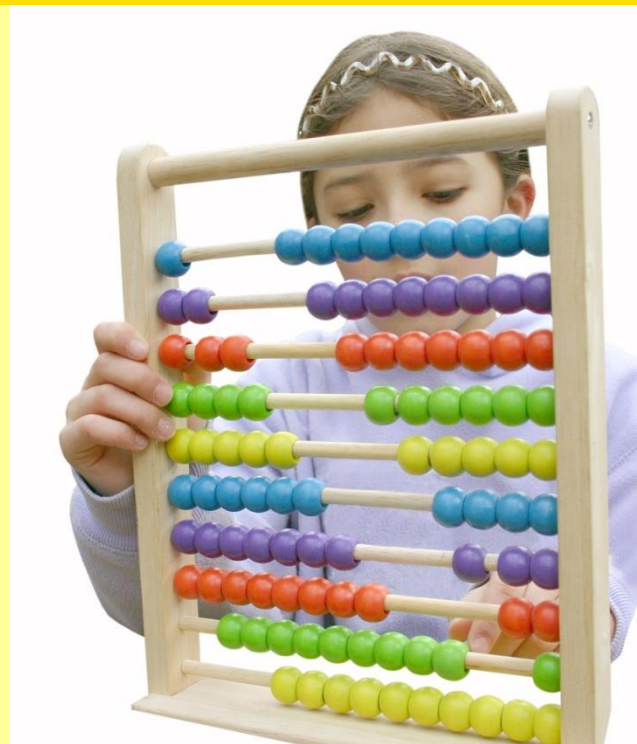


National Funding Formulae



Correlation Co-efficient

Schools, High Needs & Early Years



$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$
$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$
$$r = \frac{1}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

$$\pounds = \sqrt[n]{\sum_{i=1}^{\infty} e^{v_i l}}$$

Introductions & Contact Details

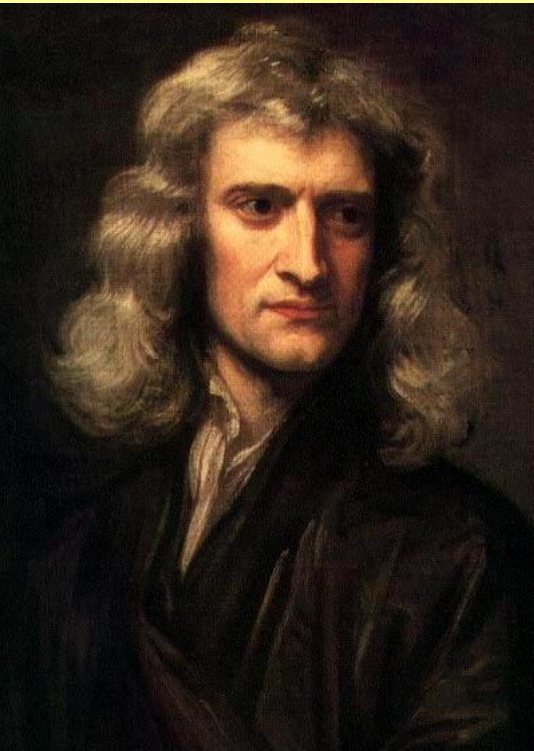
- Introductions
 - Peter Lowe – Head of Strategic & Business Finance
☎ 0161-253 5641; e-mail – P.Lowe@bury.gov.uk
 - Steve Goodwin – Head of Schools & Systems Finance
☎ 0161-253 5650; e-mail – S.Goodwin@bury.gov.uk

- Bury's Finance staff attend these Representative Bodies
 - Schools & Academies Funding Group – DfE, teacher unions, Local Government Association, National Governors Association, School Business Managers, several academies & 3 LA's
 - Association of Directors of Children's Services - Resources and Sustainable Committee

Schools' National Funding Formula

Financial Flux or Simples?

The development of the National Funding Formula is in a "state of flux"



Sir Isaac Newton developed fluxions from the word flux, meaning 'constantly changing'

Fluxions became the complex mathematical concept "Differential Calculus", which studies the way things change over time



During this transitional time, we will try to translate into "**simples**" terms the financial flux of the DfE's NFF proposals

Government Proposals & Statements

- ❑ Protected the core schools budget (schools block, high needs block & early years) in real terms, which maintained the amount of cash per pupil funded by the DSG

NB same annual cash amount does not meet increased costs

- ❑ Protected pupil premium at current rates, so that schools receive additional money for those from the poorest backgrounds

NB same annual cash amount does not meet increased costs

- ❑ Baselined the extra £390 million added in 2015-16 for each subsequent year
For information Bury's annual share is £5.6 million & is more than the rest of the 35 metropolitan authorities put together

Government Proposals & Statements

- ❑ National Funding Formula for schools to begin –
 “**soft formula**” - April 2018 “**hard formula**” – April 2019
- ❑ National Funding Formula for schools to be fully implemented by 2019/20, i.e. last full financial year of the current Parliament
- ❑ Announced a £600 million reduction in the Education Services Grant, which will almost clear LA’s funding of these services
 ∴ leaving LA’s with very few responsibilities by 2019/20 – remnant funding (£117 million) being transferred into the ‘new’ Central Services School Block
 NB. academies’ ESG funding will also significantly reduce, but by tapered transition
- ❑ Local Authorities will no longer be involved in allocating funding from the ‘**Schools Block**’ once the NFF is in place, schools will be directly funded by the DfE

NFF Consultation Process

The DfE announced the detailed aspects of the National Funding Formula (NFF) consultation on Wednesday, 14th December 2016, including various questions, with the following links:

Schools

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

High Needs

<https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>

Respond by Wednesday, 22nd March 2017

Proposed NFF Structure

Dedicated Schools Grant (ring-fenced) - £42.3 billion

Early Years Budget (£3.9 billion)

Nursery Schools & Early Years Providers

LA Central Spend

Pupils in nursery classes in schools & academies

Distributed to LA's by formula

High Needs Budget (£5.8 billion)

LA Special Schools, Independent Special Schools & FE Colleges

LA Central Spend

Statemented Pupils with specialist support and in units, within schools & academies

Distributed to LA's by formula

Schools Budget (ring-fenced) (£32.1 billion)

Primary and Secondary Schools & Academy Trusts and Multi-Academy Trusts

Distributed to schools by formula

Central Schools Services budget (£0.5 billion)

LA Central Spend

ESG Retained Elements

Distributed to LA's by formula

Fairer Funding – “hard” schools formula

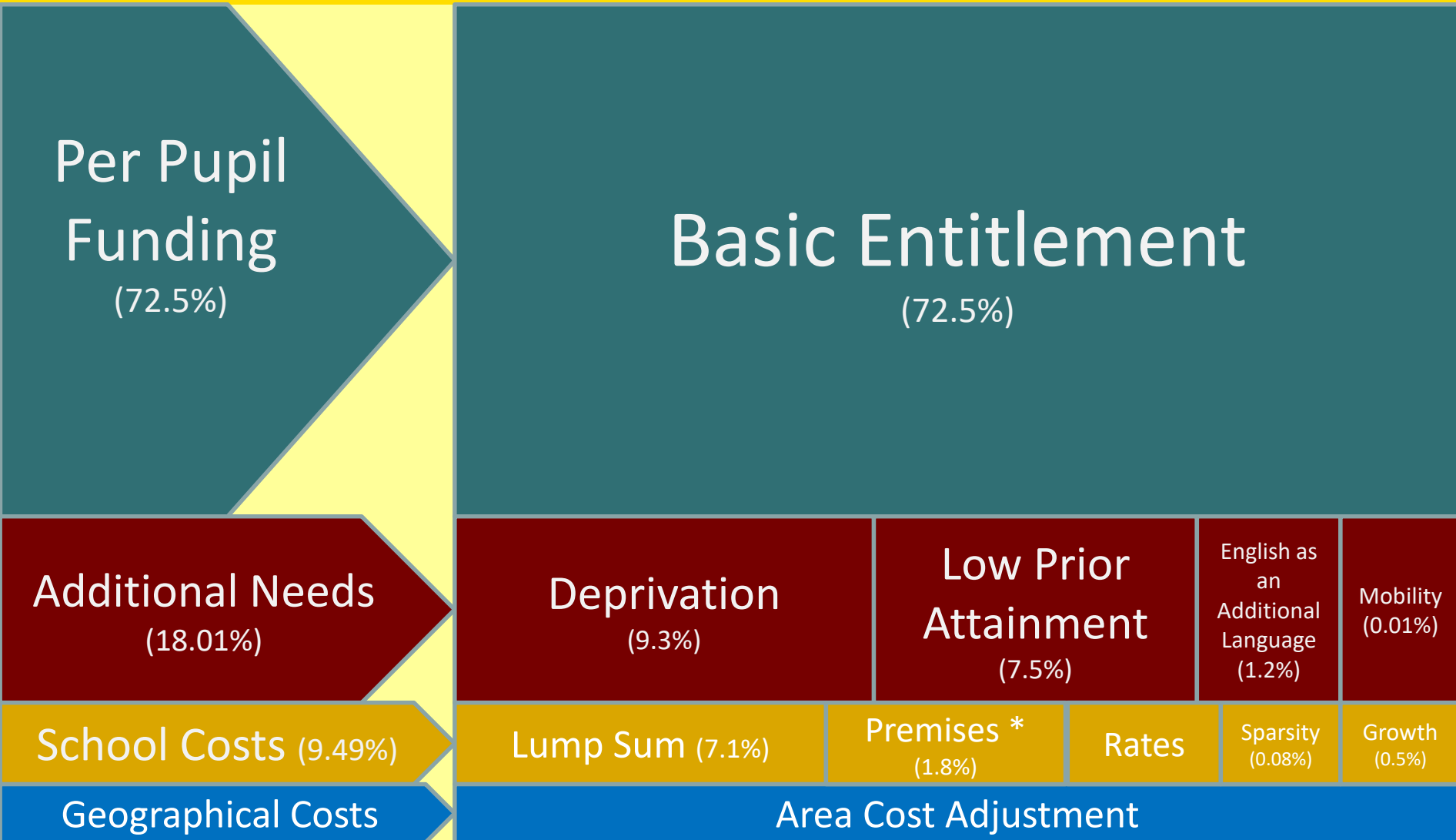
- In order to ensure that schools in the same circumstances attract the same funding, across the country, move to a single, National Funding Formula for schools from 2019-20. DfE regularly state

"We are going to end the historic postcode lottery in school funding and under the proposed national schools funding formula, more than half of England's schools will receive a cash boost."

NB. There is a considerable debate taking place that the maximum 3% “protection factor” stifles the above statement - see after the more detailed aspects of the DfE’s proposals

- Fundamental review of Schools Forum in that time
- Creation of a Central Schools Services Block for funding in respect of local authorities’ continuing duties

Proposed factors of the Schools' NFF



* Private finance initiative commitments, split sites and exceptional premises circumstances

Funding Formula comparative percentages

Component Factor	Bury % 2017/18	National % 2016/17	Proposed NFF %
Basic per pupil funding	82.38	76.60	72.50
Deprivation	5.68	7.60	9.30
Low Prior Attainment	2.32	4.30	7.50
English as an Additional Language	0.15	0.90	1.20
Mobility	0.04	0.01	0.01
Lump Sum	8.20	8.20	7.10
Sparsity	0.00	0.05	0.08
Premises incl rates	1.10	1.80	1.80
Growth	0.13	0.50	0.50
Total	100.00	100.00	100.00

Factor	Sub-level	Bury Values 2016/17 & 2017/18	National Averages 2016-17	Variance to National Averages 2016/17		National Funding Formula Unit Values	Area Cost Adjustment weighting	Variance to NFF Unit Values	ACA GM weighting 1.005249
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	3,080	2,945	135	Above	2,712	2,726	354	Above
	Key Stage 3	3,750	4,055	-305	Below	3,797	3,817	-67	Below
	Key Stage 4	4,500	4,604	-104	Below	4,312	4,335	165	Above
2) Deprivation	Description	Amount per pupil (£)							
FSM - Ever 6	Primary FSM	0	965	-965	Below	540	543	-543	Below
	Secondary FSM	0	1,137	-1,137	Below	785	789	-789	Below
FSM	Primary FSM	65	965	-900	Below	980	985	-920	Below
	Secondary FSM	5	1,137	-1,132	Below	1,225	1,231	-1,226	Below
IDACI Primary	IDACI F	200	128	72	Above	200	201	-1	Below
	IDACI E	300	191	109	Above	240	241	59	Above
	IDACI D	400	320	80	Above	360	362	38	Above
	IDACI C	600	476	124	Above	360	362	238	Above
	IDACI B	800	625	175	Above	420	422	378	Above
	IDACI A	1,000	704	296	Above	575	578	422	Above
IDACI Secondary	IDACI F	400	161	239	Above	290	292	108	Above
	IDACI E	500	254	246	Above	390	392	108	Above
	IDACI D	600	417	183	Above	515	518	82	Above
	IDACI C	800	639	161	Above	515	518	282	Above
	IDACI B	1,000	840	160	Above	600	603	397	Above
	IDACI A	1,200	874	326	Above	810	814	386	Above
		Amount per pupil (£)							
Looked After Children (LAC)	NA	0	661	-661	Below	0	0	0	Below
Looked After Children (LAC)	NA	0	661	-661	Below	0	0	0	Below
Low cost, high incidence SEN	Low Attainment Primary <73	120	812	-692	Below	1,050	1,056	-936	Below
	Secondary pupils not achieving (KS2 level 4 English and Maths)	900	1,058	-158	Below	1,550	1,558	-658	Below
English as an Additional Language (EAL)	EAL 3 Years Primary	65	482	-417	Below	515	518	-453	Below
	EAL 3 Years Secondary	250	925	-675	Below	1,385	1,392	-1,142	Below
Mobility	Primary pupils starting school outside of normal entry dates	500	346	154	Above		0	500	Above
	Secondary pupils starting school outside of normal entry dates	0	532	-532	Below		0	0	Below
Other Factors		Amount (£)			Below				Below
Lump Sum	Primary	£125,000	128,213	-3,213	Below	110,000	110,577	14,423	Above
	Secondary	£125,000	139,473	-14,473	Below	110,000	110,577	14,423	Above

Quantum Changes to Formula Factors

Proposed Reductions to current national average values – universal factors

- **Basic Entitlement** per pupil – KS1&2 (-8%), KS3 & KS4 (-6.3%)
 - total monetary reduction £1,114 million
- **Lump Sum** per school – Primary (-£18,000), Secondary (-£29,500)
 - total monetary reduction £347 million

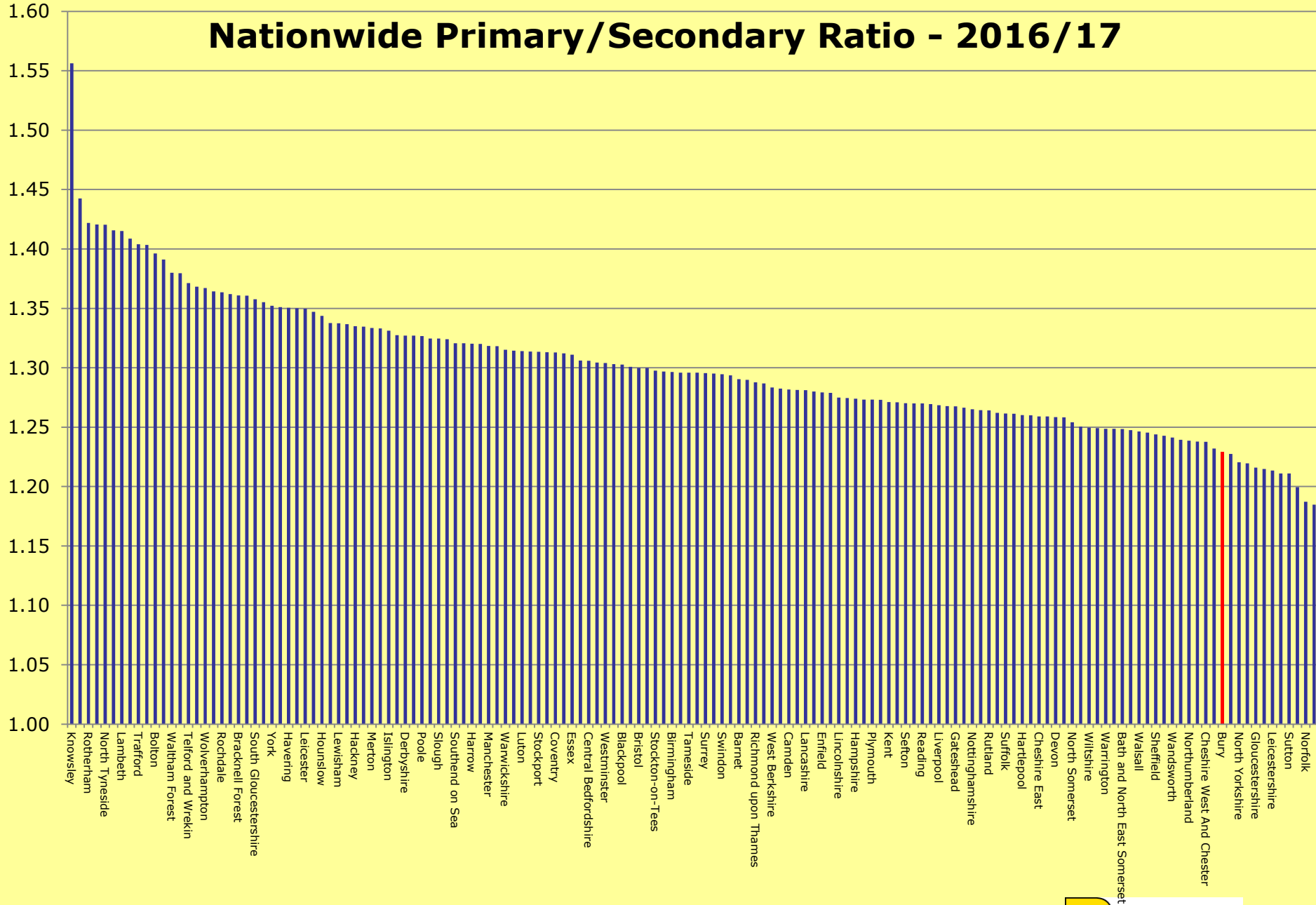
Proposed Increases to current national average values – specific factors

- **Deprivation** – 23% increase
 - total monetary increase £561 million
- **Low Prior Attainment** – 75% increase
 - total monetary increase £1,027 million

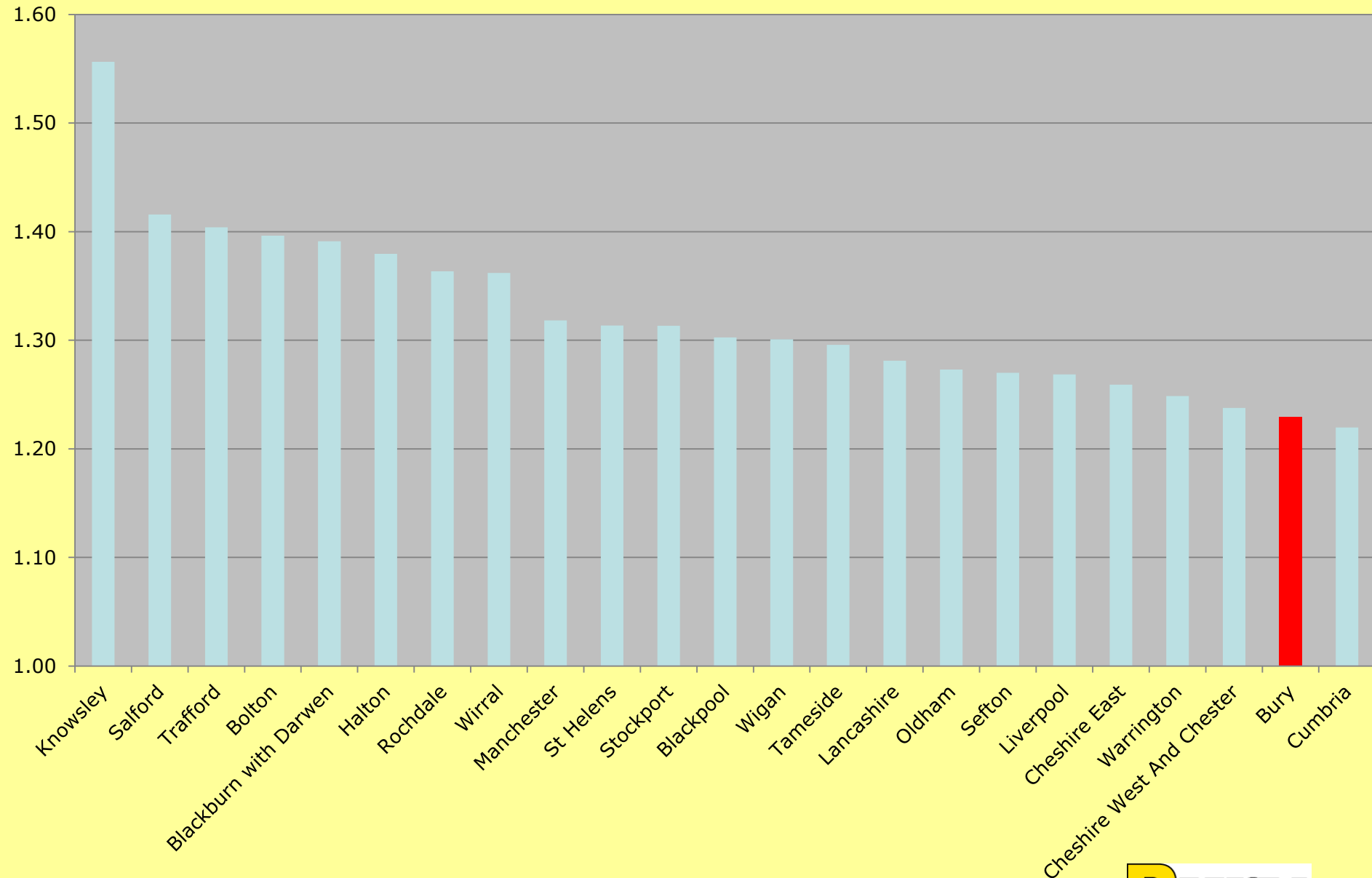
Change to **Primary/Secondary ratio** – universal factors - see next chart

- Applying the national average of 1:1.29 – Bury is 1:1.23
 - leading to the biggest variations even within the same local authority

Nationwide Primary/Secondary Ratio - 2016/17



North-west Primary/Secondary Ratio 2016/17



Providing stability for schools

The DfE propose to include in the formula a “funding floor”, so that no school can lose more than 3% per pupil overall as a result of this formula

NB – the “funding floor” will be in place for the life of the NFF and as it applies to ‘per pupil’, funding will vary in line with pupil numbers

Calculation is based on the per pupil minimum funding guarantee (MFG) methodology - with some technical adjustments due to the treatment of premises funding in the modelling

On transition, the DfE propose:

- the MFG should remain at -1.5% per pupil throughout
- therefore, the DfE are able to afford gains of up to 3% per pupil in NFF year one, and a further 2.5% per pupil in NFF year two

Impact on Bury schools

- Overall once the Schools NFF is fully in place, Bury's position is –
- 9th highest percentage increase of all 150 LA's in England
 - Highest monetary increase of the 23 LA's in the north-west – £6 million – on top of the extra £5.6 million in 2015/16 (slide 4)
 - Every large secondary school will increase ranging from £130,000 to just over £500,000
 - Several Primary schools with higher than average deprivation will see double digit percentage increases
 - 35% of Primary schools will encounter a reduction in funding, mainly because of the changes to the Basic Entitlement and the Lump Sum – limited to a maximum loss of 3%
 - NB Low Prior Attainment increases will impact on the amount of "SEN top-up" currently received by each school and therefore some proposed increases will be affected by these adjustments

Schools Block ring-fencing Arrangements

Of the 4 blocks, only the Schools Block will be ring-fenced, i.e. funds cannot be transferred out to the other 3 blocks, but funds can be transferred from the other 3 blocks to the Schools Block

DfE propose to allow limited flexibility from 2018-19, i.e. The year of the “soft formula” so that schools’ funding can be used for High Needs, e.g. to support more specialist provision

During the transitional arrangements, the DfE will top-slice the Schools Block to fund the reductions in the LA’s Central Schools Budget, so long as LA’s have responsibilities for these services.

Subsequently in the “hard formula” schools will be able to use their delegated budgets to “buy” further services they require

NB the “hard formula” also means that current ‘de-delegated’ services will need to be traded & funded from school budgets

Central Schools Services Block

Will be based on a per pupil formula for LA's ongoing responsibilities with an additional factor for deprivation (10%, in particular to reflect Education Welfare Services)

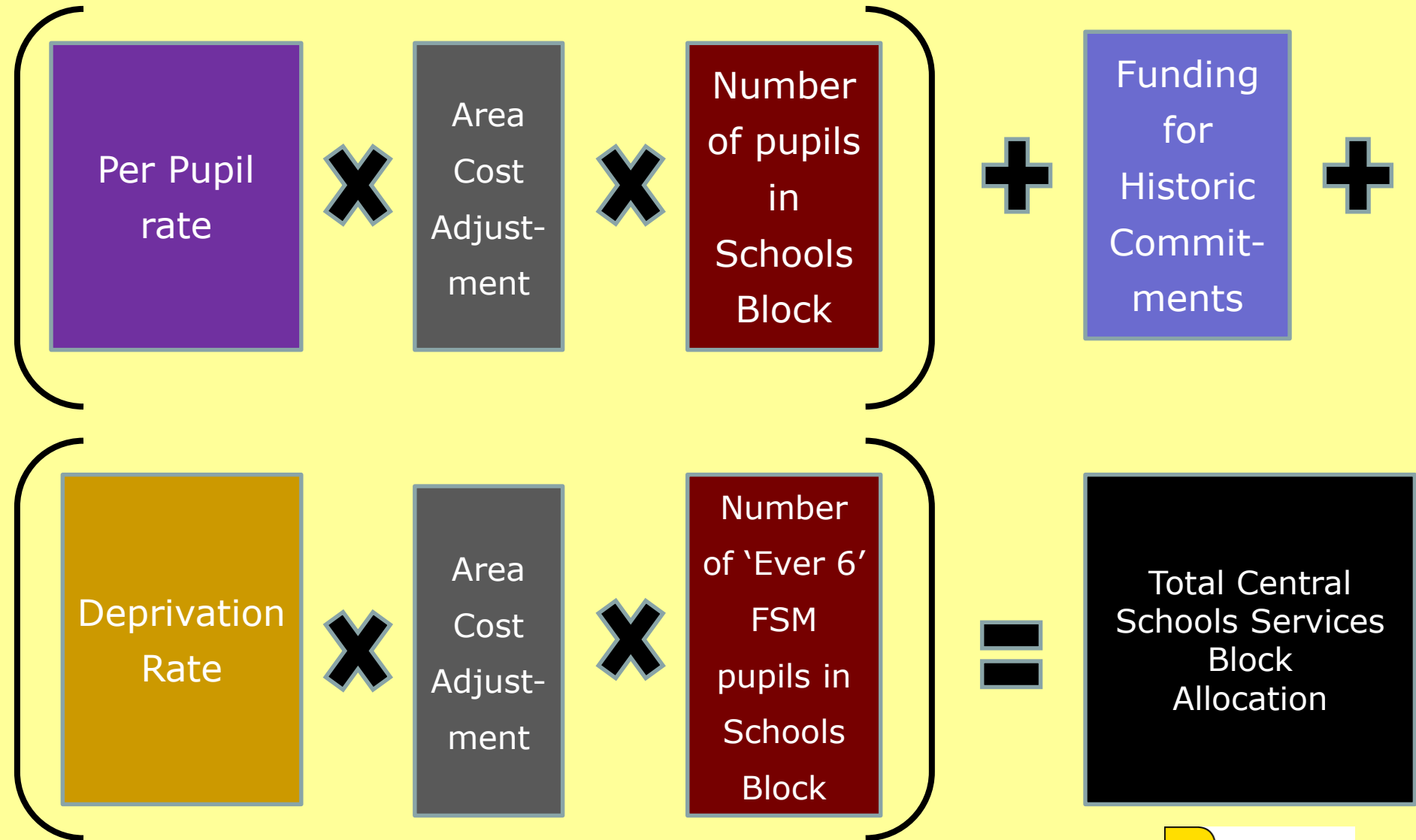
The funding for ongoing responsibilities will cover:

- £15 per pupil from retained duties ESG
- Total local authority spend on relevant ongoing responsibilities (e.g. admissions)

DfE have confirmed they will fund historic commitments on the basis of evidence

An "Area Cost Adjustment" will be applied using the "general labour market" methodology, which is different from the hybrid methodology that is being used in the schools NFF

Central Schools Services Formula Factors



High Needs Funding

Recognising the statutory responsibilities of local authorities, DfE are proposing:

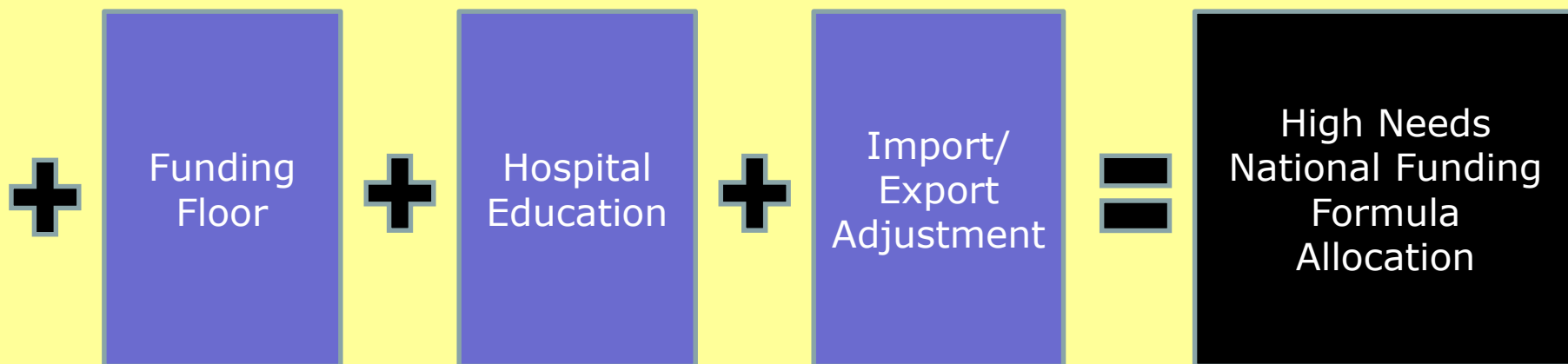
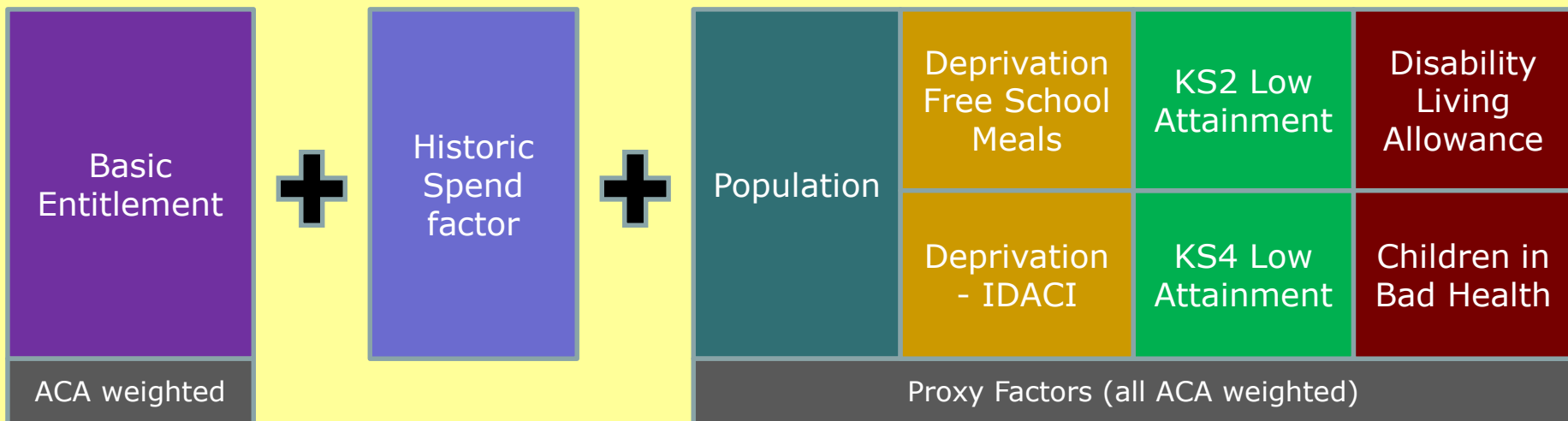
a system that continues to distribute the majority of High Needs funding to local authorities rather than directly to schools or other institutions

To avoid over-identification of High Needs, DfE are proposing:

a High Needs formula that is based on proxy measures of need, not the assessed needs of individual children and young people

NB – High Needs block will not be ringfenced

High Needs Formula Factor Values



High Needs Formula Factor Values

- Basic entitlement factor
= £4,000 per special school pupil, including those in independent special schools
- Import/export adjustments – reflects cross-border movements
= £6,000 per high needs pupil/student
- Historic spend factor
= cash sum equivalent to 50% of spend baseline
- Funding Floor
= no local authority loses funding compared to their current spend baseline

Proxy factors	Proposed weightings		
	SEN (90%)	AP (10%)	Com-bined
1. Population	50%	50%	50%
2. Deprivation			
a. Free school meals (FSM) eligibility	8.3%	25%	10%
b. Income deprivation affecting children index (IDACI)	8.3%	25%	10%
3. Low attainment			
a. Key stage 2 (KS2) results	8.3%	0%	7.5%
b. Key stage 4 results	8.3%	0%	7.5%
4. Health and disability			
a. Children in bad health	8.3%	0%	7.5%
b. Disability living allowance (DLA)	8.3%	0%	7.5%

High Needs funding formula factors

DfE propose a funding formula based on the following factors:

- ❑ Low attainment factors: pupils not achieving level 2 in reading at the end of KS2, and pupils not achieving 5 A*-G GCSEs at KS4, or equivalent standards as changes are made
- ❑ Health and disability: use of “children not in good health” population census data (2011) and disability living allowance data as indicators
- ❑ Deprivation: use of pupils eligible for free school meals (FSM), and the IDACI measure currently used in local schools formulae
- ❑ Population factor: use of ONS data – estimated number of children and young people in the 2 to 18 range. Increases in population will be reflected in increased allocations to local authorities

High Needs funding formula factors

- ❑ Basic entitlement for pupils/students in special schools and post-16 institutions: to provide a basic per pupil/student entitlement (e.g. £4,000 per pupil/student) for each child or young person in a special school, special academy and special post-16 institution (SPI)
 - Funding for maintained special schools and academies goes to local authorities, and for non-maintained special schools and SPIs to the EFA
 - Remainder of £10,000 per place funding (e.g. £6,000) for maintained special schools and academies to be determined by the local authority from their high needs allocation (plus net “import/export” adjustments)

DfE proposed High Needs formula factors

- Confirms which formula factors will be in the national formula, and proposes weightings and values
- Sets out that the DfE can afford up to 3% gains per year in 2018-19 and 2019-20
- Proposes a funding floor in the formula so that no local authority loses funding compared to their spend baseline
- Proposes limited flexibility to address the risks of a schools block ring-fence, continuing into 2019-20 and beyond
- Confirms modified changes to the funding of special units in mainstream schools, and no changes to the funding of independent special schools

High Needs Observations/Comments

- ❑ Majority of LA's (78 out of 150) currently spend more on High Needs than what the proposed proxy factors of the NFF indicate - £230 million
- ❑ There appears to be little rationale as to the weightings and subsequent values of the formula factors
- ❑ Funding Floor – any growth in demand and/or additional costs will have to be met by the funding floor - potential detrimental impact on how much will be available to meet the additional funding for vulnerable pupils & students
- ❑ Health & Social Care – many schools are expressing concern that they have to deal with health & social care issues on a daily basis with no additional monies to meet these costs
- ❑ Post-16 provision – insufficient monies are available to meet the growing responsibilities of the 16 to 25 student population with LLDD

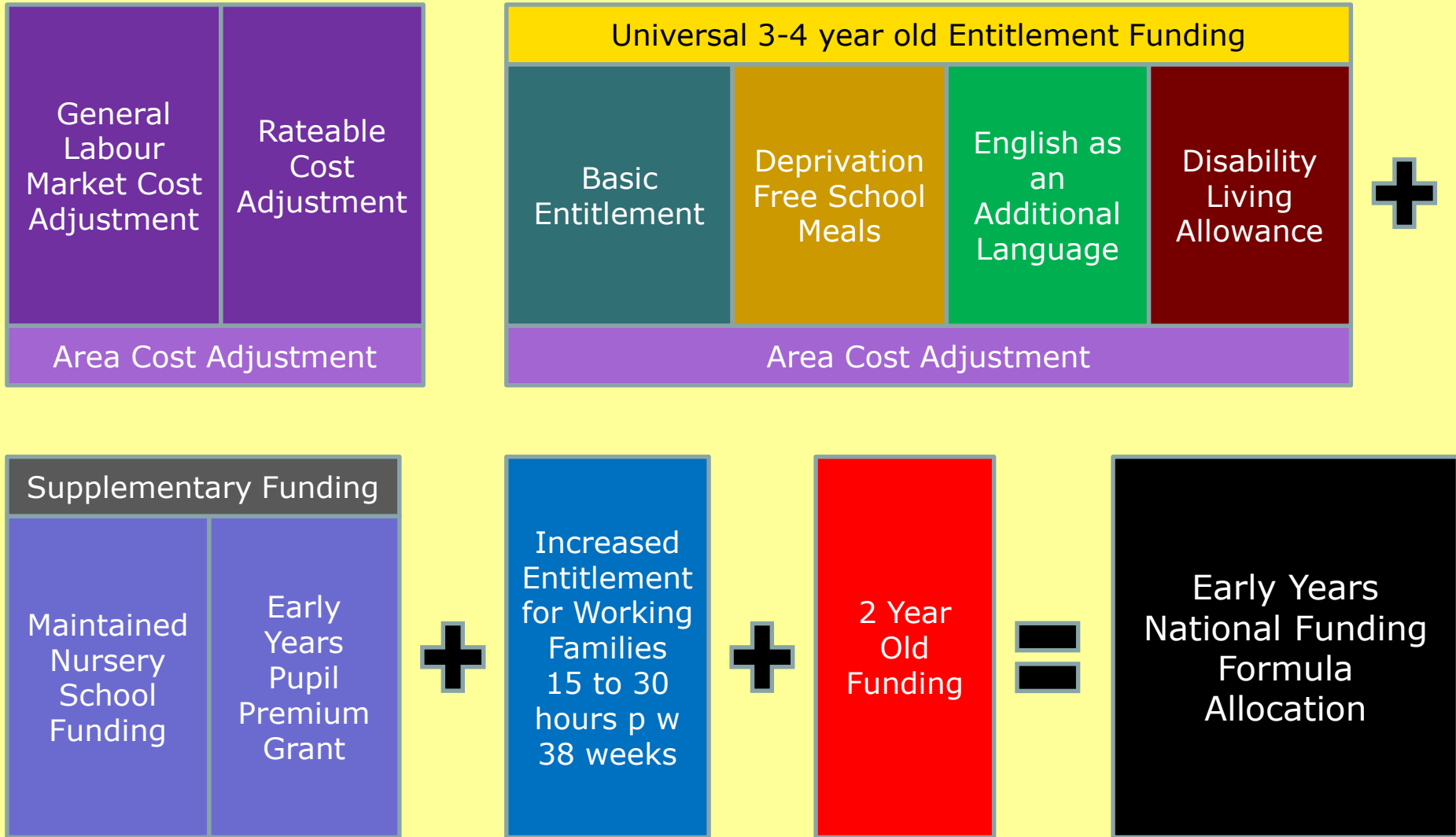
Early Years National Funding Formula

- ❑ Introduced in 2017/18, ahead of the Schools & High Needs formulae, and should be fully implemented by 2019/20
- ❑ Based on hourly rates for 38 week school year
- ❑ Average hourly rates increasing from £4.56 to £4.94 for 3 & 4 year olds
NB includes EY Pupil Premium, Supplementary funding, etc
- ❑ Average hourly rates for 2 year olds increasing from £5.09 to £5.39 for 38 weeks
- ❑ EYNFF will allocate funding to LA's for the existing universal 15 hours per week for 3 & 4 year olds from April 2017 and an additional 15 hours per week for 3 & 4 year olds of eligible working parents from Sept 2017
- ❑ EY Pupil Premium Grant will continue at 53p per hour for 38 weeks

Early Years National Funding Formula

- ❑ Minimum hourly rate is £4.00 for 3 & 4 year olds
NB – Bury’s is increasing from £3.29 to £4.00 per hour for 38 weeks
(Bury now ranked 104th out of 150 LA’s rather than 149th)
- ❑ Bury’s hourly rate for 2 year olds is increasing from £4.90 to £5.20 for 38 weeks, and now is in line with all other Greater Manchester districts
(Bury now ranked 61st out of 150 LA’s and highest of the 23 NW LA’s)
- ❑ DfE will require all LA’s to pass 93% in 2017/18 then 95% from 2018/19 onwards of early years funding to providers
- ❑ Basic Entitlement is to be 90% of the funding formula
- ❑ LA’s will be able to use a limited set of funding supplements, such as deprivation, rurality/sparsity, quality, etc up to a limit of 10% of funding

Early Years Formula Factor Values



Early Years Funding Amounts

		2016/17	2017/18	Variance
Early Years Block 3&4yr old hourly rate	(£)	3.29	4.30	1.01
EY Block 3&4 yr old baseline	(£m)	6.309	8.250	1.941
Increase 3&4 yr old 30hrs (Sept 17)	(£m)	0.000	1.433	1.433
2 yr old hourly rate	(£)	4.95	5.30	0.35
EY Block 2 yr old baseline	(£m)	2.177	2.330	0.153
EY Pupil Premium Grant	(£m)	0.122	0.122	0.000
Maintained Nursery Supplementary	(£m)	0.000	0.190	0.190
Disability Living Allowance	(£m)	0.000	0.049	0.049
Early Years Block adjusted baseline	(£m)	8.608	12.374	3.766