

## National Funding Formula – response to consultation (part 2) – January 2017

### Executive summary:

The proposed National Funding Formula (NFF) reallocates funding to schools in England more fairly. Under NFF schools will each receive the same 'core' funding topped up by further funding based upon a range of formula based factors (deprivation et al).

Three significant issues are, however, undermining the new funding system:

- There is less money in the system – The National Audit Office states that £3 billion is being withdrawn from school funding.  
<http://www.telegraph.co.uk/education/2016/12/14/schools-face-bigger-funding-crisis-nhs-select-committee-chair/>
- Rising student numbers- this means that funding per student is going down.  
<http://www.bbc.co.uk/news/education-36653594>
- Rising cost pressures on schools including staffing costs

### Inadequately funded schools are, therefore, being forced to:

- Increase teacher pupil ratios to unacceptably high levels
- Consider modification of school hours
- Request parental contributions to fund basic equipment and services
- Reduce curriculum provision to minimum levels

### The following extract is taken from 'The House of Commons Briefing Paper – School Funding' (p5) 20/12/16

'Schools in England report that they are facing rising cost pressures, especially from increased staffing costs. In the November 2015 Spending Review, **the Government said that the core schools budget would be protected in real terms over the Spending Review period, and that per pupil funding levels will be maintained in cash terms.** Funding for the pupil premium would also be protected in cash terms.

Savings of around £600 million would be made from the Education Services Grant (ESG). This is additional funding given to academies and local authorities for services such as human resources, school improvement and education welfare services.

The Institute for Fiscal Studies (IFS) estimated in April 2016 that there would be at least a 7% real terms reduction in per-pupil spending between 2015-16 and 2019- 20, or about 8% if changes in the costs likely to be faced by schools were also accounted for.

On 14 December 2016, the National Audit Office (NAO) published a report on schools' financial health: This reported that the department's overall schools budget was protected in real terms, but did not provide for funding per pupil to increase in line with inflation.

Mainstream schools in England would be required to make £3 billion of savings by 2019-20, to counteract cost pressures. This equated to an **8% real-terms reduction in per-pupil funding** for mainstream schools between 2014-15 and 2019-20.'

## **Case study – West Sussex**

The following information has been drawn up in association with West Sussex County Council. Statistics provided are based upon the DfE's National Funding Formula consultation (draft December 2016) and from illustrative data provided by the DfE.

### **General Information**

The new funding formula will commence in April 2018 with full implementation due by April 2020/21.

There are moderate changes to 'core' Age Weighted Pupil Unit funding for Primary, Key Stage 3 and Key Stage 4 (known as AWPU). This funding is allocated to every mainstream school based on pupil numbers on each school's roll. It funds core teaching staff, support staff, curriculum and premises running costs. Currently 79% of the total Schools' Budget in West Sussex is allocated through AWPU. The proposed NFF will allocate only 72.5% of the total national Schools' Budget.

The remaining 27.5% of the proposed NFF is allocated under a central formula and based on factors such as deprivation, sparsity, low prior attainment et al. Pupil Premium funding remains a separate additional funding stream.

Also, no school in England can see per pupil funding reduced by more than 1.5% each year or lose more than 3% of its total budget.

Under the new formula, schools in West Sussex will gain on average £79 per pupil (2018/19) and £144 per pupil in 2020/21. It should be noted that these figures show an average gain but as each school receives money based on a national formula, comparisons with previous funding is somewhat erroneous.

**Initial calculations suggest that in April 2018 West Sussex will rank as the 148<sup>th</sup> lowest funded authority (unchanged from the current situation) out of 151 based on average NFF funding per pupil when the new formula comes into effect.** This is primarily because the majority of schools in West Sussex will not benefit from payments relating to factors such as deprivation in the same way that schools in other parts of the country will.

Whilst there is no dispute that certain parts of a county or country require greater financial support than others, a key question remains as to whether or not 'core' per pupil funding is adequate to allow schools in reasonably affluent areas to function adequately, particularly if cost of living factors are considered.

The information provided below suggest not.

### **Unfunded cost pressures on schools**

On the face of it, previously low funded authorities such as West Sussex appear to gain from the new funding arrangements. In reality, however, any such gains are being outweighed by unfunded cost pressures applied to schools. The government is 'giving with one hand but taking away with two'.

Currently, school budgets are being decimated by recently applied unfunded costs. These include:

- National insurance and pension contributions
- 1% pay increments
- Cost of living/inflation pressures

In 2017 many schools will face further unfunded cost pressures:

- Contributions to an 'educational services grant' (ESG)
- Apprenticeship Levy (schools with a payroll over £3million)

In 2018, it seems likely that a further cost pressure will be applied to all schools:

- A further increase to National Insurance employer contributions of 1.5%

### **Real exemplar – School A (1,467 pupils)**

In **2017/18** the following unfunded costs will apply:

- National insurance and pension contributions £200K
- Payrise (1% across the board) £60K
- Other increments and cost of living £40K
- ESG £27K
- Apprenticeship Levy £9K

Although the County Council has listened to schools and has taken steps to reduce the cost burden of the ESG and Apprenticeship Levy, there is currently **no interim help from the government for schools in West Sussex to cover these additional costs** (of £336K).

Previously, in 2015/16, School A reduced costs by £250K).

In **2018/19** illustrative data from the DfE website/database 'national funding formula consultation – impact of the proposed schools NFF' suggests that under the new formula, School A will receive a funding uplift of 2.9% (£179K). In the same financial year, and excluding the year on year cost burdens noted above, the school will face the following increased cost pressures:

- Pay and incremental increases (not the 1% pay rise) £40K
- ESG £46K
- Apprenticeship Levy £9K
- Cost of living/inflation £30K
- Further NI rise of 1.5% £85K

Therefore the school receives £179K in additional funding, with increased costs of £210K. In effect, School A is already £31,000 worse off than in 2017/18, which showed a deficit of £336K.

Schools across West Sussex and beyond are painting a similar picture.

## **Worth Less? Worth Enough?**

Under NFF the majority of primary schools – **insert number / percentage** – will be worse off.

When unfunded costs are taken into account secondary schools in West Sussex will at best 'standstill' financially whilst many will become worse off than now; even though our current position is already acknowledged as dire.

### **Urgent action:**

- Emergency funding of **£20m is still required for West Sussex schools for April 2017**
- Changes to the proposed formula should include a **core funding element** which is set at a level to enable every school in England to operate **with adequate staffing and equipment**
- Unfunded 'stealth taxes' on schools throughout England such as ESG and the Apprenticeship Levy should be withdrawn and the introduction of a further NI increase (2018) of 1.5% should not be implemented.
- The Government should keep its manifesto **promise to protect per pupil** funding in all schools in England rather than reduce it.
- The DfE should use the money (£500m) earmarked (for the now abandoned) wholesale academisation programme to support the actions noted above.
- The DfE should justify why it is proposing spending on new policy initiatives such as grammar schools when other schools are currently going into budget deficit.