

Schools Forum

5th October 2017

The National Funding Formula for Schools – A Preliminary Overview

Purpose of Report

1. To provide members of the Working Groups with an overview of the key headlines from the recently published policy document – ‘The national funding formula for schools and high needs’.

Background

2. The last reforms to school funding took place in 2013-14 which simplified the number of formula factors and made school funding easier to understand. Despite simplifying the formula, it has long been recognised that additional investment in schools in Wiltshire has been required.
3. As a member of the f40 group, Wiltshire has long maintained that its schools have been under-funded and has actively participated in consultations and ministerial discussions to help achieve a fairer funding settlement.
4. During 2016, the Department for Education launched two consultations regarding a national funding formula (NFF). The first consultation focussed on the principles of a funding formula and the second consultation considered the details of a proposed formula.
5. The consultations lead to over 26,000 responses nationally. Following consideration of the responses, the DfE announced their final decisions on the funding system and the national funding formulae that will be introduced from April 2018.

Structure of Funding

6. The changes announced all have an impact upon the dedicated schools grant (DSG) but not on the PE grant or UIFSM grant or other grant funding for schools.
7. The DSG will in the future comprise 4 blocks as below;
 - Early Years block
 - Schools block
 - High Needs block
 - Central schools services block (new block)
8. The new central schools services block will fund LA's for the statutory duties which they are required to perform for both maintained schools and academies. This will include funding for
 - Ongoing responsibilities such as admissions
 - Duties previously funded through the retained element of the ESG
 - Residual funding for historical commitments

How will Wiltshire be funded?

9. All LA's will be funded on the block allocations as defined by the NFF. Therefore Wiltshire will receive funding for its schools, on the basis of the NFF. Early Years funding is already allocated on the basis of a NFF, but this marks a change for schools, high needs and the central services blocks.
10. For the two years 2018-19 and 2019-20, there will remain the 'soft' formula. This will enable our Wiltshire Schools Forum to set a formula which will determine the distribution of funding for schools.
11. Therefore, whilst Wiltshire will be funded on the basis of the NFF, it will still be the role of the local Schools Forum to determine the appropriate distribution for the next two financial years. Details of the 'hard' formula for 2020-21 and beyond have not been published

Moving funding between blocks

12. The NFF has confirmed that schools funding will be ring-fenced from 2018-19 and therefore LA's must pass on to schools all of the funding directly to schools. However, there will be a level of local flexibility which will enable up to 0.5% of the total schools block to be transferred to other areas. Any movements would require the express approval of the local schools forum.
13. A 0.5% transfer of the schools block would equate to £1.327m, based upon a provisional schools block allocation of £265,406,363.

Looked after child pupil premium

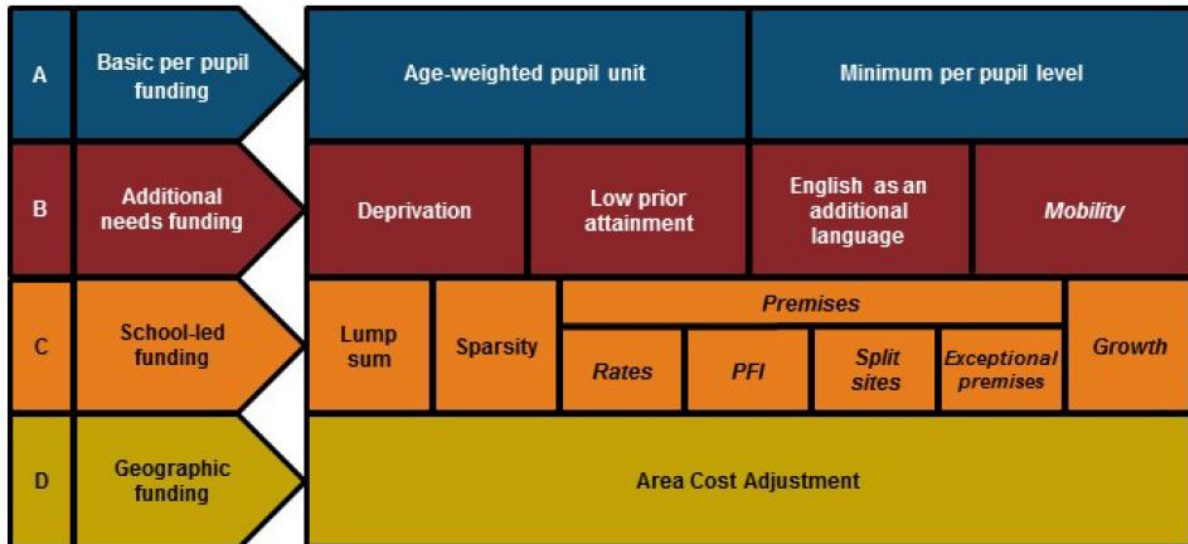
14. Under the current funding formula, there is an option for a funding factor for 'Looked after children', which Wiltshire has not used in its funding formula. The DfE have confirmed that they will no longer be funding this as a formula factor. Instead, the funding is being transferred across to the Pupil Premium budget. As a result those pupils previously being funded as looked after children or adopted from care will be funded at the rate of £2,300 from 2018-19. This represents an uplift of £400 from the current rate.

Minimum funding levels from a national formula

15. The DfE have committed to supporting schools with an additional £1.3billion over the coming 2 years. There are a number of key messages which this supports and these are listed below;
 - a) 0.5% cash increase for every pupil in 2018-19 (compared to 2017-18)
 - b) 1.0% cash increase for every pupil in 2019-20 (compared to 2017-18)
 - c) Minimum funding of £4,600 per secondary pupil in 18-19 and £4,800 in 19-20
 - d) Minimum funding of £3,300 per primary pupil in 18-19 and £3,500 in 19-20

The final national funding formula

16. The diagram below shows the 14 factors which will comprise the new NFF, which are in addition to the minimum per pupil values.



17. The new NFF will provide specific values for each factor, however those shown in italics above will be funded at the LA's historic funding rates.

18. There has been no compelling evidence to suggest that there is an appropriate primary to secondary funding ratio, however the average nationally has been derived as being 1:1.29. This ratio has been used to inform funding of the per pupil amounts.

Pupil-led funding

19. The majority of school funding will be delivered through the pupil-led factors and for the NFF this will account for 90.7% of school funding. In addition to the general AWPU and other pupil-led factors, a formula will have to ensure that the minimum funding values of £4,600 and £3,300 are awarded in 2018-19 and £4,800 and £3,500 in 2019-20 for secondary and primary schools respectively.

Additional needs funding

20. **Deprivation** – through the NFF, deprivation will be funded using two indicators, both the Free School Meals and Ever6 measures and the IDACI postcode index. In Wiltshire we had only used the FSM6 indicator so this will reflect a change of methodology.
21. **Low prior attainment** – the NFF continues to recognise the need to fund low prior attainment which is consistent with the Wiltshire funding formula. The measure in a primary school will be the Early Years Foundation Stage Profile and in secondary school will be where a pupil has not achieved the expected level at Key Stage 2.
22. **English as an additional language** – the factor for awarding funding under the NFF will apply for all pupils who have entered the state education system in any of the last 3 years. In Wiltshire, we had previously funded for 1 year only, therefore a school can expect the funding to be in place for a longer period.
23. **Mobility** – there is no nationally recognised measure of mobility and therefore funding will be allocated to LA's on the basis of historical expenditure until an appropriate formulaic method can be adopted. Wiltshire has not used this factor for funding schools.

School-led funding

24. **Lump sum** – the NFF has confirmed that there will be no differential between primary and secondary phases and that all schools will receive a flat rate of £110,000. This represents a significant gain for primary schools in Wiltshire but an even greater reduction for secondary schools.
25. **Sparsity** – this factor takes account of the size of a school coupled with the distance which the pupils in the school would have to travel to their next nearest school. Wiltshire has never supported the introduction of the sparsity factor. A number of smaller rural schools will benefit from this factor and coupled with the increase in the lump sum could see substantial increases in funding.
26. **Premises factors** (rates, split site, PFI & exceptional circumstances). Due to the individual nature of these factors, the DfE will fund the LA on the basis of the current level of expenditure for these factors.
27. **Growth** – until a more uniform model can be adopted, the LA will be funded on the basis of the expected spend for 2018-19.

Area cost adjustment

28. The area cost adjustment (ACA) is designed to reflect the labour market trends and the salary variations in the teaching workforce. The Wiltshire ACA has been calculated as 1.01078.

Funding Factors

29. The table below sets out the funding rates under the NFF and the current Wiltshire funding formula rates for comparative purposes.

Funding Factors	NFF Values	Wiltshire Values
AWPU – Primary	2,747	2,998
AWPU – KS3	3,863	3,850
AWPU – KS4	4,386	4,698
FSM – Primary	440	0
FSM – Secondary	440	0
FSM Ever6 – Primary	540	841
FSM Ever6 – Secondary	785	815
IDACI band F – Primary	200	0
IDACI band F - Secondary	290	0
IDACI band E – Primary	240	0
IDACI band E - Secondary	390	0
IDACI band D – Primary	360	0
IDACI band D - Secondary	515	0
IDACI band C – Primary	390	0
IDACI band C - Secondary	560	0
IDACI band B – Primary	420	0
IDACI band B - Secondary	600	0
IDACI band A – Primary	575	0
IDACI band A - Secondary	810	0
Low Prior Attainment - Primary	1,050	637
Low Prior Attainment – Secondary	1,550	503
EAL – Primary	515	1,480
EAL – Secondary	1,385	597
Lump Sum – Primary	110,000	85,000
Lump Sum – Secondary	110,000	175,000
Sparsity – Primary	25,000	0
Sparsity - Secondary	65,000	0

Who will see the greatest gains?

30. Initial analysis has shown that all Wiltshire schools will gain under the NFF, however in particular the following groups will see the greatest gains

- The lowest funded schools
- Schools with high levels of prior attainment
- Schools with high levels of deprivation
- Rural schools

Transition to the formula

31. During the period of transition there will be a maximum level of gain through the formula. The gains cap will be set at 3% per annum for both 2018-19 and in 2019-20. However, if a school does not achieve the minimum funding levels, then the school could exceed the 3% cap in order to meet the thresholds.
32. Local Schools Forum will continue to propose decisions regarding school funding for the next two years 2018-19 and 2019-20.

Next Steps

33. Staff at the LA will model the impact of the NFF for all schools to help with decision making for a Wiltshire Funding Formula.
34. Schools Forum will then be asked to propose a funding methodology in light of the published NFF and funding models produced by the LA.
35. Schools Forum will need to give consideration to the option of moving funding between the blocks.
36. Schools Forum are asked to note the contents of the report.

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