

# 2017-18 School Funding Formula

Consultation



# **Funding Formula Consultation 2017-18**

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## **1 Introduction & Background**

- 1.1. In March 2016 the Department for Education (DfE) consulted on the proposed changes to the 2017-18 funding formula, this was intended to be the first stage in a two stage consultation process, setting out the proposed move to a National Funding Formula for mainstream schools along with a change in the method of funding for local authorities for both the Schools Block and the High Needs Block.
- 1.2. However following the recent ministerial changes the new Secretary of State announced on 21 July, that stage two of the consultation would be postponed until 2017 and therefore the introduction of the proposed National Funding Formula for 2017-18 would also be postponed.
- 1.3. Whilst the introduction of the National Funding Formula has been delayed the DfE have introduced a number of changes to the way the authority is funded in addition to changes in the determination of the pupil data sets used to calculate the funding for two of the current formula factors.
- 1.4. Each year the Council is required to consult on any proposed changes to the Early Years and School Funding Formula. The purpose of this consultation document is therefore to set out the changes Portsmouth City Council intends to make to the Funding Formula in implementing the revenue funding arrangements for 2017-18; and to seek your views on these proposals
- 1.5. As in previous years, Schools Forum agreed to the creation of funding working groups (see Appendix 1) to help inform the proposed changes to the funding arrangements for 2017-18. This year a mainstream group was established, however due to the timing of the publication of the 2017-18 guidance and the limited number of changes to the formula it was decided not to convene the working group but to seek their views via email; to help inform and guide the proposals contained within this document.

## **2. Early Years Funding Formula**

- 2.1. On Thursday 11 August the Department for Education published a consultation on "An early years National Funding Formula and changes to the way the three and four year old entitlements to childcare are funded". This national consultation is due to close on 22 September 2016.

- 2.2. Due to the range of proposed changes a separate early years consultation will be circulated to all schools and early years providers. However you can find both the national and local consultation information on the intranet, via the following links

<https://www.portsmouth.gov.uk/intranet/documents-internal/fin-sch-early-years-national-funding-consultation-.pdf>

- 2.3. Or for those who do not have access to the intranet the national consultation is available from the following web link.

[Early years funding: changes to funding for 3 and 4 year olds - Department for Education - Citizen Space](#)

### **3. Mainstream Schools Funding Formula**

#### **Introduction**

- 3.1. The DfE have confirmed that there will be no significant changes to the school revenue funding formula for Primary and Secondary schools in 2017-18. However the guidance sets out changes that have been made to the data sets for:
- Income Deprivation affecting Children Index (IDACI)
  - Prior attainment.
- 3.2. Further details on the adjustments and the proposed changes to funding are set out in the paragraphs below.
- 3.3. Stage one of the consultation earlier this year contained a proposal to cease de-delegation to all schools. Whilst this is not included in the 2017-18 operational guidance issued by the EFA in July 2016, it is proposed to move some of these de-delegated services to a completely traded service for 2017-18. Paragraphs 3.38 to 3.41 set out further details.

#### **Income Deprivation Affecting Children Index (IDACI)**

- 3.4. The IDACI data set is updated every five years, the last update in 2015 created considerable turbulence with the 2016-17 funding formula. The EFA recognised the turbulence created by the change in data set at a late stage in budget setting process and have for 2017-18 decided to update the IDACI banding methodology to return the IDACI bands to roughly a similar size (based on the proportion of pupils), to that prior to the 2015 uplift.

3.5. The revised bands are named A to G; with A being the most deprived (previously band 5 and 6). The table below shows the proportions of pupils in the previous IDACI bands for both 2015-16 and 2016-17 and the new bands and proportions for 2017-18.

Bands used in 2015-16 and 2016-17	IDACI score	% pupils in each band (2015-16)	% pupils in each band (2016-17)	New bands for 2017-18	IDACI score	% pupils in each new band (2015 October census)
T	U	V	W	X	Y	Z
6	Between 0.60 and 1.00	3%	1%	A	Between 0.50 and 1.00	3%
5	Between 0.50 and 0.60	6%	3%	B	Between 0.40 and 0.50	8%
4	Between 0.40 and 0.50	10%	8%	C	Between 0.35 and 0.40	7%
3	Between 0.30 and 0.40	12%	14%	D	Between 0.30 and 0.35	8%
2	Between 0.25 and 0.30	7%	9%	E	Between 0.25 and 0.30	9%
1	Between 0.20 and 0.25	8%	10%	F	Between 0.20 and 0.25	10%
0	Less than 0.20	53%	56%	G	Less than 0.20	56%

3.6. The above table uses the October 2015 data set. When the October 2016 data set is published, the census data will be matched to the new A to G bands above.

3.7. When modelling the indicative budgets, in preparation for the 2017-18 consultation with schools, we used the same IDACI rates payable per pupil as in 2016-17 with the new bands A to G. The impact of the change in data set was to increase the funding requirement by £1.3m, thus making the formula unaffordable.

3.8. To achieve affordability, Three options were modelled:

- Return to the 2015-16 IDACI rates
- Reduce only each IDACI factor by £161.00
- Reduce only the basic entitlement by £58.12.

**Option 1 - return to the 2015-16 IDACI rates**

3.9. As the DfE have redistributed the proportions of pupils to the 2015-16 distribution, the first option was to re-instate the 2015-16 IDACI rates by,

- reinstating bands 1 and 2 at the 2015-16 rates
- reducing the rates funded for the free School Meal ever 6 factors to the 2015-16 rates
- reducing the basic entitlement for primary and key stage 3 and 4 back to the 2015-16 rates.

3.10. The impact of these changes is shown in the table below. Overall the total amount of funding provided via the formula to schools would reduce by £580,700.

	<b>Number of schools</b>	<b>Percentage of schools</b>
		<b>%</b>
Increase over 1.5%	12	20.7
Increase between 1% - 1.49%	4	6.9
Increase between 0.00% - 0.99%	5	8.6
Decrease between (0.00%) - (0.99%)	8	13.8
Decrease between (1.00%) - (1.49%)	24	41.4
Decrease over (1.5%)	5	8.6
<b>Total</b>	<b>58</b>	<b>100</b>

<b>Largest and smallest movements in funding</b>		
	<b>£</b>	<b>%</b>
Biggest decrease (after MFG)	(89,441)	(3.7)
Second biggest increase (After MFG) <sup>1</sup>	36,997	1.6

3.11. Further financial modelling of this option looked at redistributing the loss in funding of £580,700 to schools via the basic entitlement, but whilst this reduced the overall loss, 58% of schools saw a reduction in funding.

3.12. In light of the overall reduction in funding to schools it is proposed that this option is not pursued.

#### **Option 2 - reduce only each IDACI factor by £161.00**

3.13. To return the formula to an affordable level, it is proposed to reduce each of the IDACI factors by a set amount of £161.00. The proposed amount was calculated by dividing the increase of £1.3m by the number of pupils who attract funding via the IDACI factor.

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<sup>1</sup> Excludes Mayfield, due to new cohort of primary pupils for September 2017 artificially increasing the gain.

3.14. The proposed reduction in the IDACI factors are set out below:

2016-17			2017-18		
Band	Rate		Band	Rate	
	Prim	Sec		Prim	Sec
	£	£		£	£
0	0	0	G	0	0
1	0	0	F	0	0
2	0	0	E	0	0
3	946.03	634.84	D	785.03	473.84
4	1,261.38	846.45	C	1,100.38	685.45
5	1,576.72	1,058.06	B	1,415.72	897.06
6	1,892.07	1,269.67	A	1,731.07	1,108.67

3.15. The proposed 2017-18 rates would bring the overall funding paid to schools via the IDACI factor to 10.01% or £10.625m of the total budget share (9.96% or £10.559m in 2016-17). This is still higher than the total funding schools currently receive under the IDACI factors for 2016-17 by approximately £49,200.

3.16. The impact of the above proposed adjustments ensures that the budget is affordable overall. The impact on individual schools is summarised in the table below and shown in the indicative budget share that accompanies this consultation.

	Number of schools	Percentage of schools
		%
Increase over 1.5%	13	22.4
Increase between 1% - 1.49%	5	8.6
Increase between 0.00% - 0.99%	13	22.4
Decrease between (0.00%) - (0.99%)	17	29.3
Decrease between (1.00%) - (1.49%)	8	13.8
Decrease over (1.5%)	2	3.5
<b>Total</b>	<b>58</b>	<b>100</b>

<b>Largest and smallest movements in funding</b>		
	£	%
Biggest decrease (after MFG)	(59,458) <sup>2</sup>	(1.8)
Second biggest increase (After MFG) <sup>3</sup>	37,461	2.1

### **Option 3 - reduce only the basic entitlement by £58.12**

<sup>2</sup> Financial decrease of £59,458 relates to a Secondary school, with a percentage reduction 1.44%

<sup>3</sup> Excludes Mayfield; due to a new cohort of primary pupils for September 2017 artificially increasing the gain.

3.17. The basic entitlement could be reduced by £58.12 (£1.3m divided by total pupils), whilst this would also achieve affordability it reduces the overall funding available via this factor by £1.2m when compared to 2016-17. The impact on schools has been summarised in the table below:

	<b>Number of schools</b>	<b>Percentage of schools</b>
		<b>%</b>
Increase over 1.5%	15	25.9
Increase between 1% - 1.49%	1	1.7
Increase between 0.00% - 0.99%	11	18.9
Decrease between (0.00%) - (0.99%)	8	13.8
Decrease between (1.00%) - (1.49%)	20	34.5
Decrease over (1.5%)	3	5.2
<b>Total</b>	<b>58</b>	<b>100</b>

<b>Largest and smallest movements in funding</b>		
	<b>£</b>	<b>%</b>
Biggest decrease (after MFG)	(59,458) <sup>4</sup>	(1.89)
Second biggest increase (After MFG) <sup>5</sup>	32,048	1.64

3.18. Whilst the number of schools that lose funding under this option is similar to option 2 (28 compared to 27), there are more schools that lose more than minus 1% of funding under option 3 than option 2. Therefore in light of this it is proposed to reduce the IDACI Factor by £161.00 per pupil for 2017-18.

### **Prior Attainment**

3.19. There are no changes to the primary data set, which continues to use pupils who have not achieved the expected level of development within the early years foundation stage profile EYFSP.

3.20. The secondary data set will from October 2016 contain the Key Stage 2 Assessments against the new more challenging national curriculum. At a national level the EFA are expecting a higher number of the year 7 cohort to not to have achieved level 4 in English or maths. They are therefore going to use a national weighting to ensure that this cohort does not have a disproportionate influence on the overall data set.

3.21. Whilst the authority will not be able to adjust the weighting we will be able to adjust the rate payable under the secondary prior attainment factor.

<sup>4</sup> Financial decrease of £59,458 relates to a Secondary school, with a percentage reduction 1.44%

<sup>5</sup> Excludes Mayfield, due to new cohort of primary pupils for September 2017 artificially increasing the gain



3.22. The weighting and the impact on the October 2016 data set will not be known until December therefore we are proposing to treat any adjustments under this factor as an affordability adjustment as covered under paragraphs 3.36 and 3.37.

### Looked after Children

3.23. Portsmouth currently pays £2,811 per Looked After Child (LAC) which provides funding of approximately £282,178 for 100.10 pupils. In the first stage consultation issued by the DfE, it was proposed to cease using the LAC factor and remove the funding from the DSG and increase the funding provided via pupil premium. Whilst it is not clear if the LAC factor will continue in the future, Portsmouth does pay a very high rate for this factor and is considered an outlier by the DfE as we pay the second highest rate in the Country.

3.24. Of those authorities that do use the LAC factor 75% pay less than £1,250 and on average pay approximately £832.72.

3.25. In light of the proposal to cease using the factor in the future, we have considered the potential impact on schools and would like to offer two options regarding the 2017-18 formula.

- Cease using the LAC factor altogether
- Reduce the factor down to £1,000 a rate nearer to the national average.

Both options would see the funding being transferred to the basic per pupil entitlement,

3.26. Financial modelling of these options provided the following results.

	Option 1 Remove LAC factor		Option 2 Reduce LAC to £1,000	
	No. of schools	% of schools	No. of schools	% of schools
		%		%
Increase over 1.5%	0	0	0	0
Increase between 1% - 1.49%	0	0	0	0
Increase between 0.00% - 0.99%	50	86.2	50	86.2
Decrease between (0.00%) - (0.99%)	8	13.8	8	13.8
Decrease between (1.00%) - (1.49%)	0	0	0	0
Decrease over (1.5%)	0	0	0	0
<b>Total</b>	<b>58</b>	<b>100</b>	<b>58</b>	<b>100</b>

Decreases and increases in funding				
	£	%	£	%
Largest decrease (after MFG)	(16,557)	(0.4)	(10,666)	(0.4)
Largest increase (after MFG)	7,604	0.3	4,900	0.2

- 3.27. Option 1 will see the £282,178 currently funded via the LAC factor, being transferred to the basic entitlement factor. This option sees 8 schools see a reduction in funding with the maximum amount being lost being £16,557.
- 3.28. Option 2 sees the overall funding provided by the LAC reduce to £100,384, and the basic entitlement increased, with the impact of MFG, this option sees 8 schools see a reduction of funding, with the maximum amount of £10,666 being lost by a secondary school.
- 3.29. Of the two options modelled above neither had a particularly large impact on overall affordability and all the schools that either gain or lose funding fall between the MFG of minus 1.5% and the CAP of 1.75%.
- 3.30. Whilst it is hoped that the above proposals will protect the schools block funding. It is unclear at this time if or how the DfE is going to implement the proposed removal of the LAC factor in 2018-19.
- 3.31. Whilst the impact is relatively small, if implemented it will also be combined with the IDACI impact. In light of this and the proposal by the DfE to remove this factor in the future it is proposed to phase the impact on schools by reducing the funding through the LAC factor to £1,000 per pupil for 2017-18.

### **MFG & Capping**

- 3.32. The Minimum Funding Guarantee (MFG) for primary and secondary schools will remain at minus 1.5% for 2017-18.
- 3.33. The capping mechanism will also be retained again in 2017-18. As part of setting the budget for 2017-18 it will be necessary to re-determine the level at which the capping on the gains will be applied. For the purposes of consulting with schools, the indicative budgets have assumed that the cap remains at plus 1.75%.

### **Budget Share Financial Modelling**

- 3.34. An indicative 'budget share' spread sheet has been prepared to accompany this document which will provide you with an understanding of the impact of these proposals on your schools funding allocation. The indicative budget share contains the impact of the following proposals:
- Reducing each of the IDACI rates by £161.00

- Reducing the LAC rate to £1,000 and put the additional funding in to the basic per pupil entitlement.

3.35. The indicative budget share allocation is calculated using the October 2015 pupil data provided by the DfE.

The following points should be noted:

- The comparison to the current 2016-17 budget share is shown before the de-delegation of any centrally held funding.
- The final budget share for 2017-18 may differ as a result of the change in pupil numbers and characteristics and will be based on the October 2016 pupil census.
- The budget share excludes any funding for resourced units or early years nursery provision.
- The budget share includes changes relating to the National Non Domestic Rates corrections for 2016-17 payments and adjustments relating to schools that have converted or are expected to convert to Academy status.
- Changes to pupil numbers to reflect the third year (September 2017 cohort) of Mayfield School becoming an all-through school
- The removal of any prior year adjustments paid in 2016-17.

### **Maintaining Overall Affordability**

3.36. In setting the final budget for 2017-18 for Primary and Secondary schools, updated pupil data based on the October 2016 census will be provided by the DfE. As a result of the change in pupil numbers and pupil characteristics and growing pressures in other areas of the DSG budget, it may be necessary to amend the final unit values attached to the funding formula factors, in order to maintain overall affordability.

3.37. In order to provide schools with some certainty, it is proposed that any changes to the unit values (over and above that proposed in the IDACI factor as set out in paragraph 3.18 above) attached to funding factors will be limited to the following formula factors:

- Basic Per Pupil Entitlement
- Prior Attainment
- Lump sum
- Percentage of the financial cap.

## De-Delegated Budgets

3.38. In setting the budget for 2016-17, Schools Forum agreed to de-delegate the following budgets to central control as shown in the table below.

### *Current De-Delegation Arrangements:*

Expenditure Item	De-delegation for 2016-17
Administration of free school meals eligibility	De-delegate from maintained primary & secondary schools.
Licences	De-delegate from maintained primary & secondary schools.
Special Staff Costs: Union Duties.	De-delegate union duties from maintained primary & secondary schools.
Behaviour Support	De-Delegate from maintained primary schools only.
Museum & Library Services	De-delegate from maintained primary schools only
Schools Contingency Fund	De-delegate from maintained primary & secondary schools.

3.39. Due to the number of schools moving to academy status and the proposal by the DfE<sup>6</sup> to cease de-delegation in future it is proposed to move the following expenditure items from a de-delegation basis to traded arrangements in 2017-18.

- Administration of free school meals eligibility
- Museum & Library Services.

3.40. To enable services to plan for the proposed move to cease delegation and to ensure that maintained schools still have access to the schools specific contingency it is proposed to continue to de-delegate for the following services for 2017-18:

- Behaviour Support - primary schools only
- Special staff costs: Union Duties
- School Specific contingency
- Licences.

3.41. The proposed de-delegation rates for 2017-18 are set out below. The rates have been calculated to ensure that the total sum de-delegated from maintained schools meets the proportion of costs associated with maintained schools based on pupil numbers. The proposed changes to the de-

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<sup>6</sup> [Stage 1 consultation March 2017](#)

delegation rates for 2017-18 are an increase of 1% to cover the cost of salary increases and price increases (licences) from April 2017. In a change from previous years it is proposed to agree the de-delegated pupil rates in October 2016, to enable schools to estimate the impact on their funding of any decisions.

Expenditure Item		2016-17 rates		2017-18 proposed rates	
		Primary £	Secondary £	Primary £	Secondary £
Behaviour Support	Basic entitlement	13.52	n/a	13.65	n/a
	FSM	40.14	n/a	40.54	n/a
Special Staff Costs: Union Duties.	Basic entitlement	3.53	3.53	3.57	3.57
Schools Contingency Fund	Basic entitlement	0.00	0.00	1.00	1.00
Licences	Basic entitlement	0.12	0.28	0.13	0.29

## **4. High Needs**

### **Resourced Units**

- 4.1. The place funding for resourced units will remain at £10,000 per place. There are currently no proposals to amend the resourced unit top-up rates for 2017-18.

### **Special Schools**

- 4.2. The place funding for Special Schools will remain at £10,000 per place.
- 4.3. The Council's 'SEND Team' will be in discussion with each of the schools to confirm the number of places required for September 2017.
- 4.4. The SEND team is working with the City's special schools, to review the current banding system used to allocate a level of need to individual pupils. The outcome of this review is likely to impact on the Element 3 top-up rates paid from September 2017. Any proposals to change the Element 3 top-up rates will be discussed with the special schools and then be brought to both the Executive Member for Education and Schools Forum for agreement before 28 February 2017.
- 4.5. The current legislation continues to provide protection for the top-up funding at minus 1.5% per pupil in 2017-18.

### **Alternative Provision**

- 4.6. The place funding for Alternative Provision (AP) places will remain at £10,000 per place.
- 4.7. It is not proposed to change the Element 3 Top up rate for Local Authority commissioned places in 2017-18.

## **5. Responding to the Consultation**

- 5.1. A consultation response is attached at Appendix 3 for schools to complete. The consultation will close on the Friday 23<sup>rd</sup> September 2016.
- 5.2. Please send your completed response forms to [schoolsfinancialsupport@portsmouthcc.gov.uk](mailto:schoolsfinancialsupport@portsmouthcc.gov.uk)
- 5.3. The responses to this consultation will be reported to both the Cabinet Member for Education and Schools Forum meetings in October.

## Funding Working Group Membership

### Mainstream Working Group

	<b>Mainstream</b>	
	<b>Primary</b>	<b>Secondary</b>
Head Teacher	Vacant	Simon Graham St Edmunds RC Secondary
Governor	Clive Good Manor Infant	Bev Pennekett Mayfield
Finance	Anita Phillimore Arundel Court Primary	Sue Ravenhall Kind Richard Secondary
Academy	Claire Stevens Newbridge Junior Academy	Nys Hardingham Admiral Lord Nelson



## Questions:

<b>Funding Formula Proposals</b>			
1	Do you agree with the proposal to reduce the IDACI factors by £161.00 to enable affordability	Y	N
Please add any further comments			
2	Do you agree with the proposal to reduce the LAC factor from £2,811 to £1,000 and increase the basic entitlement to reflect the reduction in funding on the LAC factor	Y	N
Please add any further comments			
3	Do you agree with the proposed de-delegation rates for 2017-18 as set out in paragraph 3.41	Y	N
Please add any further comments			