

Discussion paper on the Schools national funding formula Government consultation – stage 2

1. Purpose of the Report

To look at the detailed proposals for the design of the new national funding formula for schools and compare it with Nottinghamshire's current funding formula.

2. Background

In March 2016, the government held a consultation on their proposals for the introduction of a national funding formula. The response to that consultation, and the launch of the second stage of the consultation was published on 14th December 2016. The consultation runs until 22nd March 2017.

This stage of the consultation includes illustrative national funding formula allocations based on the application of the proposed formula to the 2016-17 funding, based on 2016-17 data, which have been published for each school in the country. Hence all schools are able to see (based on 2016-17 data) how the national funding formula would affect them. It should be remembered that this is a consultation, and the actual allocations under the national funding formula will change based on the actual formula when this is published, the relevant data for each school for the year of funding, and the baseline data which will be the actual funding for 2017-18.

It is proposed that funding in 2018-19 is allocated to Nottinghamshire on the basis of the new formula, but this can then be allocated according to a local formula. Thereafter all schools will receive most of their funding determined by the national funding formula, although certain elements of funding will continue to be agreed locally.

3. Impact of changes for Nottinghamshire

Nottinghamshire is one of the forty lowest funded authorities in the country, and as such is a member of the f40, who have been campaigning for improved education funding. It was hoped that the national funding formula would be a solution to the poor funding levels in Nottinghamshire's schools. However the impact for Nottinghamshire as a whole has been very modest with an increase in funding (based on the illustrative figures) of only 0.34%.

For individual schools within Nottinghamshire the impact has been very mixed. 119 primary schools have gained a total of £3.48m of funding, but a greater number, 158 have lost funding amounting to a total of £2.73m. 26 secondary schools have gained a total of £2.90m funding, but 19 secondary schools have lost a total of £2.03m. And one all through school has lost £87k.

4. Comparison of specific

The average primary to secondary ratio nationally is 1:1.29 and this is the ratio proposed in the national funding formula. This is higher than the Nottinghamshire ratio of 1:1.265. This change will favour secondary schools over primary schools.

The proposal is to allocate a greater proportion of funding to support pupils from disadvantaged backgrounds through increasing the total spend on the additional needs factors, with a resultant impact of reducing the proportion of funding through the AWPU. AWPU figures in the national funding formula are consequently less than in the Nottinghamshire formula.

	NFF	NFF weighted figures	NCC 16-17	16-17 Difference
AWPU		1.002659		
AWPU: Primary amount per pupil	£2,711.64	£2,718.85	£3,006.95	-£288.10
AWPU: KS3 amount per pupil	£3,797.29	£3,807.39	£4,058.97	-£251.58
AWPU: KS4 amount per pupil	£4,311.59	£4,323.06	£4,957.38	-£634.32

These reductions are significant, and affect every single school. However for some schools these reductions are offset by addition allocations for deprivation and additional needs. For others there may be further reductions where allocations for deprivation and additional needs are lower than those in Nottinghamshire. This is because the methods and the factors are different in each approach so that a school benefitting currently from allocations under certain factors may still lose funding overall despite the increased funding being allocated to the factors.

It should also be noted that the comparisons are incomplete due to changes in factors in the national funding formula in three factors compared to Nottinghamshire's formula.

Children Looked After

Nottinghamshire allocates £3,000 per pupil to this factor. The national funding formula does not have a factor for this, but instead is planning to allocate funding through the Pupil Premium Plus. No details have been published of this funding, but as Nottinghamshire makes one of the highest payments in the country, it is likely that schools receiving funding for this factor will be worse off than currently.

Mobility

The Pupil Mobility factor is intended to provide funding to schools that have higher levels of pupil mobility, and targets funding where there are pupils starting school at non-standard start dates in the last three academic years. Nottinghamshire allocates 0.04% of its funding to be shared on a per pupil basis. This will be funded on a historical basis in 2018-19 while a more sophisticated mobility indicator is developed. So although the table indicates that this factor is zero as there is no allocation in the national funding formula, in fact the total funding in Nottinghamshire will be the same as in 2017-18, so the per pupil amount is likely to be similar.

Sparsity

This is not a factor used in the Nottinghamshire formula. It is a factor in the proposed national funding formula. For those schools who meet the criteria, this will mean additional funding. Thirteen primary schools will gain between £8.6k and £25k under this factor, and one all through school will gain £14k, with a total increase in funding across all 14 schools of £269k

The following table illustrates the funding allocated to all the deprivation and additional needs factors used by Nottinghamshire in 2016-17 and the equivalent amounts under the illustrative national funding formula figures.

The changes to the IDACI categorisations in 2016-17 together with the Nottinghamshire formula mean the payments for the highest IDACI Bands (now known as A and B) were exceptionally high in that year, so the 2017-18 IDACI amounts under the Nottinghamshire formula are also provided as a better comparison.

	NFF	NFF weighted figures	NCC 16-17	16-17 Difference	NCC 17-18	IDACI 17-18 difference
Deprivation		1.002659				
FSM: Primary amount per pupil	£440.00	£441.17	£0.00	£441.17	0	
FSM: Secondary amount per pupil	£440.00	£441.17	£0.00	£441.17	0	
FSM6: Primary amount per pupil	£540.00	£541.44	£291.57	£249.86	£301.27	
FSM6: Secondary amount per pupil	£785.00	£787.09	£291.57	£495.51	£301.27	
IDACI Band A: Primary amount per pupil	£575.00	£576.53	£2,763.36	-£2,186.83	£626.95	-£51.95
IDACI Band A: Secondary amount per pupil	£810.00	£812.15	£2,763.36	-£1,951.21	£626.95	£183.05
IDACI Band B: Primary amount per pupil	£420.00	£421.12	£2,763.36	-£2,342.25	£626.95	-£206.95
IDACI Band B: Secondary amount per pupil	£600.00	£601.60	£2,763.36	-£2,161.77	£626.95	-£26.95
IDACI Band C: Primary amount per pupil	£360.00	£360.96	£62.77	£298.19	£74.00	£286.00
IDACI Band C: Secondary amount per pupil	£515.00	£516.37	£62.77	£453.60	£74.00	£441.00
IDACI Band D: Primary amount per pupil	£360.00	£360.96	£62.77	£298.19	£74.00	£286.00
IDACI Band D: Secondary amount per pupil	£515.00	£516.37	£62.77	£453.60	£74.00	£441.00
IDACI Band E: Primary amount per pupil	£240.00	£240.64	£62.77	£177.87	£74.00	£166.00
IDACI Band E: Secondary amount per pupil	£390.00	£391.04	£62.77	£328.27	£74.00	£316.00
IDACI Band F: Primary amount per pupil	£200.00	£200.53	£62.77	£137.77	£74.00	£126.00
IDACI Band F: Secondary amount per pupil	£290.00	£290.77	£62.77	£228.00	£74.00	£216.00
CLA	Through Pupil Premium plus		£3,000.00	unknown	£3,000.00	
LPA: Primary amount per pupil	£1,050.00	£1,052.79	£698.95	£353.84	£683.80	
LPA: Secondary amount per pupil	£1,550.00	£1,554.12	£698.95	£855.17	£683.80	
EAL: Primary amount per pupil	£515.00	£516.37	£338.60	£177.77	£322.91	
EAL: Secondary amount per pupil	£1,385.00	£1,388.68	£338.60	£1,050.08	£322.91	
Mobility	Historical basis		£556.05	s.b. zero	£556.06	
Lump Sum amount per school	£110,000.00	£110,292.53	£100,000.00	£10,292.53	£100,000.00	
Sparsity: Primary maximum amount per eligible school	£25,000.00	£25,066.48	£0.00	Some gains		
Sparsity: Secondary maximum amount per eligible school	£65,000.00	£65,172.86	£0.00	Some gains		

It should be noted that Nottinghamshire payments under the deprivation factors have been the same for secondary and primary pupils. The national funding formula allocates a higher amount to secondary schools, so as a generalisation, secondary schools will benefit from this approach relative to primary schools.

A number of these factors require further comment.

Free school Meals.

Local authorities can use free school meals (FSM) data, Income Deprivation Affecting Children Index (IDACI) data or a combination of the two. Where FSM data is used it can either be through eligible pupils or the Ever 6 model (which counts pupils who have been entitled to a free school meal at the January census point in the last 6 years). The Nottinghamshire formula uses Ever6 to reflect the ongoing needs a pupil may have even if they are no longer entitled to free school meals. However funding under this factor also needs to cover the actual cost of the free school meals amounting to £440 per annum. The national funding formula proposes a payment of £440 for those pupils currently receiving free school meals which offsets the cost of this provision. In addition there is a payment based on Ever6 which is also higher than the Nottinghamshire payment. Consequently schools with pupils receiving free school meals will be better off under this factor.

IDACI

Nottinghamshire's formula was created to establish what was felt to be a fair allocation across schools with a simple formula based on the IDACI bands set. As the IDACI data is only updated on a five year cycle this approach worked well for five years. However in 2016-17 the IDACI data was changed causing significant turbulence for Nottinghamshire schools and generating disproportionate payments in certain bands. Consequently the 2016-17 rates are not a consistent reference point, and the 2017-18 rates have also been included in the table (reflecting the reset bands which now capture a similar proportion of pupils as before the 2015 update). If the Nottinghamshire formula was to continue, this aspect would be reviewed to establish a scale of rates across the different bands which would cause less dramatic changes when the IDACI data changes, and a scale of this kind is what is proposed in the national funding formula. Comparing the proposed amounts with those allocated under the Nottinghamshire 2016-17 formula shows a loss of funding in the top two IDACI bands, but a gain in the other bands. Comparing to the 2017-18 figures shows a similar, but less pronounced pattern.

Low prior attainment

This factor shows a significantly higher payment, especially for secondary schools.

English as an Additional Language

The increased funding for secondary schools is significant. Like our current formula, the additional funding lasts for three years.

Lump sum

This is 10% higher under the illustrative figures for the national funding formula than Nottinghamshire's current amount, although lower than the national average. The increase in this amount will benefit smaller schools.

5. Other issues

MFG will still apply, limiting the reductions in funding per pupil to 1.5% in any one year. In addition it is proposed that there will be a funding floor set at minus 3% per pupil (from the baseline data) to limit the loss of funding.

Conversely gains will be limited. Benefitting schools will receive gains of up to 3% per pupil in 2018-19, and then up to a further 2.5% in 2019-20. The level at which any gains caps are set beyond 2019-20 will be subject to decisions taken at the next spending review.

These limitations mean that some of the inequalities in the current system will be perpetuated even after the introduction of a national funding formula.

Nottinghamshire includes a 'reception uplift' adjustment in our local funding formula. It is proposed that this not continue in the national funding formula. This would reduce funding to all primary schools with intakes after the October census.

Premises related factors will be funded on the basis of historical spend in 2018-19. There will be further consultation on how these factors should be funded from 2019-20.

An area related cost factor adjusts the figures in the national funding formula to reflect the variation in labour market costs in each local authority.

6. Implications for 2018-19

The funding Nottinghamshire will receive in 2018-19 will be calculated based on the final national funding formula. This will then be allocated according to a local funding formula. Consideration will be needed as to the most beneficial formula locally and whether reserves can be used to help protect losing schools, and benefit gaining schools.

7. Implications for 2019-20

From 2019-20, the national funding formula will be used to calculate the vast majority of each individual school's budget. Some funding aspects may have local flexibility subject to further consultation. The role of schools forums under the hard national funding formula will also be considered.

8. Recommendation

That the Schools Forum:

- note the contents of the report
- considers responding to the consultation on a joint or individual schools basis
- establishes a working party to make recommendations to the Schools Forum about the best transitional approach for 2018-19

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