Growth in the national funding formula

Local authority workshop

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Agenda

- Welcome and introductions
- The national funding formula
- Background to the growth factor
- Developing the growth factor
- Falling rolls and infant class sizes
- Challenges for the growth factor
- Final reflections

Background

- As part of our continuing work on the national funding formula, we are looking at how we distribute funding for significant in-year pupil growth.
- In 2018-19 this growth factor will be distributed on the basis of what each local authority planned to spend on growth from its 2017-18 DSG.
- We are considering better solutions for funding growth in 2019-20 (when there will still be a soft formula, and therefore flexibility for local authorities).
- We would really welcome your insights as we continue to develop the growth factor.

Aims for the growth factor

We are aiming to develop a growth factor that:

- Provides resources for local authorities to meet their sufficiency duty when there is significant growth in pupil numbers.
- Is transparent, consistent and simple.
- Is cost efficient
- Is consistent with wider principles of the national funding formula.

Aims of today

- To share with you where we have got to so far in developing the growth factor.
- To understand local challenges on growth.
- To discuss how we can develop a growth factor for 2019-20 that best meets the needs of local authorities and schools, in the context of a soft formula.
- To understand local issues around falling rolls and infant class sizes.

Initial options

We initially considered a range of different options for a growth factor:

- Historic spend
- A growth factor based on lagged growth data
- Using Office for National Statistics forecasts
- Using SCAP forecasts (used for basic need allocations)
- A flat per-pupil rate for all pupils
- A centrally held fund to fund classes as they are put on

Initial options

- Modelling of the different funding options showed using **lagged growth data** to be the best match to actual growth experienced. We are looking to develop this as our lead option for 2019-20.

- We continue to believe there may be merit in using the SCAP forecasts collected by the department for basic need capital allocations as part of revenue growth funding in the longer term. We will continue to explore this as a long term option.

- Discussions are in the context of the soft formula in 2019-20- so local authorities will still have flexibility to retain additional funding.

A growth factor based on lagged growth data

- This would be allocated based on the growth experienced in a local authority in the previous year.

- It would give the advantage of early certainty over allocations, and growth funding could be managed over a several year period.

- It has the disadvantage that increases in the rate of growth would not immediately be reflected in allocations. This is why the flexibility of a soft formula would remain important.

Do you have any questions or initial reflections on this approach?

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Developing a growth factor

Key Questions

1. How should we measure growth?
   a) At what level should we measure growth?
   b) Should we set a threshold, and how should this work?

2. What other factors should be taken into account in the growth factor?

Approach: We compared local authority spend on growth in 2017-18 (calculated through the national funding formula baselining exercise) with different measures of growth.

Measuring growth

- This are a number of different ways we could measure growth in a local authority. Each one will capture growth in a slightly different way.

- We want to find the option that is the best match to growth that drives increased spend for local authorities.

LA level

The net growth in the LA, including all positives and negatives.

Area level (e.g. super output area)

The net growth in smaller geographical areas.

School level

Only positive growth at school level counted, negative changes ignored. A **threshold** could be applied.

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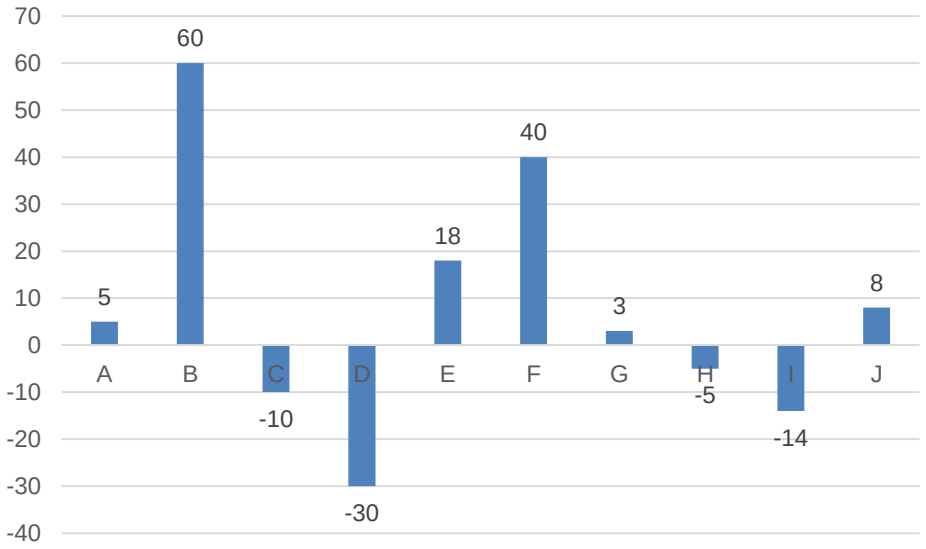
Measuring growth

This is a example of a hypothetical LA with 10 schools. The table below gives an example of the ways we could measure growth:

Method of measuring growth	Measured growth
LA-level: Sum all positives and negatives	75
School-level, no threshold: Sum only positives growth schools	134
School-level, threshold of 20: Sum only positives above a threshold, e.g. a threshold of 20	100



NB: This example is illustrative only and does not represent real schools

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Measuring growth

LA level

The net growth in the LA, including all positives and negatives.

- ✓ Simple
- ✓ The net effect means we would not be allocating funding for popular growth.
- × Does not get at 'pockets' of localised basic need issues- local basic need could be masked by the overall local authority picture.
- × Less good match with spend.

Area level (e.g. super output area)

The net growth in smaller geographical areas could be used.

- ✓ Would detect sub-LA level changes.
- ✓ The net effect reduces the counting of popular growth.
- × There may not be 'area-level' data which is consistent across all local authorities.

School level

Only positive growth at school level counted, negative ignored. A threshold could be applied.

- ✓ Gets at 'pockets' of growth at school level, and a threshold would mean we would only count significant growth.
- ✓ Better match with spend.
- × Would allocate funding for popular growth.
- × More complicated

NB We are still considering the delivery implications of each method in the context of the timings of the school census.

Have we captured all the advantage and disadvantages?

What are your reflections on the most effective method?

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Other elements to a growth factor

Applying the ACA

- Applying the ACA gives a slightly better match with local authority spend.
- This would also be consistent with other elements of the formula.

Would you support applying the ACA to growth?

Primary vs secondary growth

- Secondary growth is commonly reported to be more expensive than primary growth.
- We could set the difference between rates at the same ratio as the difference in the AWPU values.

Do you agree that there should be a higher rate set for secondary growth?

Would you support using the ratio between the primary and secondary AWPUs as the basis for this?

Falling rolls and infant class sizes

- There are 2 other funding types which form part of growth funding for 2018-19: falling rolls funding and funding to support infant class size legislation.
- We do not think we will be able to incorporate these into a formula for 2019-20.
- We want to discuss how we can keep working on these, and are keen to understand how they are used in practice.

How is falling rolls/infant class size funding used in your local authority (if at all)?

What are the issues around falling rolls/infant class sizes? Do they interact with growth?

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Challenges for the growth factor

We know that there are some specific challenges with a lagged growth factor.

- Increases in growth from the previous year would not be captured in the year they happen.
- Exceptional growth in a specific year due to a one-off local change.

We also know that however we measure growth there is currently a large variation in per pupil spend on growth between local authorities.

- There may be areas, or specific years, where growth is unavoidably more expensive than others.

We could compensate for these challenges via a number of possible mechanisms.

Under what circumstances would a lagged growth factor cause problems?

Are there any other challenges we have missed?

What would be the best way of compensating for this?

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