

## National Funding Formula Fact Sheet

### Why are we introducing a national funding formula (NFF)?

- The NFF is the new system for distributing core schools funding. It replaces the current unfair and opaque system, under which the amount that each local authority receives for its schools is based on data that is over a decade out of date.
- The NFF will mean that, for the first time, school funding will be distributed based on the individual needs and characteristics of every school in the country. This will direct resources where they are needed most, and provide transparency and predictability for schools.
- Other funding that schools receive – for example the Pupil Premium, the PE and Sports Premium, etc. – is outside the NFF and unaffected by these reforms.

### How much funding is there for schools?

- The Secretary of State announced in July that we are investing an additional £1.3bn across 2018-19 and 2019-20, over and above existing spending plans.
- As a result of this extra funding, core funding for schools and high needs will rise from almost £41bn in 2017-18 to £42.4bn in 2018-19, and £43.5bn in 2019-20. This means that overall across the country funding will be maintained, in real terms per pupil, over the next two years.
- Analysis by the Institute for Fiscal Studies (IFS) has also shown that per pupil spending in schools in 2020 is set to be at least 70 per cent higher in real terms than it was in 1990.

### Where is the additional £1.3bn of funding coming from?

- The £1.3bn additional investment in core schools funding will be funded in full from efficiencies and savings from within the Department's £70bn budget, including:
  - £280 million in savings from our free schools programme by working more efficiently and collaboratively with local authorities to provide free schools;
  - £420 million of efficiencies and savings from our main capital budget, the majority coming from the healthy pupils capital programme, reflecting reductions in revenue from the soft drinks industry levy; and
  - other savings from efficiencies across the rest of the Department's budget.

### What is in the formula?

- About 90% of funding is based on the pupils in the school ('pupil-led funding'). This provides:
  - A basic amount for each pupil, which increases as they progress through the key stages;
  - Funding for those with additional needs who are more likely to be behind their peers (those who are deprived or live in deprived areas, those who have low prior attainment, those who speak English as an additional language, and those who start school during the academic year). The total for pupils with additional needs has been maintained at the level currently spent by local authorities; and
  - A minimum per pupil funding level. Schools with low pupil-led funding will have their funding topped up to reach the minimum per pupil funding levels, which are £4,600 in 2018-19 and £4,800 in 2019-20 for secondary schools, and £3,300 in 2018-19 and £3,500 in 2019-20 for primary schools.
- About 10% of the funding is based on the characteristics of the school itself, ('school-led funding') including a £110,000 lump sum for every school and extra funding for small schools in sparse rural locations, and those experiencing high levels of pupil growth.

- The formula also includes a funding floor that means *every* school will be allocated *at least* a 1% increase by 2019-20, with at least 0.5% in 2018-19, compared to baselines.

#### **What are the main changes to the formula consulted on in December?**

- The additional £1.3bn investment allows us to increase the funding that all pupils attract through the formula, compared to what we originally proposed. We are doing this in three ways:
  - The basic amounts for pupils at each key stage have all increased;
  - We are setting a minimum per pupil funding level for primary and secondary schools (as above); and
  - In 2018-19 the formula will provide, as a minimum, a 0.5% per pupil increase for every school, and in 2019-20, an increase of 1%, compared to baselines. That replaces the previous suggestion of a floor of minus 3% per pupil: now, every school will attract a cash increase.
- Gains will also be provided more quickly than we originally proposed, as we will provide up to 3% per pupil gains in 2019-20 (we originally proposed 2.5%) and the minimum per pupil funding will not be subject to any gains cap.

#### **What are the cost pressures on schools and what is the government doing to help them manage these?**

- The independent IFS has confirmed that overall funding per pupil across the country will now be maintained in real terms over the next two years. They said in [this report](#) that “the average cash-terms increase in funding [per] pupil between 2017-18 and 2019-20 is.... equivalent to a real-terms freeze”. They are clear that any “reductions” in per pupil funding caused by costs such as higher National Insurance relate to 2015 to 2017. Schools have already absorbed these cost pressures while standards have continued to rise.
- We understand that schools have faced cost pressures to date, and in addition to a [significant package of advice and support](#) available to schools, we will be providing targeted efficiency advice and support to schools that are in financial difficulty this year.
- We know from our high level analysis that if the 25% of schools spending the highest amounts on non-staff expenditure were instead spending at the level of the rest, this could save over £1bn.
- It is also important to recognise that some of these ‘pressures’ present real opportunities for schools. The apprenticeship levy, which some schools pay into, provides opportunities for people of all backgrounds and ages to enter the workplace. We are supporting schools to take maximum advantage of the levy, including working with the relevant employer groups to introduce postgraduate teaching apprenticeships, which we expect will be available from September 2018; and apprenticeships for school business directors, school business professionals, and teaching assistants, all of which we expect to be in place by early 2018.

#### **What about children with special educational needs (SEN) and disabilities?**

- We are particularly focused on supporting children who face the greatest barriers to their education, and that is why we are also reforming the funding for children and young people with special educational needs and disabilities (known as ‘high needs’ funding).
- High needs is funded at a local authority level. Our high needs NFF will mean that, for the first time, this funding will be distributed fairly and consistently across the country.
- The additional investment we are putting in means that every local authority will see a minimum increase in high needs funding of 0.5% in 2018-19, and 1% in 2019-20.

Underfunded local authorities will receive up to 3% per head gains a year for the next two years. Overall, local authorities will gain 4.6% on average on their high needs budgets.

### **How will the formula work in practice?**

- To provide stability for schools through the transition to the national funding formula, local authorities will continue to set local formulae in 2018-19 and 2019-20, in consultation with local schools. This determines final individual schools' budgets in each area, and will allow authorities to reflect specific local considerations as the formula is implemented.
- Schools will receive their final funding allocations for 2018-19 ahead of the new financial year, as normal.

### **What data have you published?**

- You can find all the data we have published [here](#).
- We have published notional school-level and actual local authority-level allocations showing what each school and local authority attract through the formula in 2018-19. It means that for the first time, everyone can see what the NFF will mean for them and understand why.
- The school-level allocations we have published are notional allocations. We add up all the notional school-level allocations in each local authority to set the total funding available for schools in each area.
- We have also published illustrations showing what schools and local authorities would receive in 2019-20 and if the NFF were implemented in full. These are illustrative as they are based on pupil numbers and characteristics data from 2017-18. We will base funding in future years on the most up to date data about pupil numbers and characteristics, so actual allocations will be different from these illustrative figures.

## Factual rebuttals to campaigns

### Schoolcuts (a joint union campaign. The campaign has written to every MP to highlight its claims)

#### Headline points

- The schoolcuts website claims that 88% of schools will have their funding cut. This is fundamentally misleading. The formula provides cash gains in respect of every school.
- The website claims that schools are facing more real terms cuts. In fact the IFS is clear that with our new investment of £1.3bn the schools budget will now be maintained in real terms per pupil from this year to 2019-20.
- The website suggests that schools will lose more than 30,000 teachers between 2015 and 2020. In fact we expect the number of teachers to increase over this period.

#### Background

- The schoolcuts website claims that 88% of schools will have their per pupil funding cut. This is fundamentally misleading. Thanks to our £1.3bn additional investment, the new national funding formula provides for cash gains in respect of every school – at least 1% per pupil by 2019-20 for every school, and up to 6% per pupil for those schools that are currently under funded.
- You can see accurate figures illustrating the impact of the new national funding formula and our additional funding here: <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs>
- There are three major ways in which the website is misleading:
  1. **It claims that schools' costs are rising faster than their income.** This is extremely misleading. It is based on a flawed calculation that starts from the position of school budgets in 2015-16, and then calculates the cost pressures on school budgets over 4 years. But the website is not clear that this is what it is doing, and it does not reflect that most of these pressures have already been absorbed by schools, at the same time as standards continue to rise. Schoolcuts have quoted the independent IFS saying that schools will face real terms cuts of 4.6% between 2015 and 2019; in fact the IFS is clear that this figure relates to previous years, and it has confirmed that our additional investment means that the core schools budget will now be maintained in real terms per pupil from this year through to 2019-20.
  2. **It fails to take account of the fact that pupil numbers will rise over the coming years.** Because the vast majority of schools' funding is on a per pupil basis, more pupils will bring more money in to schools. This will mean further increases in funding in many areas.
  3. **It suggests that the only way schools can make an efficiency saving is to reduce the number of teachers.** This is untrue. Benchmarking and other analysis shows there is scope for schools to make over £1bn of savings on non-staff costs, such as energy and procurement. In fact, teacher numbers are rising, and are expected to continue to rise.
- To translate this into concrete numbers: the schoolcuts website suggests that schools will lose 30,467 teachers between 2015 and 2020. In fact, we have more teachers in our schools than ever before. There were 457,300 teachers in state-funded schools in England in 2016,

15,500 more than in 2010; and 400 more teachers than in 2015. And teacher numbers are forecast to rise by another 7,700 by 2019-20.<sup>1</sup>

- The schoolcuts campaign has also claimed that a significant proportion of schools are in deficit because of funding pressures, and cited figures in a recent parliamentary question to support this. But schools drawing down on reserves is not an issue in and of itself, unless it is symptomatic of a trend towards a cumulative deficit. Of course, schools may draw on their reserves in a particular year – for example to spend on capital projects. We trust schools to manage their own budgets and only a small percentage are operating with a cumulative deficit, with far more schools having a surplus. In 2015-16, England's schools had an overall cumulative surplus of almost £4.5bn, against a cumulative deficit of £0.2bn.

### **Worth Less? (a campaign led by head teachers across 17 counties in southern England. They have written directly to parents highlighting the campaign's claims)**

#### **Headline points**

- The Worth Less? campaign says that schools will continue to have different funding levels under the NFF. Of course it is right schools with lots of pupils with additional needs get extra funding to help those pupils.
- Worth Less? says our new investment is not enough. But the IFS is clear that with our new investment of £1.3bn the schools budget will now be maintained in real terms per pupil from this year to 2019-20.
- The campaign says that schools are not gaining fast enough. But there is no gains cap on the minimum levels of per pupil funding. This means some of the lowest funded schools will attract gains of over 10% by 2019-20.

#### **Background**

- **Claim:** The additional £1.3bn the government has invested is not enough to make up for the £3bn pressure on schools between 2015 and 2020.
  - We are investing an additional £1.3bn in schools funding, over and above existing plans, so that spending on schools will rise from just under £41bn now to £43.5bn in 2019-20. As the independent IFS has said, overall funding per pupil across the country will now be maintained in real terms up to 2020.
  - The IFS has also pointed out that, if the starting point was 1990, the growth in per pupil funding by 2020 would be over 70% in real terms.
- **Claim:** Schools will continue to have entirely different levels of funding.
  - The purpose of the NFF is not to give every school across the country exactly the same amount of funding per pupil. Funding differs because:
    - i. it is right that schools with lots of pupils with additional needs (deprivation, low prior attainment, English as an additional language, etc.) should get extra funding to help those pupils who are most likely to fall behind, and stay behind, their peers – and some areas have more of these pupils than others; and

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<sup>1</sup> All numbers are Full Time Equivalent (FTE). Current teacher numbers can be found at <https://www.gov.uk/government/statistics/school-workforce-in-england-november-2016>. Future qualified teacher numbers in primary and secondary schools are estimated using the Teacher Supply Model, which can be found at <https://www.gov.uk/government/statistics/teacher-supply-model-2017-to-2018>

- ii. Schools in some more expensive areas like London have higher per pupil funding than schools in other parts of the country to reflect the higher costs they face.
  - The NFF takes account of those circumstances, as well as the need to provide all schools with stability in their budgets (which the consultation strongly emphasised). So each school's allocation is calculated by reference to the circumstances of its pupils, with a funding floor to ensure no school loses as a result of the introduction of the NFF.
  - We are also recognising the challenges of the very lowest funded schools, by introducing a minimum per pupil funding level. Under the national funding formula, in 2019-20 all secondary schools will attract at least £4,800 per pupil, and all primary schools will attract at least £3,500 per pupil.
- **Claim:** The formula includes arbitrary caps that mean that schools in some areas will not see the gains they are due.
  - Our formula will provide gains of up to 3% per pupil in 2018-19, and a further 3% in 2019-20 (not 2.5% as set out in the Worth Less? letter), for underfunded schools. Those increases are well above cost pressures, and are more generous than we proposed in December.
  - In addition, we are not applying any cap in relation to the minimum levels of per pupil funding. That means the very lowest funded schools can see particularly rapid gains, and will attract their full allocations by 2019-20. Some of the lowest funded schools will attract gains of over 10% by 2019-20.
  - Indeed, it is worth noting that Tanbridge House school – which is at the centre of the campaign – stands to gain 10.9% in just two years under the NFF.
- **Claim:** Better off schools gain funding protection, which means their relative position is unaltered.
  - The importance of ensuring stability for all schools was a consistent message through the NFF consultation. In recognition of that, we are ensuring that all schools, and all areas, will attract some additional funding over the next two years, while providing for up to 6% gains, per pupil, for underfunded schools by 2019-20 – and more for the lowest funded through the minimum per pupil level.