

***National Funding Formula  
Schools Forum  
19.10.2017***

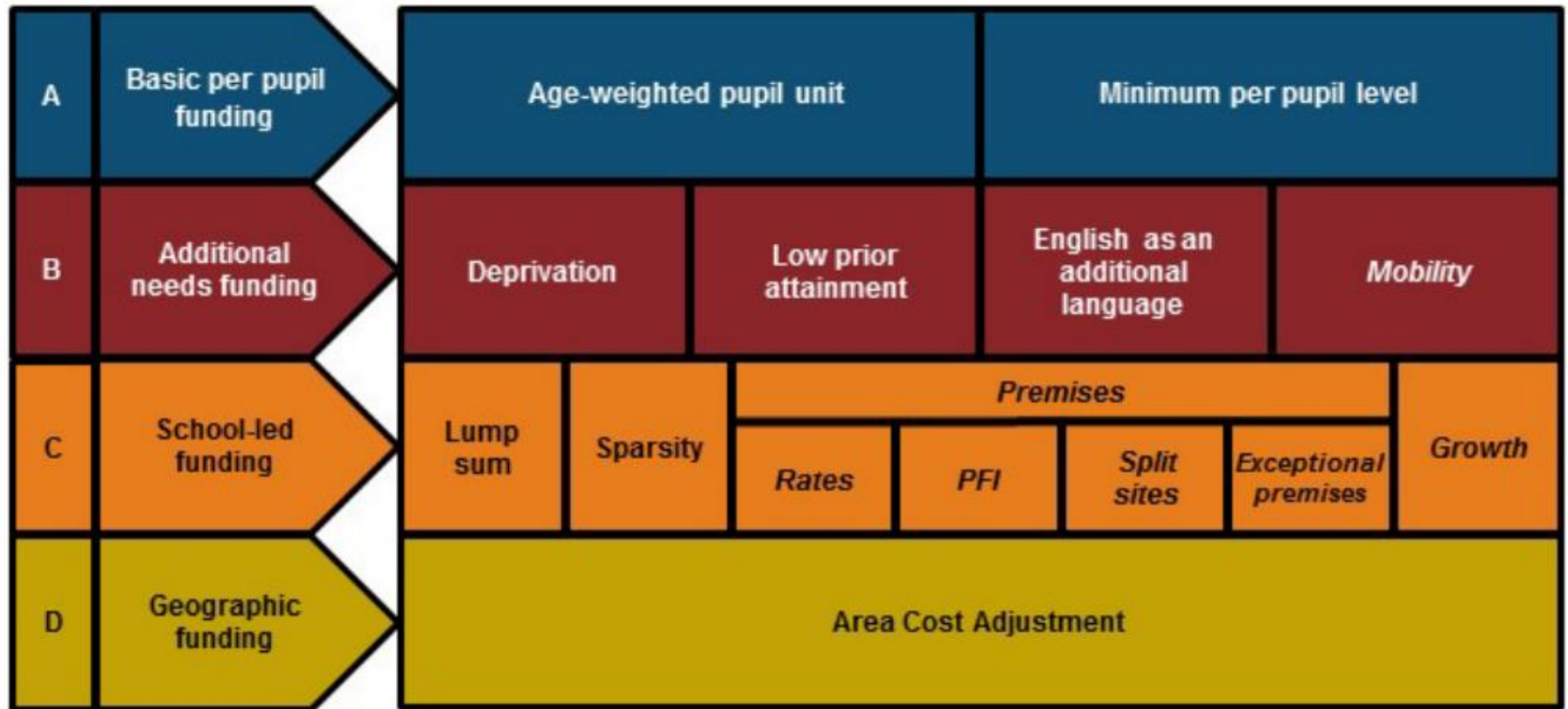
# Background / Context

- Government will implement a national funding formula from April 2018
- Fundamentally changes way schools will be funded nationally and in the Borough
- Government have put £1.3bn extra into schools funding in 2018/19 and 2019/2020
- Government announced detail of NFF on 14<sup>th</sup> September indicating how it was going to calculate Local Authority budgets.
- Local Authorities will be funded according to the NFF in 2018/19 and 2019/20 but will decide what local formula to use until the hard formula kicks in in 2020/21
- Key decision for Local Authorities is how to implement the NFF – straight away or in a phased way?
- It's complicated (!) - focus at this stage is on Schools Block Funding – need to agree options for consultation with schools in the Borough but further analysis will be required

# Anticipated Timetable

Date	Activity
September/October 2017	Production of indicative Schools block budgets based on variations on the National Funding Formula (NFF) - as agreed at Formula Review Group (FRG) September 2017
19 October 2017	Schools Forum - to agree options for consultation on Schools block
30 Oct - 17 November 2017	Consultation with all local maintained schools and academies on Schools block
6 December 2017	Schools Forum - to agree local formula factors for 2018-19
14 December 2017	CFE Committee - to ratify local formula factors for 2018-19
Mid-December	DfE/ESFA APT issued to local authorities containing October 2017 census-based pupil data and factors.
Mid-December	DfE/ESFA publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment).
Mid-December	DfE/ESFA publication of provisional early years block allocations
Mid-January 2018	Schools Forum consultation/political approval required for final 2018 to 2019 funding formula
19 January 2018	Deadline for submission of final 2018 to 2019 APT to ESFA
28 February 2018	Deadline for confirmation of schools budget shares to mainstream maintained schools.

# The NFF



# Key features of the NFF

- Generally speaking the national funding formula distributes more through contextual factors i.e. Deprivation, LPA, EAL, Mobility) than Sutton's Local Formula
- Minimum per pupil funding thresholds for primary and secondary schools – 2018/19 – Pri - £3,300 per pupil, Sec - £4,600 per pupils and 2019/20 – Pri – £3,500 per pupil, Sec - £4,800 per pupil (assumes ACA has been applied).
- Schools block will be broadly ring fenced but LAs can request that 0.5% is transferred with the agreement of Schools Forum (disapplication applying where we are seeking more or there is no agreement).
- Minimum Funding Guarantee still applies and can be set anywhere between 0% (no school can lose any funding) up to -1.5% (its current level).
- No longer a deduction to schools roll for SEN Bases which will form part of the Schools Budget Share

# The Local Formulae Factors

- No change to what factors Local Authorities are allowed to use in 2018/19 with exception of being able to set a minimum per pupil funding amount for secondary

Compulsory Factors	Optional Factors
<ul style="list-style-type: none"><li>- Basic Entitlement</li><li>- Deprivation</li></ul>	<ul style="list-style-type: none"><li>- Prior Attainment (but universally used)</li><li>- LAC</li><li>- EAL</li><li>- Mobility</li><li>- Sparsity</li><li>- Lump sum (but universally used)</li><li>- Rates (but universally used)</li><li>- Minimum Funding for Secondary</li></ul>

# The APT

- Appendix A and Appendix B circulated as illustrations of the calculations that are done and also to indicate the main differences between the NFF and the current funding formula (note that FSM is included in the NFF).
- We have no discretion to allocate funding beyond what is in the APT.
- The NFF calculations include an Area Cost Adjustment for Sutton

Appendix B - NFF Formula Factors

Local Authority Funding Reform Proforma

LA Name:	Sutton
LA Number:	319
Minimum level of per pupil funding level for secondary schools	

Pupil Led Factors

Description	Reception uplift		Pupil Units		£7.00		Total	Proportion of total pre MFG funding (%)	National SEN (%)			
	Yes	No	Amount per pupil	Pupil Units	Sub Total	Primary National SEN (%)			Secondary National SEN (%)			
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)			£3,016.20	16,976.00	£51,204,326	£116,083,560	36.54%	7.00%				
Primary (Years R-6)			£4,241.31	9,085.00	£38,532,261				27.50%	3.00%		
Key Stage 2 (Years 7-9)			£4,815.75	5,471.00	£26,346,973				18.80%	3.00%		
	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary ROR	Eligible proportion of secondary ROR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary National SEN (%)	Secondary National SEN (%)		
2) Deprivation	FSM	£483.13	£483.13	2,083.11	1,300.60	£1,634,784	£5,458,630	3.90%	30.00%	50.00%		
	FSM6			3,092.27	2,820.40	£0			30.00%	50.00%		
	IDACI Band F	£219.61	£318.42	1,068.37	1,212.72	£620,786			75.00%	75.00%		
	IDACI Band E	£263.63	£428.23	2,206.05	1,918.06	£1,402,730			75.00%	75.00%		
	IDACI Band D	£395.29	£565.49	575.02	607.52	£570,844			75.00%	75.00%		
	IDACI Band C	£423.23	£614.90	529.44	517.50	£544,932			75.00%	75.00%		
	IDACI Band B	£461.17	£658.82	717.90	510.05	£667,108			75.00%	75.00%		
	IDACI Band A	£631.37	£889.40	2.00	18.19	£17,446			75.00%	75.00%		

# Options development – general principles

- Government has confirmed that Sutton's total Schools Block Allocation based on 2017/18 NOR is expected to be £144,461,000
- LBS must agree a local formulae that is affordable within this envelope
- The current local formula would distribute £141.2m
- There is therefore scope to change the local formulae
- To polarise the options Sutton could either
  - 1 – Stick with Local Formula but increase the values of the basic entitlements
  - 2 – Distribute based on the National Funding Formula factors



# Options development – general principles

- NFF will redistribute funding between schools – its appears that on aggregate secondary schools will receive more funding than primary schools – our options do not currently try to ensure that ‘no school loses’
- 11 September - Formula Review Group meeting met to discuss NFF and provided steer that ‘the NFF should be implemented as soon as possible in Sutton with appropriate protection put in place during the transition period’.
- NFF is going to happen – taking steps to get us there sooner rather than later makes sense.
- To stick with local formula would mean that some schools would probably gain over the next two years when in fact under the NFF their budgets should be reducing – as a general rule we would want to get schools closer to the NFF over the next few years not further away from it.
- Government has done a huge amount of work and stated rightly or wrongly what schools ‘should’ be funded at – officers are generally of the view that LBS should try and implement that unless there are compelling reasons not to.

# Options development – general principles

- LBS will request 0.5% but are not planning at this stage to seek a disapplication – this would equate to £722k
- Officers believe that growth funding should be increased to reflect decisions Forum weren't able to make last year and as a minimum should be set at £379k
- Officers would like to create some 'contingency' which could be used flexibly given the complexity of the funding changes / to allow for any unintended consequences
- All options have been modelled by officers on the basis that sufficient funding will be provided for the above.
- All options deliver the minimum funding thresholds of £3,300 per pupil for primary schools and £4,600 per pupil for secondary schools (defined as the total schools budget which includes premises, lump sum, school factor etc...divided by the NOR).



# Notional Allocations – why differences?

- Government provided technical data on how notional allocations were calculated in October.
- Officers have sought to reconcile notional allocations with APT on a spot basis – using 6 schools as examples
- The following appears to be the case:
  - Notional allocations do not include premises factors (rates) for academies but appear to for maintained schools – NFF APT includes for all
  - MFG and caps gains are applied to notional allocations – NFF APT this doesn't happen (this is an option but LA's are not allowed to Cap/Gain by more than the MFG)
  - There is an (as yet unexplained discrepancy in EAL) – notional allocations appear to distribute more in EAL than the NFF APT does – officers seeking guidance from ESFA
  - Notional allocations do not currently factor in Growth/SEN
- Put another way, we don't believe we could get to the notional allocations even if we wanted to because we would have to use the APT (and the rules within it) which yield different results.

# Notional Allocations – why differences?

- What this broadly means is that some schools will likely receive more or less than their published notional allocations.
- For this reason, officers are concerned about the claim that ‘no school would lose money through the introduction of the NFF’ – this appears to be quite difficult to deliver in practice unless we
  1. Stick broadly with the local formula (but increase the Basic Entitlement)
  2. Increase the MFG to 0% (but unaffordable so would have to reduce secondary basic entitlement by more to deliver it)

# Option 1

- Local formula used as ‘control option’ and based on existing factors – therefore no one loses or gains.
- Analysis undertaken is for comparative purposes only to try and understand the impact of each option – the analysis uses 2017/18 figures to create the different scenarios – these will change when our actual allocations is confirmed in December
- Appendix C provides aggregated outcomes based on the scenarios modelled

## Option 2

- Introduces the NFF 'purely' – in other words transition would be immediate but with MFG in place to protect schools.
- Primary schools would lose overall, secondary schools would make significant gains
- This option is not recommended by LBS because it would require more funding than the total made available by Government in 2018/19

# Option 3

- Is essentially an attempt to reduce how much the NFF distributes through adjustments to deprivation factors in order to make overall funding pot affordable
- This would reduce aggregated funding to primary schools by 1%
- Secondary gains would be reduced but overall gains would still be made
- Not recommended by officers – intuitively unfair – almost all primary schools would see a reduction and it would undo a water down a key aspect of the NFF (e.g. context led funding).



# Option 4

- Is essentially an attempt to reduce how much the NFF distributes through adjustments to deprivation factors in order to make overall funding pot affordable
- This would reduce aggregated funding to primary schools by 1%
- Secondary gains would be reduced but overall gains would still be made
- Not recommended by officers – intuitively unfair – almost all primary schools would see a reduction and those with greater ‘need’ would be affected - it would undo or water down a key aspect of the NFF (e.g. context led funding).

## Option 5

- Reduces total allocation by ‘capping’ and ‘scaling’ the gains that any one school can make.
- A cap of 3% means that no one school can gain more than 3% on their baseline budget
- Thereafter, a scaling factor of 49% would mean that any gains beyond 3% would be reduced by 49% (i.e a scaling factor of 100% would be the same as an absolute cap of 3% or 0% is the same as no cap at all)
- A school is set to gain 6% through the NFF (say 100k in total). An increase of 3% is worth £50k. With a scaling factor of 49% the school would receive a further £24.5k.
- Ideally there would be no limit to the scaling factor but LA not allowed to cap and scale in total more than the total MFG value (we can't take from gainers by more than we protect losers by). This limits the flexibility we have and is difficult because the way out total allocation has been calculated is to cap at 3% with 100% scaling (we believe).

## Option 5 (cont)

- 49% is the maximum we could scale by whilst keeping all other NFF factors the same
- Gets closer to an option that sticks with the NFF but does not deliver sufficient funding to deliver SEN of 0.5% (£722k) and Growth of (£379k)

# Option 6

- Same as option 5 but reduces cap to 2% with the maximum scaling factor in this scenario being 37%
- The maximum scaling factor of 37% is set by the MFG rule
- This was an attempt to increase residual funding for SEN and Growth
- In aggregate terms is very similar to option 5 - this actually allocates slightly more funding though and is therefore not preferred for the same reasons as option 5

## Option 7 and Option 8

- Both are very similar options as in 5 and 6
- Both are attempts to create additional funding without impacting any further on primary schools – hence a reduction in the secondary basic entitlement only.
- Over options 5 and 6 – these options reduce aggregated secondary gains from £3.3m to £1.9m but all secondary schools still gain under these options.
- This would also limit the gains that some primary schools would make which is why overall the primary ‘reduction’ is greater.
- Officers believe that it would be possible to reduce the impact on primary schools further but only by increasing the MFG – ensuring all primary schools don’t lose would require a 0% MFG and increasing the reduction to secondary basic entitlement (to pay for it).

# 2019/20

- Need to think about trajectory
- Difficult to say what we would do in 2019/20 categorically
- We don't know total allocation, growth requirement, we need to know what option we would go with in 2018/19 and levels of MFG
- Generally speaking we believe we should try and get 'closer to the NFF' or at least not further away

# Conclusion

- At this stage we are seeking a steer on what Schools Forum think the direction of travel should be and to agree the broad options upon which we could consult with schools
- If we are to move to the NFF 'quickly' then a variation of option 7 or 8 is generally recommended.
- It seems to fit as many of the criteria as possible accepting that there are inevitably going to be 'winners' and 'losers'
- The average gains made by secondary schools are considered more reasonable in line with a 'phased approach'
- Further work is desirable – a few alternative options 'within this option' that officers would like to test out but it feels the right direction of travel

# Consultation

- There are an infinite number of options
- Broadly speaking the three thematic options appear to be:
  - Stick with the Local Formula or a variation therein
  - Move to the NFF but adjust factors (would likely have to be deprivation or PA)
  - Move to the NFF but cap and scale
- Officers proposing to come up with options that encapsulate those themes (which may or may not be one of the options discussed here precisely) in order to produce school level outputs and then to write the consultation document



## Key questions / discussion

- NFF – quicker or slower?
- Would schools agree to LA request to transfer 0.5% from the schools block to the high needs block?
- Schools Forum position on Growth?
- Reduce secondary basic entitlement as a method of managing the transitional period (option 7/8)?
- Do you agree that the Local Authority should stick with a Minimum Funding Guarantee of 1.5% to reduce the impact of any changes moving forward? Should there be greater protection? (note that the LA can set MFG at anything between -1.5 and 0%)?
- What if any, adjustments to the three options would you wish to see?

# *Questions and discussion...*