

1. Purpose of the Report

To provide further additional information in respect of the continuing implementation of the National Funding Formula and potential implications for Schools Funding in Northumberland for 2020/21 and beyond.

2. Recommendations

Schools Forum is asked to consider the attached information and advise on future action in relation to the setting of funding formula values for 2020/21.

3. Background

Schools Forum should be aware of the key arguments the DfE used to support the introduction of the National Funding Formula (NFF):

- to make the funding formula fairer
- to make the funding formula more transparent
- to ensure that each child, with the same level of need, attracts the same level of funding, regardless of where they live

Initial guidance in 2017 suggested 2 transitional years in 2018/19 & 2019/20, with a move to a “hard” NFF with effect from 2020/21. Latest guidance from the DfE indicates that the transitional period will extend to include 2020/21 with the hard NFF being introduced from 2021/22 at the earliest, subject to the outcome of the next Comprehensive Spending Review.

In line with the views expressed by Schools Forum back in November 2017, and subsequently supported by a wider consultation with schools. Northumberland has adopted a phased approach in the move towards NFF values.

When Formula Funding values were agreed for 2019/20 School Funding, the following elements were in line with NFF values, the table below shows the previous Northumberland County Council figure as at 2017/18 and the current figure, in line with NFF values as used for 2019/20 funding :

| Factor | 2017/18 NCC Values | NFF Values (source : technical note Sept 2017) | 2018/19 Final Values | 2019/20 Final Values | Status : Same |
|-----------------------------|-----------------------------------|-------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| AWPU KS3 | 3,715 | 3,863 | 3,863 | 3,863 | Same |
| Lump Sum Primary | 110,000 | 110,000 | 110,000 | 110,000 | Same |
| Lump Sum Middle | 140,000 | 110,000 | 110,000 | 110,000 | Same |
| Lump Sum High/Secondary | 170,000 | 110,000 | 110,000 | 110,000 | Same |
| Deprivation - | | | | | |
| FSM6 Primary | n/a | 540 | 540 | 540 | Same |
| FSM6 Secondary | n/a | 785 | 785 | 785 | Same |
| Deprivation – IDACI: | | | | | |
| Primary Band F | 150 | 200 | 200 | 200 | Same |
| Band E | 200 | 240 | 240 | 240 | Same |
| Band D | 350 | 360 | 360 | 360 | Same |
| Band C | 500 | 390 | 390 | 390 | Same |
| Band A | 700 | 575 | 575 | 575 | Same |
| Secondary Band F | 250 | 290 | 290 | 290 | Same |
| Band E | 300 | 390 | 390 | 390 | Same |
| Band D | 450 | 515 | 515 | 515 | Same |
| Band C | 725 | 560 | 560 | 560 | Same |
| Band A | 800 | 810 | 810 | 810 | Same |
| Low Attainment - Secondary | 956 | 1,550 | 1,550 | 1,550 | Same |
| EAL Primary | 220 | 515 | 515 | 515 | Same |
| EAL Secondary | 220 | 1,385 | 1,385 | 1,385 | Same |
| Sparsity (max) Primary | 13,000 | 25,000 | 25,000 | 25,000 | Same |
| Middle | 52,000 | n/a | 52,000 | 52,000 | n/a |

As well as the respective formula values, it should also be noted that we have used the indicative **minimum per pupil** figures suggested by the ESFA in both 2018/19 and 2019/20, as shown in the table below :

| Phase | Minimum Per Pupil Funding Figures | |
|------------------|-----------------------------------|---------|
| | 2018/19 | 2019/20 |
| First / Primary | £3,300 | £3,500 |
| Middle | £3,475 | £4,050 |
| Secondary / High | £4,600 | £4,800 |

Due to previous Northumberland County Council figures being higher than those proposed by the NFF, Northumberland has maintained higher formula funding values than NFF in the following areas:

| Factor | 2017/18 NCC Values | NFF Values (source : technical note Sept 2017) | 2018/19 Final Values | 2019/20 Final Values | Status : Higher |
|------------------------------------------|-----------------------------------|-------------------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------|
| AWPU Primary | 2,807 | 2,747 | 2,807 | 2,807 | Higher |
| AWPU KS4 | 4,580 | 4,386 | 4,580 | 4,580 | Higher |
| Deprivation - Free School Meals : | | | | | |
| Primary | 1,297 | 440 | 757 | 676 | Higher |
| Secondary | 1,562 | 440 | 777 | 676 | Higher |
| Deprivation – IDACI: | | | | | |
| Primary Band B | 600 | 420 | 532 | 532 | Higher |
| Secondary Band B | 800 | 600 | 725 | 725 | Higher |

Again as a result of previous precedents, the following values were in 2019/20 lower than the NFF equivalent:

| | 2017/18 NCC Values | NFF Values (source : NFF technical note Sept 2017) | 2018/19 Final Values | 2019/20 Final Values | Status : Same |
|-----------------------------------------------|--------------------------|-------------------------------------------------------------|----------------------------|----------------------------|------------------|
| Low Attainment Primary 2019/20 | 1,109 | 1,022 | 1,050 | 518.44 | Lower |
| Secondary/All Through (Sparsity - Max) | 60,000 | 65,000 | 60,000 | 60,000 | Lower |

Subject to any information arising following the Comprehensive Spending Review, it is anticipated that 2020/21 will be the final year where Northumberland County Council will be able to directly influence the setting of formula values. Latest information from the ESFA indicates that they intend to move to a “hard” NFF from 2021/22.

It should also be remembered that, although we may not have adopted all of the NFF standard values, the values are being used nationally to set overall allocations at local authority level. We can see therefore that these decisions have a financial impact, as estimated in the following table:



2019/20 NCC FORMULA VALUES & COMPARISON WITH NFF

Formula Values in Excess of NFF :

| Factor | NFF Values £ | NCC Values £ | Difference | Units | Potential Value of change £ | Comments |
|----------------------------|--------------|--------------|------------|--------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Basic Entitlement : | | | | | | |
| AWPU Primary | 2,747 | 2,807 | 60 | 23,442 | 1,406,520 | Both Primary and KS4 values were set in line with previous NCC values rather than NFF figures when first introduced in 2018/19 |
| AWPU KS4 | 4,386 | 4,580 | 194 | 6,077 | 1,178,938 | |
| Deprivation : | | | | | | |
| FSM Primary | 440 | 676 | 236 | 3,491 | 823,985 | Prior to NFF, Northumberland did not have a FSM6 factor in its funding formula, relying solely on FSM in its formula. |
| FSM Secondary | 440 | 676 | 236 | 2,127 | 501,913 | FSM6 was introduced at NFF rates £540 Primary , £785 Secondary for 2018/19. |
| IDACI Band B - Primary | 420 | 532 | 112 | 2,543 | 284,809 | IDACI Band B is largest group numerically across the IDACI bands and so was used to distribute additional funding in 18/19. |
| IDACI Band B - Secondary | 600 | 725 | 125 | 1,480 | 184,959 | |

ESTIMATED VALUES IN EXCESS OF NFF : 4,381,124

Formula Values below NFF :

| Factor | NFF Values £ | NCC Values £ | Difference | Units | Potential Value of change £ | Comments |
|------------------------------|--------------|--------------|------------|-------|-----------------------------|----------------------------------------------------------------------------------------------------------|
| Primary Low Prior Attainment | 1,022 | 518.44 | -503.56 | 7,682 | -3,868,227 | The indicator has been under review and weighted previously but this option has been removed for 2019/20 |
| Secondary Sparsity (up to) | 65,000 | 60,000 | -5,000 | n/a | -2,583 | Minor difference with minimal impact due to the averaging and weighted approach |

ESTIMATED VALUES BELOW NFF VALUES : -3,870,810

OVERALL NET IMPACT

510,314 This element was subsidised from growth funding for 2019/20 but will not be available under a Hard "NFF"

4. Next Steps towards NFF

Formula Funding Committee and the Schools Forum need to carefully consider how to approach the setting of 2020/21 School Funding Formula values. Both Schools Forum, and schools, as part of a wider consultation has previously indicated a preference for:

- Adopting a phased approach in the move towards adopting NFF Values; and
- Providing stability in funding) for 2019/20;

However in continuing to maintain values as in 2019/20 we risk a “cliff edge” approach which could produce volatile changes in funding with the adoption of the Hard Formula in 2021/22.

It would seem prudent to continue to move some values towards NFF levels, but the opinion of Funding Formula Committee and the Schools Forum are requested in respect of this.

In considering this it should also be noted that we do not as yet know the full picture in terms of how the hard NFF formula will be adopted, such as:

How will deficits be treated ? The ESFA have introduced a requirement for any local authority whose 2018/19 year end deficit is greater than 1% of its DSG to submit a recovery plan:

“outlining how they will bring their deficit into balance in a three-year time frame.”

As things stand, any three year time frame commencing April 2019 (i.e. 2019/20 to 2021/22 respectively, will actually overlap with the scheduled introduction of the NFF for 2021/22.

Will Minimum Funding Guarantee (MFG) remain as part of the hard NFF? MFG is one of the mechanisms used by the ESFA to manage volatility for individual schools, on a “per pupil” basis within the NFF. As and when some funding formula values reduce as we move towards NFF, it will have an increasing influence in some schools’ budgets (in 2019/20 £898,066 was distributed to 90 schools via MFG, with individual schools receiving sums up to £51,000).

Use of the growth fund:

The growth fund is identified separately within the Schools Block and is intended to support local authorities to:

- support growth in pre16 numbers to meet basic need;
- support additional classes needed to meet the infant class size regulation; and
- meet the cost of new schools;

While this was used as part of the school block for 2019/20 it is anticipated that this will need to be managed separately when the hard NFF is introduced, but further information is again awaited.

5. Summary and Conclusions :

While opinions may vary as to the likelihood of the adoption of a hard NFF by April 2021, nevertheless it is important that schools are informed as to:

- the remaining key differences between NFF figures and the current Northumberland values; and
- the potential financial consequences of these.

In order that informed decisions may be taken in relation to 2020/21 schools funding.