



MANCHESTER  
CITY COUNCIL

# DfE Consultation: Move to 'hard' (direct) NFF

September 2021

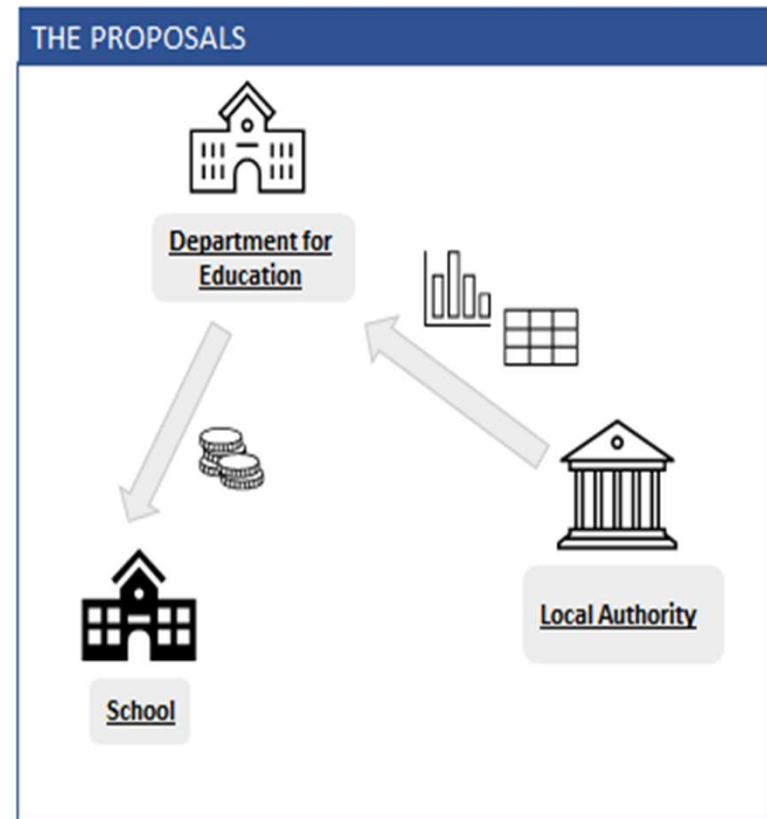
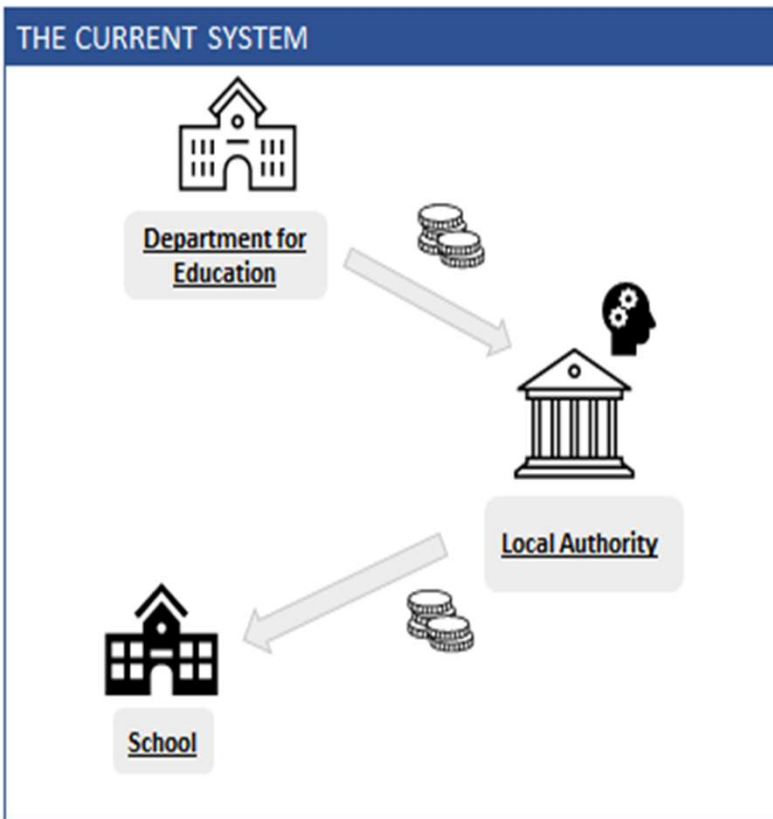
# Glossary

Term	Definition
National Funding Formula (NFF)	A single, national formula to be used by the government to allocate the core funding for all mainstream schools in England.
Local Funding Formula (LFF)	Individual school funding formulas curated by local authorities (LAs), tailored to best meets the needs of their locality.
Minimum Funding Guarantee (MFG)	MFG protects schools from excessive year-on-year changes (arising from changes in pupil characteristics) in per-pupil funding in cash terms.
Capping	LAs have the provision to “cap” gains in school funding arising from changes to formula factors, to ensure affordability. The cap is set at a fixed percentage, which must be equal to or higher than the MFG, and ensures schools do not see greater than a fixed and uniform levels of gains year-on-year.
Age Weighted Pupil Unit (AWPU)	AWPU is the rate of basic minimum entitlement funding received by each mainstream school per pupil on roll, regardless of whether the child is eligible for additional funding via deprivation or special need characteristics.
Individual School Budgets (ISB)	The budget share disseminated to schools annually.

# Consultation

- **Proposal:** schools funding to be delivered nationally using a single national funding formula (NFF)
- **2022/23:** DfE will not impose any changes, continue with current approach
- **2023/24:** “Gradual move” towards NFF begins - LAs to move local funding formula (LFF) at least 10% closer to NFF
- Consultation deadline: 30<sup>th</sup> September 2021

# Proposals:



# Consultation in more detail

- Transition to Direct Formula
- Premises factors
- Growth Fund
- Central Schools Block
- Academic Years vs Financial Year
- Local Decision Making
- SEND funding in Schools Block

# NAO Findings

- National Audit Office (NAO) found although overall funding for schools in England has risen from £36.2 billion in 2014-15 to £43.4 billion in 2020-21, the rising number of pupils means real-terms funding per pupil increased by only 0.4 per cent.
- Balance of cash moving away from more deprived schools
- NFF implemented in 2018/19

# NAO Findings

- Average amount spent on each pupil in the most deprived fifth of schools fall in real terms by 1.2 per cent.
- Risen by 2.9% in the least deprived fifth.
- 58.3% of the most deprived fifth of schools saw their per pupil funding fall in real-terms.

# Modelling

- Several models analysed to understand the financial impact to Manchester of a move to NFF (using 2021/22 data):
  - **Model G:** Current LFF model
  - **Model N1:** Complete and direct move to NFF
  - **Model N2:** 10% transition of LFF to NFF
  - **Model N2A:** Model N2 except FSM values at NFF rates **and** higher cap.

**Note:** 2021/22 datasets have been used for the purpose of this modelling exercise. Updated calculations will be brought to Forum later in the year once October 2021 census data is available.



# Modelling Comparison

- Schools will be funded on the highest of (i) the LFF (no adjustment required); (ii) the LFF with MFG protection; or (iii) the LFF with capping.
- The table below illustrates the number of schools and how they will be funded under each model.

	Model G	Model N1	Model N2	Model N2A
MFG	124	150	131	49
Cap	15	7	10	107
LFF	28	10	26	11

Note: Capping is at 3% in Models G, N1, & N2; and at 2.16% in Model N2A. MFG is set at 2% across all models.

# Modelling Comparison

2021/22 DSG SB Quantum: £456,200,384.00

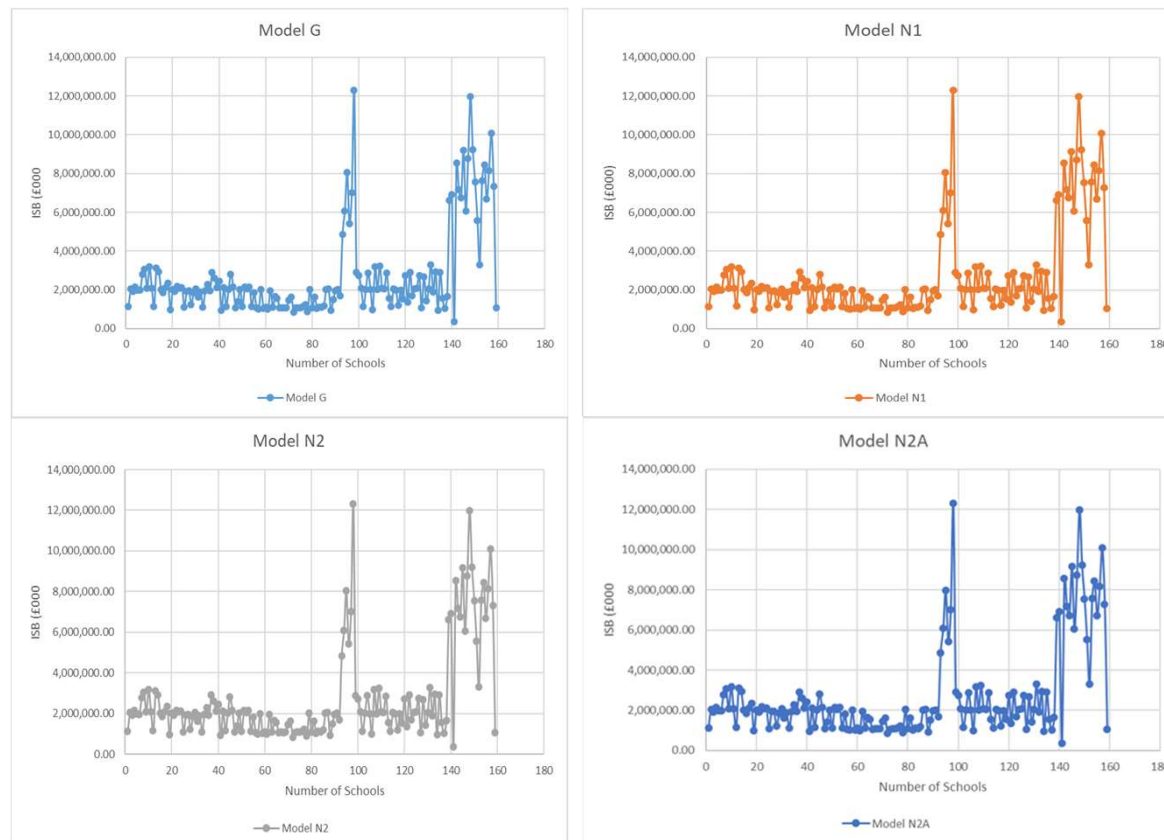
2021/22	Model G LFF	Model N1 NFF values exactly	Model N2 10% move towards NFF	Model N2A Model N2 with FSM @ NFF & Larger Cap
<b>Total Allocated</b>	<b>456,200,384.00</b>	<b>455,652,663.94</b>	<b>456,058,714.28</b>	<b>456,200,412.26</b>
<b>Unallocated</b>	<b>0.00</b>	<b>547,720.06</b>	<b>141,669.72</b>	<b>-28.26</b>
<b>Average ISB Funding Per Pupil</b>	<b>£5,392.23</b>	<b>£5,386.49</b>	<b>£5,390.67</b>	<b>£5,392.84</b>
MFG	8,769,117.81	15,876,720.70	9,386,621.88	3,281,545.36
Capping	-677,487.84	-492,988.33	-610,397.18	-6,505,497.08
AWPU Total	325,644,377.28	300,749,732.03	323,154,912.76	323,154,912.76
Additional Need Total	91,491,294.11	113,581,508.64	93,700,315.57	105,914,743.84
Lump sum	25,730,000.00	19,661,373.66	25,123,137.37	25,123,137.37

<b>AWPU, Additional Need, &amp; Lump Sum*</b>	<b>442,865,671.40</b>	<b>433,992,614.32</b>	<b>441,978,365.69</b>	<b>454,192,793.96</b>
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\*total excludes MFG, capping, premises, growth fund, MFPPL, and exceptional circumstances funding.

# Model illustrations

The below graphs illustrate individual schools' budgets (ISBs) under each model. Via operation of the MFG, during the transition, school funding levels are protected at nearly the same levels across all models.



# Manchester Recommendation

- The commencement of a gradual move to NFF. School budgets will be protected from significant fluctuations year-on-year via operation of MFG.
- Gross funding under LFF and NFF models will be fairly similar in the short-term, but individual factor totals will vary (e.g. more funnelled out under AWPU in MCC's LFF than NFF, and conversely more given under deprivation under NFF).
- **Recommendation:** Based on the data currently available to us, we recommend adoption of Model N2A, i.e. begin transition to NFF values in 2022/23, allowing schools an adjustment period.

# Recommendation: Model N2A

- **Model N2A:** 10% move to NFF + addition of FSM formula factor at the NFF rate. Larger cap to ensure affordability.
- **Rationale:**
  - all funds allocated under AWPU and additional need; no funds unallocated
  - marginally more funding locked into protected budgets; school budgets protected from big swings year-on-year
  - reduced reliance on MFG, beneficial if MFG levels drop.

# Further consultations

- This is Part 1 of the NFF consultation.
- ESFA will be sharing further consultations on the following issues in the near future:
  - part 2 of the NFF consultation, with more detailed proposals, following feedback from part 1
  - a more technical consultation on the central school services block
  - consultation on premises factors, including PFI
  - consultation on high needs funding