

## 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- There is less money in the system – The National Audit Office states that £3 billion is being withdrawn via 'efficiency savings' from school funding.  
<http://www.telegraph.co.uk/education/2016/12/14/schools-face-bigger-funding-crisis-nhs-select-committee-chair/>  
<https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools-Summary.pdf>
- 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, under current proposals, no school in England can see per pupil funding reduced by more than 1.5% each year or lose more than 3% per pupil in total during the course of NFF implementation.**

Under the new formula, based on 2016/17 data, 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 indicative 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. 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 (2016/17), 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 2017/18 many schools will face further unfunded cost pressures:

- Contributions to an 'Educational Services Grant' (ESG)
- Apprenticeship Levy (schools with a payroll over £3million)

In 2018/19, 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 – Secondary School A (1,467 pupils) - further exemplars are shown in the appendix**

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

- |                                                |              |
|------------------------------------------------|--------------|
| • National insurance and pension contributions | <b>£200K</b> |
| • Pay rise (1% across the board)               | <b>£57K</b>  |
| • Other increments and cost of living          | <b>£40K</b>  |
| • ESG                                          | <b>£27K</b>  |
| • Apprenticeship Levy                          | <b>£9K</b>   |

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 £333K). 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) | <b>£40K</b> |
| • ESG                                                 | <b>£46K</b> |
| • Apprenticeship Levy                                 | <b>£9K</b>  |
| • Cost of living/inflation                            | <b>£30K</b> |
| • Further NI rise of 1.5%                             | <b>£85K</b> |

Therefore the school receives £179K in additional funding, with increased costs of £210K. In effect, School A is already £28,000 worse off than in 2017/18, which showed a deficit of £333K.

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

**Worth Less? Worth Enough?**

Under the proposed NFF 41% of West Sussex primary schools will be worse off. This is **before** unfunded costs are taken into account

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**
- The proposed NFF principle - limiting 3% maximum change to any school funding - should be reviewed.
- 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 in real terms.**
- 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 - grammar schools and the continuing introduction of Free Schools where there is no basic need - when other schools are currently going into budget deficit.

**See below for further school funding exemplars**

## Appendix - Real exemplars – Schools B – G

Please note the exemplars are taken from a range of localities across the whole West Sussex

### Real exemplar – School B (Primary 340 pupils)

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

- |                                                             |              |
|-------------------------------------------------------------|--------------|
| • National Insurance and pension contributions (1.5%)       | <b>£3.4K</b> |
| • Pay increase (assuming 1% across the board for all staff) | <b>£12K</b>  |
| • Other Increments and cost of living                       | <b>£7.4K</b> |
| • ESG                                                       | <b>£8.8K</b> |

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 £31.6K).

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 B will receive a funding uplift of 0.1% (£2K)**. In the same financial year, and excluding the year on year cost burdens noted above, the school will still face the following increased additional cost pressures:

- |                                                             |              |
|-------------------------------------------------------------|--------------|
| • Pay and incremental increases (not 1% pay rise)           | <b>£6K</b>   |
| • ESG                                                       | <b>£26K</b>  |
| • National Insurance (1.5%)                                 | <b>£1.1K</b> |
| • Pay increase (assuming 1% across the board for all staff) | <b>£10 K</b> |
| • Cost of living/inflation                                  | <b>£2.5K</b> |

Therefore the school receives £2K in additional funding, but has increased costs of £45.6K. In effect, School B is already £43.6K worse off than in 2017/18 which showed a deficit of £31.6K.

## Real exemplar – School C (Secondary 1,750 pupils)

In **2016/17** the following unfunded costs applied:

<input type="checkbox"/>	National insurance and pension contribution increases	<b>£230K</b>
<input type="checkbox"/>	Pay rise (1% across the board)	<b>£73K</b>
<input type="checkbox"/>	Other increments and cost of living	<b>£40K</b>

In **2017/18**, in addition to the continuation of the unfunded costs above, the following additional unfunded costs will apply:

<input type="checkbox"/>	ESG	<b>£36K</b>
<input type="checkbox"/>	Apprenticeship Levy	<b>£12K</b>

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 £391K) that have been added to the budget over the last couple of years. Previously, in 2015/16, School C reduced costs by £189K in the knowledge that additional costs were due to be passed on to the school.

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 C will receive a funding uplift of 2.8% (£189K)**. In the same financial year, and excluding the year on year cost burdens noted above, the school will face the following additional cost pressures:

<input type="checkbox"/>	Pay and incremental increases (not the 1% pay rise)	<b>£40K</b>
<input type="checkbox"/>	ESG	<b>£62K</b>
<input type="checkbox"/>	Apprenticeship Levy	<b>£12K</b>
<input type="checkbox"/>	Cost of living/inflation	<b>£73K</b>
	(assume 1% for all employees)	
<input type="checkbox"/>	Further possible pension rises of 1 - 1.5%	<b>£77K - £115k</b>

Therefore the school receives £189K in additional funding, with increased new costs of £216K. In effect, School C is already £27,000 worse off than in 2017/18, where additional cost burdens of £391K have been taken on in the last two years.

## Real exemplar – School D (Secondary 1,350 pupils)

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

• National insurance and pension contributions	<b>£140K</b>
• Pay rise (1% across the board)	<b>£42K</b>
• Other increments and cost of living	<b>£20K</b>
• ESG	<b>£65K</b>
• Apprenticeship Levy	<b>£30K</b>

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 £297K). Previously, in 2016/17, School D reduced costs by £282K).

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 D will receive a funding uplift of 2.9% (£148K)**. 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	<b>£54K</b>
• ESG	<b>£104K</b>
• Apprenticeship Levy	<b>£30K</b>
• Cost of living/inflation	<b>£12K</b>
• Further NI rise of 1.5%	<b>£69K</b>

Therefore the school receives £148K in additional funding, with increased costs of £269K. In effect, School D is already £121,000 worse off than in 2017/18.

## Real exemplar – School E (Secondary 1,607 pupils)

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

• National insurance and pension contributions	<b>£180,000</b>
• Pay rise (1% across the board for teaching staff)	<b>£55,000</b>
• Pay rise (1% support staff)	<b>£13,000</b>
• Incremental increases	<b>£40,000</b>
• ESG	<b>£58,000</b>
	(at £45 per student, 11-16 only)
• Apprenticeship Levy	<b>£24,000</b>
	(at £18.50 per students, 11 – 16 only)

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 £370,000). Previously, in 2015/16, School E reduced costs by £200,000).

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 E will receive a funding uplift of 2.8% (£167,000)**. In the same financial year, and excluding the year on year cost burdens noted above, the school will face the following cost pressures (in addition to those detailed above):

• Further Incremental increases	<b>£40,000</b>
• ESG	<b>£58,000</b>
• Apprenticeship Levy	<b>£24,000</b>
• Further NI rise of 1.5%	<b>£64,000</b>
• An anticipated 1% pay rise at 1% (teaching and support staff)	<b>£60,000</b>

Through the new National Funding Formula the school is due to receive approximately £167,000 in additional funding but with further increased costs of £246,000. In effect, School E is £79,000 worse off than in 2017/18, when it has already shouldered the burden of unfunded costs totalling £370,000.

## Real exemplar – School F

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



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 £252K).

In **16/17**, School F is already looking to have reduced costs by 4% from 15/16 by the end of the financial year, through non replacement of staff and reducing curriculum budget spend to a bare minimum.

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, ICC will receive a funding uplift of 2.7% (£138K). In the same financial year, and excluding the year on year cost burdens noted above, the school will face the following increased cost pressures:



Therefore the school receives £138K in additional funding, with increased costs of £157K. In effect, School F is already £19,000 worse off than in 2017/18, which showed a deficit of £252K.

The proposals under consultation to increase pension contributions from 19.4% to 24.8% would add £40K annually to our staffing costs. If the new funding formula is implemented in full eventually School F will benefit but the significant impact in the medium term will have a profound effect.

## Real exemplar – School G

### School C (Primary 175 pupils)

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

• Pay and incremental increase (not 1% pay rise)	£110
• ESG	£6,300
• National Insurance (1.5%)	£6,303
• Pay Increase (assuming 1% across the board for all staff)	£5,666
• Cost of living/inflation	£10,031

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 G will receive a funding drop of 1.2%. 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 increase (not 1% pay rise)	£123
• ESG	£9,450
• National Insurance (1.5%)	£7,563
• Pay Increase (assuming 1% across the board for all staff)	£7,208
• Cost of living/inflation	<b>£10,132</b>

Therefore the school receives 1.2% **less** basic funding but has an **uplift in cost of £34,476** meaning that there will be a further deficit of £21,000