

Briefing note

National Funding Formula (NFF) - Stage 2 Consultation

Introduction

The second stage of the NFF consultation was launched on 14 December 2016. The response date is 22 March 2017.

The consultation seeks views on detailed proposals for the design of the new NFF for schools and for the central services block for local authorities. This consultation builds on the consultation launched in March 2016 about the principles and structure of the new funding system.

The illustrative LA Schools Block allocation under the NFF reflects a 1.2% (£2,075,625) increase if the proposed formulae were fully implemented using the data from 2016-17.

To ensure stability there will be a 'funding floor' so that no school will face a reduction of more than 3% per pupil overall as a result of the formula.

During the transition period the following will also apply:

- Minimum funding guarantee (MFG) of minus 1.5% per pupil in any year
- School will receive gains of up to 3% per pupil in 2018-19 and then up to a further 2.5% in 2019-20
- Some schools will continue to receive increases beyond 2020.

In the first year of transition the illustrative LA school Block under the NFF reflects a 0.7% (£1,283,345) increase, including the 'funding floor', using the data from 2016/17.

More Details

For each formula factor the consultation looks at the amount of funding to be distributed by that factor in terms of a percentage of the total funding

Primary /Secondary Ratio

A key consideration in designing the NFF for schools is the ratio of funding between the primary and secondary phases. The consultation proposal is that the NFF should maintain the current national average distribution of funding between primary and secondary phases which is 1:1.29, allocating 29% more funding to the secondary phase to reflect the higher costs in the secondary phase.

The current ratio in Northumberland is 1:1.24

Maximising Pupil- led factors and Reducing School-led factors

Another important factor in the design of the NFF is the balance between pupil- led and school-led factors. Currently LA's have to allocate at least 80% of their funding through pupil-led factors. The consultation proposal is to allocate 91% of total funding through pupil-led factors. This is to secure a funding system which relates to the characteristics of the pupils in the school and is matched transparently to need.

School-led factors are premises factors - rates, split sites, private finance initiative (PFI), exceptional circumstances (rent and boarding within Northumberland) and the lump sum. These factors will be allocated on the basis of historic spend in the first year of the NFF.

Basic Amount for each Pupil - Some for Additional Needs

The consultation proposal is that the basic entitlement amount that every pupil attracts to their school (currently the AWPU) should remain the largest formula factor. There are wide variations of basic funding across the different LA's.

The consultation proposals to spend approximately 73% of the total schools block, which is less than current LA spend. **(Northumberland currently spends 74.2%)** A corresponding change is proposed to increase the amount spent through the additional needs factor.

Basic per pupil funding	Illustrative NFF	Northumberland current	% age change
Primary R - YR 6	£2,712	£2,807	-3.38%
KS3	£3,797	£3,715	2.21%
KS4	£4,312	£4,580	-5.85%

Increasing Total Spend on Additional Needs Factors

The 4 additional needs factors used by LA's in their formulae are deprivation, low prior attainment, English as an additional language and mobility. Mobility will be allocated on a historic spend basis initially.

Evidence points to pupils eligible for one of these factors being likely to face barriers to their education which can impact on their future attainment.

The consultation seeks to support schools as they work to break the link between these factors and attainment. The NFF proposes significant investment in the additional needs factors as the way forward. The proposal is to increase the weighting of the additional needs factors to 18% of the total schools block **(Northumberland currently spends 11.68%)**

Increasing Funding allocation through both Pupil and Area-level Deprivation

Disadvantage has a significant impact on attainment. This impact is seen throughout the school system and compounded in areas of deprivation.

The NFF proposal is that the deprivation factor should be the highest additional needs factor, accounting for 9.3% of the national schools block.

Pupil-level deprivation has been shown to predict children's later attainment more strongly than area-level deprivation. Therefore the consultation proposal is to be weighted at 5.4% of the national schools block and the area-level at 3.9%.

Increase Funding Distributed According to Low Attainment

According to the consultation research has shown that a pupil's prior attainment is the strongest predictor of their likely later attainment. Prior attainment is an important tool for schools to identify pupils who are likely to need extra support. The consultation proposes to allocate 7.5% of the national schools budget through this factor, compared to 4.3% in the current system.

Factor Per pupil	Illustrative NFF Primary	Illustrative NFF Secondary	NCC current Primary	NCC current Secondary	% age change	% age change
Low Prior Attainment	£1,050	£1,550	£1,109	£956	-5.3%	62.1%

Uplifting current spend on English as an Additional Language

Pupils who speak English as an additional language (defined on the school census) will attract extra funding if they meet this criterion and have entered the state education system during the last 3 years (known as EAL3) This factor is to be weighted more heavily in the NFF proposal than in the current system.

Factor Per pupil	Illustrative NFF Primary	Illustrative NFF Secondary	NCC current Primary	NCC current Secondary	% age change	% age change
EAL3	£515	£1,385	£220	£220	N/A	N/A

Nor a like for like comparison as Northumberland currently use EAL2.

Mobility factor

This factor was excluded in the first consultation but has been included as an additional factor in the second consultation. Northumberland does not currently use this factor .

Lump Sum factor

This factor is intended to contribute towards the fixed costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.

There is a wide variation in the amounts of lump sum paid by LA's across the country. Under the current system the majority of LA's set equal lump sums for primary and secondary schools. The consultation proposes a similar approach. The lump sum is more significant for primary schools which are typically smaller and more reliant on an element of funding that is not driven by pupil numbers.

Factor	Illustrative NFF Per School	NCC Primary	NCC Middle	NCC Secondary	% age change Primary	% age change Middle	%age change Secondary
Lump Sum	£110,000	£110,000	£140,000	£170,000	0%	-21.4%	-35.3%

Sparsity

In the consultation the level of sparsity has been set in conjunction with the proposal to reduce the lump sum.

Sparsity funding will be tapered to avoid cliff edges. The amount of overall funding allocated through this factor will increase to 0.08% from the current 0.05%.

Factor	Illustrative NFF Primary	Illustrative NFF Secondary	Northumberland primary	Northumberland Secondary
Sparsity	£0-£25,000	£0-£65,000	£13,000	£60,000

Premises Related factors

The funding for specific premises costs, rates, split sites, PFI and exceptional circumstances (rent and boarding) will be allocated as proposed in the first stage of the consultation - on the basis of historic spend.

An modification to this willbe the PFI factor which will be uprated annually in line with inflation using the Retail Price Index.