SOLIHULL METROPOLITAN BOROUGH COUNCIL

Report to:	Solihull School Forum	
Meeting date:	09 October 2017	
Subject/Report Title:	NATIONAL FUNDING FORMULA - FINANCIAL IMPACT ON SOLIHULL	
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Schools affected:	All Schools	All Primary
	All Secondary	All Special
	All Primary and Secondary	Maintained Schools Only
	Academy Schools Only	PVI Settings
	PRUs	Other (specify)
Type of Report	For information	
Forum Voting	Not a voting matter - for information	
Public/Private report:	Public	

1. Purpose of report

1.1 To inform Forum of the financial impact of the National Funding Formula (NFF) on the funding for Solihull schools.

2. Decision(s) recommended

2.1 There are no specific decisions from this report, but the contents may help Forum Members in their decisions on the report to be considered at this meeting titled "School Funding Briefing 2018-19"

3. Background

- 3.1 On 4 August 2017 the DfE published a document "Schools revenue funding 2018 to 2019 Operational guide". This is to help local authorities and their schools forums to plan the local implementation of the funding system for the 2018 to 2019 financial year.
- 3.2 2018 to 2019 is significant because of the introduction of national funding formulae for schools, high needs and central school services. The full national funding formulae for 2018 to 2019 and 2019 to 2020 was announced on 14 September 2017, together with responses to the national funding formulae consultations. This formula will be used to calculate the blocks within the Dedicated Schools Grant (DSG) that are allocated to local authorities and will sit alongside the early years national funding formula which was introduced in 2017 to 2018. There is a separate paper on

the 4 August operational guide "School Funding Briefing 2018-19" for this meeting.

3.3 On 29 September the government published a series of technical papers setting out the data sources and algorithms underlying the calculations published previously.

4. For consideration

- 4.1 In short the government decisions (the announcements are not consultation) are remarkably similar to the original proposals, given the volume of responses to the original consultation. The government are confident they got it right first time.
- 4.2 The main differences to the original proposals are refinements to the protection mechanisms and a significant (£2.6b) of additional funding over 2 years to ensure that there are no losers amongst schools or local authorities during the implementation phase.

4.3 Schools Block

- 4.4 Appendix C reproduces the DfE published data on the impact on each Solihull school.
- 4.5 There is no doubt this is a much better position for Solihull schools than either the current funding or the original NFF proposals.
- 4.6 Significant changes to the original proposals are the addition of £2.6bn additional cash over the next two years which allows additional protections so that no school, or local authority loses funding as a result of the changes, and every school can have an increase in funding.
- 4.7 **Comparison with December 2016 proposals:** the government have made the following changes to the formula:
 - (a) Age-weighted pupil units are £35 higher for primary pupils, £66 higher for key stage 3 pupils and £74 higher for key stage 4 pupils
 - (b) There will be a minimum per-pupil funding level of £4,800 for secondary schools and £3,500 for primary schools in 2019-20 with transitional levels of £4,600 and £3,300 in 2018-19. These levels are not subject to the gains cap. Note that this is per pupil which is not the same thing as AWPU funding. Per pupil funding is all the pupil related funding, AWPU, FSM, Ever 6, IDACI, LPA
 - (c) All schools will be allocated an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to their baselines. This replaces the minus 3% per pupil floor originally proposed
 - (d) The gains cap has been raised to 3% in 2019-20.
 - (e) IDACI band C has been slightly increased so that it provides a higher funding rate than band D, with increases of £30 per eligible primary pupil and £45 per eligible secondary pupil
 - (f) Updated the area cost adjustment to take account of more recent data
- 4.8 Note that the actual funding a school will receive will be subject to data changes from October census and any local decisions on the allocation of the formula funding. There might also be a complex interplay between the different guarantees and protections.
- 4.9 Unlike the original proposals, no Solihull primary school will lose funding, there looks to be a minimum £2,000/£3,000 cash increase for every primary.
- 4.10 For 2018-19 there is a £1,062,000 cash increase for primary (1.5%) and £3,474,000 for secondary (4.9%) total £4,536,000, 3.2% compared to 2017-18 baseline.

- 4.11 For 2019-20 there is a £2,190,000 cash increase for primary (3.1%) and £6,042,000 for secondary (8.5%), total £8,232,000, 5.8% compared to 2017-18 baseline.
- 4.12 When the proposals are fully implemented: there is a £2,211,000 cash increase for primary (3.1%) and £7,159,000 for secondary (10.0%), total £9,370,000, 6.6% compared to 2017-18 baseline.
- 4.13 An extract from a F40 executive meeting provides a useful commentary on the proposals, and this is shown in Appendix A.
- 4.14 An extract from the DfE Policy document that gives further details on the protections and the reasons for schools being most affected by the proposals is shown in Appendix B.
- 4.15 **High Needs Block:** For Solihull, the High Needs block shows a small increase compared to 2017-18 of £84,000, but within that there are some complex adjustments that need examining. The government state that every LA will receive at least a 0.5% increase per head for 2018-19.
- 4.16 **Central Services Block**: Solihull receives a modest increase of £26,000 for 2018-19.

5. Approach to be taken

- 5.1 The DfE have now published the "technical paper" that explains how to calculate the protections, floors and caps, and how they interact.
- 5.2 With this information it is now possible to build a model of school funding and assess how closely we can get to the published NFF unit rates within the resources to be received by Solihull. An initial examination of the technical papers suggests these are extremely complicated calculations. The final model will also be subject to data changes from the October census which will determine the precise amount of funding Solihull will receive. This could markedly affect the workings of the guarantees.
- 5.3 The intention is to move towards the NFF unit rates as far as possible, using the AWPU as the "balancing figure, and an MFG of -1.5%. The level of growth funding, rates and other factors outside the NFF together with the changes in the census numbers and the protection mechanisms may impact on the extent to which the NFF can be fully implemented.
- 5.4 If modelling demonstrates there are options or choices, then there will be a consultation with schools with the results reported to Forum so that they may make a recommendation to the Cabinet Member.

6. List of appendices referred to

- 6.1 Appendix A F40 extract from minutes views on NFF
- 6.2 Appendix B Extract from "The national funding formula for schools and high needs Policy document" DfE September 2017
- 6.3 Appendix C Financial impact of the application of NFF to individual Solihull schools (DfE figures)
- 7. Background papers and web links used to compile this report
- 7.1 "The national funding formula for schools and high needs Policy document" DfE September 2017.
- 7.2 "Schools Block national funding formula technical note" DfE September 2017

f40 Executive Committee Meeting Saturday, 23 September 2017 Extract from Minutes:

<u>3.9 Government's NFF announcement – 14 September 2017</u>

Essentially, the announcement by The Secretary of State for Education presented arrangements for school funding in England for 2018–19 and 2019–20. Additional annual funding of around £1.3billion by 2019–20 (up by £900m compared with pre-election figures) was confirmed and the amended plans for NFF were revealed. Under these new proposals, LAs funding for schools will be linked to local area characteristics.

In previous announcements the government had suggested that:

- All LA funding formulae would be replaced with one single national funding formula, with the effect of eradicating the differences in funding levels between apparently similar schools.
- From 2019-20 LAs would no longer have a say in allocating school funding but in the mean-time would still play some role.
- In order to avoid large changes in funding over a single year, there would be protection caps on the gains and losses schools could experience., thus slowing down the transition to the new formula.
- About 40% of schools would have still had funding levels that reflected historical factors in 2019-20, including a quarter of schools that were "overfunded" relative to the formula.
- Little was said about what would happen after 2019–20.

The finalised approach is markedly different to what had been suggested in earlier announcements and a number of key factors have changed. The most important change is that the NFF will not be fully implemented until at least 2020–21.

Other changes include:

- There will be a school-level formula, but it will only be used to calculate how much each LA receives.
 They will then be free to allocate it (subject to certain regulations) to the schools in their area according to their own funding formulae for at least 2018-19 and 2019-20.
- The average cash-terms increase in funding between 2017–18 and 2019–20 is now around 3% rather than just under 1%.
- There are new absolute minimum levels of funding per pupil for both primary and secondary schools.
- Protections against losses have been extended. Now no school will experience a cash-terms increase of less than 0.5% per year between 2017–18 and 2019–20 (as opposed to a cash-terms fall of 1.5% per year).
- The maximum any school can gain has increased from 5.6% to 6.1% in cash-terms per pupil.

But the above changes will not, at this point, affect schools directly. They will affect the amount that each LA receives and which, in consultation with their Schools Forum, allocates to each school. Crucially, the minimum funding levels for primary and secondary schools are not obligatory and LAs will be able to reduce individual schools' funding per pupil by up 1.5% per pupil via the MFG if they wish, so allowing LAs to respond to the changing circumstances of schools in its area.

Members of the Executive acknowledged that the launch of the NFF was a move in the right direction, but that it must be seen as just the first step towards really fair funding. They reiterated the sentiments expressed in the news release issued in response to the Secretary of State's announcement, welcoming the extra funding over the next two years, the guarantee of minimum funding that primary and secondary schools can potentially attract, and that the lowest funded LAs will achieve faster uplift in per pupil funding. They also welcomed the fact that LAs will have control over the formulae for a longer period, thus allowing local flexibility.

However, there was general disappointment that the government has not listened to f40's well-constructed arguments concerning the balance of allocation between basic per pupil funding and disadvantage. We argued that a greater amount should be expended on per pupil funding and a lesser amount on deprivation

and other add-ons. F40's figures were based on a rational, real cost calculation, unlike the government's which is based on averages.

Members also expressed the view that unless significantly more additional cash can be applied to school funding a degree of redistribution is required. The fact that no school is to lose under the new proposal suggests that the government "bottled out" on creating a fairer and more equitable allocation arrangement. Members felt that the poorest funded could have had more significant increases if something had been taken away from the most generously funded.

And members also acknowledged that the move towards a national funding formula completely fails to take account of new and increasing cost pressures faced by schools.

Various members indicated the potential impacts of the new formula in their areas. It was recognised that member LAs would not have a full picture of the impact on their LA/schools until the technical details are made available on "Collect", now understood to be released Friday 29 September.

IO said that in the past week he had had several conversations with Tony Foot at the DfE. Tony has suggested that the increase for the lowest funded areas would not have happened without f40's campaigning. He hopes that f40 will continue to lobby for further improvements and he is keen for the relationship that has developed over recent years to continue. Worth noting that when high needs is taken into account, this increase is reduced slightly and is much closer to many other LAs nationally.

IO suggested that f40 had failed to shift the mindset of government ministers who have failed to grasp the fair funding issue and have fudged the response. In addition, many MPs representing poorly funded areas appear unwilling to raise their heads above the parapet or rock the political boat. The predominance of London in the fair funding debate and its impact on the outcome was noted.

All f40 member LAs are likely to agree that the new NFF will not provide fair funding for at least the next two years. We don't know anything, however, about government plans after 2019–20, either in terms of continued transitional protections or the full introduction of a school-level national funding formula. This is a source of major uncertainty. No doubt the government will state that it intends to implement a 'hard' formula but whether or not it actually does, bearing in mind that it would require primary legislation to pass through parliament, remains to be seen. IO suggested that all f40 member LAs must take a long-term view of school funding under the new arrangements and ensure that the government/media/public are fully aware of the continuing inequity and uncertainly.

Extracts from "The national funding formula for schools and high needs – Policy document" DfE September 2017

A 'soft' schools formula

10. It remains our long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' national funding formula). But we recognise that this represents a significant change, and the importance of stability for schools was a consistent theme during both stages of the consultation. So, as confirmed to parliament in July, in 2018-19 and 2019-20 the schools formula will be a so called 'soft' approach.

11. Under a 'soft' system, we use the national funding formula to set notional budgets for each school. These are aggregated to give the total schools block budget for each local authority. You can see the notional budget for each school, and the aggregated schools block funding for each local authority, published alongside this document. For the next two years, local authorities will continue to set a local formula to distribute their schools block funding, in consultation with their local schools and their schools forum. Each local area will therefore be funded on a fair and equitable basis, according to the national funding formula.

12. Local authorities will then distribute their block allocation between maintained schools and academies and, although it will be a local decision, we are adjusting the rules governing the setting of local formulae so that the national formula can be more closely mirrored. Changes to those arrangements are set out in the schools revenue funding operational guide. Further details on how funding allocations will operate in 2018-19 and 2019-20, and next steps beyond that, can be found in chapter 6.

Transition to the formula in 2018-19 and 2019-20 Delivering gains

75. The national funding formula, the unit values and resulting weightings we have set out in this chapter will apply in 2018-19 and 2019-20.

76. As set out in the second stage consultation, there will be a maximum level of gain for most schools through the formula each year. The gains cap will be 3% per pupil in 2018-19 and a further 3% per pupil in 2019-20. For 2019-20, this is an increase over the 2.5% set out in our December 2016 proposals. Spending plans beyond 2019-20 will be set in a future Spending Review.

77. There are a small number of schools for which the baseline used for calculating the gains cap (as explained above) is very low. These are typically very small schools that are receiving low lump sums through their local formula. These schools would be disadvantaged through the 3% gains cap methodology we are applying. These schools' pupil-led baselines are so low that a 3% gains cap would result in very small cash increases⁷. We have reflected on this, particularly for small schools. We will therefore limit gains to the greater of 3% of a school's baseline or 20% of their remaining formula cash gains. This variation to the gains cap methodology will provide for more reasonable year-on-year increases for 3.6% of schools in 2018-19. More information about how the gains cap methodology is applied is set out in the technical notes published alongside this policy document.

⁷ For example, a small-baseline school with a small pupil count could be limited to total gains above their baseline of less than £500 per year under the 3% gains cap alone.

The minimum per-pupil level

78. While we are confident that this approach to gains is right for schools, we received many representations through the consultation that faster increases are required in respect of the lowest funded schools. We are committed to ensuring that the lowest funded schools attract the minimum per pupil funding levels we have set in the formula (£4,800 for secondary schools and

£3,500 for primary schools) in 2019-20. As a transition to those amounts, secondary schools will attract a transitional minimum of £4,600 in 2018-19, and primary schools a transitional minimum of £3,300.

79. The minimum per-pupil levels and transitional amounts will therefore not be subject to the gains cap methodology we have outlined above. This is so that the lowest funded schools will attract a rapid boost in funding. These schools could therefore be allocated more than 3% per pupil in a year through the formula, in order to ensure that they attract the minimum per pupil level in 2019-20 (or the transitional amount in 2018-19). More detail on how we calculate the minimum per pupil level for each school is set out in the technical note to be published alongside this document.

80. Schools can see an illustration of how much they would attract to their local authority through the formula in 2018-19 with the gains cap, 0.5% floor and transitional funding applied, in the tables that we are publishing alongside this policy document.

The funding floor

81. The formula will provide for an increase of at least 0.5% per pupil in 2018-19 and at least 1% per pupil by 2019-20 in respect of all schools compared to their baselines. As we explained earlier in this chapter the baseline used will for most schools be their 2017-18 per-pupil funding, and for new and growing schools it will be their per-pupil funding if they were full.

Comparison with December 2016 proposals

84. As set out above, compared to our proposals in December 2016 and in the light of consultation responses, we have made the following changes to the formula:

- (a) Age-weighted pupil units are £35 higher for primary pupils, £66 higher for key stage 3 pupils and £74 higher for key stage 4 pupils;
- (b) There will be a minimum per-pupil funding level of £4,800 for secondary schools and £3,500 for primary schools in 2019-20 with transitional levels of £4,600 and £3,300 in 2018-19. These levels are not subject to the gains cap;
- (c) All schools will be allocated an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to their baselines. This replaces the minus 3% per pupil floor originally proposed;
- (d) IDACI band C has been slightly increased so that it provides a higher funding rate than band D, with increases of £30 per eligible primary pupil and £45 per eligible secondary pupil;
- (e) We have updated the area cost adjustment to take account of more recent data; and
- (f) The gains cap has been raised to 3% in 2019-20.

85. We have also updated all school and local authority level illustrations to take account of 2017-18 pupil numbers and characteristics (the illustrations published in December 2016 were based on 2016-17 data). Consequently, the impact of the final formula on schools and local areas is inevitably different from our original illustrative proposals.

86. All schools will attract higher levels of funding under the national funding formula with 8,405 or 42.3% of all schools set to gain over 3% and 4,240 or 21.4% over 6%.

87. Under the formula originally proposed, 9,128 or 46% of all schools would have seen reductions in funding (limited to 3% per pupil through the funding floor), with 7,603 schools seeing reductions between 1% and 3% per pupil.

88. 41.3% of schools will attract protection through the more generous floor in the formula. 2,068 or 10.4% of schools will attract the minimum per-pupil levels⁸. Schools that benefit from

the floor in their NFF allocations are those that would otherwise have seen losses, or gains below 1% per pupil. Schools that attract the minimum per-pupil level are the lowest funded.

89. There is no change in the overall national distribution of funding between primary and secondary schools, because we have kept the same national average primary to secondary ratio (1:1.29) in the final formula. In individual local areas, as set out above, the national funding formula will not necessarily deliver a 1:1.29 ratio; the precise ratio that the national funding formula provides locally will depend on particular local circumstances. If a local authority's primary to secondary ratio is significantly different to the ratio in the national funding formula, one phase is likely to gain more than the other.

Impact on funding attracted by individual pupils

90. The introduction of a national funding formula will result in pupils attracting funding on a comparable basis wherever they are in the country. The formula is designed to ensure that the level of funding that schools attract will reflect the degree to which their pupils are likely to need extra help to overcome barriers to their success. Evidence shows that particular characteristics are strong predictors of later outcomes and schools with high proportions of children with additional needs face the greatest challenges in enabling every pupil to leave the school system equipped with the knowledge they need to succeed in adult life. However, we have recognised the concerns raised through the consultation process about the overall sufficiency of funding for all schools. That is why we have increased the basic per pupil funding that all pupils will attract through the national funding formula, compared to our consultation proposals, through increasing the values of the AWPUs; and why we have introduced an additional factor in the formula, which will provide a minimum per pupil funding level.

91. Figure 3 shows the amounts that different types of pupil will attract through the national funding formula. Note that pupils who qualify for more than one factor attract the relevant sum for each individual factor to their school's notional allocation: thus a primary pupil eligible for FSM and with EAL attracts a total of £4,242: the basic per pupil amount (£2,747) the FSM 6 amount and current FSM top up (£980) and the EAL amount (£515).

Schools that are likely to see the greatest gains under the formula

92. Schools that attract the greatest percentage gains in funding are spread around the country, reflecting that in all areas there are schools that are particularly disadvantaged by the historical succession of funding decisions. However, certain types of schools are more likely to attract more funding as a result of the proposed formula. These include:

• The lowest funded schools. The increase in basic per-pupil funding will ensure that schools that have historically received the lowest funding will attract significant gains. Schools that currently have the lowest levels of funding overall will gain on average 6.0%. Secondary schools which would have been lowest funded under our December proposals will gain on average 4.7%.

• Schools with a high number of pupils with low prior attainment. The formula allocates more funding through this factor than local authorities collectively do now, so schools with high levels of low prior attainment are more likely to attract relatively greater gains. Schools with the highest levels of low prior attainment will gain on average 3.8% in total. The schools with the highest levels of pupils with low prior attainment, but not in areas of high deprivation, gain on average 4.4%.

• Schools with pupils who live in areas with above average levels of deprivation but who have not been heavily targeted through historic funding decisions. The inclusion of a wide definition of deprivation through the IDACI area-level deprivation data allows us to target funding more widely, to those who are more likely to have additional needs. Combined with the increased emphasis on low prior attainment, this means the formula has a broader definition of additional need than the average of current local authority formulae. Outside London, these schools gain 3.2% through the formula on average.

• **Rural schools**. Schools in districts identified as rural by the Department for Environment, Food and Rural Affairs will gain on average 3.9% under the formula through our combined proposals on the lump sum and sparsity. Of these, schools meeting the criteria for the sparsity factor will gain on average 5.0%, which ensures that the higher costs of these schools are recognised.

Schools that are likely to see lower gains under the formula

93. While all schools will attract more funding, some schools will attract relatively lower percentage gains than others. These schools are likely to be those in Inner London and some other urban areas that have particularly benefited from historic funding decisions and where the fall in the underlying levels of deprivation over recent years has not previously been reflected by the funding system.

94. However, these schools will still attract the highest funding levels of all schools, and will continue to receive the greatest share of pupil premium funding of any region relative to their size. Inner London schools will attract £6,126 per-pupil funding on average, in contrast to the national average of £4,662. Manchester, Knowsley, Nottingham, Liverpool and Birmingham will be the highest funded local authority areas outside of London.

95. Another factor explaining relatively lower percentage gains for London is the calculation of area costs. Historically this used a general labour market (GLM) approach, assuming that the additional costs of recruiting teachers across the capital would parallel the additional costs of recruiting general workers. However, we know the differentials on teachers' pay between London and the rest of the country are smaller than general labour market differentials and thus the historical GLM ACA gave higher levels of funding to London than could be justified by the actual costs faced by schools. Moving to the hybrid approach better reflects actual costs, slightly reducing the level of additional funding provided to London.

Allocating school block funding in 2018-19

149. Alongside this document, we are confirming per-pupil units of funding for each local authority based on the national funding formula₉. These will allow local authorities to complete the design of their schools formulae and agree this locally over the coming months. As in previous years, these per-pupil units of funding will be multiplied by the latest pupil numbers from the October 2017 census. Total cash schools block allocations will then be confirmed in December 2017 as usual.

150. The major difference this year is that we are giving local authorities separate primary and secondary per-pupil units of funding and a separate central school services block. Splitting the calculation by phase in this way allows us to more accurately reflect changes in the distribution of primary and secondary pupils locally, which is particularly important as the demographic growth in pupil numbers reaches the more costly secondary phase. The actual per-pupil primary units of funding (PUF) and actual per-pupil secondary unit of funding (SUF) for each local authority can be found in the impact of the schools NFF table, to be published alongside this document.

151. In calculating these per-pupil units of funding we have:

a. Used the schools national funding formula to calculate a notional allocation for every school for 2018-19. This is the amount of money the formula would allocate to that school including: gains of up to 3% for those schools attracting increases in their funding; the minimum gain of 0.5% for all schools through the funding floor; and the minimum per pupil funding levels. Note that these notional allocations are calculated using pupil number and characteristics data from the October 2016 census;

b. Aggregated the notional allocations for all primary schools in each local authority to give a provisional primary total for that authority, and the same for all secondary schools to give a provisional secondary total;

c. Excluded the 'implicit' growth in these totals, as growth is being funded separately. This essentially captures growth funding that local authorities have allocated through adjusting the

pupil count for some schools in their Authority Proforma Tool (APT) return. Further detail on how we have calculated "implicit" growth for each school and authority can be found in the technical notes, which will be published shortly; and

d. Divided the provisional primary total for each local authority by the primary pupil count for that authority from the October 2016 census to give the actual PUF. And divided the provisional secondary total by the secondary pupil count to give the actual SUF.

152. We have then separately calculated an actual cash amount for each local authority in respect of those formula factors that are being allocated on a historic basis in 2018-19: premises, mobility and growth. This cash amount is what the authority told the Department they were spending on these factors in 2017-18, plus an uplift for inflation on PFI. More detail on how these factors are being calculated for 2018-19 can be found in chapter 3.

153. The provisional primary and secondary totals have been combined with this fixed cash amount for the historical factors to give the provisional 2018-19 schools block allocation for each local authority. These can be found in the NFF summary table, to be published with this document. Further detail on all these calculations can be found in the technical note, which will be published shortly.

154. As set out above, in the autumn we will use data from the October 2017 census to calculate an actual schools block allocation for each local authority. We will multiply each authority's PUF by its new primary pupil count to give an actual primary total. We will multiply each authority's SUF by its new secondary pupil count to give an actual secondary total. These totals will be combined together with the fixed cash amount (which will be unchanged) to give an actual schools block allocation for each authority, which we will publish in December.

155. Once we have published actual schools block allocations in December, local authorities will then confirm final 2018-19 allocations to maintained schools in line with the usual timetable, and the ESFA will determine academy allocations for 2018/19 based on the relevant local formula. Local authorities are responsible for complying with the ESFA's Authority Proforma Tool process. This process, together with the requirements for local formulae, are detailed in the operational guide which was published in August and can be found here.

156. The distribution of funding to individual schools in 2018-19 will therefore be determined locally, and will not necessarily reflect the notional allocations published alongside this document. In particular, as set out above, the published notional school allocations are calculated on the basis of pupil characteristics data and pupil numbers from the October 2016 school census. When local authorities determine final school budgets, they will do so on the basis of more current characteristics data and pupil numbers from the October 2017 census. This means that if a local authority decides to move their local formula values in line with the national funding formula, schools whose characteristics have changed between October 2016 and October 2017 would not see the same budget resulting. For instance, if a school sees a drop in the proportion of pupils with additional needs, their funding per pupil would decrease appropriately to reflect this.

157. Local authorities will continue to set a minimum funding guarantee (MFG) in their local formulae to protect schools from excessive year on year changes. Greater flexibility is being introduced in 2018-19 to allow authorities to set the MFG between 0% and minus 1.5% per pupil following local consultation – rather than it being set nationally at minus 1.5% per pupil, as in previous years. This protects schools from excessive turbulence, but ensures local authorities have the flexibility to move towards the national funding formula. Further detail is set out in the school revenue operational guide.