

14 November 2017

NATIONAL FUNDING FORMULA: UPDATE AND CONSULTATION

1. PURPOSE OF REPORT

To update Schools Forum regarding the National Funding Formula(NFF) and seek their agreement for the basis of the consultation exercise to be undertaken on how this should be adopted and the resulting funding allocation mechanisms and budgets for 2018/19 and beyond.

2. RECOMMENDATIONS

Schools Forum members are requested to:

- consider the report prior to the meeting, discussing it with other schools;
- agree the principles and the basis of the consultation as set out in the attached paper;

3. BACKGROUND

Schools Forum has previously had reports outlining developments in relation to the proposed National Funding Formula. Information from the Department for Education has confirmed their intention to move to a “Hard” Funding Formula with effect from 2020/21, though this is subject to agreement in the next Comprehensive Spending Review. For the financial years 2018/19 & 2019/20 local authorities retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors, as authorities move from local to nationally determined formula values.

4. KEY DECISIONS

Essentially the key issues to be considered by Schools Forum are:

- how it chooses to move towards the adoption of the NFF by 2020/21; and
- To consider the transfer of funding from the Schools Block to the High Needs Block for 2018/19 (see Agenda 6).

The challenge is to consider how swiftly we wish to move to the NFF values, and any further interim measures we would wish to take, subject to the funding available and potential implications arising from constraints within the formula such as the Minimum Funding Guarantee (MFG).

5. COMPARISON OF NATIONAL AND LOCAL FACTORS

The key information that has subsequently been made available is the respective National Funding Formula factor values. Details of the National Formula Factors (NFF), compared to the current values used by Northumberland County Council (NCC) are shown at Appendix A, but key changes include:

- A uniform NFF lump sum factor of £110,000 across all phases, compared to the weighted figure used by Northumberland across the different phases.
- An increase in KS3 age weighted pupil unit (AWPU) in the NFF compared to NCC, but falls in Primary and KS4;
- The secondary prior attainment factor saw a large increase from £956 to £1,550 under the NFF

Details of the respective values are included at Appendix A

It should however be emphasised that this does provide a simplistic view, given the diversity of education structures in Northumberland. The changes in the factor values proposed under the NFF could be interpreted as:

- Proportionately middle schools benefit from the proposed changes in the AWPU, given the increase in KS3 value, compared to decreases at Primary and KS4.
- The standard NFF lump sum factor means decreases for middle and high schools.
- The impact of decreases in deprivation will depend on the location of the school;
- Similarly the changes to the prior attainment factor will again vary according to the circumstances of the individual school.

In summary, the impact of the move towards NFF will very much depend on the type of school, **but given that the basic per pupil funding accounts for 72.9% pupil numbers will remain the single most important factor.**

6. IMPLEMENTATION OF NFF

A range of options were discussed at the Formula Funding Committee held on 1 November, resulting in the development of a number of funding models to inform the consultation in relation to the model to be adopted and approach to be taken for 2018/19 and 2019/20 prior to the implementation of the Hard NFF.

It was agreed that the models developed would be:

- Adoption of NFF values
- A phased approach to the move towards NFF values with a proportionate shift in values from current NCC figures to NFF values.

Any approach taken will be dependent on affordability & the overall funding available after adjustment for the respective Minimum Funding Guarantee (MFG) factor to be used.

It should also be noted that in line with the correspondence under Agenda item 4 (Communications) the Authority Proforma Tool (APT) also has limitations in relation to its flexibility for financial modelling.

It was not considered that continuing with NCC values was a viable option as this would potentially result in volatile changes in funding when the "Hard NFF" was introduced for 2020/21.

Initially models were shared via Formula Funding Group based on NFF Values + 0% MFG. Other options were produced with variations in the AWPU and lump sum factor between the current NCC and proposed NFF Values.

This resulted in the development of an option which involved the adoption of the NFF formula values, with compensating adjustments to the AWPU values at Primary and KS4; these adjustments were calculated as 50% of the difference between the NCC and NFF values, resulting in the distribution of £ 175,412,752, a 0.9% increase on 2017/18 figures.

Consideration was then given to the treatment of MFG. Guidance provided by the DfE states:

We are introducing greater flexibility for the MFG in 2018 to 2019; local authorities will be able to set an MFG between 0% and minus 1.5% per pupil. Setting the MFG at 0% rather than 0.5% gives local authorities the flexibility to make local decisions about the distribution of funding, and enables them to manage any changes in pupil characteristics when characteristics data is updated in December.

(section 60.1 School Funding Operational Guidance, Sept 2017)

A decision was then taken to improve the offer to schools by increasing the MFG figure to a positive 0.5% as this represents a method of providing the 0.5% “minimum increase” headlined in the operational guidance.

This resulted in an additional £347,413 being distributed to schools, with no school being adversely affected by the inclusion of the +0.5% MFG. This therefore forms the basis of the proposal and the consultation. **The overall figure of £175,760,165 represents a 1% increase on 2017/18 funding.**

A table showing individual school illustrative values is attached at Appendix B. For reference the notional NFF figures issued by the DfE and included in the September report are included for reference, however these figures are not achievable as they take no account of Minimum Funding Guarantee, as reflected in the Authority Pro forma tool shared with Local Authorities for modelling purposes.

It must be stressed at this stage that such figures are purely illustrative, due to the fact that October 2017 census data is not yet available from all schools; at the time of writing information is outstanding from 4 academies, therefore 2018/19 figures are projected on the basis of October 2016 pupil numbers. **Final allocations will reflect October 2017 pupil numbers.**

7. CONCLUSION:

Schools' Forum is invited to endorse the use of the option proposed above, using the key formula characteristics of:

- Adoption of NFF Formula Values; plus
- Transitional protection of 50% of any fall in AWPU values; and
- +0.5% MFG

Comparison of Northumberland County Council and National Funding Formula Values (Rec to Yr 11)

| Formula Factor values | Primary | | | | Secondary | | | |
|--|----------------|----------------|---------------|----------------|----------------|----------------|-----------------|----------------|
| | NCC (2017) | NFF (Proposed) | Change | | NCC (2017) | NFF (Proposed) | Change | |
| | £ | £ | £ | % | £ | £ | £ | % |
| AWPU | | | | | | | | |
| Primary (Years R-6) | 2,807 | 2,747 | - 60 | -2.14% | - | - | - | - |
| Key Stage 3 (Years 7-9) | - | - | - | - | 3,715 | 3,863 | 148 | 3.98% |
| Key Stage 4 (Years 10-11) | - | - | - | - | 4,580 | 4,386 | - 194 | -4.24% |
| | | | | | | | | |
| TOTAL FSM / FSM 6 | 1,297 | 980 | - 317 | -24.44% | 1,562 | 1,225 | - 337 | -21.57% |
| | | | | | | | | |
| IDACI Band F | 150 | 200 | 50 | 33.33% | 250 | 290 | 40 | 16.00% |
| IDACI Band E | 200 | 240 | 40 | 20.00% | 300 | 390 | 90 | 30.00% |
| IDACI Band D | 350 | 360 | 10 | 2.86% | 450 | 515 | 65 | 14.44% |
| IDACI Band C | 500 | 390 | - 110 | -22.00% | 725 | 560 | - 165 | -22.76% |
| IDACI Band B | 600 | 420 | - 180 | -30.00% | 800 | 600 | - 200 | -25.00% |
| IDACI Band A | 700 | 575 | - 125 | -17.86% | 800 | 810 | 10 | 1.25% |
| | | | | | | | | |
| PRIOR ATTAINMENT | 1,109 | 1,050 | - 59 | -5.32% | 956 | 1,550 | 594 | 62.13% |
| | | | | | | | | |
| EAL (English as an Additional Language) | 220 | 515 | 295 | 134.09% | 220 | 1,385 | 1,165 | 529.55% |
| | | | | | | | | |
| LUMP SUM | 110,000 | 110,000 | - | 0.00% | 170,000 | 110,000 | - 60,000 | -35.29% |
| | | | | | | | | |
| SPARSITY | 13,000 | 25,000 | 12,000 | 92.31% | 60,000 | 60,000 | - | 0.00% |

**Illustrative 2018/19 in order to inform consultation exercise on NFF implementation:
Individual School Basis**

See Separate document Agenda Item 5 Appendix B