

Report to: Cabinet Member for Education

Subject: School Funding Arrangements 2019-20

Date of meeting: 9 October 2018

Report by: Alison Jeffery, Director of Children, Families and Education

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 The purpose of this report is to provide the Cabinet Member with an update on the latest developments in respect of the future school revenue funding arrangements for 2018-19 onwards

2. Recommendation

- 2.1 It is recommended that the Cabinet Member:
- 2.1.1 Note the Department for Education's proposed changes to school revenue funding arrangements for 2019-20 as set out in this report.
- 2.1.2 Approve the proposals for implementing the funding formula arrangements locally as set out in this report; in particular:
- Schools block will remain intact as set out in paragraph 4.3;
 - Minimum per pupil funding levels will be implemented at the recommended rates as set out in paragraph 4.6;
 - To keep those unit values which do not already match the NFF rates under review and amend if necessary, following confirmation of the overall funding allocation as set out in paragraph 4.9;
 - The criteria for allocating growth funding will reviewed in the spring term as set out in paragraph 5.3;
 - The disapplication requests as set out in section 6.

3. Background

- 3.1 In September 2017, the Department for Education (DfE) published the details of the arrangements regarding the transition to the full National Funding Formula (NFF) which at that time was due to be implemented from 2020-21

- 3.2 The published transition arrangements at that time provided local authorities with some limited flexibility to continue to determine a local formula for funding schools for the financial years 2018-19 and 2019-20.
- 3.3 In December 2017, the Cabinet Member approved, and Schools Forum endorsed, the proposal to smooth the transition to the National Funding Formula for both primary and secondary schools, by spreading the impact of the movement towards NFF over the 2018-19 and 2019-20 financial years. Following the receipt of the authority's 2018-19 funding allocation in late December, further decisions were made to advance all secondary schools to the NFF for 2018-19, as this provided them all with additional funding. The transitional approach was maintained for primary schools to provide protection for those schools which would otherwise suffer larger reductions as a result of immediate adoption of the NFF.
- 3.4 The local authority carried out an initial consultation with schools during May 2018 in preparation for the 2019-20 financial year. This allowed for schools' views to inform any work carried out over the summer period following the release of the DfE guidance. The consultation results, together with initial proposals for the 2019-20 local funding formula, were presented in July 2018. The Cabinet Member approved, and Schools Forum endorsed, three key principles:
- To maintain the transitional approach for primary schools
 - To remove the reception uplift factor from the local formula
 - To maintain the minimum funding guarantee at minus 1.5%
- 3.5 The DfE published its policy document on 24th July 2018, together with the operational guide for 2019-20. This report is intended to provide the Cabinet Member with an overview of the main changes highlighted in the operational guide and of the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2019-20.

4. Dedicated School Grant (DGS) Funding

- 4.1 The DfE policy document, together with the operational guide for 2019-20, has provided updated information on the direction of travel towards the NFF. The documents deal mostly with mainstream funding and further information in respect of High Needs is expected to be published in September 2018. The DfE has now advised that authorities will continue to determine schools' funding formulae locally in both the 2019-20 and the 2020-21 financial years.
- 4.2 Indicative funding allocations for 2019-20 have been provided, although it must be noted that these are based on the 2017 census data, so are subject to change. Portsmouth's estimated allocations (inclusive of academies' funding) for 2019-20, together with current estimates for 2018-19 are shown in the table below:

	2018/19	2019/20	Change	Change
Schools Block	£112.78m	£114.15m	£1.37m	1.22%
HN Block	£19.50m	£20.47m	£0.97m	4.98%
EY Block	£14.13m	TBC	-	-
CSSB	£0.80m	£0.82m	£0.2m	2.14%

- 4.3 Local authorities may again request that up to 0.5% of the schools block funding be transferred to the high needs block to support pressures. As in 2018-19, it is not proposed to request such a transfer, since an injection of one-off funding will not solve the underlying resourcing issues in a sustainable way.
- 4.4 The DfE has advised that the schools block has been calculated to allow for a 1% per pupil increase, measured against 2017-18 (not 2018-19) baselines. It should be clarified that this is a measure for calculating the schools block as a whole; it is not expected that every school will necessarily receive such an increase, particularly where funding is already provided at NFF rates or where the school is on a downward trajectory towards NFF rates.
- 4.5 The minimum funding guarantee (MFG) may again be set at a level of between minus 1.5% and plus 0.5%. The decision was made at the July meeting to retain the MFG at minus 1.5%
- 4.6 The DfE has again proposed minimum per pupil funding levels (MFLs) for 2019-20, which are shown in the table below. Local authorities are not required to implement these levels, and whilst most authorities set the primary MFL at or above the recommended rate in 2018-19, the majority of authorities did not set a secondary MFL. Portsmouth implemented both the primary and secondary MFLs at the recommended levels and it is proposed that we continue to do so for 2019-20.

Phase	MFL 2018-19	MFL 2019-20	Change
Primary	£3,300	£3,500	£200
Secondary	£4,600	£4,800	£200
All-through	-	£4,042 ¹	-
KS4 only schools	-	£5,100	-

- 4.7 In 2018-19, five primary schools and one secondary school were funded at below the 2019-20 recommended MFLs and may potentially receive additional funding in 2019-20 as a result of implementing these levels.

¹ It should be noted that this value is based on all year groups being present in an all-through school.

- 4.8 Published NFF unit values for 2019-20 are the same as 2018-19 rates, with one exception; the unit value for primary low prior attainment (LPA) has been reduced from £1,050 to £1,022. This is because the measured LPA cohort in primary schools has been increasing over the past six years, due to changes made to the Early Years Foundation Stage Profile in 2013. DfE advise that the increase is due to a change in the assessment rather than the underlying level of need and they are maintaining the total proportion of spend for LPA overall. This information was not available at the time we consulted with schools; however it may be necessary to adjust the unit value downwards to fit the funding envelope once known.
- 4.9 The proposed unit values for the 2019-20 primary funding formula, which were consulted with schools and agreed in principle in July, are shown at appendix 1. It should be noted that some of the unit values which don't already match the NFF rates may need to be adjusted following announcement of the final funding allocation in December 2018.
- 4.10 The secondary unit values are shown at appendix 2; no changes are proposed to these, since they already match the NFF unit values

5. Growth Funding

- 5.1 The DfE is reviewing the way in which it funds growth at local authority level. Growth funding is intended to help authorities to support schools with significant in-year pupil growth, which is not recognised by the usual lagged-funding system. Up until now, growth funding has been allocated to local authorities based on their individual levels of spend in the previous year.
- 5.2 The DfE has advised that growth funding for 2019-20 will be calculated as follows:
- £1,370 for each primary "growth" pupil
 - £2,050 for each secondary "growth" pupil
 - £65,000 for each brand new school that opened in the previous year.

It is not expected that local authorities will have to allocate funding on this basis.

- 5.3 Indicative allocations for 2019-20 have not been published, so at this stage it is difficult to estimate how much funding will be received. At this stage in the year, we would usually consult on the criteria for allocating growth funding for next year; however, given the potential impact on our funding, it is proposed to retain the current growth criteria, which are attached at appendix 3, for the time being and consult on any new proposals in the spring term 2019, once our funding allocation is known.

6. Disapplication requests

- 6.1 Each year, local authorities can submit disapplication requests to the ESFA, where strict adherence to the legislation as set out in the School and Early Years Finance (England) regulations (as amended each year), would generate perverse results for specific schools. The authority submitted two disapplication requests in September 2018 in respect of the operation of the minimum funding guarantee (MFG), as set out in the following paragraphs.
- 6.1.2 **Charter Academy:** Charter has historically enjoyed a high level of MFG protection, which dates back many years and was caused by a sudden and significant drop in pupils. The local formula at that time, in common with most other local formulae, provided "real term protection", which ensured that a school would receive at least 95% of the previous year's funding in cash terms. This funding was subsequently locked in by the MFG, which provides protection on a per pupil basis. As the pupil numbers at Charter have increased, so the MFG protection has grown.

Capital investment for Charter is needed to increase the capacity of the school to meet basic need; however the local authority could not sanction the capital investment if the increase in capacity would also increase the level of MFG support. The local authority has agreed a compromise with Charter, whereby only 600 pupils (current capacity) would continue to receive MFG protection and any new pupils above that level will receive appropriate pupil-led funding for that school, i.e. basic entitlement, deprivation, prior attainment funding etc. Official approval to this agreement has now been sought from the DfE.

- 6.1.3 **Mayfield School:** Mayfield is continuing to open new primary year groups as it moves towards becoming an all-through school. The MFG, in its pure form, uses the average per pupil funding from the previous year as a baseline to calculate any protection due. Whilst the school is growing, the per-pupil average is skewed towards the existing secondary provision, which means that any additional primary age pupils would be artificially protected at the "whole school" rate. We have therefore requested that the MFG is amended to ensure that the school is funded appropriately for the age profile of its pupils.

7. Early Years

- 7.1 The Early Years team is currently engaging with nursery providers to review the rates allocated to each element of the Early years funding formula. There is limited scope to amend the formula, since there are no indications that government funding is likely to increase, however, it may be possible to amend the way in funding is distributed in order to maximise distribution to providers. An update on progress together with any recommendations will be brought to a future meeting.

8. Reason for recommendations

- 8.1 This purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2018-19 onwards. The report also seeks endorsement to the proposals for implementing these arrangements locally, in order to ensure that they comply with the requirements of both the DfE's operational guidance and the School and Early Years Finance (England) Regulations.

9. Equality impact assessment (EIA)

- 9.1 The report does not require an Equality Impact for Assessment as the recommendations do not have any impact upon a particular equalities group

10. Legal Implications

- 10.1 The Government is reforming the current school funding system from 2018-2019 and the details of that planned reform are set out in the body of this report.
- 10.2 There are no legal implications arising from the implementation of this report's recommendations

11. Finance Comments

- 11.1 Financial comments and implications are included in the body of this report.

Signed by: Alison Jeffery, Director of Children, Families and Education

Appendices:

- Appendix 1: Proposed primary unit values for 2019-20
Appendix 2: Proposed secondary unit values for 2019-20
Appendix 3: Current growth criteria

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
The national funding formula for schools and high needs 2019 to 2020 (published 24/07/18)	https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs
Schools revenue funding 2019 to 2020: Operational guide (published 24/07/18)	https://www.gov.uk/government/publications/pr-e-16-schools-funding-guidance-for-2019-to-2020
School and Early Years Finance (England) Regulations 2018	http://www.legislation.gov.uk/ukxi/2018/10/made

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Appendix 1: Proposed primary unit values for 2019-20

	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

Appendix 2: Proposed secondary unit values for 2019-20

Factor	Secondary Factor funding rates		
	PCC 2018-19 Rate £	NFF 2019/20Rate £	Proposed 2019/20 Rate £
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

Appendix 3: Current growth criteria

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 November 2017.

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).*
- *And - The Head of Sufficiency, Participation and Resources formally approves to increase the capacity of a school.*
- *And - 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 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 form 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.

7/12ths of £54,000 lump sum $(£54,000/12 \times 7) = £31,500$

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

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

5/12ths of £54,000 lump sum $(£54,000/12 \times 5) = £22,500$

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

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:
the receipt by the Children's Finance team of the written confirmation from Head of Sufficiency, Participation and Resources that the Bulge class has materialised.

Applies to: Maintained schools and Academies

Increasing Age Range

Where a school is amending its age range, funding may be allocated from the 'Growth Fund' up to a maximum of £280,000, with the specific approval of schools forum, where the following criteria are met:

- The increased school places are required in order to meet basic need within the area and have been agreed with the Local Authority.
- The increased places relate to pre-16 pupils.
- The new school places are not within the schools current phase.
- A business case has been submitted by the school which sets out the expected set-up costs to be incurred.
- Any funding allocated would be to support the following areas of expenditure:
 - additional leadership team capacity
 - additional secretarial support
 - publicity, promotion and advertising of the new school
 - consultancy
 - curriculum costs
 - recruitment costs
 - other revenue costs related to set-up of the new school

If the above criteria are met, the funding would be allocated from the 'growth fund' in full to the school in a single funding period. The funding allocation would be calculated as £445 multiplied by the total number of additional places anticipated to be created in the school as a result of the change in the schools age range up to the maximum permitted.

Where a school is eligible for an allocation from the growth fund based on both the 'Increasing Published Admission Number' and the 'increased age range' criteria, then the school will only be eligible for an allocation from one of these mechanisms within the financial year.

School Specific Contingency

Applies to: Maintained Primary and Secondary Schools only

Purpose of the fund

The School and Early Years Finance (England) Regulations, permit the creation of a 'schools specific contingency' via the de-delegation of funding through the schools revenue funding formula. The contingency fund supports only Primary and Secondary maintained schools.

The purpose of the fund is to support maintained Primary and Secondary schools that have incurred expenditure, which it would be unreasonable to expect them to meet from the schools' budget share. This may include:

- schools in financial difficulty
- new, amalgamating or closing schools
- the writing-off of deficits of schools which are discontinued, excluding any associated costs or overheads
- other expenditure where the circumstances were unforeseen when initially determining the schools budget share.

Section 4 of the Scheme for Financing Schools continues to apply in respect of schools that are or are likely to be facing a deficit balance.

Criteria for accessing the fund

The fund is only available to maintained Primary and Secondary Schools in Portsmouth

Where as a result of exceptional expenditure or loss of income a school is experiencing financial difficulty, or has incurred other expenditure which it would be unreasonable to expect the school to meet from its budget share, then financial support will be considered for eligible schools where the following criteria are met:

- The costs or loss of income **must** have had a disproportionate effect on the schools budget.
- The costs or loss of income:
 - arose as a consequence of decisions by bodies outside of the control of the school or its governing body;
 - are exceptional in nature;
 - could not have been foreseen by the school or governing body.
 - The governing body has taken steps to mitigate the impact, where possible.
- Additional costs for new, amalgamating or closing schools.

Criteria for new maintained schools:

Funding of costs in respect of the initial set-up of new maintained schools will be considered where a business case has been submitted by the school which sets out the expected costs to be incurred; and the following conditions are met:

- The increased school places are required in order to meet basic need within the area and have been agreed with the Local Authority.
- The increased places relate to pre-16 pupils.
- Any funding allocated would be to support the following areas of expenditure:
 - Initial leadership team capacity
 - Initial secretarial support
 - publicity, promotion and advertising of the new school
 - consultancy
 - curriculum costs
 - recruitment costs
 - other revenue costs related to set-up of the new school

One-off funding will be allocated based on the business case submitted, up to a maximum funding allocation of £445 multiplied by the total number of additional places anticipated to be created in the school.

Criteria for amalgamating schools:

Where two or more schools amalgamate, an amount equivalent to the closing balances of the previously maintained schools will be allocated to the new school.

Criteria for closing schools:

In the case of closing maintained schools, which are not amalgamating or converting to academy status under the Academies Act 2010, the contingency may fund additional costs where the school has insufficient balances and the costs are eligible to be funded from the Dedicated Schools Grant.

Where a maintained school is discontinued, any remaining deficits balances may be charged against the contingency. Where it is necessary to use the contingency for this purpose it will be reported to the Schools Forum at the next scheduled meeting.

Decision Making Process

Where a school believes that their circumstances warrant support from the 'schools contingency fund', then the governing body should submit a request to the Finance Manager for Education and Children's Services.

The submission will be reviewed by the Deputy Director of Children's Services for Education and the Finance Manager for Education and Children's Services. The level of the schools revenue and capital balances will also be considered as part of the review of any submission.

Any application which the Deputy Director of Children's Services for Education and the Finance Manager for Education and Children's Services assess as meeting the above criteria, will be presented to the Schools Forum at the October and February meetings to make the final decision as to whether to provide financial support from the fund.