

2019-20 School Funding Formula

Consultation



Portsmouth
CITY COUNCIL

Funding Formula Consultation 2019-20

Contents

| | | |
|---|---|---|
| 1 | Introduction & Background | 3 |
| 2 | Primary Mainstream Funding Formula..... | 4 |
| 3 | Financial Modelling of the impacts..... | 8 |
| 4 | Responding to the Consultation..... | 9 |

1 Introduction & Background

- 1.1. In December 2016 the Department for Education (DfE) issued its stage 2 national consultation, setting out its plans for reforming the funding for schools and for high cost special educational needs and alternative provision. This was followed in September 2017 by the publication of the outcome of the national consultation along with details of the arrangements regarding the transition to the full national funding formula (NFF) which is due to be implemented from 2020-21.
- 1.2. The transition arrangements provide local authorities with some limited flexibility with regards to the local formula, for the financial years 2018 to 2019 and 2019 to 2020.
- 1.3. In early December 2017 Schools Forum agreed to smooth the transition to the National Funding Formula, for both primary and secondary schools, by spreading the impact of the change over the 2018-19 and 2019-20 financial years. Following the receipt of the authority's funding allocation for 2018-19 in late December, the January 2018 Schools Forum meeting agreed to move all secondary schools to the National Funding Formula for 2018 to 2019 as this provided all secondary schools with additional funding. They agreed to maintain the transitional approach for primary schools to protect those schools that were seeing a reduction in funding due to the implementation of the NFF.
- 1.4. The DfE 'Schools revenue funding 2019 to 2020 operational guide', is due to be published in June/July 2018 and the authority understands that the DfE are not proposing any major changes to school funding arrangements as set out in the information published in September 2017. The authority has decided to consult with schools now on the next stage of the transition to the NFF for the 2019-20 budget period. This should help primary schools affected by the proposals to effectively manage their future spending plans.
- 1.5. As secondary schools are already being funded under the national funding formula it is proposed to continue to use the NFF rates for secondary schools in 2019-20. The current NFF rates can be found in appendix A.
- 1.6. This consultation therefore focuses on the primary schools (maintained and academy) funding formula for 2019-20.

Consultation Approach

- 1.7. The School and Early Years Finance (England) Regulations require local authorities to consult with schools on any proposed changes to local school revenue funding formula. This document forms part of that consultation process.

- 1.8. The authority may consult on further, depending on the contents of the Schools revenue funding 2019 to 2020 operational guide which is due to be published later in the summer.
- 1.9. Since the proposals in this document build on previously agreed principles, it is not proposed to request Schools Forum to create a mainstream funding working group in 2019-20 at this stage.

2 Primary Mainstream Funding Formula

Introduction

- 2.1. The operational guidance from 2018-19 confirmed that local authorities will continue to have responsibility for determining the funding allocations for schools through a local formula for 2019-20.
- 2.2. It is expected that for 2019-20 there will be minimal change to the school funding arrangements and therefore, to enable schools to have as much information as possible regarding the 2019-20 funding allocations the authority is consulting on the continued transitional approach to the national funding formula.
- 2.3. In January 2018 Schools Forum agreed to the following changes to the 2018-19 primary funding formula:
 - Removed the Looked After Children (LAC) factor and used the funding released to increase the unit values of the Free School Meals factors
 - Utilised both Free School Meals (FSM) factors provided within the NFF.
 - Maintained the Minimum Funding Guarantee (MFG) @ minus 1.5% and removed the CAP on schools gaining through the formula changes.
 - Maintained the Reception Uplift for 2018-19 and wrote to all primary schools advising them that it was unlikely that this factor would be used in 2019-20.
 - Utilised the NFF rates for both the English as a second language and prior attainment factors.
 - Moved all other factors towards the NFF.
- 2.4. The DfE have previously advised that they are not expecting to make any major changes to the mainstream funding formula arrangements for 2019-20, which has allowed the authority to undertake financial modelling to identify the impact on primary schools of continuing to transition towards the NFF or to implement the NFF in 2019-20.
- 2.5. The outcome of this modelling has been used to inform the proposals set out in this document.

Move directly to the national funding formula

- 2.6. The protection offered by the minimum funding guarantee ensures that no school will lose more than minus 1.5% per pupil after redistribution of the available funding. As a result, the authority considered the option of moving all primary schools on to the national funding formula factor rates in 2019-20. The impact of doing this was modelled and the results are set out in the table below.

| Table A - impact of the NFF rates for primary schools | | |
|--|--------------------------------------|------------------------------|
| | Number of schools¹ | Percentage of schools |
| | | % |
| Increase over 1.5% | 5 | 10 |
| Increase between 1% - 1.49% | 2 | 4 |
| Increase between 0.00% - 0.99% | 6 | 12 |
| No change | 0 | 0 |
| Decrease between (0.00%) - (0.99%) | 12 | 25 |
| Decrease between (1.00%) - (1.49%) | 14 | 29 |
| Decrease over (1.5%) ² | 10 | 20 |
| Total | 49 | 100 |

| Largest gains and reductions in funding | | |
|--|----------|----------|
| | £ | % |
| Biggest decrease (after MFG) | (40,254) | (1.59) |
| Biggest increase (after MFG) | 43,830 | 3.03 |

- 2.7. The table above identifies that 74% (36) of schools will see a reduction by moving directly to the NFF in 2019-20. With 24 schools seeing a reduction of over 1.00 % of their 2018-19 budget.
- 2.8. There are 10 schools that see a reduction greater than minus 1.5% which is above the minimum funding guarantee (MFG). This reduction relates to the reduction in lump sum which is not included in the MFG calculation.

Continue with the transitional approach

- 2.9. Due to the high percentage of schools that see a reduction in budget when compared to 2018-19 under the NFF, further financial modelling was undertaken to identify if by continuing the transitional approach it would smooth the impact. Table B below sets out the results of the modelling and provided the best outcome for those schools seeing a reduction, in that it was roughly the half way point between the current 2018-19 budget and the NFF.

¹ Includes Mayfield all-through school

² Those over minus 1.5% relate to the loss of the reception uplift and the reduction in the MFG by £2,500.

| Table B - impact of the proposed 2018-19 formula factor funding rates for primary schools | | |
|--|--------------------------------------|------------------------------|
| | Number of schools³ | Percentage of schools |
| | | % |
| Increase over 1.5% | 1 | 2 |
| Increase between 1% - 1.49% | 1 | 2 |
| Increase between 0.00% - 0.99% | 12 | 25 |
| No change | 0 | 0 |
| Decrease between (0.00%) - (0.99%) | 18 | 37 |
| Decrease between (1.00%) - (1.49%) | 8 | 16 |
| Decrease over (1.5%) | 9 | 18 |
| Total | 49 | 100 |

| Largest gains and reductions in funding | | |
|--|----------|----------|
| | £ | % |
| Biggest decrease (after MFG) | (40,254) | (1.59) |
| Second biggest increase (after MFG) | (21,656) | 1.50 |

- 2.10. As can be seen from Table B above, whilst there are still 26 schools that see a reduction of between 0 and minus 1.5%, there are a greater number of schools who see a smaller reduction of between 0 and minus 0.99%.
- 2.11. The schools who saw the biggest impact by continuing with the transition were those who lost funding but didn't see a reduction big enough to entitle them to MFG. This related to 20 schools that under the NFF would have seen a combined reduction of £221,200 in funding, but under the transitional approach, this has reduced to £146,400.
- 2.12. It is inevitable that the introduction of the NFF will result in reduced funding for some schools; however the continuation of the transitional approach will at least provide those schools with some protection whilst moving them towards the NFF.
- 2.13. It is therefore proposed to make the following changes to the primary school formula factors for 2019-20:
- Continue to increase the following factors towards the national funding formula rates:
 - Free school meals (FSM)
 - Free school meals - Ever 6.
 - IDACI bands F and E
 - Continue to decrease the following factors towards the national funding formula rates:
 - Basic per pupil entitlement

³ Includes Mayfield all through school

- IDACI Bands, A, B, C and D
- Decrease the following factors to the NFF rate.
 - The Lump Sum.
- Maintain the following factors at the NFF rates.
 - English as an additional language (EAL)
 - Prior attainment

2.14. Table C below sets out the factor funding rates that were used in 2018-19 and the proposed rates for 2019-20 along with the NFF rates which will be introduced in 2020-21.

| Table C - Primary Factor funding rates | | | |
|---|---------------------|---------------------|---|
| | PCC 2018-19 Rate | NFF 2019-20 Rate | PCC Consultation Proposed 2019/20 Rate |
| Factor | Primary | Primary | Primary |
| Reception Uplift | Y | N | N |
| AWPU (Primary | £2,800 | £2,747 | £2,782 |
| Free School Meals (FSM) | £151.50 | £440 | £313 |
| Free School Meals - Ever 6 | £388.50 | £540 | £470 |
| IDACI Band F | £0 | £200 | £105 |
| IDACI Band E | £140 | £240 | £190 |
| IDACI Band D | £460 | £360 | £390 |
| IDACI Band C | £785 | £390 | £560 |
| IDACI Band B | £1,100 | £420 | £715 |
| IDACI Band A | £1,415 | £575 | £950 |
| EAL | £515 | £515 | £515 |
| Prior Attainment | £1,050 | £1,050 | £1,050 |
| Lump Sum | £112,500 | £110,000 | £110,000 |

Minimum Funding Guarantee (MFG)

- 2.15. The MFG for schools will continue to apply, and local authorities will continue to have the flexibility to set a local MFG of between 0% and minus 1.5% per pupil in 2019-20.
- 2.16. In order to minimise turbulence in school funding in 2019-20 the authority is not proposing to make any changes to the MFG protection for schools and will continue to use minus 1.5%.

Reception Uplift

- 2.11 The DfE have indicated that the reception uplift factor will not form part of the NFF. The proposed removal of the reception uplift for 2019-20 was highlighted in our 2018-19 consultation and schools were advised to plan for

the removal of this factor going forward. The reception uplift has been removed from the financial modelling for 2019-20 in line with the NFF.

3 Financial Modelling of the impacts.

3.1. To enable schools to understand the impact of the proposals for both 2019-20 and 2020-21 the following two tables are attached:

- Table 1 - Proposed 2019-20 Funding Formula

This identifies the impact on individual schools of the proposed changes in formula factor funding rates for 2019-20.

- Table 2 - Illustrative 2019-20 National Funding Formula

This provides schools with an illustration of the impact of the national funding formula should it be implemented in 2019-20. It is not proposed to implement the NFF until 2020-21.

3.2. The Tables are based on the October 2017 census and do not include any adjustments for:

- Schools converting to academy status after 8 January 2018
- Known changes in pupil numbers (e.g. Mayfield all through school and University Technical College)
- Known changes in national non domestic rates (NNDR) due to conversion to academy status or revaluation.

3.3. The Tables have:

- Used the 2018-19 budget as the baseline to calculate the minimum funding guarantee at minus 1.5%
- No cap on gains has been imposed for those schools that will see a gain in funding.

3.4. In light of the criteria set out in paragraphs 3.2 and 3.3 it should be noted that the budgets set out in Tables 1 and 2 are indicative only and subject to overall affordability following the receipt of the DSG funding allocation, expected in December 2018. It is hoped that they will help schools to understand the indicative impact on their funding with the implementation of the proposed rates as set out in Table C and to plan for the introduction of the national funding formula in 2020-21.

4 Responding to the Consultation

- 4.1. A consultation response is attached at Appendix 2 for schools to complete. The consultation will close on Wednesday 13 June 2018.
- 4.2. Please send your completed response forms to:-

schoolsfinancialsupport@portsmouthcc.gov.uk
- 4.3. The responses to this consultation will be reported to both the Cabinet Member for Education and Schools Forum meetings in July 2018.

Maintained and Academy Secondary School funding rates 2019 to -2021

| Table B - Secondary Factor funding rates | | | |
|---|-----------------------------|----------------------------|----------------------------------|
| | PCC 2018-19 Rate | NFF 2019/20Rate | Proposed 2019/20 Rate |
| Factor | £ | £ | £ |
| AWPU KS 3 | 3,863 | 3,863 | 3,863 |
| AWPU KS4 | 4,386 | 4,386 | 4,386 |
| Free School Meals (FSM) | 440 | 440 | 440 |
| Free School Meals - Ever 6 | 785 | 785 | 785 |
| IDACI Band F | 290 | 290 | 290 |
| IDACI Band E | 390 | 390 | 390 |
| IDACI Band D | 515 | 515 | 515 |
| IDACI Band C | 560 | 560 | 560 |
| IDACI Band B | 600 | 600 | 600 |
| IDACI Band A | 810 | 810 | 810 |
| EAL | 1,385 | 1,385 | 1,385 |
| Prior Attainment | 1,550 | 1,550 | 1,550 |
| Lump Sum | 110,000 | 110,000 | 110,000 |

Questions:

| Funding Formula Proposals | | | |
|----------------------------------|--|---|---|
| 1 | Do you agree with the proposal to smooth the transition of primary schools to the NFF by adjusting the funding factor rates for the basic per pupil entitlement, IDACI bands A to D and the Lump Sum and using the funding released to increase both Free School meal factors and IDACI band E and F.? | Y | N |
| Please add any further comments | | | |
| 2 | Do you agree with the removal of the reception up-lift and the use of funding to support the deprivation funding factors? | Y | N |
| Please add any further comments | | | |
| 3 | Do you agree to maintain the MFG at minus 1.5% for 2019-20? | Y | N |
| Please add any further comments | | | |
| 4 | Do you have any other comments? | Y | N |
| Please add any further comments | | | |