

DARLINGTON SCHOOLS FORUM

15th January 2019

ITEM NO 5

SCHOOL FUNDING FORMULA 2019/20 AND GROWTH FUND 2019/20

Purpose of Report

1. To update the Schools Forum regarding the school funding formula and the growth fund for 2019/20.

Background

2. Schools Forum agreed at their special meeting on 27th November to transfer £400,000 of the schools block allocation for 2019/20 into the high needs block to cover demand pressures.
3. As the agreed £400,000 was above the 0.5% threshold that Forum can agree (this amounts to 0.6%), a request was submitted to the Secretary of State for approval on 29th November. At the time of writing the Secretary of State has not responded to this request, however for the purpose of budget setting it is assumed that this request has been approved.
4. Following the consultation with schools, Schools Forum provisionally agreed the following changes to the 2019/20 funding formula,
 - a. If unit values in the formula are to increase, to only increase unit values where the current unit value is less than the National Funding Formula (NFF),
 - b. To use the Minimum Funding Guarantee (MFG) as a method of distributing any additional funding,
 - c. To continue to use all other existing Darlington formula factors.
 - d. To limit the use of the MFG to limit capping of schools.
5. As Forum had agreed to a transfer of funding from the schools block to the high needs block at a lower value than requested (and hence modelled) by the Local Authority, it was requested that the use of the funding floor should be considered in the final formula calculation.

Additional funding for the high needs block

6. As noted in agenda item 3, ESFA announced additional funding for the high needs block for 2018/19 and 2019/20. In Darlington the high needs block will be increased by £234,000 in 2019/20. ESFA on releasing this additional funding, have asked all Local Authorities to review any submissions made to the Secretary of State regarding transfers of funding from the Schools block into another block for 2019/20.
7. As Forum agreed to a transfer of £400,000 (which was over the 0.5% threshold), a submission was made to Secretary of State by Darlington, hence this submission needs to be confirmed (to the Secretary of State) as still being appropriate, following discussion with Schools Forum.

8. In the consultation Darlington had proposed that a transfer of £900,000 would be made from the schools block into high needs block. Based on this transfer and an estimated in-year overspend of £1.7m, a £900,000 transfer along with a number of proposed savings was projected to provide an in-year surplus of £200,000. This £200,000 surplus would provide a cushion to cover any in-year growth in demand or any shortfall in proposed savings. In the event that the £200,000 was not needed (for growth in demand or savings shortfalls) this would allow a small contribution towards bringing down the accumulated high needs deficit.
9. As Forum agreed to transfer £400,000 the revised high needs budget position for 2019/20 was no longer an in-year surplus, but an in-year deficit of £300,000 that would need to be covered from additional reductions in high needs services.
10. The additional funding announced by ESFA for Darlington of £234,000 is welcome, but unfortunately does not cover the high budget pressures that have built up over 2017/18 and 2018/19. The additional funding for 2019/20 however, can reduce the in-year deficit for 2019/20 from £300,000 to £66,000, which with other budget adjustments (covered in agenda item 7), would bring the in-year high needs budget position to a near in balance.
11. Although Forum will need to discuss the decision made at their November meeting in light of the additional funding, in order to provide figures in this report, all appendices have been calculated using the decision made by Forum in November to transfer £400,000 from the schools block to the high needs block. If the November decision changes, then the final figures will be updated to reflect this change.

The Formula

12. The Schools Block allocation for Darlington in 2019/20 is £66,245,000. School Forum agreed to transfer £400,000 to the high needs block therefore this leaves £65,845,000 for the school budget share calculation and the growth fund in 2019/20.
13. It is proposed that £200,265 be allocated to the growth fund as per paragraph 44 below. This leaves £65,644,735 for the school budget share calculation in 2019/20.
14. The revised datasets and modelling tool (APT) were provided by the ESFA on 17th December to enable local authorities to submit their revised funding formula in line with the 21st January deadline.
15. The final funding formula uses the datasets provided by the ESFA, collected at the October 18 census. The regulations stipulate that these datasets must be used in completing the funding formula.
16. School Forum agreed to a phased introduction of the new NFF in November 2017 with agreed unit values, these unit values were used in the modelling of the proposed changes to the formula within in the consultation during October. These agreed unit values have again been used in the final funding formula, however due to having additional funding available a number of unit values are proposed to be increased. Any changes to unit values are noted within the report.
17. Modelling has been undertaken to ensure that any changes made to the funding formula tool by ESFA do not change the formula from what has previously been agreed by

Forum. In addition modelling has been undertaken to consider the funding floor and how any additional funding is distributed during 2019/20

Primary Prior Attainment

18. As Forum members will recall in the papers presented to their October meeting (and circulated as the 2019/20 School Funding Formula consultation) it was highlighted that ESFA had removed the weighting from the primary prior attainment factor. In Darlington the formula had previously used a 50% weighting, however it was not possible to model this change at that time, as the formula tool that ESFA had distributed had not been updated. The consultation therefore mentioned that this change would be examined when preparing the final budget shares for 2019/20.
19. Modelling has taken place regarding the removal of the weighting on Darlington's formula following the receipt of the final formula tool. If no change is made to this unit value, the removal of the weighting increases the amount of funding by over £1.4 million to this factor (before MFG which would reduce the overall allocations) hence this would be unaffordable without other changes to the formula. Within the guidance issued by ESFA concerning this change, it mentions that Local Authorities may wish to change the unit value to deal with the removal of the weighting.
20. A change in the proposed unit value by half (to £478) returns the formula to a similar level as when the weighting was in place. The unit value for primary prior attainment has therefore been reduced to £478 in the "no change" control model which is used to compare the final budget share.

Options

21. In order for schools and School Forum to assess the proposed formula for 2019/20, a control value for each school has been calculated, to allow comparison with the proposed 2019/20 formula. This control has been calculated using the same formula factors and unit values as agreed by Forum in 2017, in moving towards the NFF. The only unit value adjustment being the change to the primary prior attainment unit value as described within the previous paragraphs.
22. As Forum members will recall the formula that was calculated for 2018/19 included a MFG of 0% and in order to make the overall formula affordable a cap on gains had to be put in place of 2.95%. As the formula moves on a year, the previous years per pupil budget becomes the baseline for future MFG and capping calculations, this means that where a school is capped in one year, that's schools budget will increase in the next year when there are no changes. When the control formula has been calculated for 2019/20 using the same MFG and capping as in 2018/19 the total cost of the formula increases by £110,000 as the capping has moved on a year. If there were no extra resources available, to make the formula affordable, either the MFG would need to be reduced or unit values would need to be reduced to produce a balanced budget. Rather than reconstruct the whole formula the control has been calculated keeping the MFG at 0% but also keeping the control at 0%. The result of this upon each school is shown in appendix 1.
23. By using a 0% cap in the control formula, Forum are reminded that the four schools that budgets would have increased with the same cap as 2018/19 (Abbey Juniors, Whinfield, Harrowgate Hill and Polam Hall) have reduced values in the control and hence their increases are larger when compared with the proposals for 2019/20. Forum should note

that this does not affect the actual amount those schools will receive in their budget share for 2019/20.

24. As can be seen in appendix 1 the value of the control formula (using the previously agreed factors and unit values) totals £64,771,097 hence there is £873,638 unallocated. This unallocated funding is similar to the amount calculated in the formula consultation and needs to be distributed to schools in line with the previous Forum agreements and ESFA regulations.

Consultation preference

25. The results of the consultation with schools upon changes to the formula for the 2019/20 distribution of funds are noted at paragraph 4 above. Appendix 2 shows the effect of these agreements upon the 2019/20 funding formula. This formula has the maximum positive MFG value of 0.5% and no capping on schools gains.
26. As can be seen in appendix 2, the cost of the formula is £65,176,551, this leaves £468,184 unallocated to distribute through the other factors.
27. The results of the consultation agreed that any additional funding should not be distributed through the AWPU as in previous years, but through increasing unit values where the value is less than the unit value in the NFF. The unallocated funding has therefore been distributed by increasing unit values for factors that could be increased across all phases at the same level (i.e. without breaching the NFF maximum), that targets funding to pupils in additional support factors and that is affordable overall. The unit values that have increased are as follows,
 - Current Free School Meals – Increased by £147 on the planned amount in each phase
 - IDACI Band F – Increased by £67 on the planned amount in each phase
 - EAL – Increased by £79 on the planned amount in each phase
 - Prior Attainment – Increased by £160 on the planned amount in each phase
28. The results of this formula calculation are shown at appendix 3. This is option 1. This option totals £65,674,080 which is £29,345 more than the resources available. This shortfall in resources can be covered by reduced recoupment in the 2019/20 growth fund.

Funding Floor

29. At Forum on 27th November it was requested by Forum members that the final school funding formula calculation should consider the use of the funding floor, as this arrangement could possibly be affordable due to a lower transfer of funding from the schools block into the high needs block.
30. Appendix 4 shows the effect of adding the funding floor into the previously agreed criteria for the 2019/20 formula. As can be seen this option total £65,626,942 which is £17,793 less than the available budget. A further model has therefore been undertaken using the funding floor, distributing the unallocated money by following the basis of the consultation feedback.
31. Appendix 5 shows the effect of introducing the funding floor, distributing the additional funding available on the basis of the formula consultation. The feedback from the consultation was to use the positive MFG to increase all schools budget shares, but to

limit capping also. This formula calculation has therefore increased the capping value to 3.95% (an increase of 1% increase on the 2018/19 value after MFG). By still having a small cap the MFG can also be increased to a positive 0.3% value. No other unit values are changed in this formula calculation. This is option 2. Again this option totals more than the resources available, but this can be covered by the growth fund recoupment.

32. In summary the following options are put forward
- a. Option 1 (at appendix 3) – Uses the maximum positive MFG value of 0.5% and limited capping. This option also increases the current free schools meals, IDACI band F, EAL and prior attainment unit values in each phase.
 - b. Option 2 (at appendix 5) – Includes the funding floor and a positive MFG of 0.3% and limited capping
33. For completeness the unit values used in the 2019/20 funding formula control, option 1 and option 2 are detailed below.

Funding Factor	Planned Formula Unit Value 2019/20 £	Option1 Unit Value 2019/20 £	Option 2 Unit Value 2019/20 £
AWPU - Primary	2,662	2,662	2,662
AWPU - Key Stage 3	4,020	4,020	4,020
AWPU – Key Stage 4	4,353	4,353	4,353
Deprivation – FSM Current – Primary	293	440	293
Deprivation – FSM Ever 6 – Primary	630	630	630
Deprivation – FSM Current – Secondary	293	440	293
Deprivation – FSM Ever 6 – Secondary	855	855	855
Deprivation – IDACI - Primary Band A	613	613	613
Deprivation – IDACI - Primary Band B	510	510	510
Deprivation – IDACI - Primary Band C	490	490	490
Deprivation – IDACI - Primary Band D	470	470	470
Deprivation – IDACI - Primary Band E	286	286	286
Deprivation – IDACI - Primary Bands F	133	200	133
Deprivation – IDACI – Secondary Band A	725	725	725
Deprivation – IDACI – Secondary Band B	585	585	585
Deprivation – IDACI – Secondary Band C	559	559	559
Deprivation – IDACI – Secondary Band D	529	529	529
Deprivation – IDACI – Secondary Band E	398	398	398
Deprivation – IDACI – Secondary Band F	193	260	193
Looked After Children	0	0	0
EAL - Primary	436	515	436
EAL - Secondary	1,004	1,083	1,004
Prior Attainment – Primary	478*	638	478
Prior Attainment – Secondary	1,047	1,207	1,047
Lump Sum	131,667	131,667	131,667
Sparsity	25,000	25,000	25,000

*Adjusted for weighting.

Figures in bold are at the NFF value.

34. The two options presented distribute the same amount of funding between schools. However the amounts individual schools gain in each option differs based upon the individual schools pupil characteristics.
35. As can be seen in appendix 3 & 5 a number of schools attract more funding through option 1 while a number of schools attract more funding through option 2. Option 2 has a higher percentage of schools that attract higher funding (60%) though this option does have lower gains for some schools.
36. Option 1 has a overall higher minimum gain of 0.32% in comparison to option 2 which has a minimum gain of 0.27% (on the control value), however the spread of gains is much more in option 2 increasing up to 6.81% in comparison to 4.29% in option 1, which means that some schools gain much more than others in option 2.
37. Under both option 1 and option 2, only one school is capped, though the value of capping is less in option 2. However option 1 is better in cash terms for the capped school despite the lower cap. In option 2, two schools gain on the control total, however the gain is limited to the funding they would likely have received with the capping having moved on another year, had all the other formula characteristics remained the same.
38. Under option 2 a number of schools gains are much less than under option 1. This is in the main because those schools are already receiving funding above the funding floor minimum and hence attract no or limited funding through the introduction of the funding floor.
39. It is the case that due to the complexities of how the formula is calculated and schools individual characteristic it is not possible to 100% compare previous years formula's with proposals for 2019/20. An increase or decrease in one unit value will mean a school receives more/less funding, however due to how this affects the MFG or capping levels any gain/loss a school may receive from one unit may be offset by the change in MFG or cap. Therefore when reviewing changes in individual schools budgets consideration needs to be given to the overall formula changes.
40. Both options move Darlington closer to the NFF. Option 1 has accelerated a number of the unit values nearer (or to) the values as set within the NFF. Option 2 introduces the funding floor which is included within the NFF. Option 1 does however have a much larger MFG value (£382,013 across 16 schools) compared to option 2 (£50,037 across 5 schools) which suggests that that option 1 is further away from the NFF as there is more protection of budgets. This may be the case, but the reality of this is that some schools will receive less in 2019/20 without this MFG protection.
41. Option 1 is the funding formula that has been calculated based on the results of the consultation. However Forum did ask that the funding floor be explored in the final calculation and as it is affordable, this option is available for 2019/20 should schools and Schools Forum prefer this option.
42. Once the formula is agreed it will be submitted to ESFA by the 21st January deadline. There may be the requirement from ESFA to make some minor adjustments on submission, after which this will become the budget allocations for schools in 2019/20.

Growth Fund

43. It is proposed that the growth fund will operate in 2019/20 in the same manner as to that agreed by Forum for 2018/19. The criteria for accessing the fund, is therefore proposed to operate in 2019/20 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.
44. It is proposed that a growth fund of £200,265 be created for 2019/20.

Recommendations

45. That Forum notes and discuss the additional high needs funding received for 2019/20.
46. Forum discuss and agree which of the options they wish to progress as the funding formula for 2019/20.
47. That Forum approves the growth fund criteria and budget for 2019/20.

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