

Nottingham City Council

LOCAL CONSULTATION

Proposed schools funding formula for 2018/19

(Primary and Secondary schools)

Launch date: Tuesday 14th November 2017

Closing date: Friday 24th November (5pm)

How to respond:

Consultation response forms are available on the schools extranet at
<http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Completed forms must be saved and then sent **by e-mail** to: school.funding@nottinghamcity.gov.uk
 (please include the word "Consultation" in the subject line of your email)

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Contents

Section	Page
1.0 Executive Summary	3
2.0 Summary of the National Funding Formula reforms	4
3.0 Changes to the funding formula factors under the NFF	5
4.0 Impact on Nottingham City schools	6
5.0 Other options considered in making recommendations	7
6.0 Proposed methodology for the calculation of schools budgets in 2018/19	8
7.0 The Consultation	8

1.0 Executive Summary

The new national funding formula (NFF) for schools is being implemented from April 2018. The NFF dictates how much funding local authorities will receive for 2018/19. However, for 2018/19 and 2019/20 local authorities can still decide how to distribute the funding to their schools. Therefore **this consultation is to seek your views on the formula that we will use to distribute funding to schools 2018/19.**

As you will be aware, Nottingham's schools are currently funded at a higher rate in our existing local formula than the new NFF. However, there is also a funding floor built into the NFF which, under the final proposals, means that no schools will see a reduction in funding per pupil. **The NFF allocation is based on a per pupil increase of 0.5% in 2018/19 and 1% in 2019/20 compared to the 2017/18 baseline.** This is really good news for Nottingham's schools, as the original government proposals would have resulted in funding cuts of minus 1.5% per pupil each year.

Our proposed approach for 2018/19 is to move straight to the NFF with a positive minimum funding guarantee (MFG) which will be set as close to +0.5% per pupil as possible (after funding pupil growth, rates adjustments etc).

We are recommending this approach as it will ensure that **schools benefit evenly from the funding increase.** This is because all but two schools in the City are likely to have a NFF allocation that is protected by the floor, (with those two schools actually gaining under the NFF to the extent they do not need floor protection). Another benefit of this approach is that the protection each school is receiving will be transparent, which we believe is important for schools for your long term financial planning.

The alternative would be to retain our local funding formula (LFF) and increase our existing unit rates to distribute the funding increase that the LA has received. However, this will result in a less even distribution of the funding gains and may even result in some schools seeing a per pupil funding reduction depending on their October 2017 pupil data (e.g. if their FSM numbers dropped significantly). It also wouldn't provide schools with the amount of protection they would receive under the NFF until 2019/20. This does not help schools manage the transition to the NFF in 2020/21 when the funding floor may be removed.

This consultation seeks your view on whether you agree with the above proposed approach for funding Nottingham's schools in 2018/19.

Whichever methodology is adopted for the calculation of schools funding in 2018/19 the total amount to be allocated to the LA will remain the same regardless of which funding formula is adopted.

Action for schools:

Please respond to the question below on the consultation response form by **5pm on Friday 24th November 2017.** Refer to Section 6.0 to see the rationale for adopting the NFF.

Do you agree with the LA's proposed approach to implementing the National Funding Formula with a positive Minimum Funding Guarantee (MFG) of up to 0.5% in the financial year 2018/19?

The consultation response form can be found at:

<http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Your responses will be shared with Schools Forum on 7th December 2017.

The rest of this document contains further detailed information about the new NFF and the impact on Nottingham's schools.

2.0 Summary of the National Funding Formula reforms

On 14 September 2017 the Secretary of State (SOS) for Education released her response to the second stage consultation on the implementation of a NFF for schools. As part of the response to the second stage consultation the SOS released the following key documents:

1. Executive summary - which outlines the Government's response to the second stage consultation, explained their final decisions and how the NFF was going to allocate funding for the next two years;
2. Policy document - which outlines how local authorities will be funded based on the NFF from 2018/19 onwards, but local authorities still have the option to set their funding formula using a LFF or by using the NFF for the financial years 2018/19 and 2019/20. This is known as the "soft" approach. From the financial year 2020/21 all schools will be funded based on the NFF, this is known as the "hard" approach.

Full details of the reforms can be found on the DfE website:

The national funding formula for schools and high needs – Executive summary

The national funding formula for schools and high needs - Policy document

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

The structure of the funding system for 2018/19:

- DSG will be allocated in 4 blocks (**Schools Block**, Early Years Block, High Needs Block and Central School Services Block);
- The vast majority of the schools block will be ring-fenced and must be distributed through the local funding formula for schools.

The funding being consulted on in this consultation (schools formula funding) falls within the Schools Block.

On the 17 July 2017 the SOS announced:

- The introduction of the NFF for the 2018/19 allocations of schools and high needs funding to local authorities;
- The introduction of the formula would be supported by an **additional investment of 1.3 billion across 2018/19 and 2019/20**;
- The additional funding would be distributed in a way that would enable all schools and local areas to benefit;
- The additional 1.3 billion has enabled the **funding floor to be increased from minus 1.5% per pupil as was proposed in the first stage consultation to 1% per pupil by 2019/20**.
- **The introduction of a minimum amount per pupil for primary and secondary pupils, £3,300 for primary pupils and £4,600 in 2018/19 and £3,500 for primary pupils and £4,800 for secondary pupils in 2019/20.**
- The **gains cap will be 3% per pupil in 2018-19 and a further 3% per pupil in 2019-20**. For 2019-20, this is an increase over the 2.5% set out in our December 2016 proposals.

As stated in the Executive Summary above, on the 14 September 2017 the SOS released the national funding formula for schools and high needs - Policy document which lay out a full response to the second stage consultation and the details of the final national funding formulae. In October 2017 the DfE released illustrative examples to schools and local authorities showing how much funding schools would attract as a result of the NFF.

Spending plans beyond 2019-20 will be set in a future Spending Review.

It remains the DfE's long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' formula).

The funding that the local authority will receive in the financial year 2018/19 will be based on:

1. The actual funding allocated to primary and secondary schools through the NFF less any implicit growth;
Plus:
2. Historic spend on:
 - 2.1 premises (Business rates, split sites, PFI and BSF) in 2017/18 with the exception of PFI which will be uplifted by RPIX
 - 2.2 Mobility in 2017/18
 - 2.3 Pupil growth in 2017/18.

The final funding allocation for 2018/19 will be confirmed by the DfE in mid-December 2017.

Whichever methodology is adopted for the calculation of schools funding in 2018/19 the total amount to be allocated to the LA will remain the same regardless of which funding formula is adopted.

3.0 Changes to the funding formula factors under the NFF

Under the NFF the majority of factors have remained the same as those used by the LA in 2017/18. However, noted below are the changes that schools need to be aware of as a consequence of the introduction of the NFF:

1. The **rates applied to each factor have in the main reduced significantly**, see Appendix A;
2. An **Area Cost Adjustment (ACA)** will be applied to qualifying schools once the rest of the formula has been calculated. In the illustrative examples released by the ESFA Nottingham City schools received 1.00271 ACA.
3. There is **no Looked After Children Factor** in the NFF – The funding spent through this factor in 2017/18 has been transferred into the Pupil Premium Plus Grant and the rate in 2018/19 has been increased to £2,300 per pupil;
4. There is **no reception uplift in the NFF**, however, they been included in the baseline funding per pupil;
5. Local authorities can use both current free school meals, and Ever6 free school meals measures within their deprivation factors, the NFF uses both).
6. The **difference in the lump sum amount is included in schools baselines**.
7. The Education and Skills Funding Agency (ESFA) **will not make a deduction to schools block pupil numbers for high needs places** in mainstream schools.
 - 7.1. Instead, they will determine the school's budget share (or the equivalent academy funding) based on the total number of pupils on roll at the school, including those in the special unit or resourced provision.
 - 7.2. The ESFA have made an adjustment between the high needs block, and schools block, for each local authority to reflect this change.
 - 7.3. The balance of funding for this kind of special provision will come from the place funding decided in accordance with the local authority's commissioning decisions, and the top-up funding for individual pupils.
 - 7.4. The place funding will be £6,000 per place where the place is occupied by pupils on the roll of the school at the time of the October school census return.
 - 7.5. Places not filled by such pupils will still be funded at £10,000.
8. The DfE have not defined a Notional SEN calculation within the NFF.
9. **By introducing the 1% funding floor by 2019/20 this has the effect of ensuring each school receives a 0.5% increase in its funding per pupil in 2018/19 and 2019/20 compared to the baseline.**

4.0 Impact on Nottingham City schools

Nottingham's schools are amongst the highest beneficiaries of the decision to invest additional funding in schools and high needs over the next two years.

It is being used in part to guarantee that the schools block allocation is based on a 0.5% per pupil increase in 2018/19 and by 1% by 2019/20 compared to the 2017/18 baseline funding.

Previously the majority of Nottingham schools were due to receive per pupil funding cuts of minus 1.5% per year.

2018/19 Implications

From an overall schools block perspective, the final proposals provide illustrative allocations now showing:

- A 0.6% (£1.167m) increase to the total schools block for 2018/19; this is compared to the consultation proposals of a 1.2% reduction (£2.384m).
- This is a shift of 1.8% (c. £3.5m) increase in funding for Schools block based on pupil numbers at a point in time.

The DfE claim that per pupil funding is now being maintained in real terms for the remaining two years of the Spending Review period. However, **schools have seen significant cost pressures** over the last 3 years - the 2015 spending review settlement did not provide for funding per pupil to rise in line with inflation.

The Minister states that for the first time the resources that the Government is investing in our schools will be **based on the individual needs and characteristics of every school in the country**.

The reality is that whilst there are now nationally set funding factors and rates, the final allocations are arrived at after applying complicated calculations around a funding floor, a gains cap and minimum per pupil funding levels.

The funding floor means that **Nottingham's schools will continue to get significantly more than other similar schools nationally that were lower funded in the past**.

Based on the illustrative figures provided by the DfE in October 2017, by **the financial year 2019/20 Nottingham City schools will receive £9.8m (as per the APT) protection as a result of the 1% funding floor**.

From the illustrations provided by the DfE, all but two schools are receiving protection due to the funding floor. The reason why the one primary school and one secondary school are not in receipt of the floor is because they both have a high proportion of pupils eligible for the prior attainment factor. Both of these schools will see increases of more than 0.5% in 2018/19. The primary school will receive an increase of 2.6% per pupil and the secondary school will receive an increase of 1.6% on the adjusted baseline.

Noted below are the projected ranges of protection primary and secondary schools would receive in 2019/20 based on 2017/18 pupil data.

	Number of schools attracting floor protection at this level	
	Primary	Secondary
0-£50k	17	0
£50k-£99k	35	2
£100k-£149k	16	1
£150k-£199k	3	5
£200k-£299k	3	3
£300k-£399k		3
£400k+		1
Total	74	15

As demonstrated by the table above **Nottingham City schools are due to receive significant amounts of funding due to the funding floor.**

On average Nottingham City schools will be attracting **£267 per pupil** extra through the floor, compared to the raw NFF result pre-floor.

As the LA does not currently have access to the final pupil numbers for the setting of the 2018/19 budget and all of the historic funded budgets confirmed for 2018/19 this makes modelling very difficult. Therefore, this is the reason we are consulting on the principle to be adopted in setting schools budgets for 2018/19.

Longer-term implications post 2019/20

In the past, Nottingham has received the **second highest funding per pupil outside of the London authorities** and consequently our schools have amongst the **highest baseline funding per pupil nationally**.

The DfE took LA's formulae as the starting point for the NFF rather than reviewing the weighting of factors to generate a fair distribution.

However, the DfE have built the funding floor as a factor within their NFF - as opposed to presenting it as transitional protection.

The DfE have not confirmed what will happen in relation to the funding floor post 2019/20, this information will be released as part of the next Spending Review.

5.0 Other options considered in making recommendations

The LA has considered three potential options to decide what funding formula to propose:

1. To keep the current local funding formula (LFF) and increase the rates to pass on the additional funding allocated to the LA as a result of the additional 0.5% per pupil;
2. Review and revise all of the funding factors under the local funding formula;
3. Adopt the NFF so that schools can clearly see how much funding they attract under the NFF and be able to see how much funding they are receiving in protection due to the funding floor.

6.0 Proposed methodology for the calculation of schools budgets in 2018/19

The NFF will be fully implemented by the DfE by 2020/21. By adopting the NFF in 2018/19 it provides schools with a two year transition period which is supported by the funding floor. The DfE has stated its preference for LA's to adopt the NFF as soon as possible.

As 97.8% of schools are forecast to be in receipt of funding from the floor from 2018/19, it is the **LA's intention to introduce the NFF in the financial year 2018/19**. This is so that schools can **clearly see how much protection they are receiving**, and for **all school to be able to receive the benefit of up to 0.5% of the additional funding released by the DfE**.

By adopting the NFF this will enable schools to do long-term planning after 2019/20. By demonstrating how much protection schools will lose they can then take proactive action to identify the necessary savings strategies to set a balanced budget for 2020/21 onwards.

Not being able to quantify and understand the level of savings protection schools will lose is a big risk to schools.

If the current LFF is used this could potentially mean that only specific groups of pupils would benefit from the additional funding if it were to be targeted at specific factors within the local funding formula which **does not seem fair**.

As there are several elements of the 2018/19 budget which are still to be finalised it is the LA's aim to pass on as much of the 0.5% per pupil increase onto schools. However, should there be a shortfall in funding after the NFF has been applied the MFG would need to be adjusted to enable the shortfall to be recouped.

To enable the LA to pass on any additional funding to schools, if there is funding to be distributed once the NFF has been applied, the LA is required to submit an application to the DfE asking for approval to set a positive Minimum Funding Guarantee (MFG). This is because LA's only have the flexibility to set a local MFG between minus 1.5% and 0% per pupil. Therefore, the LA will be making an application to the DfE to request the approval to increase the MFG up to 0.5% per pupil. The deadline for the submission of the application is 30 November 2017.

7.0 The Consultation

All schools are invited to respond to the consultation by 5pm on Friday 24 November 2017. This document and a response form can be found at:

<http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Head teachers are asked to share the consultation contents with their governors and provide a response on behalf of the school.

If you would like to discuss any of the points raised in this consultation please contact Julia Holmes, contact details are on the title page of this document.

APPENDIX A

Comparison of the local funding factor rates to the national funding formula rates

Factor		Per-pupil/school funding under the Local Funding Formula 2017-18.			Per-pupil/school funding under the final National Funding Formula. NB These exclude area cost adjustment funding.			Variance between the LFF rates in 2017/18 compared to the NFF rates before the funding floor has been applied		
		Primary	Secondary		Primary	Secondary		Primary	Secondary	
Basic per pupil funding		KS1 & KS2	KS3	KS4	KS1 & KS2	KS3	KS4	KS1 & KS2	KS3	KS4
		£3,123.25	£4,298.40	£5,012.24	£2,747	£3,863	£4,386	-376.25	-435.40	-626.24
Deprivation	Current FSM	£1,861.62	£2,577.86		£440	£440				
	Ever6 FSM	-	-		£540	£785				
	IDACI A	£486.45	£486.45		£575	£810		88.55	323.55	
	IDACI B	£370.65	£370.65		£420	£600		49.35	229.35	
	IDACI C	£132.88	£132.88		£390	£560		257.12	427.12	
	IDACI D	£132.88	£132.88		£360	£515		227.12	382.12	
	IDACI E	£132.88	£132.88		£240	£390		107.12	257.12	
	IDACI F	£132.88	£132.88		£200	£290		67.12	157.12	
Low prior attainment		£555.57	£443.15		£1,050	£1,550		494.43	1,106.85	
LAC X March 16		£1,170.87	£1,170.87					-1,170.87	-1,170.87	
English as an additional language		£606.77	£2,033.55		£515	£1,385		-91.77	-648.55	
Mobility (allocated to LA's in new NFF on basis of historic spend)		£93.42	£93.42		Rate to be set once the number of pupils is known in Dec 17. LA's funded based on historical spend in 2017/18			N/A		
Lump Sum		£125,041.35	£125,041.35		£110,000	£110,000		-15,041.35	-15,041.35	
Area Cost Adjustment		-	-	-	1.00271	1.00271				