

The National Funding Formula for Schools and High Needs

Briefing Note – September 2017

LGSS Integrated Schools Finance

Introduction

Following the Schools National Funding Formula (NFF) consultation at the start of 2017 the Department for Education has now published the outcome to the consultation and the resulting NFF for schools and high needs. This follows the Operational Guidance on schools revenue funding for 2018-19 that the Education Skills and Funding Agency (ESFA) released earlier in August 2017. This briefing note highlights the key issues for consideration by the LGSS authorities, their respective Schools Forums and the impact on our schools.

Indicative allocations have been published as part of the NFF response. It is emphasised that these are indicative numbers and will be updated in December following the updates to datasets and pupil numbers resulting from the October 2017 census. Further still the NFF for schools is being introduced as a 'soft' formula, this is vital to understand. This means that the NFF will be used to calculate notional school budgets, which will be aggregated up to provide the overall Schools Block DSG allocation at local authority level. For 2018/19 and 2019/20 local authorities in consultation with schools and the Schools Forum will determine the schools funding formula that will apply locally.

It is important to note that the actual budget experiences of schools will be dependent on their individual circumstances (pupil numbers and characteristics as at the October 2017 census), and how the formula is applied at LA level following consultation where necessary. It is therefore unlikely schools will see the same levels of increases as shown in the published illustrative data.

The tables at the end of this briefing note provide:

- Table 1 – the indicative local authority allocations by Block for the Schools Block, Central Services Schools Block and the High Needs Block;
- Table 2 – the list of funding factors for 2018-19, the values attached to them in the NFF and the rates that each LGSS authority currently use in 2017/18; and
- Table 3 – the school level impact in respect of gainers for each authority.

The NFF for Schools is positive in terms of the LGSS authorities being expected to see increases in their DSG allocations against the 2017/18 baseline position. For 2018/19 these gains will be in the region of £5.0m (2.8%) for MKC, £7.9m (2.4%) for CCC and £10.0m (2.3%) for NCC. It should be noted that these allocations will change for the reasons set out above. Schools should also note that there are varying gains resulting from the NFF as demonstrated in Table 3. Consequently some schools may not see significant increases in funding in 2018/19 compared to their 2017/18 baseline despite the increase in pupil led funding of 0.5%.

The Central Services Schools Block shows modest increases for NCC and CCC whilst there is a small reduction for MKC in 2018/19, which will need to be managed.

For the public sector

The High Needs allocations present gains to all LGSS authorities of £0.7m (1.8%) for MKC, £0.8m (1.3%) for CCC and £2.4m (3.5%) for NCC. These increases are welcome although High Needs is expected to continue to be an area of significant financial pressure for all LGSS authorities and is also a national issue.

The NFF for Schools Headlines

The DfE NFF Policy Document, as expected, is consistent with the Operational Guidance for 2018/19 previously issued. This document sets out the guidance for LAs and Schools Forums to plan the schools funding locally for 2018-19. The full document can be found at the following link and the briefing previously circulated is also attached:

<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

The changes to the funding system can be summarised as follows:

- a) The **creation of a fourth Funding Block** - the Central Schools Service Block comprising funding for historic commitments (based on each LAs 2017-18 budgets for the relevant areas) and ongoing responsibilities to meet statutory requirements (with 90% allocated through a per pupil factor and 10% through a deprivation factor);
- b) A **soft schools formula** in 2018/19 and 2019/20 as explained above;
- c) The funding for the four blocks will be determined by **separate formulae**;
- d) Funding allocated through **pupil led factors in the NFF will be 90.7%**, a slight increase from the national total for 2017/18 of 89.6%;
- e) Schools Block to provide for **minimum 0.5% per pupil increase in 2018-19** – each school will have a notional allocation which will be aggregated to determine the Schools Block for the authority;
- f) Per pupil funding of **£4,800 for secondary school pupils** as a minimum will be included in the national formula with an equivalent figure of **£3,500 for primary school pupils**;
- g) A **new optional formula factor enabling a transition** to the above £4,800 per pupil is provided for 2018-19;
- h) A **gains cap of 3% per pupil** will be applied in 2018/19 and 2019/20;
- i) **Flexibility to the MFG** is being allowed for 2018-19 so that the MFG (the per pupil funding protection) can be set between 0% and minus 1.5% per pupil. If the MFG was set at 0% i.e. no reductions to per pupil funding year on year, this would create a cost to the DSG which would probably need to be funded from limiting gains through applying a funding cap to those schools gaining;
- j) The **Schools Block will be ring-fenced**, however some limited flexibility has been recognised through the ability to transfer 0.5% of the Schools Block to other Blocks, this requires consultation with schools and then Schools Forum approval. Given the High Needs pressures LAs and High Needs settings are experiencing this does not resolve the High Needs funding issues – for every £100m of Schools Block DSG this would equate to a transfer out of £0.5m;
- k) The **High Needs Block will be increased by a minimum of 0.5%** against baseline in 2018-19 through the High Needs formula; and
- l) Grants outside of the DSG (main pupil premium and UIFSM funding) are not affected by the changes. The exception to this is the **pupil premium plus grant** which is being increased by a transfer from the looked after children (LAC) factors used in DSG Schools Block in 2017/18. The 2018/19 pupil premium plus rate will be £2,300.

For the public sector

The DfE have stated that there are certain categories of schools that will see the greatest gains under the formula. Analysis is being undertaken to determine whether these statements by the DfE are reflected in the gains for schools in the LGSS authorities.

Schools Likely to Gain the Most		Schools with Lower Gains	
✓	The lowest funded schools	✗	Inner London and other urban area schools that have benefited from historical funding
✓	Schools with a high number of pupils with low prior attainment	✗	London schools due to the move from the historical General Labour Market area cost adjustment (ACA) to the hybrid ACA approach
✓	Schools with high levels of deprivation that have not seen targeted deprivation funding historically		
✓	Rural schools		

Growth Fund

The growth fund for 2018/19 will be set based 2017/18 funding levels at a local authority level. Given the growth in LGSS LAs there should be consideration as to the sufficiency of the Growth Funds for 2018-19 although the treatment by the DfE in future years is not clear. The DfE are continuing to work on alternative options for 2019/20. Schools Forums need to approve the value of the pupil growth fund as well as the criteria for allocation.

The NFF for High Needs (HN) Headlines

Current High Needs allocations from the DfE are based on historical spending decisions and are not linked to levels of need at all. The HN NFF seeks to address this through the NFF that is being implemented. However it remains the case that 50% of the HN NFF will continue to be allocated on historical funding levels. There are 2 key headlines:

- 1) Under funded authorities will see gains of up to 3% in 2018/19 and 2019/20; and
- 2) Authorities will be protected from losing funding and will see 0.5% minimum increases per head in 2018/19 and a cumulative 1% in 2019/20 compared to planned spending levels in 2017/18.

£124m of extra funding is being provided in the 2018/19 allocations. There will also be a transfer of £91m from the HN Block to the Schools Block to provide core per pupil funding in mainstream school special units and resourced provision through the Schools Block. This is linked to the reduction in unit place funding from £10k to £6k from April 2018.

Movements in high needs pupil numbers during the autumn term will be assessed as part of the final local authority allocations for December 2017. Receiving final allocations in December will be 3 months earlier than the current announcements which will support improved planning for the HN budget.

The HN NFF will be comprised of the following:

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	Basic Entitlement (ACA weighted)
+	Historic Spend
+	Proxy Factors (ACA weighted) covering: <ul style="list-style-type: none">• Population• Disability Living Allowance• Children in bad health• KS2 low attainment• KS4 low attainment• Free school meals• IDACI
+	Funding Floor Factor
+	Hospital Education Factor
+	Import / Export Adjustment (for pupils moving across LA boundaries)
=	High Needs NFF Allocation at LA level

It should be noted that the HN NFF is calculated at local authority level not individual setting level. The local HN offer continues to be for local authorities to determine.

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For the public sector

Table 1 – the indicative local authority allocations by Block for the Schools Block, Central Services Schools Block and the High Needs Block.

2018/19 Indicative Allocations								2019/20 Illustrative Allocations					
	2017/18 Baseline	Primary Numbers	Secondary Numbers	Actual Funding Growth, Premises, Mobility	CSSB Funding for Historical Commitments	Provisional NFF Allocation 2018/19	Increase Compared Baseline		Actual Funding Growth, Premises, Mobility	CSSB Funding for Historical Commitments	Provisional NFF Allocation 2019/20	Increase Compared Baseline	
							£	%				£	%
Schools Block													
Milton Keynes	£176,635,853	26,065	14,793	£8,395,873		£181,651,230	£5,015,377	2.8%	£8,395,873		£186,135,638	£9,499,785	5.4%
Cambridgeshire	£329,208,904	49,793	28,538	£9,903,512		£337,107,599	£7,898,695	2.4%	£9,911,141		£342,773,291	£13,564,387	4.1%
Northamptonshire	£437,559,063	65,027	38,135	£9,575,389		£447,554,752	£9,995,690	2.3%	£9,661,376		£454,095,516	£16,536,454	3.8%
England Total	£32,608,871,017	4,450,147	2,726,127	£907,773,659		£33,217,230,347	£608,359,330	1.9%	£913,803,232		£33,637,990,602	£1,029,119,585	3.2%
CSSB Block													
Milton Keynes	£1,492,000				£0	£1,454,700	(37,300)	-2.5%		£0	£1,429,187	(62,813)	-4.2%
Cambridgeshire	£7,949,096				£5,770,000	£8,004,183	£55,087	0.7%		£5,770,000	£8,051,867	£102,771	1.3%
Northamptonshire	£10,856,585				£7,777,317	£10,934,429	£77,844	0.7%		£7,777,317	£11,001,811	£145,226	1.3%
England Total	£465,274,343				£224,412,763	£465,507,343	£233,000	0.1%		£224,412,763	£465,507,343	£233,000	0.1%
High Needs Block													
Milton Keynes	£38,524,172					£39,219,955	£695,783	1.8%			£39,397,965	£873,793	2.3%
Cambridgeshire	£64,768,219					£65,610,433	£842,214	1.3%			£65,915,596	£1,147,376	1.8%
Northamptonshire	£67,635,879					£70,003,709	£2,367,830	3.5%			£71,901,074	£4,265,195	6.3%
England Total	£5,844,252,863					£5,967,936,075	£123,683,213	2.1%			£6,033,641,890	£189,389,028	3.2%
Combined Totals													
Milton Keynes	£216,652,025					£222,325,885	£5,673,860	2.6%			£226,962,791	£10,310,765	4.8%
Cambridgeshire	£401,926,220					£410,722,215	£8,795,996	2.2%			£416,740,754	£14,814,535	3.7%
Northamptonshire	£516,051,526					£528,492,889	£12,441,363	2.4%			£536,998,401	£20,946,874	4.1%
England Total	£38,918,398,222					£39,650,673,765	£732,275,543	1.9%			£40,137,139,836	£1,218,741,613	3.1%

For the public sector

Table 2 – the list of funding factors for 2018-19, the values attached to them in the NFF and the rates that each LGSS authority currently use in 207/18.

FUNDING FACTORS		FINAL NFF RATES		
		UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL
		£	£M	
BASIC PER PUPIL FUNDING			24,183	72.9%
	AWPU: Primary	2,747	12,595	38.0%
	AWPU: Secondary KS3	3,863	6,668	20.1%
	AWPU: Secondary KS4	4,386	4,734	14.3%
	Minimum per pupil funding	n/a	185	0.6%
ADDITIONAL NEEDS FUNDING			5,906	17.8%
Deprivation			3,022	9.1%
	Current FSM top up (pupils currently claiming FSM at the last census): Primary	440	291	0.9%
	Current FSM top up (pupils currently claiming FSM at the last census): Secondary	440	173	0.5%
	FSM 6 (any pupil that has ever claimed FSM in the past 6 years): Primary	540	626	1.9%
	FSM 6 (any pupil that has ever claimed FSM in the past 6 years): Secondary	785	641	1.9%
	IDACI band F: Primary	200	94	3.9%
	IDACI band F: Secondary	290	80	
	IDACI band E: Primary	240	101	
	IDACI band E: Secondary	390	95	
	IDACI band D: Primary	360	131	
	IDACI band D: Secondary	515	108	
	IDACI band C: Primary	390	123	
	IDACI band C: Secondary	560	102	
	IDACI band B: Primary	420	165	
	IDACI band B: Secondary	600	135	
	IDACI band A: Primary	575	88	
	IDACI band A: Secondary	810	69	
Low Prior Attainment			2,458	7.4%
	Low prior attainment: Primary	1,050	1,531	
	Low prior attainment: Secondary	1,550	928	
English as an Additional Language			404	1.2%
	EAL: Primary	515	299	
	EAL: Secondary	1,385	106	
Mobility			22	0.1%

LGSS AUTHORITY 2017/18 RATES								
NORTHAMPTONSHIRE			CAMBRIDGESHIRE			MILTON KEYNES		
UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL	UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL	UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL
£	£M		£	£M		£	£M	
	329.0	76.1%		258.7	79.3%		133.5	78.7%
2,689	175.1	40.5%	2,711	136.2	41.7%	2,758	73.7	43.4%
3,835	90.4	20.9%	3,823	122.5	37.6%	3,992	59.8	35.3%
4,332	63.2	14.6%	4,971	-	-	3,992	-	-
-	-	-	-	-	-	-	-	-
	59.1	13.3%		24.6	7.5%		18.7	11.1%
	50.7	11.7%		11.4	3.5%		10.0	5.9%
-	-	-	600	3.1	0.9%	-	-	-
-	-	-	600	1.6	0.5%	-	-	-
2,027	26	6.0%	-	-	-	793	2.5	2.2%
2,867	25	5.7%	-	-	-	766	1.3	
-	-		220			128	0.4	
-	-		220			221	0.4	
-	-		500			192	0.4	
-	-		500			332	0.4	
-	-		500			256	0.5	
-	-		500			443	0.4	
-	-		750	6.7	2.0%	384	0.5	3.7%
-	-		750			664	0.5	
-	-		750			511	1.2	
-	-		750			886	1.1	
-	-		750			511	0.2	
-	-		750			886	0.2	
	6.8	1.2%		9.0	2.8%		6.2	3.7%
290	3.5	0.6%	750	6.2	1.9%	751	3.1	1.9%
356	3.3	0.6%	420	2.8	0.9%	952	3.1	1.9%
	1.6	0.4%		4.2	1.3%		2.5	1.5%
183	1.2	0.3%	750	3.7	1.1%	652	2.3	1.4%
352	0.4	0.1%	750	0.5	0.2%	661	0.2	0.1%
-	-	-	-	-	-		0.1	0.1%

For the public sector

FUNDING FACTORS		FINAL NFF RATES		
		UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL
		£	£M	
SCHOOL LED FUNDING			3,077	9.3%
Lump Sum			2,267	6.8%
	Lump Sum Primary	110,000	1,892	5.7%
	Lump Sum Secondary	110,000	375	1.1%
Sparsity			26	0.1%
	Sparsity Primary	25,000	21	0.1%
	Sparsity Secondary	65,000	5	0.0%
Premises			610	1.8%
Explicit Growth			174	0.5%
Area Cost Adjustment (already included in each subtotal above)			824	-
CORE TOTAL (EXCLUDING FUNDING FLOOR)			33,166	
Funding Floor			624	
TOTAL (INCLUDING FUNDING FLOOR)			33,790	

LGSS AUTHORITY 2017/18 RATES								
NORTHAMPTONSHIRE			CAMBRIDGESHIRE			MILTON KEYNES		
UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL	UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL	UNIT VALUES	TOTAL FUNDING	% OF CORE TOTAL
£	£M		£	£M		£	£M	
	37.6	8.7%		36.3	11.1%		14.0	8.2%
125,000	32.3	7.5%	150,000	31.3	9.6%	133,000	11.9	7.0%
125,000	5.3	1.2%	150,000	5.0	1.5%	175,000	2.1	1.2%
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
	425.7			319.6			166.2	
-	-	-	-	-	-	-	-	-
	425.7			319.6			166.2	

Notes

- 1 Note - premises factor funding is included at historic values e.g. rates, split sites
- 2 Note - Cambridgeshire used the LAC factor in 2017/18 which is being removed from the NFF

For the public sector

Table 3 – the school level impact in respect of gainers for each authority.

Number of Schools Gaining By % Band			
	2018/19	2019/20	Full Implementation (includes new and growing schools)
Cambridgeshire			
Total Number of Schools	232	232	243
Gains between:			
0% - 1%	56	56	60
1.1% - 2%	39	37	38
2.1% - 3%	136	23	24
3.1% - 4%	1	33	34
4.1% - 5%	0	25	26
More than 5%	0	58	61
	232	232	243
Northamptonshire			
Total Number of Schools	294	294	301
Gains between:			
0% - 1%	63	60	61
1.1% - 2%	47	38	38
2.1% - 3%	175	38	37
3.1% - 4%	3	40	33
4.1% - 5%	3	29	22
More than 5%	3	89	110
	294	294	301
Milton Keynes			
Total Number of Schools	99	99	102
Gains between:			
0% - 1%	27	27	27
1.1% - 2%	2	2	2
2.1% - 3%	62	6	6
3.1% - 4%	4	5	5
4.1% - 5%	2	11	9
More than 5%	2	48	53
	99	99	102

