline of £4.306m.

The National CSSB Formula has three factors: a rate per pupil (£24.67), a rate per Ever 6 free school meal (£28.64) and an historic commitment element. Derbyshire’s NFF CSSB allocation, post transition and based on current data, would be £4.951m, an increase of £0.645m. However, in the first year (2018-19) our allocation would be £4.364m, an increase of only £0.058m.

**2.5 Consultation questions**

The consultation document itself poses 18 questions, these are provided at Appendix 2 for information and a draft response will be available for consideration at the School Forum’s next meeting on 9th February 2017.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**4. Strategic Director’s Recommendations**

The Schools Forum is asked to:

1. note the report; and
2. agree that a further report, including a draft response to the consultation, will be considered at the Forum’s next meeting in February.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**

**Summary of changes in funding – in order of ascending % gain/loss** **Appendix 1**

































**National Funding Formula for Mainstream Schools – Consultation questions Appendix 2**

|  |  |
| --- | --- |
| No. | Question |
| 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? |
| 2 | Do support our proposal to set the primary to secondary ratio in line with the current national average of 1:1.29, which means that pupils in the secondary phase are funded overall 29% higher than pupils in the primary phase? |
| 3 | Do you support our proposal to maximise pupil-led funding, so that more funding is allocated to factors that relate directly to pupils and their characteristics? |
| 4 | Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)? |
| 5 | Do you agree with the proposed weightings for each of the additional needs factors? |
| 6 | Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? |
| 7 | Do you agree with the proposed lump sum amount of £110,000 for all schools? |
| 8 | Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? |
| 9 | Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? |
| 10 | Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee. |
| 11 | Do you support our proposal to set the floor at minus 3%, which will mean that no school will lose more than 3% of their current per-pupil funding level as a result of this formula? |
| 12 | Do you agree that for new or growing schools the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? |
| 13 | Do you support our proposal to continue the minimum funding guarantee at minus 1.5% per pupil? This will mean that schools are protected against reductions of more than 1.5% per pupil per year. |
| 14 | Are there further considerations we should be taking into account about the proposed schools national funding formula? |
| 15 | Are there further considerations we should be taking into account about the impact of the proposed schools national funding formula? |
| 16 | Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block? |
| 17 | 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? |
| 18 | Are there further considerations we should be taking into account about the proposed central school services block formula? |