

# **2018-19 School Funding Formula**

**Consultation  
Phase 1**



**Portsmouth**  
CITY COUNCIL

## **Funding Formula Consultation 2018-19**

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## **1 Introduction & Background**

- 1.1. In December 2016 the Government issued its stage 2 consultation, setting out its plans for reforming the funding for schools and for high cost special educational needs and alternative provision. The consultation closed on the 22 March 2017.
- 1.2. During March and April 2017 the Department for Education (DfE) carried out a further baseline exercise with all Local Authorities, in order to identify how the Dedicated Schools Grant (DSG) was being spent. The results of the exercise are being used to inform the 2018 to 2019 DSG allocations.
- 1.3. In early August 2017 the DfE published the 'Schools revenue funding 2018 to 2019 operational guide'. This guide is intended to help Local Authorities and their schools forums plan the implementation of the funding system for the 2018-19 financial year; and highlights the key changes compared to the current arrangements.
- 1.4. The DfE is intending to publish the details of the full national funding formula for 2018 to 2019 and 2019 to 2020 in September, alongside the responses to the national funding formula consultations. The Local Authority level allocations for 2018 to 2019 will also be published in September 2017, with final allocations published in December 2017.

### **Consultation Approach**

- 1.5. In line with the School and Early Years Finance (England) Regulations the authority will consult with schools on any proposed changes to local school revenue funding formula. This document is part of that consultation process.
- 1.6. In light of the delays in receiving the necessary information this year, it will not be possible to consult with schools on changes to the funding formula in the usual way in September. Therefore we are proposing to consult with schools on the following key areas in two phases:

### **Phase 1 consultation (September 2017)**

- Any proposed changes to the funding factors used within the local funding formula.
- Changes to the growth fund criteria
- De-delegated arrangements
- To seek feedback on school preferences to changing the funding rates attached to the funding formula factors:
  - To move as close as possible towards the national funding formula in 2018 to 2019.
  - To move towards the national funding formula in a gradual process during 2018 to 2019 and 2019 to 2020.
  - To remain with the current funding arrangements, until the national formula is fully operational.  
(all subject to overall affordability)
- The factors to be adjusted for overall affordability in setting the final funding allocations.

### **Phase 2 consultation (October/November 2017)**

- Any proposed changes to the rates attached to each funding factor
- 1.7. As in previous years, Schools Forum agreed to the creation of a mainstream funding working group (see Appendix 1) to help inform the proposed changes to the funding arrangements for 2018-19. The working group will continue to provide feedback and guidance on the financial modelling undertaken to support the second phase of consultation in October/November.

## **2. Growth Fund**

### **Introduction**

- 2.1. The 2018-19 operational guidance continues to allow local authorities to top slice the Dedicated Schools Grant (DSG) in order to create a growth fund to support mainstream schools which are required to provide extra places in order to meet basic need within the city.

- 2.2. The growth fund is intended to fund the "gap" between additional basic need pupils joining a maintained school in September and the school receiving the funding via the budget share in the following April.
- 2.3. Academy schools receive their budget share on a lagged academic year basis, therefore the growth fund funds the "gap" between the pupils joining the school in September and the school receiving their budget share in the following August. The Council is reimbursed by the Education and Skills Funding Agency (ESFA) for the additional five months funding provided to academy schools.
- 2.4. Portsmouth currently operates a growth fund for mainstream maintained and academy schools. The fund supports growth in schools where the eligibility criteria are met.
- 2.5. In setting the 2017-18 budget, concerns were raised with Schools Forum regarding the overall affordability of the fund in future years and it was proposed that the eligibility and the level of allocations from the fund would be reviewed as part of the 2018-19 budget setting process.
- 2.6. A review of schools expected to require growth funding in 2018-19 and future years was undertaken with the Sufficiency Participation and Resources team. This review has indicated that the current overall funding is expected to be sufficient to support known planned growth, whilst providing some capacity from 2020-2021 to meet unexpected requirements.
- 2.7. Whilst reviewing the growth fund for affordability, an opportunity was taken to simplify the formula used to calculate the allocations to schools and update the eligibility criteria to reflect current practice. The details of which are set out below.

### ***Proposed funding changes***

- 2.8. To simplify the calculation and to support on-going affordability, it is proposed that the funding paid to schools is converted into a lump sum allocation, rather than being based on the calculation below.
- 2.9. The current academic year allocation is calculated as:

|  |                |
|--|----------------|
| The cost of a teacher (main scale 6)               | £41,902        |
| The cost of a 0.5 FTE teaching assistant (grade 4) | £8,997         |
| A contribution towards resources and materials     | £3,000         |
| <b>Total</b>                                       | <b>£53,899</b> |

- 2.10. To provide a lump sum the amount has been rounded to be divisible by 12 to £54,000, this will provide the following payments to cover the periods:

**Maintained and academy schools**

September to March £31,500

**Academy schools**

April to August £22,500

**Total per academic year £54,000**

- 2.11. The impact of the proposed change to a lump sum has been modelled to include the additional funding provided by the Education and Skills Funding Agency and those schools who known to be entitled to growth funding as at summer 2017.

|                            | <b>Lump Sum of £54,000</b> |               |                |              |                  |
|----------------------------|----------------------------|---------------|----------------|--------------|------------------|
|                            | <b>Financial Year</b>      |               |                |              |                  |
|                            | <b>16-17</b>               | <b>17-18</b>  | <b>18-19</b>   | <b>19-20</b> | <b>20-21</b>     |
|                            | <b>£</b>                   | <b>£</b>      | <b>£</b>       | <b>£</b>     | <b>£</b>         |
| Total cost per year        | 292,626                    | 308,807       | 306,000        | 310,500      | 234,000          |
| Funding available          | 365,000                    | 275,300       | 314,888        | 303,638      | 337,388          |
| <b>(Surplus) / Deficit</b> | <b>(72,374)</b>            | <b>33,507</b> | <b>(8,888)</b> | <b>6,862</b> | <b>(103,388)</b> |

***Criteria changes***

- 2.12. It is also proposed to change the eligibility criteria that schools must satisfy in order to receive funding from the growth fund. Under the School Organisation Regulations, the Council was required to formally consult on any increases to a school's published admission number (PAN) and obtain Cabinet Member approval. However changes to the regulations, made provision for the Council to agree increases in PAN without the need to follow the formal statutory process. Therefore the proposal is to change the eligibility criteria to obtain approval from the Head of Sufficiency, Participation and Resources rather than the Cabinet Member for Education as set out below.

*'Growth funding will be allocated to schools who meet the following criteria:*

- Funding will only be allocated when the growth (either permanently or as a bulge class) meets the basic need requirement of the local authority and the school is increasing both its Published Admission Number (PAN) and its planned intake of pupils in the current financial year (1 April to 31 March).*
- The Head of Sufficiency, Participation and Resources formally approves to increase the capacity of a school.*
- The planned growth in pupil numbers is a multiple of a complete half form entry, where a half form entry is equal to 15 pupils.*

- 2.13. A copy of the proposed 2018-19 Growth fund can be found in Appendix 2.

### **3. Mainstream funding Formula**

#### **Introduction**

- 3.1. The operational guidance confirms that local authorities will continue to have responsibility for determining the funding allocations for schools through a local formula for 2018-19 and 2019-20.
- 3.2. However, for 2018-19 there are a number of changes to the factors that local authorities can use for allocating funding to schools. Of the factors currently in use in Portsmouth there are changes to the following:
  - Looked After Children (LAC)
  - Free School Meals (FSM)
  - Minimum Funding Guarantee (MFG)
  - Reception Uplift

#### ***Looked After Children (LAC)***

- 3.3. In line with the national stage two consultation, the Government will be removing the Looked After Children factor from the National Funding Formula and have confirmed that they will be increasing the Pupil Premium Plus rates for 2018-19. At this stage the rate that will be paid for the Pupil Premium Plus is not known.
- 3.4. The operational guidance states that authorities might want to consider removing this factor from their local formulae.
- 3.5. As schools will be receiving funding via the Pupil Premium Plus, maintaining this factor locally will mean that schools would be double funded, therefore we are proposing to remove the LAC factor from the local formula in line with the national changes. Any funding released from the removal of the LAC factor will be passed back to all schools via the basic per pupil entitlement.
- 3.6. The amount of funding expected to be released based on the 2017-18 funding levels, is £117,000. Based on the 2017-18 pupil data, this would be used to increase the basic entitlement factor for all schools by £4.81.

#### ***Free School Meals (FSM)***

- 3.7. There are currently two free school meals (FSM) data sets used in the funding formula; Ever 6 and FSM. The Ever 6 measure allocates funding where a child has been eligible for free school meals at any point in the last 6 years, whereas the FSM allocates funding to those children who are currently entitled to a free school meal.

- 3.8. Previously local authorities were only able to use one of these factors but not both; Portsmouth currently uses the Ever 6 measure. For 2018-19 it is now possible to use both measures within the deprivation factors.
- 3.9. It is proposed that any changes to this factor will be consulted on as part of phase 2 consultation, when we have received the additional information regarding the national funding formula from the DfE.

***Minimum Funding Guarantee (MFG)***

- 3.10. The MFG for schools will continue to apply, but local authorities will have the flexibility to set a local MFG of between 0% and minus 1.5% per pupil in 2018-19.
- 3.11. In order to minimise turbulence in school funding in 2018-19 the authority is not proposing to make any changes to the MFG protection for schools and will continue to use minus 1.5% as part of the phase 2 financial modelling. This will provide schools with a worst case scenario regarding level of protection they will receive.

***Reception Uplift***

- 3.12. The DfE have indicated that the reception uplift factor will not form part of the national funding formula (NFF). The reception uplift currently forms part of the local formula for Portsmouth schools.
- 3.13. It is intended that financial modelling regarding the impact of the removal of this factor will be undertaken and a proposal will be put to schools as part of the phase 2 consultation.

**4. Options for transitioning to the National Funding Formula (NFF)**

- 4.1. As mentioned in the introduction and background section of this consultation, the 2018-19 and 2019-20 financial years are intended as transition years, allowing the local authority to move towards the NFF in two stages.
- 4.2. At this stage we are still awaiting information regarding how the local authority will be funded and therefore it is too early to model the impact of the above options on individual schools or discuss in detail the specific factors or funding rates.
- 4.3. To ensure that once we receive the information from the DfE, the focus of our financial modelling will be in line with the preferences of the majority of

schools we are undertaking a poll of schools with regards to their preference to the following options:

- To move as close a possible towards the national funding formula in 2018 to 2019.
- To move towards the national funding formula in a gradual process during 2018 to 2019 and 2019 to 2020.
- To remain with the current funding arrangements, until the national formula is fully operational.

All of the above options, will be subject to overall affordability.

4.4. We are asking schools to 'rank' the options in order of preference:

- 1 - being the most preferred option
- 2 - being the second preferred option
- 3 - being the least preferred option

## **5. Maintaining overall affordability**

5.1. In setting the final budget for 2018-19 for primary and secondary schools, updated pupil data based on the October 2017 census will be provided by the DfE. As a result of the change in pupil numbers, pupil characteristics, etc., it may be necessary to amend the final unit values attached to the funding formula factors, in order to maintain overall affordability.

5.2. In order to provide schools with some certainty, it is proposed that any changes to the unit values 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.

## **6. De-delegated Budgets**

6.1. For 2018-19 it is proposed to cease de-delegation for the following budgets.

6.2. Licences

Due to the number of schools converting to academy status and the small contribution received from schools it is proposed to **cease de-delegation** for

Licences from April 2018, the Education Service has agreed to temporarily fund the CLEAPSS<sup>1</sup> licence for the remaining maintained schools. Academy schools will still be able to purchase the service themselves direct from CLEAPSS or via the Council's traded service arrangements.

- 6.3. For 2018-19 it is proposed that the following budgets continue to be managed centrally on behalf of maintained schools.

6.4. School Specific Contingency

To enable maintained schools to continue to have access to financial support under certain circumstances and to provide a mechanism to pass the closing balances of amalgamating schools to the new schools it is proposed to **maintain the de-delegation** of the schools specific contingency. It is proposed to leave the amount de-delegated per pupil at **£1.00** per pupil, provided the fund remains at the current level during 2017-18.

6.5. Education Functions

In the 2017-18 funding period the DfE recognised that local authorities will need to use other resources to pay for education functions once the Education Services Grant (ESG) had been removed. The government allowed local authorities increased flexibility to use part of the schools budget to support the cost of education functions through an additional de-delegation from maintained schools. We will consult of the proposed de-delegation rates during the phase two consultation process.

## **7. Responding to the Consultation**

- 7.1. A consultation response is attached at Appendix 3 for schools to complete. The consultation will close on the Tuesday 26<sup>th</sup> September 2017.
- 7.2. Please send your completed response forms to [schoolsfinancialsupport@portsmouthcc.gov.uk](mailto:schoolsfinancialsupport@portsmouthcc.gov.uk)
- 7.3. The responses to this consultation will be reported to both the Cabinet Member for Education and Schools Forum meetings in October 2017.

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<sup>1</sup> Consortium of Local Authorities for the Provision of Science Services

**APPENDIX 1**

**Funding Working Group Membership**

**Mainstream Working Group**

|              | <b>Mainstream and Academies</b>                               |   |
|--------------|---|---|
|              | <b>Primary</b>  | <b>Secondary</b>                              |
| Head Teacher | Polly Honeychurch<br>Cottage Grove Primary                    | Nys Hardingham<br>Salterns Academy Trust      |
| Governor     | Jane Hayward<br>Corpus Christie and St Pauls Catholic Schools | Bev Pennekett<br>Mayfield all through School  |
| Finance      | Tracey Harper<br>Meredith Infant                              | Dawn Trimby Thinking<br>Schools Academy Trust |

## **APPENDIX 2**

### **Centrally held funds to support Primary and Secondary Schools in 2018-19**

#### **Exceptional Growth Fund**

**Applies to:** Maintained schools and Academies

#### **Increasing Published Admission Number**

Funding additional to the budget share will be allocated to schools that experience a planned increase in the Published Admission Number (PAN). The criteria (see below) to determine whether a school is eligible for funding for growth was agreed at schools forum in **TBA**.

#### **Criteria**

*'Growth funding will be allocated to schools who meet the following criteria:*

- Funding will only be allocated when the growth (either permanently or as a bulge class) meets the basic need requirement of the local authority and the school is increasing both its Published Admission Number (PAN) and its planned intake of pupils in the current financial year (1 April to 31 March).*
- The Head of Sufficiency, Participation and Resources formally approves to increase the capacity of a school.*
- The planned growth in pupil numbers is a multiple of a complete half form entry, where a half form entry is equal to 15 pupils.*

#### **What the growth fund covers**

The additional pupils joining a school in September will be included in the October census. The census data is used to calculate the funding for the following financial year; which maintained schools receive from April. Therefore the growth fund finances the "gap" from September up to March.

Schools who have converted to academy status are funded through the same local formula as maintained schools but receive their funding on an academic year basis, rather than the financial year basis of maintained schools.

Therefore academies will not receive their funding based on the October census until the following September. The growth fund finances the "gap" from September up to August. The additional 5 months funding for academies is reimbursed by the Education and Skills Funding Agency.

## **Methodology**

The allocation from the growth fund to schools who meet the above criteria will be as follows:

The annual payment for approved growth for a full form entry of 30 pupils will be equal to a lump sum of £54,000.

Where a growth payment has been approved for a maintained or academy school the amount paid will be as follows:

### **Period September to March - maintained schools and academies**

£31,500 - Equating to 7/12ths of the annual amount.

### **Period April to August - academies only**

£22,500 - Equating to 5/12ths of the annual amount.

Funding will be pro-rated for part form or multiples of full form entry, for example:

- The total sum above will be multiplied by 0.5 for a part from entry of 15 pupils
- For an increase of one and a half form entry (45 pupils) the total sum will be multiplied by 1.5

A payment will be made for each year that the school is growing until the earliest of the following:

- The school reaches full capacity attributable to the increase in PAN approved by the Head of Sufficiency, Participation and Resources
- The Growth Fund criteria changes due to affordability
- There is a change in the funding formula as directed from the Education and Skills Funding Agency.

*No allocation will be made to a school or academy where the school or academy:*

- *Has surplus places and then takes additional children up to the PAN*
- *Admits over PAN at their own choice*
- *Admits extra pupils where those pupils have a reasonable alternative school place*
- *Increases the PAN of one year by reducing the PAN of another (e.g. increasing the PAN in year 7 by reducing the PAN in year 10)*
- *Is directed and/or requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc. as these numbers will be low on an individual school basis.*

*Funding will not be allocated from this fund to a school which has received additional funding in the year, through its budget share as a result of an agreed variation in its pupil numbers.*

### **For example - Primary School\***

The maintained/academy school has been requested by the Local Authority to increase the PAN from a one and a half form entry (45 pupils) to a two form entry (60 pupils) from September 2018; this was approved by the Head of Sufficiency, Participation and Resources in October 2017.

Whilst the increase was agreed in 2017-18, the payment will be made in financial year 2018-19 as this is the year that the changes will come into effect.

The Increase in PAN is for half a form entry of 15 pupils therefore the payment will be pro-rated by 0.5.

$7/12\text{ths of }£54,000 \text{ lump sum } (£54,000/12*7) = £31,500$

$£31,500 \times 0.5 = \textbf{£15,750 payment to the school.}$

For an academy school they will receive an additional payment to cover the period April 2019 to August 2019, which would be calculated.

$5/12\text{ths of }£54,000 \text{ lump sum } (£54,000/12*5) = £22,500$

$£22,500 \times 0.5 = \textbf{£11,250 payment to the school.}$

### **Payment method**

Where a maintained or academy school meets the criteria and the growth is known at the point of setting the budget for the financial year, payment will be made within 30 days of the beginning of the financial year which runs 1 April to 31 March

Where growth is identified during the financial year funding will be paid within 30 days of the receipt of the following notification:

- Maintained and Academy schools - PAN increases  
Written approval to change the Published Admissions Number (PAN), by the Head of Sufficiency, Participation and Resources
- Maintained and Academy - Bulge classes:  
Receipt by the Children's Finance team of the written confirmation from Head of Sufficiency, Participation and Resources that the Bulge class has materialised.

**APPENDIX 3****Questions:**

| <b>Funding Formula Proposals</b> |  |  |  |
|----------------------------------|--|--|--|
| 1                                | Do you agree with the proposal to change the calculation of the growth fund to a lump sum rather than the current calculation?   |  | Y N  |
| Please add any further comments  |  |  |  |
| 2                                | Do you agree with the proposal to change the eligibility criteria in the growth fund?  |  | Y N  |
| Please add any further comments  |  |  |  |
| 3                                | Do you agree with the proposed removal of the Looked After Children factor from the local formula, redirecting any funding released into the basic entitlement factor?   |  | Y N  |
| Please add any further comments  |  |  |  |
| 4                                | As per paragraph 4.3 the authority is seeking to poll schools in regards to their preference of moving to the national funding formula (NFF). Please rank the following options in your order of preference. With 1 being your preferred choice and 3 being the least preferred. |  |  |
| Option                           | To move as close as possible towards the national funding formula in 2018 to 2019.   | To move towards the national funding formula in a gradual process during 2018 to 2019 and 2019 to 2020 | To remain with the current funding arrangements, until the national formula is fully operational |
| Ranking                          |  |  |  |

|                                 |   |   |   |
|---------------------------------|---|---|---|
| 5                               | Do you agree with the factors proposed to maintain overall affordability as set out at 5.2? | Y | N |
| Please add any further comments |   |   |   |
| 6                               | Do you agree with the proposed de-delegation rates as set out at 6.3?                       | Y | N |
| Please add any further comments |   |   |   |
| 7                               | Do you have any other comments?   | Y | N |
| Please add any further comments |   |   |   |