

DARLINGTON SCHOOLS FORUM

SCHOOL FUNDING FORMULA 2019/20 SECTION B – THE SCHOOL FUNDING FORMULA FOR DARLINGTON 2019/20

1. This section of the consultation concerns the proposed changes to the Darlington local funding formula for 2019/18, in comparison to the current 2018/19 local formula.

Changes to the national funding formula for 2019/20

2. Paragraphs 10 to 19 (of the main paper of this consultation) outline the key changes to the national funding formula that the DfE have made for 2019/20. For 2019/20 additional funding has been added to the NFF and hence the school block in Darlington has increased. The following paragraphs detail how the changes to the NFF and any additional funding are proposed to be dealt with in Darlington's local formula for 2019/20.

Additional Funding

3. Through the NFF, Darlington will receive additional funding within the schools block for 2019/20 in comparison to 2018/19. The indicative budget allocation received from ESFA in the summer estimates an additional £900,000 (£1.2 million not currently in school budget shares including the £300k 18/19 high needs transfer) of funding in the schools block in 2019/20. The actual amount of additional funding will be confirmed in December and will be dependent on school data collected at the October 2018 school census.
4. The amount of additional funding that is available to distribute to schools through the 2019/20 funding formula will be dependent on the final allocation of DSG, the amount of growth funding required and any transfer of funding between the schools block and the high needs block. Any transfer of funding from the schools block is to be determined following the outcome of the consultation included in Section A, however in order to model the distribution of additional funds to schools, it has for illustration been assumed that the schools and Schools Forum agree to the Local Authority proposed transfer of £900,000 to the high needs block. This will therefore leave approximately £332,000 of additional funds to be allocated through the school funding formula.
5. In section A of this consultation, all of the models (i.e. appendix 2A to 2E) that were used to illustrate moves from the schools block to the high needs block were all based on the formula factors agreed in 2018/19, using the APWU, minimum funding guarantee (MFG) and capping to achieve a balanced budget. However these routes are not necessarily the best method of distributing any additional funding. The following paragraphs therefore explore other options available to distribute any additional funding that may be available in the funding formula in 2019/20.

Budget share options

6. Historically in Darlington it has been agreed with schools to operate a funding formula that has the minimum level of turbulence to schools, (i.e. that as far as possible budgets remain

of a similar level for all schools). The advent of the NFF means that changes will occur to schools budgets in particular from April 2021 if the hard formula is implemented. Therefore the historic approach is no longer available longer term.

7. School Forum agreed at their November 2017 meeting to move towards the NFF on a phased basis. It was appreciated that the NFF would become the route to the allocation of budget shares in the future, but the phased approach would allow schools transition time during the “soft” formula period.

Formula Factors

8. School Forum agreed at their November 2017 meeting to continue to use the same formula factors in Darlington’s local formula as had been used in previous years with the expectation of the LAC factor as this is to be removed in the NFF.
9. In line with School Forum’s decision last November it is proposed that the same factors will be used in the 2019/20 formula as in the 2018/19 formula.

Unit Values

10. School Forum agreed that the local formula should move towards the NFF over a phased period. This decision meant that the unit values applied to the factors in the formula moved from the 2017/18 values to the NFF values between 2018/19 and 2020/21 in three incremental amounts. Although the hard formula has now been moved back for at least another year, the phasing of NFF rates is proposed to be continued at the same incremental amounts and hence the 2019/20 unit values will be as previously agreed. (The agreed unit values are shown in appendix 1A).
11. In previous years when any extra funding has been available to distribute to schools through the formula this has been done through the AWPU with every pupil attracting the same increase. This was agreed in 2018/19 with each AWPU value being increased by £56. This approach however does not fit in with the agreement to move towards the NFF rates as the AWPU values are artificially higher than planned. This approach could also provide issues in the future if there is no additional funding available, as the baseline budget for some schools will be artificially too high. As increases in the schools block have only been announced up to 2019/20 it is pertinent to no longer use the AWPU as a balancing figure from 2019/20 onwards. This would be particularly relevant to key stage 3 where the Darlington unit value is currently above the NFF value
12. The ending of using the AWPU to balance the budget may seem to be a disadvantage to all schools, as the purpose of using the AWPU to allocate additional funding was to ensure all pupils attract the same level of funding increase and hence all schools benefit. This is the case when the other unit value remain unchanged, however with changing unit values in other factors the use of the minimum funding guarantee and capping means that the increase in value of the AWPU will have no effect on a number of schools budgets at all. This can be seen in the illustrations at appendices 2C, 2D and 2E.

13. The Local Authority proposes therefore, that if there is any unallocated funding in the formula (after using other distribution determinates i.e. the MFG, funding floor etc.) that this is only allocated through increasing a factor unit value, if that factor unit value is below the NFF rate. This would be an acceleration of the unit value towards the NFF value. This therefore ensures that the Darlington formula continues to move towards the NFF rates.

Question 2 - Do you agree with the proposal that if a unit value is to be increased, only those less than the NFF value will be increased?

14. When the NFF proposal was issued by ESFA in the summer of 2017, the rate applied to the prior attainment factor on full implementation of the NFF was £1,050. In the latest guidance provided by ESFA this unit value has been reduced to £1,022 to balance funding in this cohort nationally. As a result of this, the planned unit values in Darlington's formula are to be revised from £1,050 to £1,022 in 2020/21 and from £970 to £956 in 2019/20. This therefore ensures that the Darlington formula continues to move towards the NFF rates. (Revised unit rates for 2019/20 are shown at appendix 6).
15. In the guidance for 2019/20 ESFA have removed the weighting from the primary prior attainment factor as the data contained in this cohort is now all from the same source. Previously in the Darlington formula a weighting of 50% has been used, as this weighting can no longer be used, the guidance suggests that the unit value can be adjusted if this change has a significant effect on the formula in 2019/20.
16. Unfortunately at this stage it is not possible to model the effect of this change, as the tool that is used for modelling contains data from the previous year so the number of children falling into this cohort for the 2019/20 formula is unknown. ESFA has revised the NFF unit values for primary prior attainment hence it is proposed not to change the unit value in Darlington's formula other than as outlined in paragraph 14 above. This decision will be revisited in December once the actual dataset for the 2019/20 formula is received to ensure that the formula is affordable.

Sparsity Factor

17. The sparsity factor provides additional funding to small schools that are located a distance from other schools under a national criteria. In Darlington two schools qualify for the sparsity factor and have been receiving funding through this route.
18. Sparsity funding is paid via a lump sum which can either be a fixed amount, or a tapered amount calculated on the number of children within the school. In Darlington the sparsity factor has always been paid as a lump sum.
19. Within the NFF, sparsity funding is allocated individually to qualifying schools on a tapering basis. From 2019/20 the local funding formula allows local authorities to mirror this NFF practice.
20. Darlington previously had a sparsity factor lump sum of £35,000 this is been reduced as Darlington phases in the NFF unit value of £25,000. In the 2018/19 funding formula it was not possible to mirror the NFF sparsity tapering calculation for each school, however the unit value set for Darlington reduced the unit value to the maximum tapered value (for Darlington schools in 2018/19) in line with the NFF approach.

21. Under full implantation of the NFF any schools that qualify for sparsity funding will receive a tapered amount of the £25,000 maximum lump sum value. As it is now possible to mirror the NFF in each qualifying school there is an option to amend the way Darlington has dealt with sparsity funding.
22. Under the planned phasing of the unit values the sparsity factor will be set at £25,000 (i.e. the NFF value) in Darlington for 2019/20. If the NFF phasing approach is implemented this will mean the qualifying schools will receive less than £25,000 in their budget share in 2019/20. It is the case however that if the MFG remains at 0% (or higher) then this will have no effect on the schools concerned as the MFG will compensate the schools for the reduction in lump sum.
23. On that basis, in order to mirror the NFF it is suggested that the sparsity factor be tapered in the Darlington formula in 2019/20. However as the hard formula has been put back until at least 2021/22 and if the hard formula is further delayed it is possible that the two schools may lose out in future years if the MFG value falls below 0%. On that basis in order to protect the smallest schools in Darlington it is proposed that NFF tapering of the sparsity factor is not implemented into the Darlington formula in 2019/20.

Funding Floor

24. The Secretary of State confirmed in July 2017 that the NFF would provide at least a 1% per pupil increase in respect of each school between the 2017/18 baseline and 2019/20 funding. As a result a new optional factor has been introduced into the funding formula, namely the funding floor.
25. This factor allows the Local Authority to mirror the funding floor protection included within the NFF.
26. The factor ensures that the amount each school is allocated is at least 1% greater than the 2017/18 funding floor baseline. This increase is exempt from capping that is applied in the formula. The factor is fixed at 1% and cannot be adjusted either up or downwards. ESFA have provided the 2017/18 funding floor data within the funding formula tool.
27. ESFA have outlined that the use of the funding floor does have linkages with the MFG and recognise that local authorities will be able to pass on gains by setting a positive MFG without using this factor. Use of the MFG is recognised by ESFA as giving the Local Authority flexibility to manage affordability of the formula in line with pupil characteristics, high needs budget transfers and the funding of school growth.
28. Appendix 3 shows the effect of introducing a funding floor on Darlington's current formula.
29. As can be seen in appendix 3, if a funding floor is introduced in Darlington (based on the proposed additional funding that is available in 2019/20) currently this option would be too expensive as it would require an additional £500,000 of funding to be invested. Appendix 3 is based on a MFG value of 0%.
30. Even if a maximum -1.5% MFG was applied to the formula (appendix 3A) the cost of the formula would still be £500,000 more than the budget available. The effect of applying the negative MFG would result in three schools having small budget deductions with one school having a small increase in budget, hence the MFG has little effect on the funding floor.

31. In addition this method of distributing additional funding would not allow all schools to benefit from the additional funding available in that a number of schools would have no increase in 2019/20.

Minimum per pupil funding

32. Within the NFF the amount of funding that is allocated to the DSG schools block provides local authorities with at least £3,500 per primary pupil and £4,800 per secondary pupil for schools that have pupils in years 10 and 11. This allocation is used to fund all the factors within the school budget share, including growth and budget transfers.
33. Within the local formula it is possible to include a per pupil minimum funding allocation to enable local formulas to follow national policy.
34. Appendix 4 shows the effect of introducing a minimum per pupil allocation on Darlington's current formula at the NFF rate, maintaining the current 0% MFG.
35. Appendix 4A shows the effect of introducing a minimum per pupil allocation. This model allows no school to have their gains capped and hence to make this affordable introduces a MFG of -0.9%
36. As can be seen in appendix 4, the effect of using the minimum per pupil funding at the NFF rate, distributes the additional funding available in 2019/20, to only a small number of schools. In appendix 4A the effect of having a negative MFG value means that one additional school has an increase in budget, while one of the schools that had an increase in appendix 4 has a further increase. However to allow for these two schools to have an increase in budget twenty six schools budgets decrease.
37. In line with previous decisions made regarding the distribution of funding in Darlington's formula, this factor was not used in 2018/19.

Minimum Funding Guarantee

38. The NFF regulations for 2019/20 allow a minimum funding guarantee (MFG) to be set between minus 1.5% and 0.5% (per pupil), if local authorities wish to set an MFG outside of this they can approach the Secretary of State. This is a change from 2018/19 when the MFG was required to be set between -1.5% and 0%.
39. In the current funding formula it was agreed to set the MFG at 0% as this would allow all schools to benefit from the additional funding that had been invested within the schools block. Whilst this did result in the majority of schools having an increase in their budget share on a per pupil basis, this did not provide additional funding for all schools.
40. The 2019/20 regulations allow a positive MFG value up to 0.5%, using a positive MFG in the Darlington formula should ensure that all schools see an increase in their budget share for 2019/20 if additional funds are available. On the assumption that £332,000 of additional funding is available appendix 5 shows how this additional funding would be distributed amongst schools using a 0.5% positive MFG.
41. Appendix 5A shows the effect if no school had their gains capped in 2019/20. The result of this would be to make the formula affordable the MFG would be set at 0.45%. This would

increase the additional budget to one school, however all other schools increases would be less to facilitate this.

42. On the assumption that additional funds are available to distribute through the funding formula in 2019/20 the above three methods can be used to distribute funds without changing any unit values.
43. It is the case that through the NFF, at some point in the future, some schools budget shares will decrease on the funding currently received, due to the national characteristics of the NFF. School Forum previously agreed to move towards the NFF over a phased period. In order to move towards the NFF, it is appropriate that the funding floor or minimum per pupil elements of the formula are introduced into the Darlington formula.
44. The Local Authority however appreciates that under the current economic climate that schools are facing various pressures in their budgets, through rising costs and through changes to the high needs/SEN funding systems. On that basis the Local Authority recognises the previous Forum decisions to limit budget changes through the transitional period.
45. The funding floor is unaffordable in the above models and the minimum per pupil system only provides additional funding to a small number of schools. As a result, due to funding issues for schools, the Local Authority proposes that the MFG be used to distribute any additional funding, rather than the funding floor factor or the minimum per pupil level factor in 2019/20.
46. It is proposed however that whilst the MFG will be adjusted to ensure that the formula is affordable and provides the best allocation of funding across all schools, in order to continue to move towards the NFF, any positive MFG that is used, will be limited to ensure those schools that do gain through the NFF, have capping limited as far as possible.

Question 3. If additional funds are available to distribute through the funding formula, do you agree that the MFG should be used as the method of distributing this funding?

Question 4. If you agree that the MFG is the best way of distributing funding, do you agree that the use of a positive MFG should be limited to ensure that the schools that gain through the NFF have limited capping?

The 2019/20 Funding Formula

47. The questions asked in this paper are to gather the views of schools in order to present to School Forum the parameters that are used for setting the school funding formula for 2019/20.
48. The actual formula for 2019/20 will be calculated in December/January following the receipt of the final formula tool (APT) and DSG allocations. This APT will be updated for the October 2018 census and therefore will provide different budget shares for each school to any of the illustrative models shown in this document.
49. Further modelling will be undertaken in December to ensure that the final budget calculations provide the best fit in line with the agreed parameters. School Forum will be

notified of any adjustments made in calculating the final funding formula at their January 2019 meeting.