

Title of meeting: Cabinet Member

Date of meeting: 24 July 2019

Subject: Future School Funding Arrangements 2020-21

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

Report by: Alison Egerton, Group Accountant

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

1.1. This 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 2020-21 onwards.

2. Recommendations

1.2. It is recommended that the Cabinet Member:

- a. Note the progress being made towards the 2020 to 2021 local funding formula including the issue of the consultation to mainstream schools as set out in Appendix A.**
- b. Note the outcomes of the consultation issued to mainstream primary schools and agree the proposals set out in section 6.**
- c. Note the progress being made towards the review of the High Needs funding methodologies.**

3. Background

3.1. 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.

- 3.2. The transition arrangements provide local authorities with some limited flexibility with regards to the local formula, for the financial years 2018-19 and 2019-20.
- 3.3. 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. Whilst the government intended to implement the national funding formula in 2020-21 they informed local authorities that due to the 2020-21 spending review the NFF would not be implemented in 2020-21 but that authorities would continue to have local flexibility in setting the schools funding formula for 2020-21. 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.
- 3.4. The DfE 'Schools revenue funding 2020 to 2021 operational guide', is due to be published in June/July 2019 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 December 2018.
- 3.5. This report is intended to provide Schools Forum with an overview of the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2020-21.

4. Dedicated School Grant (DSG) Funding

- 4.1. At this stage there are not expected to be any major changes to the method of calculating the funding of the DSG for 2020-21. Therefore it is expected that the DSG will continue to be comprised of the following four funding blocks:
 - Schools Block
 - High Needs Block
 - Early Years Block
 - Central School Services Block
- 4.2. The funding through each of the four blocks will be determined by a separate national funding formula.
- 4.3. The authority has not been requested to adjust the baselines underpinning the current funding blocks, for Schools, Early Years and Central School Services and it is expected that they will reflect the spending pattern as at 2017-18 with any adjustments made to reflect the 2019-20 funding changes.

- 4.4. In 2020-21 it is expected that the national funding formula will set the notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each local authority.
- 4.5. The School block allocations will be expressed as a separate per pupil primary and secondary rate for each local authority. They will also include funding at local authority level for premises, mobility based on historic spend and lagged growth funding.
- 4.6. It is expected as in 2019-20, the 2020-21 schools block will be ring-fenced. Local authorities will have the ability to move funding from the schools block into other blocks, however the amount will be limited to 0.5% of the schools block and all maintained and academy schools in the City will need to be consulted, before any movement from the schools block can be approved. The consultation seeks schools initial thoughts on using this flexibility.
- 4.7. In September 2018 the DfE indicated that they would be consulting local authorities on the funding of hospital education. To date this consultation has not been undertaken and there is no indication as to when/if this consultation will go ahead. Therefore it is expected that the funding of the high needs block, will continue to be protected at the 2017-18 baselines and subsequent 2019-20 adjustments for net movements between authorities.
- 4.8. A further update will be brought in October 2019 to both the Cabinet Member for Education and Schools Forum following the publication of the operational guidance for 2020 to 2021.

5. Mainstream Funding Formula

- 5.1 As stated above The DfE 'Schools revenue funding 2020 to 2021 operational guide', is due to be published in June/July 2019 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 December 2018.
- 5.2 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 2020-21. The current NFF rates are set out in Appendix 1 of the attached consultation document at Appendix A.
- 5.3 The authority has decided to consult with primary schools now on the next stage of the transition to the NFF for the 2020-21 budget period. This should help primary schools affected by the proposals to effectively manage their future spending plans.
- 5.4 The attached consultation (Appendix A) sets out the actions taken by Schools Forum in agreeing the 2019-20 Funding Formula and the

proposal to move all primary schools on to the national funding formula in 2020-21.

- 5.5 The transitional approach taken in 2018-19 and 2019-20 to move primary schools towards the NFF has reached the stage where there are only a small number of funding factors that do not reflect the NFF rates. It is recognised that the move to the NFF would impact most on those schools with high levels of deprivation and to ensure that these schools are protected it is proposed (subject to affordability) to set a neutral Minimum Funding Guarantee (0%) which will ensure that all schools receive the same per pupil funding as they received in 2019-20.
- 5.6 The consultation sets out the financial impact of this option along with the impact of the neutral MFG protection. The consultation therefore proposes to move all primary schools to the NFF for 2020-21.

6. 2019 to 2020 Consultation

- 6.1 In line with the School and Early Years Finance (England) Regulations the authority has consulted with schools on any proposed changes to local school revenue funding formula.
- 6.2 The consultation was circulated to all mainstream schools on 31 May 2019, lasted for three weeks and closed on 24 June 2019. The results of the consultation are set out below and summarised in Appendix B.
- 6.3 In total 16 out of the 59 (27%) maintained and academy mainstream schools responded to the consultation, of which 11 were primary and 5 secondary. Two Academy Trusts provided a combined response on behalf of all schools in their Trust totalling 8 primary schools and 2 secondary schools. Their responses have been counted as separate schools to reflect the appropriate proportion of responses.
- 6.4 A number of schools provided comments along with their responses, we have responded to the schools individually regarding their comments.

Primary mainstream funding formula

- 6.5 Question 1 relates solely to the primary funding formula therefore only primary responses have been taken into account for this question. Of the 11 schools that responded to the question 9 (82%) were in favour of all primary schools moving to the NFF in 2020-21.

Minimum Funding Guarantee (MFG)

- 6.6 The consultation set out that the authority will try and maintain a neutral MFG of zero 0% which will ensure all schools maintain the same level of per pupil funding as they received in 2019-20.

- 6.7 Whilst this is the authority's intention, confirmation of the DSG funding for 2020-21 will not be received until mid-December 2019 and there is no guarantee that this proposal will be affordable. Additionally the consultation asked for schools thoughts on the proposal to utilise up to 0.5% of the schools block to support the high needs pressures, and received comments regarding the 2020-21 growth fund. To fund the high needs transfer and any potential changes to the growth fund could mean a reduction in the amount of MFG funding provided to schools by reducing the MFG rate to a minus percentage.
- 6.8 All schools agreed with the proposal to maintain a neutral MFG whilst 12 (75%) agreed with the authority using the MFG percentage to maintain affordability and manage the pressures in the high needs block.
- 6.9 The consultation included a worst case scenario of a minus 1.5% MFG to help schools understand the potential impact of using the MFG.

Minimum funding levels

- 6.10 Of those schools that responded 15 (94%) agreed to the continued use of the minimum funding levels as set by the DfE. It is therefore proposed to continue their use in 2020-21.

Potential transfer of funding from schools block to high needs block

- 6.11 As reported in the DSG budget outturn and revised 2019-20 report the pressures on the high needs budget continue to grow. The consultation sought schools views on a potential transfer of one off funding from the schools block to the high needs block. The responses show 13 (81%) of schools supported the principle of transferring 0.5% of the schools block to the high needs block.
- 6.12 Further work will continue over the summer regarding the high needs block pressures and the potential impact on schools if we were to implement a 0.5% transfer from the high needs block. This may lead to a further consultation in the autumn term.

Other comments

- 6.13 Schools provided a number of other comments, some related to the level of funding nationally provided to schools in particular around high needs. The authority is responding to the national SEND call for evidence as set out elsewhere on the Schools Forum agenda.
- 6.14 There were also a number of comments regarding the growth fund allocations as agreed at the May 2019 Schools Forum. We are

considering these comments along with the impact on the funding formula and will be consulting further in the autumn term.

- 6.15 In light of the consultation results and to enable the authority to manage overall affordability it is therefore proposed to:
- Seek to move the formula funding factor values for primary schools either to the NFF rates or further towards the NFF funding rates,
 - Limit the adjustments to the MFG to maximise the funding available to schools,
 - Further consult in the autumn term regarding a potential transfer of up to 0.5% of the schools block to the high needs block and the 2020-21 growth fund.
- 6.16 The implementation of the outcomes of the consultation will be subject to overall affordability and any further changes proposed following the publication of the 2020-21 operational guidance by the DfE. If the guidance identifies further changes, then these will be included in the autumn term consultation.

7. High Needs Budgets

- 1.3. Following the work undertaken by the Head of Inclusion along with schools representatives, SEN Co-ordinators (SENCOs) and special school representatives a number of proposals were brought to Cabinet Member and Schools Forum to change the methodology of funding SEND. Initially this looked to make financial savings, but the additional funding provided by the DfE in 2018-19 and 2019-20 meant that the savings did not need to be implemented.
- 1.4. However some of the proposals simplified the methodology of assigning funding to schools and it is proposed that the options be reviewed to establish if there are any advantages of implementing the proposals on a same cost basis.
- 1.5. The Head of Inclusion has set up a number of task and finish groups with school representatives including Headteachers, SEN Co-ordinators (SENCOs) and special school representatives to review the following areas:
- Element 3 funding for mainstream schools
 - Inclusion centre funding
- 1.6. In addition the authority is working with the Solent Academies Trust to review the potential of introducing a single Element 3 Top-up rate across all schools in the Trust.

- 1.7. A further update on the progress of these work streams will be brought to both the Cabinet Member for Education and Schools Forum in the autumn term 2019.

8. Early Years funding

- 1.8. Following Cabinet Member and Schools Forum agreement to increase the hourly rates paid to 2, 3 and 4 year olds from April 2019 it is not proposed to make any further changes to the hourly rates paid to providers for 2020-21.
- 1.9. The rates paid to providers will be reviewed for 2021-22 following a review of the 2020-21 financial year early years out-turn and pupil data.

9. Reasons for recommendations

- 1.10. The purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2020-21 onwards. Further reports will be brought to future meetings, following publication of guidance from the Department for Education.

10. Equality impact assessment (EIA)

- 1.11. This report and the proposals within form part of, and are consistent with, the national implementation of the schools and high needs national funding formula as directed by the Department of Education (DfE) and set out in the School and Early Years Finance (England) (no.2) Regulations 2018.
- 1.12. The DfE has conducted a full Equality Impact Assessment which can be found on their website¹. The funding system does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010 but instead targets funding to those groups which the evidence demonstrates face barriers to educational achievements.

11. Legal comments

- 1.13. 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.
- 1.14. The School and Early Years Finance (England) (No.2) Regulations 2018 apply specifically in relation to the financial year beginning on 1 April 2019. However it would be expected that the Government will update those regulations in advance of the 2020/21 financial year.

¹ <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-equalities-impact-assessment>

- 1.15. In the meantime, as indicated in the report, the Department for Education is expected to issue updated Operational Guidance for local authorities shortly and this will address matters relating to school and early years budget setting for the 2020/21 financial year.
- 1.16. The Council will need in due course to have regard to the content of the updated regulations and guidance in making final budget decisions for the forthcoming financial year.

12. Finance comments

- 1.17. The financial implications are included within the report.

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

- Appendices:**
Appendix A - 2020-21 School Funding Formula Consultation
Appendix B - 2020-21 School Funding Formula consultation results
Appendix C - 2020-21 Primary formula factor funding rates

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
Schools revenue funding 2018 to 2019: Operational guide, December 2017, DfE	https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019

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

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Signed by:

Appendix A

See separate documents

Appendix B - 2020-21 School funding formula consultation results.
2020-21 School Funding Formula Consultation
Questions:

<i>Funding Formula Proposals</i>									
1	Do you agree with the proposal to implement the national funding factor funding rates for 2020-21 as set out in Table B	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Please add any further comments -									
2	Do you agree to implement the MFG at 0% per pupil for 2020-21, subject to affordability?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary

Please add any further comments -									
3	Do you agree that the authority uses the MFG factor to maintain affordability by adjusting the rate between plus 0.5% and minus 1.5% per pupil for 2020-21?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Please add any further comments -									
4	Do you agree to maintain the use of the minimum funding level per pupil?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Please add any further comments -									

5	Do you support the principle of transferring 0.5% funding from the Schools Block to the High Needs Block?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Please add any further comments -									
6	Do you have any other comments?	Maintained				Academy			
		Y		N		Y		N	
		Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Please add any further comments -									

Appendix C

Mainstream Primary funding formula factors 2020-21

Factor	Primary Factor funding rates		
	PCC 2019-20 Rate	NFF 2019-20 Rate	PCC Consultation Proposed 2020- 21 Rate
	Primary	Primary	Primary
Reception Uplift	N	N	N
AWPU (Primary	£2,782	£2,747	£2,747
Free School Meals (FSM)	£440	£440	£440
Free School Meals - Ever 6	£540	£540	£540
IDACI Band F	£200	£200	£200
IDACI Band E	£240	£240	£240
IDACI Band D	£390	£360	£360
IDACI Band C	£560	£390	£390
IDACI Band B	£715	£420	£420
IDACI Band A	£950	£575	£575
EAL	£515	£515	£515
Prior Attainment	£1,050	£1,025	£1,025
Lump Sum	£110,000	£110,000	£110,000