

## Schools Forum – 27 March 2017

### Schools National Funding Formula (NFF) Government Consultation – stage 2

#### Recommendation

1. That the Schools Forum notes the content of this report.

#### Report of the Director of Finance & Resources

#### PART A

##### Why is it coming here – what decision is required?

2. The Schools Forum has a key role in the oversight of the Schools Budget.

#### Reasons for recommendation

3. To update the Schools Forum on what the schools National Funding Formula means for Staffordshire.

#### PART B

#### Background

4. The first stage of the consultation was concluded in April 2016. The second stage of the consultation was delayed due to a change of both Government and a Ministerial change within the DfE. The consultation is due back to the DfE by the 22nd March.
5. The Dedicated Schools Grant (DSG) is currently split between three blocks; Early Years, High Needs and the Schools block. These monies could be re-allocated between the blocks by local authorities depending on need. The new formulae will restrict funding within the blocks, any movement can be granted with consultation with schools and Schools Forum in 2018-19 only during the 'soft landing.' The current schools block will be split into a 'Schools block' and a 'Central block'. The central block is essentially the cost of certain services provided by the Local Authority to the Schools.

## New Funding Formula

6. The new funding formula that the Government are consulting on is shown below. All the factors that we currently use in our local formula are being used in this new formula. Although the amounts allocated to the factors differs from the current amounts provided, some are higher and some are lower.
7. The Minimum Funding Guarantee remains, meaning that schools can not lose more than 1.5% of per pupil funding from one year to the next. The formula has introduced a funding floor, meaning that no school can lose more than 3% of its funding overall when the NFF is fully implemented.

Factor	Per Pupil/School funding under the proposed national funding formula excluding area cost adjustment				2016/17 funding rates in Staffordshire			
	Primary		Secondary		Primary		Secondary	
Basic per pupil funding (£ per pupil)	KS1 KS2	£2,712	KS3 KS4	£3,797 £4,312	KS1 KS2	£2,942	KS3 KS4	£3,737 £4,373
Deprivation (£ per pupil)	Ever 6 FSM	£540		£785		£1,251		£1,221
	Current FSM	£980		£1,225		£0		£0
	IDACI A	£575		£810		£589		£589
	IDACI B	£420		£600		£443		£443
	IDACI C	£360		£515		£159		£159
	IDACI D	£360		£515		£126		£126
	IDACI E	£240		£390		£54		£54
IDACI F	£200		£290		£48		£48	
Low Prior Attainment (£ per pupil)		£1,050		£1,550		£903		£588
English as an additional language (£ per pupil)		£515		£1,385		£323		£770
Lump Sum (£ per school)		£110,000		£110,000		£96,400		£175,000
Sparsity (£ per school)		£0-25,000		£0-£65,000		£0-£26,0000		£0-£26,0000

8. The benefits of this formula for Staffordshire are:
  - Greater Basic per pupil funding for Secondary schools at KS3.
  - Greater Sparsity entitlement
  - Larger lump sum allocation for Primary Schools
9. The drawbacks of this formula for Staffordshire are:
  - Greater allocation through deprivation entitlement (Although certain schools in Staffordshire are deprived and will benefit, Staffordshire as a whole is not deprived so loses out by having more funding go through this factor).
  - A reduced basic per pupil funding for primary schools.
  - A reduced basic per pupil funding for secondary schools at KS4..
  - A reduced lump sum for secondary schools (this has a greater effect on our smaller secondary schools.)
  - The Area Cost Adjustment (ACA). The uplift has been based on the 'Hybrid' methodology. This is similar to the Annex C from the fairer schools funding 2015-16. Those authorities in inner, outer or London Fringe gain from this as expected. However there are minor gainers from the rest of the country.

- The funding floor at 3% means this will limit the amount other schools could gain by. Staffordshire has no schools that meet this 3% limit but will be penalised as effectively the gains are limited to protect the losers.

### Impact of the new formula for Staffordshire compared to others.

10. Staffordshire's indicative gain on the schools block funding is £7.9m (1.8% increase).
11. Indicative funding changes in the West Midlands region range from a gain of 4.3% in Telford and Wrekin to losses of 2.4% in both Birmingham and Coventry. Of the 14 authorities in the West Midlands region, Staffordshire ranks 6th by % change in funding – See **Appendix 1**.
12. Changes in the group of CIPFA nearest neighbours (other authorities that have a similar demographic to Staffordshire) range from gains of 5.1% in Somerset to a no change position in Lancashire. Out of this group of 16, Staffordshire's % funding gain ranks 10th – See **Appendix 1**.
13. However this is only part of the picture, when you compare Staffordshire's per pupil funding for 2016-17, to our nearest neighbours we were 13th out of 16. When we compare our proposed NFF funding to our nearest neighbours we have fallen to 14th. Therefore even though we are a net gainer, other authorities in this group have gained more significantly. – See **Appendix 2**.

### Impact for Staffordshire schools.

14. The winners and losers within Staffordshire are outlined below, the full analysis is shown in Appendix 3.

Count of Amount of Gain or (loss)	% of Schools that gain	% of schools that lose
Primary	63%	35%
Secondary	86%	14%
Secondary Middle	21%	79%
<b>Grand Total</b>	<b>65%</b>	<b>33%</b>

15. 86% of our Secondary schools gain, primarily because of the higher rate for basic per pupil funding. The secondary schools that lose are the smaller schools. This is due to a **reduced lump sum**, where the smaller number on roll does not bridge the gap in the funding shortfall.
16. The bulk of our middle schools lose, 79%. This is because the KS2 per pupil funding is lower than in our current formula. Also there is a reduction in lump sum. This is compensated in part by a higher per pupil allocation for pupils in KS3, year 7 and 8 of the middle school. The 3 middle schools that have gained are either in deprived areas and therefore benefit from the greater allocation through the deprivation factor or benefit from sparsity funding.

17. The picture is more mixed for our primary schools. 63% will gain and 35% lose. The gainers are those benefiting from a higher lump sum, deprivation or sparsity entitlement. The losers are the larger primary schools with low levels of deprivation and are not located in sparse areas. These schools are losing due to a reduction on the basic per pupil funding.

### **Central School Services Block**

18. The Central Schools Services Block combines funding currently held centrally and the retained duties element of the Education Services Grant.

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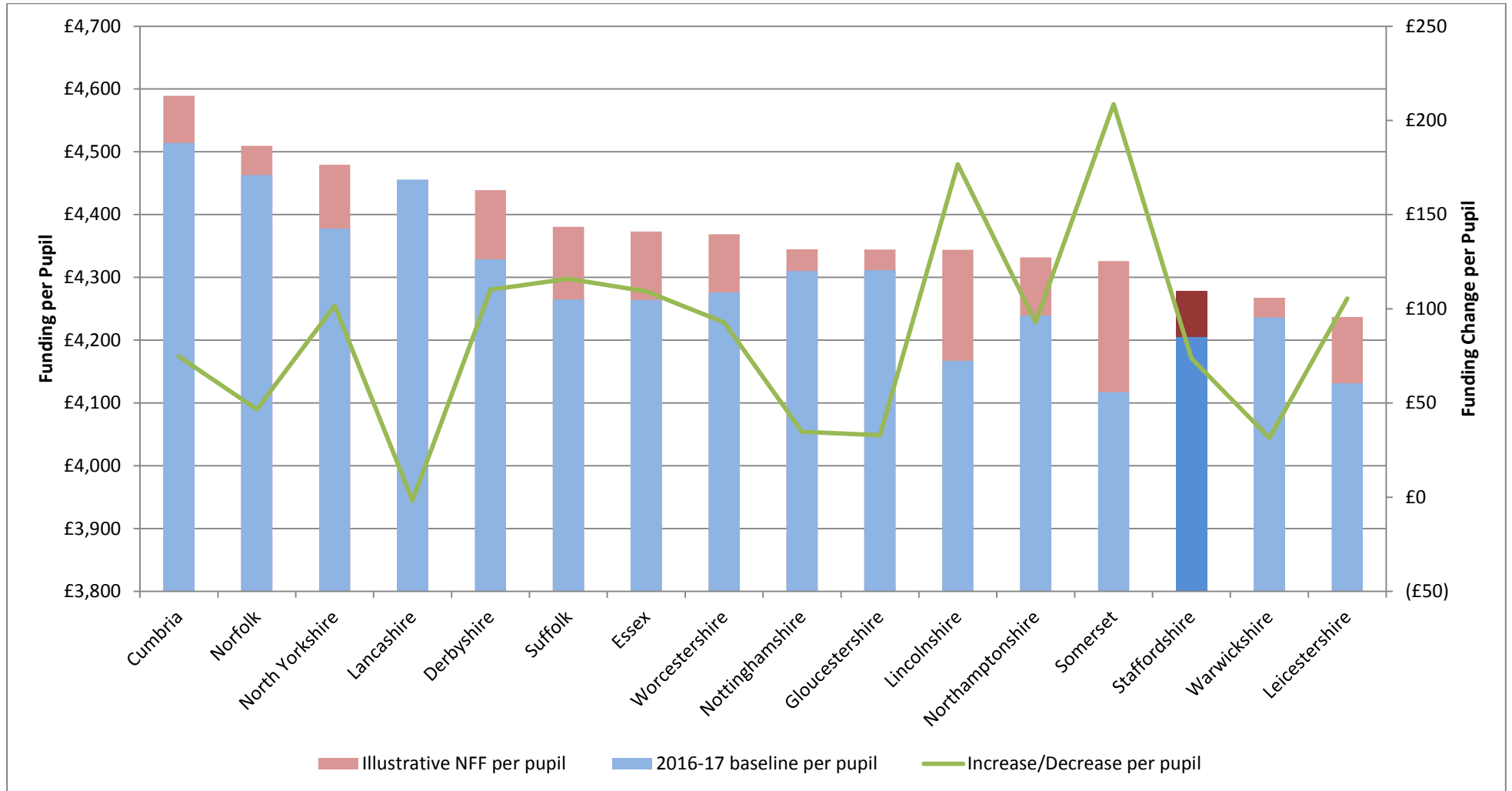
## Appendix 1

### WEST MIDLANDS

Region (alphabetical order)	LA number	LA name (alphabetical order within region)	Total 2016-17 baseline for the schools block	Illustrative NFF funding if formula implemented in full	Percentage change if NFF implemented in full	Rank by % change in budget
			[f]	[k]	[l]	
			= [b] + [c] + [d] + [e]	= [g] + [h] + [i] + [j]	= (k) / [f] - 1	
WEST MIDLANDS	330	Telford and Wrekin	£103,957,375	£108,466,354	4.3%	1
WEST MIDLANDS	331	Solihull	£140,040,434	£144,283,930	3.0%	2
WEST MIDLANDS	332	Wolverhampton	£163,371,012	£167,226,139	2.4%	3
WEST MIDLANDS	884	Worcestershire	£300,657,301	£307,178,986	2.2%	4
WEST MIDLANDS	333	Stoke-on-Trent	£150,671,773	£153,915,488	2.2%	5
WEST MIDLANDS	893	Staffordshire	£451,946,611	£459,869,939	1.8%	6
WEST MIDLANDS	334	Shropshire	£151,723,610	£153,163,715	0.9%	7
WEST MIDLANDS	860	Warwickshire	£300,322,947	£302,553,621	0.7%	8
WEST MIDLANDS	861	Dudley	£192,401,396	£193,602,954	0.6%	9
WEST MIDLANDS	894	Herefordshire	£95,974,380	£96,193,385	0.2%	10
WEST MIDLANDS	335	Sandwell	£235,938,300	£236,125,576	0.1%	11
WEST MIDLANDS	937	Walsall	£194,939,763	£194,678,660	-0.1%	12
WEST MIDLANDS	336	Birmingham	£852,099,059	£831,979,721	-2.4%	13
WEST MIDLANDS	885	Coventry	£220,396,985	£215,093,316	-2.4%	14

### CIPFA Neighbours

Region (alphabetical order)	LA number	LA name (alphabetical order within region)	Total 2016-17 baseline for the schools block	Illustrative NFF funding if formula implemented in full	Percentage change if NFF implemented in full	Rank by % change in budget
			[f]	[k]	[l]	
			= [b] + [c] + [d] + [e]	= [g] + [h] + [i] + [j]	= (k) / [f] - 1	
SOUTH WEST	933	Somerset	£268,121,990	£281,703,995	5.1%	1
EAST MIDLANDS	925	Lincolnshire	£384,383,500	£400,681,098	4.2%	2
EAST OF ENGLAND	935	Suffolk	£382,734,554	£393,135,415	2.7%	3
EAST OF ENGLAND	881	Essex	£790,890,883	£811,163,938	2.6%	4
EAST MIDLANDS	855	Leicestershire	£359,619,978	£368,795,694	2.6%	5
EAST MIDLANDS	830	Derbyshire	£413,604,517	£424,124,598	2.5%	6
YORKSHIRE AND THE HUMBERS	815	North Yorkshire	£320,406,144	£327,851,698	2.3%	7
EAST MIDLANDS	928	Northamptonshire	£426,752,864	£436,089,750	2.2%	8
WEST MIDLANDS	885	Worcestershire	£300,657,301	£307,178,986	2.2%	9
WEST MIDLANDS	860	Staffordshire	£451,946,611	£459,869,939	1.8%	10
NORTH WEST	909	Cumbria	£274,355,637	£278,900,455	1.7%	11
EAST OF ENGLAND	926	Norfolk	£454,224,094	£458,969,888	1.0%	12
EAST MIDLANDS	891	Nottinghamshire	£443,281,952	£446,852,249	0.8%	13
SOUTH WEST	916	Gloucestershire	£331,462,419	£333,990,982	0.8%	14
WEST MIDLANDS	937	Warwickshire	£300,322,947	£302,553,621	0.7%	15
NORTH WEST	888	Lancashire	£697,340,313	£697,074,696	0.0%	16



Appendix 3

Count of Amount of Gain or (loss)	Column Labels					% of Schools that gain	% of schools that lose
Row Labels		Gain	Loss	Non-mover	Grand Total		
Primary		187	102	6	295	63%	35%
Secondary		48	8		56	86%	14%
Secondary Middle		3	11		14	21%	79%
<b>Grand Total</b>		<b>238</b>	<b>121</b>	<b>6</b>	<b>365</b>	<b>65%</b>	<b>33%</b>

Sum of Amount of Gain or (loss)	Column Labels				
Row Labels		Gain	Loss	Non-mover	Grand Total
Primary		3,081,000.00	(1,380,000.00)	0.00	1,701,000.00
Secondary		6,576,000.00	(358,000.00)		6,218,000.00
Secondary Middle		93,000.00	(269,000.00)		(176,000.00)
<b>Grand Total</b>		<b>9,750,000.00</b>	<b>(2,007,000.00)</b>	<b>0.00</b>	<b>7,743,000.00</b>