

# 2020-21 School Funding Formula

Consultation



Portsmouth  
CITY COUNCIL

# Funding Formula Consultation 2020-21

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## 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 was 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. This transitional approach continued to be applied to the primary school funding formula in 2019-20
- 1.4. In the autumn 2018 the DfE notified the authority that the introduction of the national funding formula would be delayed until after the spending review in 2020-21 and authorities would retain local flexibility in setting the funding formula for 2020-21.
- 1.5. The DfE are due to issue the 'Schools revenue funding 2020 to 2021 operational guide', in June/July 2019 and the authority is not expecting any major changes to school funding arrangements as set out in the information published in September 2018. The authority has decided to consult with 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.
- 1.6. 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 can be found in appendix A.
- 1.7. This consultation therefore focuses mainly on the primary schools (maintained and academy) funding formula for 2020-21, although secondary schools will be interested in some elements of the consultation.

## **Consultation Approach**

- 1.8. The School and Early Years Finance (England) Regulations require local authorities to consult with schools on any proposed changes to the local school revenue funding formula. This document forms part of that consultation process.
- 1.9. The authority may consult further, depending on the contents of the Schools revenue funding 2020 to 2021 operational guide which is due to be published later in the summer.
- 1.10. 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 2020-21 at this stage.

## **2 Primary Mainstream Funding Formula**

### **Introduction**

- 2.1. The operational guidance from 2019-20 confirmed that local authorities will continue to have responsibility for determining the funding allocations for schools through a local formula for 2020-21.
- 2.2. It is expected that for 2020-21 there will be minimal change to the school funding arrangements and therefore, to enable schools to have as much information as possible regarding the 2020-21 funding allocations the authority is consulting on the final transition to the national funding formula.
- 2.3. In January 2019 Schools Forum agreed to the following changes to the 2019-20 primary funding formula:
  - Increased the Minimum Funding Guarantee (MFG) to plus 0.5% and continued to enable schools to gain through the formula changes by not implementing the CAP on gains.
  - Removed the Reception Uplift for 2019-20.
  - Increased the funding factor rates towards the NFF for:
    - Free School Meals (FSM),
    - FSM Ever 6,
    - Income Deprivation Affecting Children Index (IDACI) band E and IDACI band F.
  - Retained the English as a second Language and Prior attainment rates at the 2018-19 NFF rates
  - Moved all other factors closer 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 2020-21,

which has allowed the authority to undertake financial modelling to identify the impact on primary schools of implementing the NFF in 2020-21.

- 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. Over the 2018-19 and 2019-20 financial years the authority has been moving the primary schools funding formula towards the national funding formula rates with the expectation that all schools (primary and secondary) would be on the NFF by 2020-21.
- 2.7. Whilst the DfE have provided local authorities with the flexibility to set their own formulas for 2020-21, as the 2019-20 funding rates are so close to the NFF rates, Portsmouth is proposing to move directly to the NFF in 2020-21.
- 2.8. It is recognised that due to the lower rates under the NFF, pupils on the IDACI bands A, B C and D will see a reduction in funding. This could impact on those schools with a large number of pupils within these "most deprived" bands. The protection offered by the minimum funding guarantee ensures that no school will lose more than minus 1.5% per pupil and the authority is currently proposing to retain the flexibility to increase this to a neutral MFG of 0% per pupil, subject to affordability.
- 2.9. As a result, the authority considers the option of moving all primary schools on to the national funding formula factor rates 2020-21 to be a financially sound proposal. The impact of doing this was modelled and the results are set out in the table below. The results include both the position before and after the application of the neutral MFG protection.

<b>Table A - impact of the NFF rates for primary schools</b>				
	<b>Pre MFG</b>		<b>Post 0% MFG</b>	
	<b>No of schools<sup>1</sup></b>	<b>% of schools</b>	<b>No of schools<sup>2</sup></b>	<b>% of schools</b>
		<b>%</b>		
Increase over 1.5%	0	0	0	0
Increase between 1% - 1.49%	0	0	0	0
Increase between 0.00% - 0.99%	0	0	0	0
No change	3	6	49	100
Decrease between (0.00%) - (0.99%)	1	2	0	0
Decrease between (1.00%) - (1.49%)	4	8	0	0
Decrease over (1.5%)	41	84	0	0
<b>Total</b>	<b>49</b>	<b>100</b>	<b>49</b>	<b>100</b>

<sup>1</sup> Includes Mayfield all-through school

<sup>2</sup> Includes Mayfield all-through school

<b>Largest gains and reductions in funding</b>				
	<b>Pre MFG</b>		<b>Post 0% MFG</b>	
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Biggest decrease	(160,940)	(7.06)	0	0
Biggest increase	0	0	0	0

2.10. Table A identifies the impact of implementing the NFF both pre and post MFG at zero %. By introducing the NFF 41 (84%) of primary schools will see a reduction in funding of over 1.5%. As expected the main reason for the reduction is the impact of the lower NFF rates for the higher deprivation bands.

2.11. The table also shows that with the introduction of the neutral MFG no primary school will see a reduction in funding for 2020-21. This approach is also cost neutral for the authority.

2.12. The three schools that don't see any change are the schools that received minimum funding level funding in 2019-20 due to the per pupil rate falling lower than the minimum levels set by the DfE. Whilst the five schools that see a small reduction of between 0% and 1.49% are those who have lower numbers of deprived pupils than the majority of schools in the City.

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

Factor	<b>Table B - Primary Factor funding rates</b>		
	<b>PCC 2019-20 Rate</b>	<b>NFF 2019-20 Rate</b>	<b>PCC Consultation Proposed 2020-21 Rate</b>
	<b>Primary</b>	<b>Primary</b>	<b>Primary</b>
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

## Minimum funding levels

- 2.14. In 2018-19 and 2019-20 the authority implemented the minimum funding levels (MFL) per pupil as advised by the DfE. In 2018-19 six schools benefited from the use of the MFL and 2019-20 4 schools benefited from the use of the MFL. It is proposed to continue their use (subject to the DfE guidance) in 2020-21, the Table C below sets out the 2019-20 rates for information.

<b>Phase</b>	<b>MFL 19-20</b>
	<b>£</b>
Primary	£3,500
Secondary	£4,800
All through	£4,091 <sup>3</sup>
KS 4 only schools	£5,100

## Minimum Funding Guarantee (MFG)

- 2.15. The MFG for schools will continue to apply, and it is currently expected that local authorities will continue to have the flexibility to set a local MFG of between plus 0.5% and minus 1.5% per pupil in 2020-21.
- 2.16. In order to minimise turbulence in school funding in 2020-21 and maximising the funding passed to schools the authority is proposing to implement neutral MFG protection for all schools at the level of 0% per pupil.
- 2.17. It should be noted that to ensure affordability, the authority will use the MFG factor by adjusting the percentage per pupil between minus 1.5% and plus 0.5%. Clarification of the rate used will be brought to the January 2020 Schools Forum meeting for approval once the indicative DSG allocations are known in December 2019.
- 2.18. To help schools plan for the potential reduction of the MFG factor the NFF has been modelled using an MFG of minus 1.5%, thus providing schools with an indicative "worst case" budget, which it is hoped will help with their planning for 2020-21 and beyond. Table D below summarises the potential implications of the use of the minus 1.5% MFG.

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<sup>3</sup> This is a composite rate that recognises that the primary phase of the all-through school is not yet full.

<b>Table D - impact of the proposed 2020-21 formula factor funding rates for primary schools</b>		
	<b>Number of schools<sup>4</sup></b>	<b>Percentage of schools</b>
		<b>%</b>
Increase over 1.5%	0	0
Increase between 1% - 1.49%	0	0
Increase between 0.00% - 0.99%	0	0
No change	3	6
Decrease between (0.00%) - (0.99%)	0	0
Decrease between (1.00%) - (1.49%)	46	94
Decrease over (1.5%)	0	0
<b>Total</b>	<b>49</b>	<b>100</b>

<b>Largest gains and reductions in funding</b>		
	<b>£</b>	<b>%</b>
Biggest decrease (after MFG)	(90,869)	(1.44)
Biggest increase (after MFG)	0	0

### **3 Support for the High Needs Block.**

- 3.1. The four DSG funding blocks are ring fenced; however, in 2018-19, the ESFA permitted local authorities, with the agreement of Schools Forum, to request a one-off transfer of up to 0.5% from the Schools Block to the High Needs Block to support spend in that area.
- 3.2. This concession was repeated for 2019-20, although, following consultation with Head Teachers, it was decided not to request a transfer of funds to support the High Needs Block.
- 3.3. There is no indication that the concession will be repeated again for 2020-21; however, in order to be prepared for that eventuality, it would be helpful to understand schools' views at this point.
- 3.4. A 0.5% transfer from the Schools Block for 2020-21 would equate to approximately £580,000, or £23 per mainstream pupil. Your views are sought at question 5 of the consultation response below.

### **4 Financial Modelling of the impacts.**

- 4.1. To enable schools to understand the impact of the proposals for 2020-21 the following table is attached:
  - Table 1 - Proposed 2020-21 Funding Formula (neutral MFG)
  - Table 2 - Impact of a minus 1.5% MFG

<sup>4</sup> Includes Mayfield all through school

This identifies the impact on individual schools of the proposed change to the national funding formula funding rates for 2020-21.

- 4.2. Both tables 1 and 2 are based on the October 2018 census and does not include any adjustments for:
  - Schools converting to academy status after 8 January 2019
  - Known changes in pupil numbers (e.g. Mayfield all through school)
  - Known changes in national non domestic rates (NNDR) due to conversion to academy status, revaluation or correction.
- 4.3. The tables have:
  - Used the 2019-20 budget as the baseline to calculate the minimum funding guarantee at 0%
  - No cap on gains has been imposed for those schools that will see a gain in funding.
- 4.4. In light of the criteria set out in paragraphs 4.2 and 4.3 it should be noted that the budgets set out in Table 1 and 2 are indicative only and subject to overall affordability following the receipt of the DSG funding allocation, expected in December 2019. 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 B and to plan for the introduction of the national funding formula in 2020-21.

## **5 Responding to the Consultation**

- 5.1. A consultation response is attached at Appendix 2 for schools to complete. The consultation will close on Monday 24 June 2019.
- 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 July 2019.

## Maintained and Academy Secondary School funding rates 2019 to -2021

<b>Table B - Secondary Factor funding rates</b>			
<b>Factor</b>	<b>PCC 2019-20 Rate</b>	<b>NFF 2020/21Rate</b>	<b>Proposed 2020/21 Rate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
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:**

<b>Funding Formula Proposals</b>			
1	Do you agree with the proposal to implement the national funding factor funding rates for 2020-21 as set out in Table B	Y	N
Please add any further comments			
2	Do you agree to implement the MFG at 0% per pupil for 2020-21, subject to affordability?	Y	N
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?	Y	N
Please add any further comments			
4	Do you agree to maintain the use of the minimum funding level per pupil?	Y	N
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?	Y	N
Please add any further comments			

6	Do you have any other comments?	Y	N
Please add any further comments			