
Schools Funding Formula 2019/20

Report being considered by: Schools' Forum on 10th December 2018

Report Author: Amin Hussain, Ian Pearson

Item for: Decision **By:** All Forum Members

Purpose of the Report

To set out the results from the consultation with schools on the proposed primary and secondary school funding formula for 2019/20 and to make a final recommendation.

Recommendation(s)

Agree the following for setting the school funding formula for 2019/20, to go as a recommendation to the Council's Executive:

- Use the National Funding Formula rates for every formula factor, applying a funding cap on gains and minimum funding guarantee as agreed at this meeting.
- Use the minimum funding guarantee to flex any reduced or additional funding as appropriate and then scale factors according to affordability. Or scale every formula factor upwards or downwards in order to match the final funding allocation available for distribution to schools.
- Apply a top slice to the schools' funding if agreed at this meeting.

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
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Introduction

The funding arrangements for 2019/20 are based on the National Funding Formula (NFF) factors and rates as they were in 2018/19.

For the next two years the NFF will operate as a "soft" system – this means that the local authority will receive a total allocation and then allocate this out to schools according to a local formula, which is determined after consulting with all schools and the Schools' Forum.

At the October meeting of the Schools' Forum it was agreed that we would again replicate the NFF as close as possible with the funding available. Two options were presented to schools for consultation – a minimum funding guarantee of either -0.5% and a cap on gains at 3% or a minimum funding guarantee of 0% with a cap on gains of 2%. There was also the option to support the High Needs Block with approx. £490k of funding from schools which is the maximum allowed under the regulations of 0.5%. It was on this basis that all schools were consulted.

Consultation Responses

Appendix A contains the briefing and consultation document that went out to all schools. This document also contains all the background information to the school formula and the proposed formula options.

The consultation document was emailed on the 18th October 2018 with a deadline for responses of 13th November 2018.

There were only 6 formal responses to the consultation – from Winchcombe, Kennet, Little Heath, the Downs, Denefield and Francis Baily.

Of the responses 3 agreed with the first option for a 0% minimum funding guarantee (MFG) and a 2% cap on gains and 3 agreed with the option for a -0.5% minimum funding guarantee and a 3% cap on gains. 4 schools disagreed with supporting the High Needs Block, mainly citing lack of information around why the support is needed and what the High Needs Block was doing to make savings to contain the expenditure going forward.

The following points have also been made as part of the consultation

Rather than scale the factors in the event of more or less funding 2 schools suggested that the MFG is flexed first. This would be a sensible approach since we are then keeping to the NFF rates and using an approach after the factors are applied to reduce or increase the final allocation to schools.

Schools had initially expressed concern at the cost of Option 1 of the Health and Safety de-delegation and at the recent HFG 28.11.12 meeting further information was provided. Subsequently, HFG has agreed to the de-delegations and that there is a satisfactory explanation for the increase in the cost.

Copies of the responses are included as part of Appendix A.

Conclusion

As there were only 6 responses to the consultation it will fall to Head Funding Group to make the recommendations to Schools Forum since the responses were split and the High Needs proposal was not well received.

Once the actual funding allocation and census data are received (expected by 20th December), the formula funding to schools will therefore be determined on the principles recommended in this meeting.

The Council's Executive will make the final decision in January. The formula has to be submitted to ESFA by 19th January 2019.

There continues to be significant concern about the shortfall in funding and the ability of schools to balance their budget without having an impact on pupils.

Appendices

Appendix A – Primary and Secondary Schools Funding – Proposed Funding Arrangements for 2019/20: Briefing and Consultation Document for Schools



Primary and Secondary Schools Funding Proposed Funding Arrangements for 2019/20

Briefing & Consultation Document for Schools October 2018

1. Introduction

- 1.1 The Department for Education (DfE) introduced a National Funding Formula (NFF) from 2018. The premise is that all schools will be funded on the same basis and pupils with similar characteristics and similar needs will attract similar levels of funding regardless of where they live. This means that the funding rates for each of the formula factors will be set nationally rather than by each individual Local Authority. In order to achieve this, funding would shift from higher funded local authorities to the lower funded ones.
- 1.2 The original intention was that all schools would move to the NFF “hard” formula by 2019. A “hard” formula means that schools will receive their funding allocations direct from the Government using the NFF rates. In 2018 and 2019 the formula would be a “soft” formula which means that the decision is taken locally on how best to allocate this funding to schools through the factors. This “soft” formula has now been extended to 2020.
- 1.3 Policy and operational documents relating to the 2019 schools budget, and the implementation of the NFF from April 2019. These can be accessed on this webpage:
- <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>
- 1.4 Additional funding has been put into the NFF including protecting schools that were due to lose, so that no school should lose funding on a per pupil basis compared to their baseline; the baseline being 2017/18
- 1.5 The method of distributing the funding will need to go out to consultation with all schools and be agreed by Schools’ Forum in December, before being approved by the Council’s Executive in January.

1.6 This document provides a briefing on the proposed local arrangement for 2019/20. Schools are invited to make comments on five specific areas, as highlighted in boxes within the text. Please e-mail your response to Wendy Howells, Schools' Finance Manager wendy.howells@westberks.gov.uk by **13th November 2018**. In order for the Schools' Forum to consider a suggestion for change, it should be accompanied by clear rationale on why your proposal is a better solution and fair and equitable for all schools in West Berkshire Council (WBC), and not just for your own individual school. You should also check that it falls within the current funding regulations.

2. The National Funding Formula (NFF)

2.1 The NFF assigns funding rates to each of the current formula factors. For some local authorities these are uplifted by an area cost adjustment (ACA). For West Berkshire this is 1.0341.

2.2 In determining the pupil numbers the October census will continue to be used.

2.3 Table 1 sets out the national rates.

Table 1: National Funding Formula Rates

Factor	National Rate	WBC National Rate (with ACA)
1.Basic Entitlement:		
Primary	£2,747	£2,841
Secondary KS3	£3,863	£3,994
Secondary KS4	£4,386	£4,535
2.Deprivation:		
Primary current FSM	£440	£455
Primary FSM Ever 6	£540	£558
Primary IDACI Band F (0.2 – 0.25)	£200	£207
Primary IDACI Band E (0.25 – 0.3)	£240	£248
Primary IDACI Band D (0.3 – 0.4)	£360	£372
Primary IDACI Band C (0.4 – 0.5)	£390	£403
Primary IDACI Band B (0.5 – 0.6)	£420	£434
Primary IDACI Band A (over 0.6)	£575	£595
Secondary current FSM	£440	£455
Secondary FSM Ever 6	£785	£812
Secondary IDACI Band F	£290	£300
Secondary IDACI Band E	£390	£403
Secondary IDACI Band D	£515	£533
Secondary IDACI Band C	£560	£579
Secondary IDACI Band B	£600	£620
Secondary IDACI Band A	£810	£838
3.Prior Attainment:		
Primary	£1,022	£1,057
Secondary	£1,550	£1,603
4.English as an Additional Language:		
Primary EAL 3	£515	£532
Secondary EAL 3	£1,385	£1,432
5.Sparsity		
Primary	£25,000	£25,852
Secondary	£65,000	£67,216
6.Lump Sum:		
Primary	£110,000	£113,751

Annex A shows for each school a breakdown per formula factor using the NFF rates. The schools that gain funding are generally those with the following characteristics:

- High number of pupils from deprived backgrounds (particularly those on the IDACI bands).
- High number of pupils with low prior attainment.
- Small rural school meeting the sparsity criteria – the pupils live more than two miles from their next nearest school.

2.4 The national formula delivers a minimum per pupil funding of £3,500 per Primary pupil and £4,800 per Secondary pupil. This is taking into account all factors except business rates. All schools will be protected via a funding floor of 1% above their 2017/18 baselines – again taking into account all factors except rates. For schools that gain, a funding cap of 3% per pupil has been allowed for 2019/20 determined locally and excluding the minimum per pupil funding level guarantee.

3. Funding Available to be Allocated to Schools

3.1 Funding for schools is allocated to the Local Authority through the Dedicated Schools Grant (DSG). The grant is split into four funding blocks - Schools, Early years, High needs and new for 2018/19 Central Schools Services which is for the centrally retained services previously funded from the Schools Block (such as licences, admissions, education welfare). Thus, from 2018/19 the Schools Block is only for Primary and Secondary school formula allocations, plus growth funding for new or growing schools (as such pupils are not included in the funding allocation as they did not exist in the previous October census).

3.2 The Schools Block is ring fenced, but up to 0.5% can be transferred to other funding blocks subject to consultation with all schools and Schools' Forum agreement. Secretary of State approval is required for transfers above this limit or where the Schools' Forum has opposed the transfer

3.3 The schools block funding for 2019/20 is calculated as follows:

- The national funding formula at the national rates is run for each school. This is based on October 2017 census data and pupil numbers.
- An area cost adjustment (ACA) is added to the total sum for each school (1.0341 for West Berkshire).
- Each school is allocated as a minimum a 1% per pupil increase against their baseline of 2017/18 through the funding floor and a guarantee of a minimum per pupil allocation of £3,500 for Primary pupils or £4,800 for Secondary pupils (all factors excluding rates).
- The allocations for every school in the Local Authority are added up and divided by the October 2017 pupil numbers. This produces a Primary Unit of Funding (£3,899 PUF) and a Secondary Unit of Funding (£4,936 SUF). These funding units are now set for 2019/20.
- In December 2018, the PUF and SUF will be multiplied by the October 2018 Primary and Secondary pupil numbers to produce the Schools Block DSG allocation.
- A sum for growth funding is added which will be calculated separately for 2019/20 to give the final DSG total.

3.4 It will be unlikely that a local authority would be able to replicate exactly the national funding formula rates to schools for the following reasons:

- The funding rates (PUF and SUF) have been determined using October 2017 census data, whereas actual allocations to schools use October 2018 census

data. If pupil characteristics (such as deprivation levels) have changed between the two census dates, this will create a surplus or shortfall to be adjusted for.

- The amount of funding being received for the business rates element of the formula is based on historical amounts, whereas the funding allocated to schools will need to be the actual 2019/20 amounts – which is likely to be more.
- If there is a significant shortfall in High Needs funding, up to 0.5% could be transferred from the Schools Block allocation.

3.5 Based on the October 2017 census data and pupil numbers, the schools block DSG would be £98.4m. Increases in business rates would need to be deducted, with the balance available to allocate to schools through the formula.

3.6 This figure could go up or down depending on the changes in pupil numbers in the October 2018 census.

3.7 The amount of funding required to allocate to schools using the national formula rates could also go up or down, not just in proportion to changes in pupil numbers, but if pupil characteristics used in other formula factors have significantly changed compared to October 2017 (because the funding being received does not recognise this change).

3.8 In addition to agreeing on the funding formula, a decision therefore needs to be taken on how to allocate any surplus or shortfall. The final funding will not be known until mid December and after this consultation has taken place.

4. Proposal for 2019/20 Formula and Funding Rates

4.1 **Annex B** is an extract from the Government's school revenue funding operations guide, detailing the allowable funding factors for 2019/20. The only changes in the NFF compared to 2018/19 is the low prior attainment value for Primary allocation which has dropped to £1,022 nationally.

4.2 It remains a Local Authority decision (for at least the next two years) on how the funding is allocated to schools through the formula factors. There is no requirement to stick to the NFF rates, or to use all the factors. However, it is the Government's intention that from 2021/22 all schools will be on the NFF.

4.3 Although it may not be possible to replicate exactly the national funding formula as shown in the DfE tables for each school, it is proposed that in principle the aim will be to use the national rates using all the formula factors. Using either a 0% Minimum funding Guarantee (MFG) and 2% cap on gains or a -0.5% MFG and 3% cap on gains means that the current funding allocation is affordable. The funding floor and MFG will protect schools that lose.

4.3 The models (using 0% MFG and -0.5% MFG) are shown in **Annex C and D**. Both models are affordable (but are subject to changes in business rates). The impact is as follows:

	Option 1 MFG - -0.5% Cap 3%	Option 1 MFG - 0% Cap 2%
Number of schools losing	16	2
Number of schools gaining nil	0	16
Gains of £1k - £5k	27	27
Gains of £5k - £15k	12	14
Gains of £15k - £30k	9	8
Gains of over £30k	10	9
Highest Gain	£90,840	£90,840
Average Gain	£13,340	£10,087

4.4 The minimum funding guarantee that can be set in the school formula is between plus 0.5% and -1.5%.

4.5 As was the case last year it is proposed that the funding rates for all formula factors be scaled upwards or downwards in order to match the final funding allocation. This is because:

- It is fair and equitable for all schools – no particular type of school is advantaged or disadvantaged.
- It is logical – the area cost adjustment is applied to every formula factor, so it makes sense to add or remove funding in the same way.
- It keeps the funding for all factors in the same proportion to the national funding rates and thus in proportion to the relative needs of pupils in each school.

4.6 The models assume no change in pupil numbers, and thus illustrate the impact of the NFF based on the same details as last year. Actual individual school allocations will be dependent on the October 2018 census data. The model chosen is also available as a spreadsheet, and by entering the school cost centre in the pink box of the “school sheet” tab this will display in detail the formula allocation for the school alongside the current funding received for each factor. Schools can also enter their actual pupil numbers for October 2018 (yellow boxes) to see their likely funding for 2019/20 and beyond based on this model.

4.7 Academies should note that their minimum funding guarantee works in a different way to maintained schools and they will need to apply the funding rates set out in this proposal to their own GAG funding model.

1. Do you agree that West Berkshire should apply the national funding formula rates for every factor, applying a minimum funding guarantee of 0% and funding cap on gains of 2% (as shown in Annex C)? If not, please let us know with your reasons why.

2. Or do you agree that West Berkshire should apply the national funding formula rates for every factor, applying a minimum funding guarantee of -0.5% and funding cap on gains of 3% (as shown in Annex D)?

3. Do you agree that if there is additional funding available the minimum funding guarantee should be set between 0% and 0.5% with the increase in the cap on gains at 3% according to affordability. If not please let us know the reasons why?

4. Do you agree that any shortfall or surplus in funding is addressed by scaling all formula factors downwards or upwards? If not, please let us know with your reasons why.

5. Do you agree that a top slice should be applied to all schools to support the High Needs Block? If not please let us know the reasons why.

6. If your answer to question 5 is yes – do you agree with the amount as set ie £490k, which is the maximum allowable percentage without application to the Secretary of State? Or do you think the amount should be higher or lower – please let us know your reasons why.

7. If your answer to question 5 is yes – do you think the funding allocated per school should be in proportion to the school's funding as a proportion to total funding or the school's pupil numbers as a proportion to total pupil numbers? Please let us know the reasons why.

5. Additional Funding Outside the School Formula

5.1 The current funding regulations allow for a few exceptional circumstances to be funded outside the formula and be top sliced from the DSG. For each fund the Schools' Forum need to agree the amount to set aside and clear criteria setting out the circumstances in which a payment could be made and the basis for calculating the sum to be paid. The current criteria for each fund is the subject of a separate report at this meeting.

5.2 The funds are as follows:

- Growth Fund – support for schools required to provide extra places in order to meet basic need within the authority – including the cost of new schools opening.
- Schools with a disproportionate number of high needs pupils which cannot be reflected adequately in their formula funding. This needs to be made through a formula.

5.3 Funding for the growth fund used to be top sliced from the Schools Block DSG. From 2019/20 this is to be calculated on a formulaic basis which will be based on the October 2018 pupil census. The allocation of the Schools Block formula does not now take the Growth fund into account.

5.4 Any unspent growth funding may be carried forward to the following funding period, as with any other centrally retained budget, and Local Authorities can choose to use it specifically for growth. No changes are proposed

5.5 No changes are proposed to the criteria for the Growth Fund and for the schools with disproportionate number of high needs pupils.

5. If you have any comments/suggestions on this proposal or the criteria set to access the other additional funds please provide details.

6. De-delegations 2019/20 (maintained schools only)

6.1 From 2013/14 schools received funding for newly delegated central services. For some services (where offered by the Local Authority), maintained Primary and Secondary schools can collectively opt for the service to be de-delegated – which means that the funding is deducted from the formula allocation and continues to be centrally retained for the benefit of all maintained Primary and Secondary schools, and individual schools cannot make that choice for themselves (Academies may be given the option to buy into the service, as can Nursery schools, Special schools and PRUs). From 2017/18, statutory services previously funded by the Education Services Grant were also added, and the de-delegation for these services relate to all maintained schools. The de-delegations need to be re-determined on an annual basis.

6.2 The relevant Schools' Forum representatives for each phase will vote on whether each service is to be de-delegated or not. The services currently de-delegated are as follows:

- Behaviour Intervention Service
- Ethnic Minority & Traveller Achievement Service
- Trade Union Local Representation Service
- Contingency for Schools in Financial Difficulty (primary schools only)
- CLEAPSS
- Statutory & Regulatory Duties (health & safety, internal audit, statutory accounting, pensions administration)

6.3 Information about these services was included in a report to the Schools' Forum on 15th October 2018, agenda item 9. The amounts to be deducted from each school for 2019/20 will be different to those shown in the report, as they will be based on the October 2018 census data.

6.4 The final decision on each de-delegation will be made by the relevant Schools' Forum Members for each phase on 10th December 2018. Schools may wish to contact their Schools' Forum representative direct to express their view, or respond as part of this consultation.

6. If you do not agree with any of the above services being de-delegated, please let us know with your reasons why.

7. Timetable

7.1 The timetable for determining the school formula and schools budgets for 2019/20 is as follows:

Schools' Forum to review the 2019/20 school formula arrangements and agree on a proposal.	15 th October 2018
Briefing document to schools – with opportunity given to make comments on the proposals.	18 th October 2018
Heads Funding Group to consider the responses from schools and make a recommendation to Schools' Forum.	28 th November 2018
Schools' Forum to agree on the formula and preferred funding rates to recommend to the Council. Vote taken on de-delegations and the criteria agreed for accessing the additional funds.	18 th December 2018
October census data issued by the DfE and final DSG funding allocation for schools and high needs blocks received. Final school formula rates determined according to funding available.	Mid December
Formal Political approval received.	Executive 18 th January 2019
2018/19 formula submitted to Education & Skills Funding Agency.	17 th January 2019
Schools' Forum to consider the overall DSG position and remaining budgets for all funding blocks.	21 st January 2019
Confirmation of final budget allocations to maintained primary & secondary schools	By end of January 2019
Schools' Forum to decide on the final budget for all DSG funding blocks	11 th March 2019

Annexes

Annex A – School funding Formula – changes by factor

Annex B – School funding Formula – proposals – Options 1 and 2

Annex C – Summary Consultation Responses

Annex D – Individual Consultation Responses