

# **2016-17 School Funding Formula**

**Consultation**



**Portsmouth**  
CITY COUNCIL

# **Funding Formula Consultation 2016-17**

## **Contents**

1. Introduction & Background
2. Early Years Funding Formula
3. Mainstream Schools Funding Formula
4. High Needs
5. Growth Fund
6. Responding to the Consultation

## **1 Introduction & Background**

- 1.1. In April 2013 the Department for Education introduced the fair funding formula which sought to standardise the method of allocating funding to schools across the country. This was a first step in a two year transitional process towards a national fair funding formula that was intended to be introduced from the financial year 2015-16.
- 1.2. In March 2014 the Department for Education confirmed that the national fair funding formula had been delayed until a later date (i.e. after 2015-16) when multi-year budgets would be available to provide certainty. However the Authority has not received any further notification from the Department for with regards to a national fair funding formula and therefore the current arrangements remain in place.
- 1.3. The Department for Education (DfE) have confirmed that the level of funding per pupil for 2016-17 that the Council receives for Mainstream Schools will remain at the 2015-16 per pupil levels (i.e. the same level since 2011-12).
- 1.4. The level of funding for both Early Years and High Needs will be agreed by the Department for Education after the Autumn spending review. However it is understood that the Early Years funding will continue to be based on participation and the High Needs funding will continue to remain at the same level for 2015-16.
- 1.5. Therefore there is no additional funding from the DfE to allocate out to schools and similar settings for 2016-17.
- 1.6. Each year the Council is required to consult on any proposed changes to the Early Years and School Funding Formula. The purpose of this consultation document is therefore to set out the changes Portsmouth City Council intends to make to the Funding Formula in implementing the revenue funding arrangements for 2016-17; and to seek your views on these proposals.
- 1.7. As in previous years, Schools Forum agreed to the creation of funding working groups (see Appendix 1) to help inform the proposed changes to the funding arrangements for 2016-17. Two groups were established (one for mainstream schools and the other for Special Schools) and they met during July and September 2015 to help inform and guide the majority of proposals contained within this document.

## **2. Early Years Funding Formula**

- 2.1. No changes are currently proposed to the Early Years funding formula for 2,3 or 4 year olds.

## **3. Mainstream Schools Funding Formula**

### **Introduction**

- 3.1. The DfE have confirmed that there will no significant changes to the school revenue funding formula for Primary and Secondary schools in 2016-17. Therefore the proposals that we are consulting on will be limited to the following areas:

- To continue to review the reduction of the Primary Lump Sum with working group to support schools amalgamating; and
- The need to maintain overall affordability.

### **Lump Sum**

- 3.2. Following the reduction of the Lump Sum in 2015-16 to support the amalgamation process, the authority proposed the continued reduction of the Lump Sum for 2016-17 and in future years. The working group agreed that financial modelling be completed to identify an appropriate level of reduction in the Lump Sum for 2016-17.
- 3.3. The following Lump Sums were modelled for primary schools and presented to the working Group at the meeting on 2 September:
- A lump of £110,000 (reduction of £20,000)
  - A lump sum of £115,000 (reduction of £15,000)
  - A lump sum £120,000 (reduction of £10,000).
- 3.4. Any funds released through the reduction of the current Lump Sum amount will be reallocated to schools via the basic per pupil entitlement, thus increasing the amount each school would get per pupil on roll.

3.5. The table below sets out the comparison of the 3 options modelled.

<b>Options</b>	<b>Per pupil amount added to basic entitlement</b>	<b>Overall impact on DSG funding</b>	<b>Number of schools with a decrease</b>	<b>Number of schools with an increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
£110,000	62.97	59,922	14	35
£115,000	47.23	45,679	14	35
£120,000	31.49	31,436	14	35

3.6. Whilst the overall numbers of schools who lost and gained funding under each of the options remained the same, the degree of the loss/gain varied considerably, the paragraphs below set out the impact on those schools that lose funding in more detail.

3.7. The reduction of £20,000 to a Lump Sum of £110,000 will create a decrease in funding for 14 schools, three of which will receive a decrease in funding of more than 1% of their total budget, amounting to £8,854 per school. The remaining 11 schools will see a decrease in funding of between £164 and £4,698. It was felt that a reduction in funding of over 1% was not acceptable for these schools and therefore the option was rejected.

3.8. The reduction of £10,000 to a Lump Sum of £120,000 also created a decrease in funding for 14 schools, again 3 schools will receive a decrease of £4,426 per school, a reduction of just over 0.5% of their school budget. The remaining 11 schools see a reduction of between 0% and 0.5% with the reduction ranging between £48 and £2,348. Whilst the working group felt that this option had a minimal impact on schools, it was thought that a reduction of £10,000 was not substantial enough to make an impact on amalgamation decisions.

3.9. The option preferred by the working group, was a reduction in the Lump Sum of £15,000 to £115,000. Again this saw a reduction in funding to 3 schools of just over 0.8% of their budget share with a financial impact of £6,640. The remaining 11 schools all saw a reduction between £123 and £3,523. This option was felt to offer the largest reduction in the Lump Sum with the financial impact on schools being under a 1% reduction in their budget.

3.10. Therefore we are proposing to reduce the Primary Lump Sum amount to £115,000 in 2016-17 and to allocate the funding removed from this factor through the 'Basic per Pupil Entitlement' factor.

3.11. No changes are proposed to the Secondary Lump Sum.

## **MFG & Capping**

- 3.12. The Minimum Funding Guarantee (MFG) for primary and secondary schools will remain at minus 1.5% for 2016-17.
- 3.13. We have not received any confirmation that the MFG mechanism will continue to remain in place after 2016-17 onwards.
- 3.14. The capping mechanism will also be retained again in 2016-17. As part of setting the budget for 2016-17 it will be necessary to re-determine the level at which the capping on the gains will be applied. For the purposes of consulting with schools, the indicative budgets have assumed that the cap remains at plus 1.5%.

## **Budget Share Financial Modelling**

- 3.15. An indicative 'budget share' spread sheet has been prepared to accompany this document which will provide you with an understanding of the impact of these proposals on your schools funding allocation. The indicative budget share allocation is calculated using the October 2014 pupil data provided by the DfE and includes any adjustments to resource unit pupil numbers from 2015-16 and the proposal to reduce the Lump Sum to £115,000.

The following points should be noted:

- The comparison to the current 2015-16 budget share is shown before the de-delegation of any centrally held funding.
- The final budget share for 2016-17 may differ as a result of the change in pupil numbers and characteristics and will be based on the October 2015 pupil census.
- The budget share excludes any funding for resourced units or early years nursery provision.
- The budget share includes changes relating to the National Non Domestic Rates corrections for 2015-16 payments and adjustments relating to schools that have converted or are expected to convert to Academy status.
- Changes to pupil numbers to reflect the third year (September 2016 cohort) of Mayfield School becoming an all-through school
- The removal of the Lump Sum protection in 2015-16 for those schools which amalgamated during 2014-15.

- Any adjustments for to corrections to pupil numbers for 2015-16 budget share relating to resourced units
- The removal of any prior year adjustments paid in 2015-16.

3.16. Those schools who received notification in March 2015 of the corrections required to their pupil numbers at resource units will get a separate breakdown explaining the variation.

### **Maintaining Overall Affordability**

3.17. In setting the final budget for 2016-17 for Primary and Secondary schools, updated pupil data based on the October 2015 census will be provided by the DfE. As a result of the change in pupil numbers and pupil characteristics and growing pressures in the High Needs budgets, it may be necessary to amend the final unit values attached to the funding formula factors, in order to maintain overall affordability within the Dedicated Schools Grant.

3.18. 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

### **De-Delegated Budgets**

3.19. In setting the budget for 2015-16, Schools Forum agreed to de-delegate the following budgets to central control as shown in the table below.

#### *Current De-Delegation Arrangements:*

<b>Expenditure Item</b>	<b>De-delegation for 2015-16</b>
Administration of free school meals eligibility	De-delegate from maintained primary & secondary schools.
Licences	De-delegate from maintained primary & secondary schools.
Special Staff Costs: Union Duties.	De-delegate union duties from maintained primary & secondary schools.
Behaviour Support	De-Delegate from maintained primary schools only.

<b>Expenditure Item</b>	<b>De-delegation for 2015-16</b>
Museum & Library Services	De-delegate from maintained primary schools only
Schools Contingency Fund	De-delegate from maintained primary & secondary schools.

3.20. It is proposed that the 2016-17 De-delegation arrangements will be as per the table above.

3.21. The final de-delegation rates and the method of calculation will be set after the receipt of the October 2015 census data set and will be taken to the January 2016 Schools Forum for approval.



## **4. High Needs**

### **Resourced Units**

- 4.1. The place funding for resourced units will remain at £10,000 per place. There are currently no proposals to amend the resourced unit top-up rates for 2015-16.

### **Special Schools**

- 4.2. The place funding for Special Schools will remain at £10,000 per place.
- 4.3. The Council's 'SEND Team' will be in discussion with each of the schools to confirm the number of places required for September 2016.
- 4.4. The Element 3 top-up funding will continue to be provided in accordance to the level of need of the pupil via the A-H banding mechanism, for which the values are unique to each school. The current legislation provides protection for the top-up funding at minus 1.5% per pupil. For 2016-17 it is currently proposed that the top-up rates will remain at the 2015-16 levels.

### **Alternative Provision**

- 4.5. The place funding for Alternative Provision (AP) places will remain at £10,000 per place.
- 4.6. It is not proposed to change the Element 3 Top up rate for Local Authority commissioned places in 2016-17.

## 5. Growth Fund

- 5.1. Although not part of the Funding Formula the Growth Fund forms part of the overall funding available to schools. The guidance issued by the DfE in July 2015<sup>1</sup> has clarified the use of the Growth Fund, which can only be used for the following circumstances:
- Provision of extra pre 16 places to meet basic need
  - To meet the start-up costs of new maintained schools and recoupment academies where the school is opening in response to basic need
- 5.2. Whilst the current Growth fund criteria meets the revised criteria, in that only those schools who have experienced an increase in the Published Admission Number (PAN) are eligible. It requires schools to have seen the growth in pupil numbers for at least two years before they are eligible for the funding.
- 5.3. Over recent years the authority has been working with schools to increase the number of primary school places available in the city to meet the increasing primary population. Discussions with the Strategic Commissioning Manager and schools who are going through this period of change have indicated that funding received at the time the additional places come on line, would be more supportive of effective budget management than two years down the line.
- 5.4. To ensure that the Growth Fund supports the expanding schools, we have completed a review of the Model currently in use.
- 5.5. We have considered Growth Fund Models used by other local authorities and financial modelling has been undertaken to assess the affordability and impact of the different Models. The options considered included:

### **Ealing Model:**

- a lump sum of £60,000 for Primary and £75,000 for secondary schools for each full form of entry (prorated for a 0.5 form entry).

### **Solihull Model**

- An allocation based on the teacher element of the Age Weighted Pupil Unit paid per pupil

---

<sup>1</sup> Schools revenue funding 2016 to 2017, operational guide, July 2015

## **Staffordshire Model**

A lump sum (prorated for a 0.5 FTE entry) which is the equivalent to:

- 7/12ths salary cost of a 1 FTE teacher (Main Scale 6)
- 7/12ths salary cost of a 0.5 Term time only teaching assistant (Grade 4)
- £3,000 towards the cost of resources and materials

- 5.6. Each of the options were modelled as if they were implemented in 2015-16 and compared to the funding anticipated to be provided via the current Growth fund model.
- 5.7. Based on the schools that would have been eligible for funding under these models, both the Ealing and Solihull models were unaffordable, with costs of between £383,500 and £480,000, in excess of the current 2015-16, £365,000 budget. The Staffordshire Model is affordable within the current budget and provides funding to 11 eligible Schools, compared to an estimated 3 schools under Portsmouth's current model.
- 5.8. The results of the financial modelling were presented to the Mainstream Working Group on 2 September 2015 and following discussion they supported the proposal for the implementation of the Staffordshire model as this was both affordable and provided surety for schools.
- 5.9. Appendix 2 sets out the new proposed criteria for 2016-17.
- 5.10. As a number of schools have increased their PAN from September 2015-16, it is being proposed that Schools Forum adopt this new model in November 2015 subject to approval from the Department for Education, in addition to the current criteria until March 2016. Where schools are eligible under both the current criteria and the new criteria, the new criteria will apply unless the amount is lower than the funding the school would have received under the current criteria in which case that would apply.
- 5.11. There are no proposed changes to the "Increasing Age Range" criteria of the current Growth Fund. Where schools are eligible for Growth funding under the increasing age element they will not be eligible under the increasing PAN. As they will receive funding for the increase in pupils for the period September to April as part of the Funding Formula.

## **6. Responding to the Consultation**

- 6.1. A consultation response is attached at Appendix 3 for schools to complete. The consultation will close on the Friday 25<sup>th</sup> September 2015.

- 6.2. Please send your completed response forms to [schoolsfinancialsupport@portsmouthcc.gov.uk](mailto:schoolsfinancialsupport@portsmouthcc.gov.uk)
- 6.3. The responses to this consultation will be reported to Schools Forum meeting in October.

## Funding Working Groups Membership

### 1. Mainstream Working Group

	<b>Mainstream</b>	
	<b>Primary</b>	<b>Secondary</b>
Head Teacher	Polly Honeychurch (Cottage Grove)	Simon Graham (St Edmunds)
Governor	Marie Roberts (Corpus Christie/ St Pauls)	Vacant
Finance	Jane Hayward (St Swithuns)	Matt Shires (Mayfield)
Academy	Rebecca Suffolk (Lyndhurst Primary?)	Lee Miller (Portsmouth Academy for Girls)

### 2. Special Working Group

	<b>Special</b>
Head Teacher	No representative
Governor	Jim Tolley (Willows)
Finance	Richard McCormack (Harbour)
Academy	Alison Beane (Mary Rose)
SEN Representatives	Julia Katherine (Inclusion Commissioning Manager) Troy Hobbs (Team Manager)

### Exceptional Growth Fund- 2016-17

**Applies to:** Maintained schools and Academies

#### Increasing Published Admission Number.

##### Criteria

Funding will be allocated to those schools who meet the following criteria within 4 weeks of the following:

- Approval of the change in published Admission Number (PAN) by the Cabinet Member for Children and Education, if the increase will be implemented in the current financial year; or
- The start of the financial year in which the increase in the PAN is implemented.

*'Growth funding will be allocated to schools where:*

- *The Council carries out a formal consultation and approves to increase the capacity of a school*
- *A school or academy carries out a formal consultation at either the request of the council or is supported by the Council*
- *The Council requests a school/academy to increase their PAN to meet localised demand*
- *A school or academy admits a **significant** increase in pupils to meet demand from new housing developments at the request of the Council.*

*In setting the criteria, 'significant' has been defined as follows:*

- **'Significant'** – *Where the increase in the number on roll exceeds 10 pupils and this equates to 5% or more of the total number of pupils on roll.*

##### Methodology

The allocation from the growth fund to schools', who meet the above criteria, for a full form entry of 30 pupils, will be equal to:

- 7/12th salary cost of a 1 FTE teacher (main scale 6)
- 7/12th salary cost of 0.5 term time only teaching assistant (band 4 point 15)
- £3,000 towards the cost of resources and materials

For payments made between 1 April and 31 August, the salary payment will be based on the salary scale in use as at 1 April of the financial year in which the payment is made.

For payments made between 1 September and 31 March, the salary payment will be based on the salary scale in use as at 1 September of the financial year in which the payment is made.

Where any pay awards have not been decided at the time of the payment, payment will be made on the basis of the pay tables that are in use at the time. There will be no back dated payment if a subsequent pay award is agreed at a later date and backdated.

Funding will be pro-rated for part form entry.

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 Cabinet Member for Children and Education
- The Growth Fund criteria changes due to affordability
- There is a change in the funding formula as directed from the Education 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*
- *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 is not retrospective and will only be implemented from 1 September 2015.*

*'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.'*

*'Where schools are eligible under both the current criteria and the new criteria, the new criteria will apply unless the amount is lower than the funding the school would have received under the current criteria in which case the current criteria would apply until March 2016.'*

**For example – primary school**

School has been requested by the Local Authority to increase the PAN from a 1½ form entry to a two form entry from September 2016, this was approved by the Cabinet Member for Children and Education in October 2015.

Whilst the increase was agreed in 2015-16, the payment will be made in financial year 2016-17 as this is the year in which the changes 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.

7/12th salary cost of a 1 FTE teacher (main scale 6)  
 $£39,835/12 \times 7 = £23,237$

7/12Th salary cost of 0.5 FTE teaching assistant (band 4 point 15)  
 $(£16,488/52 \times 46.9 \times 0.5)/12 \times 7 = £5,088$

£3,000 towards the cost of resources and materials

Total =  $£31,325 \times 0.5$  = Total payment to school £15,662.50



**Questions:**

<b>Funding Formula Proposals</b>			
1	Do you agree with the decision to reduce the Primary lump sum to £115,000 in respect of the lump sum factor?	Y	N
Please add any further comments			
2	Do you have any other comments in respect of the mainstream funding formula?	Y	N
Please add any further comments			
<b>Other Areas</b>			
3	Do you agree with the proposals in respect of the Growth Fund?	Y	N
Please add any further comments			