DARLINGTON SCHOOLS FORUM
14th January 2020

ITEM NO 5

SCHOOL FUNDING FORMULA 2020/21
AND GROWTH FUND 2020/21

Purpose of Report

1.   To update the Schools Forum regarding the school funding formula and the growth fund for 2020/21

Background

2.   Schools Forum agreed at their special meeting on 21st November to transfer 0.5% of the schools block allocation for 2020/21 into the high needs block to cover demand pressures.

3.   Following the consultation with schools, Schools Forum agreed the following parameters for the 2020/21 funding formula,
    a. To use the same funding formula factors in 2020/21 as used in 2019/20 (with mandatory changes)
    b. To mirror the national funding formula unit values as near as possible
    c. To use the basic entitlement (AWPU) to balance the overall budget (option D)

The Formula

4.   The Schools Block allocation for Darlington in 2020/21 is £68,880,548. School Forum agreed to transfer 0.5% to the high needs block, which equates to £344,400 and therefore this leaves £68,536,148 for the school budget share calculation and the growth fund in 2020/21.

5.   It is proposed that £135,000 be allocated to the growth fund as per paragraph 22 below. This leaves £68,401,148 of the 2020/21 schools block for the school budget share calculation in 2020/21.

6.   The revised datasets and modelling tool (APT) were provided by the Education, Skills Funding Agency (ESFA) on 17th December to enable local authorities to submit their revised funding formula in line with the 21st January deadline.

7.   The final funding formula uses the datasets provided by the ESFA, collected at the October 19 census. The regulations stipulate that these datasets must be used in completing the funding formula.

8.   School Forum agreed at their November 2019 meeting to implement the revised 2020/21 national funding formula unit values, therefore these units have been used as the starting point for the funding formula calculation in 2020/21.

9.   At their November meeting Forum were advised that modelling would be undertaken to ensure that any changes made to the final funding formula tool by ESFA do not change the formula from what has previously been agreed. In addition it was noted that the overall affordability of the formula would be reviewed following the receipt of the actual Dedicated Schools Grant (DSG) allocations for 2020/21 and the use of any previous years underspend.

10.   Forum agreed to move 0.5% of the schools block to the high needs block in 2020/21, which provisionally meant that the implementation of all the National Funding Formula (NFF) unit values in Darlington's formula factors was not affordable. Therefore the budget shares would be balanced through an adjustment to the AWPU values (option D). However following modelling using the actual DSG allocations for 2020/21, it is now possible to use the NFF unit values for all of the factors used in Darlington's local formula in 2020/21.

11.   This is possible as the transfer of £344,400 from the schools block to the high needs block has been offset by the following.
    a.   The School Block allocation includes £289,230 of funding for growth which is calculated by ESFA including a protection based upon previous years funding levels. In the 2020/21 academic year two of the schools that previously qualified for growth will no longer as the increase in class number has now passed through seven years. The estimated requirement for growth funding in 2020/21 is £135,000, therefore £154,230 is available from the growth allocation to add back into the school formula calculation.
    b.   The Schools Block allocation includes funding for premises (which in Darlington's formula is business rates) at the same level as was included within the schools budget share calculation from the previous year. The allocation included in the DSG for premises in 2020/21 is £602,053, which was the amount of business rates funding included in Darlington 2019/20 formula. However in 2019/20 the business rates figure was higher than is required in 2020/21 as a number of budget adjustments were required in 2019/20 to cover backdated business rates charges. In 2020/21 the requirement for business rates is £505,813, therefore £96,240 is available from the premises allocation to add back into the school formula calculation.
    c.   In order to implement all the NFF unit values into the Darlington factors £95,576 is required. As there is schools block underspend held in reserve from 2018/19, this amount will be drawn down, to enable all the unit values within Darlington's formula to match the NFF unit values.

12.   A minimum funding guarantee (MFG) of 1.84% which is the maximum value allowed under the NFF has been used within the 2020/21 budget share calculation.

13.   For completeness the unit values used in the 2020/21 funding formula are detailed below. The table shows the 2019/20 unit values used within the Darlington formula so will allow comparison between the two years. In addition the table shows the national funding formula unit values for 2020/21, so it can be seen where Darlington unit values differ from the NFF in 2020/21.

Funding Factor	Darlington Formula 2019/20 £	Darlington Formula 2020/21 £	NFF 2020/21 £	Difference to NFF 2020/21 £
AWPU - Primary	2,662	2,857	2,857	Nil
AWPU - Key Stage 3	4,020	4,018	4,018	Nil
AWPU – Key Stage 4	4,353	4,561	4,561	Nil
Minimum Per Pupil – Primary	N/A	3,750	3,750	Nil
Minimum Per Pupil - Secondary	N/A	5,000	5,000	Nil
Deprivation – FSM Current – Primary	293	450	450	Nil
Deprivation – FSM Ever 6 – Primary	630	560	560	Nil
Deprivation – FSM Current – Secondary	293	450	450	Nil
Deprivation – FSM Ever 6 – Secondary	855	815	815	Nil
Deprivation – IDACI - Primary Band A	613	600	600	Nil
Deprivation – IDACI - Primary Band B	510	435	435	Nil
Deprivation – IDACI - Primary Band C	490	405	405	Nil
Deprivation – IDACI - Primary Band D	470	375	375	Nil
Deprivation – IDACI - Primary Band E	286	250	250	Nil
Deprivation – IDACI - Primary Bands F	133	210	210	Nil
Deprivation – IDACI – Secondary Band A	725	840	840	Nil
Deprivation – IDACI – Secondary Band B	585	625	625	Nil
Deprivation – IDACI – Secondary Band C	559	580	580	Nil
Deprivation – IDACI – Secondary Band D	529	535	535	Nil
Deprivation – IDACI – Secondary Band E	398	405	405	Nil
Deprivation – IDACI – Secondary Band F	193	300	300	Nil
EAL - Primary	436	535	535	Nil
EAL - Secondary	1,004	1,440	1,440	Nil
Prior Attainment – Primary	478	1,065	1,065	Nil
Prior Attainment – Secondary	1,047	1,610	1,610	Nil
Lump Sum	131,667	114,400	114,400	Nil
Sparsity	25,000	26,000	26,000	Nil

14.   The budget shares calculated for 2020/21 are detailed at appendix 1.

15.   All academy schools are funded direct by ESFA, based upon the budget share calculated by the Local Authority. Therefore if there are any special funding arrangements between ESFA and the academy, the actual general academy grant (GAG) received by the academy may differ. In addition the figures shown in appendix 1 are inclusive of business rates budgets, which are excluded from GAG statements.

PFI Adjustment

16.   As Forum members will recall the DSG has an allocation for Historic Commitments within the Central Schools Block. As previously notified this allocation is to be reduced by 20% in 2020/21 from the value received in 2019/20. The effects of this reduction are detailed within agenda item 7.

17.   In 2019/20 the Private Finance Initiative (PFI) affordability gap is paid centrally by the Local Authority from the Historic Commitments budget, however the reduction in this allocation in 2020/21 means that there is no longer sufficient funding within the historic commitments to fund the affordability gap in 2020/21. This budget shortfall is likely to increase in future years if the historic commitments allocation is further reduced.

18.   The Local Authority has previously received confirmation from the Department for Education (DfE) that when a Darlington PFI school converted to become an academy, that neither the Local Authority or the individual school would have any financial impact with regard to the PFI affordability gap, due to the conversion. The reduction in the historic commitments allocation does have an impact on the ability to cover the affordability gap, therefore the advice received from the DfE is for the Local Authority to delegate the centrally held funding to the schools concerned through the local funding formula, through the use of a PFI factor.

19.   In order to delegate the funding in 2020/21 this requires a transfer of funds from the historic commitments allocation into the schools block. This will ensure sufficient funding within the schools block to cover the insertion of a PFI factor and ensures that this change to the Darlington formula has no impact on the budget shares of all non PFI schools. In future years the DfE will increase Darlington's School Block of the DSG by the PFI factor to ensure funding is available without effecting all other schools.

20.   As a result of this in the 2020/21 formula, the PFI factor will be used for the first time in Darlington's formula. This will allocate the affordability gap to the three mainstream schools included within the budget share calculation. The introduction of the PFI factor has no impact on non PFI schools.

21.   As the PFI contract sits with the Local Authority, the Local Authority will be claiming back from the three PFI schools the funding they receive through the PFI funding factor. The result of this is that the three schools and the Local Authority will be in a no better no worse financial position with regard to this change, i.e. the transfer is budget neutral.

Growth Fund

22.   It is proposed that the growth fund will operate in 2020/21 in the same manner as to that agreed by Forum for 2019/20. The criteria for accessing the fund, is therefore proposed to operate in 2020/21 as follows,

        i.   Schools/Academies will only be able access the fund where they have had an increase in their PAN at the request of the Local Authority to meet a lack of available space in the local area as part of the planned changes covered in the SOP.

ii. The actual funding allocated to a school will be based on the **actual** number of increased places on roll, not based on the increase in the PAN.

iii. For agreed growth in one year group, the additional number of places will be determined from the number of pupils on roll on the autumn census taking up a place in the additional class(s).

iv. For agreed growth across a number of year groups, the additional number of places will be determined by comparing the number of pupils on the roll at the census for each term in comparison to the number of pupils funded in the individual school budget share (i.e. the last October census).

v. All places are funded once the increase in the pupil admissions (in line with the PAN) reaches 10 places

vi. The amount to be funded per a pupil will be based on the "Basic Entitlement Funding" (AWPU) for the age group of the pupil.

vii. Funding will be made for each term within that financial year, the school/academy has not received funding for this growth in places. (i.e. not funded within their existing school budget share).

viii. It is proposed that any increases in admissions that fully meet the agreed criteria are funded automatically, rather than to be considered by School Forum.

ix. It is proposed that where a growth fund application requires a different approach, that these applications are presented to Forum with additional information in order that a separate decision can be made concerning that's schools access to the growth fund.

x. Where there is a dispute over the funding amount, this will be presented to Forum for a final decision.

xi. Schools Forum will be presented with updates on the spend against budget in year to allow budget monitoring and to inform for future years growth fund budget builds.

23. It is proposed that a growth fund of £135,000 be created for 2020/21.

Recommendations

24. That Forum notes the funding formula budgets for 2020/21.

25. That Forum approves the growth fund criteria and budget for 2020/21.

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