

Impact Assessment Briefing Note

This note sets out an assessment of the impact of the final DSG National Funding Formula, which was published by the DfE on 14 September 2017. It updates from the briefing note provided following the DfE's consultation in December 2016.

Summary – Overall Impact & Impact vs. the December 2016 Consultation Proposals

- 1) Our Dedicated Schools Grant (DSG) position, under a fully implemented National Funding Formula, changes as follows when compared against Bradford's 2017/18 baseline.

a) Schools Block	a gain of £6.5m on a baseline of £406.79m (+1.6%)
b) High Needs Block	a gain of £7.5m on a baseline of £63.84m (+11.8%)
c) Central Schools Block	a gain of £0.5m on a baseline of £2.33m (+21.7%)
Total	a gain of £14.5m on a baseline of £472.96m (+3.1%)

- 2) The notable differences, when the final National Funding Formula (NFF) is compared against that which was proposed by the DfE in its 2nd stage of consultation in December 2016, relate to the Schools Block:
 - a) The 'hard' NFF will not be implemented until April 2020, meaning that the Local Authority will retain formula funding responsibility for primary and secondary schools for a further 2 financial years. In December the full transfer to the hard NFF was proposed to take place at April 2019.
 - b) The negative 3% per pupil 'floor' for primary and secondary schools (the level losses would be capped at and would not exceed for individual schools) has been replaced by a positive 0.5% floor in 2018/19 and positive 1% in 2019/20, meaning that the NFF, at DSG level, does allow for funding growth for all schools of 0.5% in each of the next 2 financial years. This is the main positive change vs. the December consultation proposals, and it means that Bradford now gains rather than loses in the Schools Block. However, this does not mean that all schools will see a minimum 0.5% increase in their funding levels. Schools that are funded on the Minimum Funding Guarantee at best in 2018/19 will see a cash flat (0%) settlement.
 - c) There are new total per pupil funding minimums for primary (£3,500) and secondary (£4,800) schools, which are designed especially to give schools with lower rates of formula funding (due to lower measures of AEN and deprivation) an improved minimum baseline.
 - d) The final NFF has increased the values of basic per pupil funding for primary (+ £35) and secondary schools (+£66 KS3; + £74 KS4) vs. that proposed in December 2016.

- 3) In most other respects, the final NFF announced by DfE on 14 September 2017, is the same or similar, or has the same or similar impact, as the NFF that was proposed back in December 2016. This means:
 - a) Schools Block (*further analysis is provided later in the briefing document*):
 - i) There is the same retained focus on additional educational needs and deprivation funding, with this especially being focused on low prior attainment. The NFF allocates more (+£17.8m) for AEN in total than Bradford's current formula.
 - ii) A pupil mobility factor within the primary and secondary formula is confirmed.
 - iii) There is the same reduction in the value of lump sum funding, with the NFF value set at £110,000 per school, which is £65,000 lower than Bradford's current formula. This means that the unprotected NFF allocations for the vast majority of our primary schools and academies are reduced on Bradford's current formula allocation.

- iv) The vast majority of our primary schools and academies are funded at their Minimum Funding Guarantee (MFG) level and therefore, the values of their allocations are dependent on the level at which the MFG is set. Current estimates indicate that 78% of primary schools / 33% of secondary schools will be on the MFG, if the NFF is implemented by us in 2018/19 with an MFG of 0%, with the total value of this protection being £7.37m (£6.46m of this to the primary sector). The funding of our primary sector, in particular, therefore, is vulnerable if Government policy in the future moves further towards the full NFF outcome by reducing the value of MFG protection. The Government has stated that no school will lose as a result of NFF. However, future governments may change from this policy.
- v) Bradford's secondary sector fares much better under NFF, with 2/3rds of secondary schools and academies gaining. This is due in particular to the £4,800 minimum but also the significant new focus on the funding of low prior attainment.
- vi) The NFF still does not fully compensate for the growth in costs (especially salaries costs) and therefore, there will still be further erosion in the value of formula funding in real terms. For clarity, this is not a technical formula issue. It is an issue that is arising as a result of the quantum of education funding falling behind as costs (of salaries and services) increase.

b) Central Schools Block

- i) This new Block is created, with a baseline value for Bradford of £2.33m. It is created by separating the centrally managed budgets previously contained within the Schools Block. This includes the Education Services Grant that was transferred into the DSG at April 2017.
- ii) Bradford's gain within this Block (+£0.5m), which was proposed in the December 2016 consultation, is confirmed, with transitional implementation restricting our increase to around £50k a year. The full increase therefore, will take a number of years to materialise.

c) High Needs Block

- i) Bradford gains from the new High Needs Block formula (£7.5m), with this gain allocated incrementally over the next 5 years following transitional implementation (assuming the continuation of the same capping after 2019/20).
- ii) The NFF result is still heavily damped, with only 50% of the national HNB budget allocated on the basis of the new formula. 50% will be allocated on the basis of 2017/18 spending levels. Bradford's gain if the NFF was 100% on formula would roughly be £15m vs. the £7.5m stated above. The DfE does not indicate for how long 50% of the HNB will be based on historic spending.
- iii) There will be a factor in the HNB formula that will fund every occupied place in special schools, special academies and our placements in independent special schools at £4,000. On a positive note then, although allocated on a lagged basis, where we increase our places in our special schools, our HNB formula allocation will grow undampened e.g. 360 places = £1.44m.

- 4) Pupil Premium is expected to continue on a cash flat basis as a separate grant. However, the DfE has confirmed that the rate of funding for Pupil Premium Plus, for Children Looked After, will increase in 2018/19 from £1,900 to £2,300.

Summary – Main Areas of Challenge and Concern

1) Schools Block:

- a) The size of the un-dampened loss that would result from the 100% implementation of the NFF without MFG protection (£7.37m). This is especially concerning for the primary sector.
- b) The lack of full response to the growth in costs in real terms (this is the major financial problem in all schools across 2016-2020). For clarity, this is not a formula issue. It is an issue that is arising as a result of the quantum of education funding falling behind as costs (of salaries and services) increase.

2) High Needs Block:

- a) That damping halves our gain under NFF from £15m to £7.5m and that there is no view about whether / when this damping will be lifted.
- b) Our HNB spending levels are forecasted to exceed our dampened NFF HNB allocations. It does not appear that the DSG HNB will be sufficient to cover forecasted spending.

More Detail about the Schools Block

The extract 1 below gives a more detailed analysis of the differences in formula factor values in the NFF compared against Bradford's 2017/18 formula. This highlights how differences in allocations for individual schools are generated.

Variable	2017/18 Bfd values		NFF Values Difference	
	Primary	Secondary	Primary	Secondary
Base APP (Reception / Key Stage 3)	£2,796.67	£4,019.66	-£49.00	-£155.72
Base APP KS4		£4,256.79		£130.28
Lump Sum	£175,000	£175,000	-£65,000	-£65,000
Deprivation - FSM Ever 6	£1,023.09	£927.71	-£482.96	-£142.52
Deprivation - FSM Flat			£440.11	£440.11
Deprivation IDACI F	£324.96	£426.54	-£124.91	-£136.47
Deprivation IDACI E	£406.20	£533.18	-£166.14	-£143.08
Deprivation IDACI D	£487.44	£639.81	-£127.35	-£124.69
Deprivation IDACI C	£568.68	£746.45	-£178.58	-£186.31
Deprivation IDACI B	£731.16	£959.72	-£311.06	-£359.57
Deprivation IDACI A	£893.64	£1,172.99	-£318.50	-£362.79
English as an Additional Language	£197.99	£1,192.48	£317.13	£192.85
Low Prior Attainment	£241.31	£494.40	£808.95	£1,055.97

The extract 2 below gives a detailed analysis of the cash differences by formula factor comparing the NFF vs. Bradford's current formulae in 2017/18. This highlights how the distribution of funding for different purposes will change. Please note that modelling is based on the indicative 2018/19 funding model, but where the DfE's minimums are set at £3,500 (primary) and £4,800 (secondary), the MFG is set at 0% and the ceiling (not including the DfE's minimums) at 3%.

2018/19 Indicative	Primary			Secondary			Total Diff
	Current	NFF	Diff	Current	NFF	Diff	
Base £APP	£154,225,283	£151,510,300	-£2,714,983	£129,053,860	£127,641,524	-£1,412,336	-£4,127,320
Deprivation Factors (FSM & IDACI)	£36,565,880	£25,752,051	-£10,813,829	£25,291,318	£22,172,019	-£3,119,299	-£13,933,128
Low Prior Attainment	£2,594,518	£20,951,329	£18,356,811	£4,338,965	£13,605,240	£9,266,276	£27,623,087
English as an Additional Language	£2,416,896	£6,295,727	£3,878,831	£1,185,600	£1,377,226	£191,627	£4,070,458
Lump Sum	£27,422,500	£17,239,758	-£10,182,742	£5,775,000	£3,630,581	-£2,144,419	-£12,327,161
DfE Minimum Per Pupil Funding	£0	£688,407	£688,407	£0	£519,269	£519,269	£1,207,676
Sub Total Unprotected Allocations	£223,225,076	£222,437,572	-£787,505	£165,644,743	£168,945,859	£3,301,116	£2,513,612
Minimum Funding Guarantee (0%)	£4,705,748	£6,458,706	£1,752,957	£1,854,032	£908,148	-£945,883	£807,074
Ceiling (3%)	-£53,885	-£22,512	£31,373	-£27,869	-£294,327	-£266,458	-£235,085
Total Protected Allocations	£227,876,940	£228,873,765	£996,825	£167,470,905	£169,559,680	£2,088,775	£3,085,600

The DfE's guiding aims in the NFF for primary and secondary appear to be:

- Increasing the focus on the pupil-led basis of funding. This is behind an increase in the proportion of funding allocated via the base £APP and the reduction in the value of the lump sum.
- Ensuring a consistent and minimum value of basic funding for all schools.
- Restricting the ways in which monies can be managed centrally or 'top sliced', seeking to ensure maximum delegation to schools. Seeking to move Council services onto a traded basis within a competitive market place.
- Maintaining the current overall weighting of funding between the primary and secondary phases (secondary weighting of 1:1.29). The DfE sees that there is no current evidence base on which to change this weighting (there is no evidence that a change in the weighting will deliver improvement in pupil outcomes).
- Maintaining a very significant weighting of funding towards supporting children with additional educational needs (AEN), but placing a greater emphasis in the distribution of these monies between schools on measures of low attainment and English as an Additional language (EAL), with a corresponding decrease in the weighting for deprivation measures (FSM and Income Deprivation Affecting Children Index). In this, the NFF will work alongside the continuing sizeable (£36m for Bradford) Pupil Premium Grant, which is a grant that is mostly allocated on the basis of deprivation (FSM).
- Targeting the 'Just About Managing'. The greater emphasis on low attainment, as well as the reduced emphasis on the IDACI deprivation measure, helps to target funding more to this group, with a corresponding reduced weighting towards schools with the greater proportions of children from more deprived backgrounds.
- Continuing to recognise that the mobility of pupils is an issue in schools affecting both costs and educational outcomes.