

2019-20 Schools Funding and Local Funding Formula Consultation

1. Purpose of the Report

To provide:

- a summary of the changes to 2019-20 National Funding Formula and operational guide for schools revenue funding.
- an overview of the proposals for inclusion in the 2019-20 local funding formula consultation.

2. Background

The government introduced the National Funding Formula (NFF) in 2018-19 for schools, high needs and central services. This introduced a number of key changes to the current funding allocation and formula factors which included transitional protection for schools and a recommended amount per pupil for each school phase. Although this was introduced it was still for local authorities (LAs) together with their schools forum to determine the local funding formula.

For 2018-19 the recommendation of the Forum was that the consultation should be with a view to transitioning the LFF to mirror the NFF as far as possible. The outcome of this was that all the formula factors and unit values of the NFF were adopted (including the Minimum Per Pupil) together with a positive MFG of 0.25% and a gains cap of 2.75%.

The current formula for 2019-20 is at Appendix A for information.

3. Key Aspects of Schools NFF Announcement for 2019-20

Illustrative local authority funding allocations for 2019-20 for schools, central services and high needs block have been published, together with notional allocations for schools.

The government has also confirmed that local authorities will continue to determine local formula in 2020-21 due to the significant progress across the system in moving towards the NFF in its first year.

The indicative funding allocation for 2019-20 is below based on pupil numbers for October 2017 and the 2019-20 unit of funding for primary and secondary (this will not change). This has increased to allow for the second year of the NFF funding commitments announced i.e.

- minimum of at least a 1% per pupil increase by 2019-20 compared to 2017-18 baseline.
- gains cap has increased so that schools can attract gains of up to 6.09% against their 2017-18 baselines (the MPP levels are not gains capped).
- The MPP funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11.

	October 2017 Pupil No.'s	Unit of Funding £	2018-19 £	October 2017 Pupil No.'s	Unit of Funding £	2019-20 £	Funding Increase %
Primary	66,195	3,927	259,968,341	66,194	3,946	261,231,635	0.49
Secondary	40,526	4,985	202,020,258	40,523	5,013	203,146,701	0.57
Growth Fund, Premises and Mobility			7,129,182			7,484,523	4.98
	106,721		469,117,781	106,717		471,862,859	2,745,078

4. Policy Changes to the NFF for 2019-20

- Pupil growth will be allocated on a formulaic basis although it is still up to LAs how to distribute the funding. The allocation for Nottinghamshire will not be known until the final funding allocations are announced in December 2018.
- Minimum per pupil amounts introduced for middle/KS3 schools to £4,600 and for KS4 only schools £5,100.
- Reduction in the primary low prior attainment (LPA) factor value from £1,050 to £1,022 to maintain the overall funding level in view of an increase in the cohort.

5. Operational Guidance – Schools Revenue Funding 2019-20

The operational guidance was issued on 26 July 2018 for LAs to start to plan the local implementation of the funding system for 2019-20. As well as the above announcements the following also applies for 2019-20:

Schools Block

- The Schools block will be ring fenced for 2019-20 but LAs will be able to transfer up to 0.5% out of this with the agreement of their schools forum and subject to consultation.
- Flexible minimum funding guarantee (MFG) to be allowed between minus 1.5% and plus 0.5%.
- A new funding floor factor has been introduced to enable LAs to mirror the increase of 1% per pupil against 2017-18 baselines. This has been included in the ESFA Authority Proforma Tool (APT).

6. Implications for the Local Funding Formula (LFF) Consultation

As was the case for previous years the funding allocation is only indicative and the final allocation will be dependent upon the October 2018 census, changes to pupil characteristics and now the new growth formula. This means that there needs to be some flexibility in the consultation options to allow for this funding quantum uncertainty. The indicative additional funding is £2.7m and some contingency has been allowed in the financial modelling to fund the new primary free school to open in September 2019 and an increase in rates resulting in an additional £2.2m being modelled.

Now that the Nottinghamshire LFF mirrors the NFF factors and unit values the key variables within the formula are the Minimum Per Pupil, Minimum Funding Guarantee (or funding floor) and Gains Cap.

Consideration will need to be given to the use of the new funding floor factor which is optional and would reduce the need to use a positive MFG. This factor replicates the calculation in the NFF to provide a minimum of at least 1% per pupil increase by 2019-20 compared to the 2017-18 baseline.

In addition as the unit value for the primary LPA has been reduced in the 2019-20 NFF consideration will need to be given to continuing with the principle to mirror the NFF and reduce the unit value in the LFF as well. The impact on schools of reducing this unit value will depend on the approach taken to the MFG i.e. if a positive MFG is retained the schools affected will be protected or if the MFG is reverted back to the negative -1.5% the loss would gradually be felt by the school.

7. Approach to the 2019-20 LFF Consultation

The approach to the distribution of the indicative additional funds in 2019-20 is with a view to providing a broad benefit to all schools, to maintain flexibility to ensure the formula is affordable once the final funding allocation is known in December and to ensure that only those schools who are due an increase in funding in 2019-20 i.e. received a gains cap in 18-19 or were less than the 1% funding floor.

A number of options have been modelled and discussed with two members of the Forum and the Chair and are summarised on the table at Appendix B. Each model shows the impact per school phase and the amount of funding allocated to each. All of them assume that the 0.5% transfer is agreed and the primary LPA has not been reduced.

The models provided show a range of scenarios for the MPP, Funding floor, MFG and gains cap. It is difficult to look at each variable individually because a change in one impacts on another e.g. if the MPP is increased this will reduce the funding available to fund general increases for schools or to offer additional gains. Possible questions have been included below but consideration could be given to just consulting on a specific model.

If the final funding quantum for 2019-20 is more than expected the Forum should give consideration as to where the additional funding should be targeted in the formula e.g. increasing the gains cap. This will depend on the consultation proposals.

8. Consultation Proposals

1. Transfer of 0.5% from the Schools Block to the High Needs Block.

At the meeting on the 18 September the Forum agreed for the inclusion of the 0.5% transfer from the schools block to the High Needs block in view of the continuing and growing pressures on the HNB.

The proposed consultation question is:

Do you agree with the proposal to transfer 0.5% from the total schools block funding to the high needs block?

2. Minimum Per Pupil (MPP).

The current MPP is at the suggested NFF levels for 2018-19 at £3,300 for primary and £4,600 for secondary schools. In 2018-19 6 primary and 3 secondary schools received additional

funding under this factor totalling £523k. Any increase allocated to schools under this factor is not gains capped.

For 2019-20 the NFF suggested amounts are £3,500 (primary), £4,600(KS3 only), £5,100(KS4 only) and £4,800 (secondary). If the amount is increased to this level Appendix B Model 7 shows that 25 schools would receive an increase in funding at a total cost of £1.4m or if it was increased by a £100, above the 2018-19 level, 5 schools would benefit at a cost of £224k (Model 2).

In view of the proposed approach to provide a broad benefit to all schools the Forum is asked to consider if an increase should be included in the consultation or to retain the MPP at the 18-19 level. If this is included Models 6 and 8 show the impact of this on the MFG, and gains cap.

3. Funding Floor Factor (this needs to be considered together with the MFG)

This is a new optional factor which has been introduced for 2019-20 and ensures that every school receives at least 1% per pupil above their 2017-18 baseline (this excludes the lump sum, all premises factors, any one off funding and mobility). If a schools core funding via the formula is below this level an additional allocation is made to the school in the same way that the positive MFG operated for 2018-19.

The advantage of using this is that it mirrors exactly the funding allocation in the NFF and there would be no need to have a positive MFG. The disadvantage is that there is no flexibility to use a lower percentage, it is fixed at 1%. If a lower percentage increase is required a positive MFG would need to be used. Appendix B Model 1 and 2 shows the impact of using this and the level the gains cap would be.

The use of this factor will need to be included in the consultation if it is to be used.

The proposed consultation question would be:

Do you agree with the proposal to include the Funding Floor factor in the local funding formula for 2019-20?

4. Minimum Funding Guarantee

The current MFG is a positive 0.25% and was set this way to allow all schools to receive an increase on the 2017-18 baseline pupil led funding to partly reflect the commitment in the NFF announcement to provide 0.5% increase in 2018-19. This approach had to be taken because the APT could not replicate the NFF funding floor calculation and it was a work around for LAs to use. By setting a positive MFG this protects schools from any reduction in per pupil funding as a result of a change in pupil characteristics or unit values.

There is a technical issue with using the MFG for 2019-20 because some schools would receive additional funding that they would not be entitled to, per the funding floor calculation, which is an issue with the APT funding spreadsheet and has been raised with the ESFA. The schools affected are those who saw an increase under the new formula greater than the MFG (0.25%) and less than the gains cap (2.75%) and retained all of their gain in 2018-19 so no further gains are due in 2019-20. Unless the ESFA can provide a solution to this a positive MFG percentage would allocate additional funds to these schools.

As mentioned above if the funding floor factor is adopted there would be no need to continue with a positive MFG and consideration could be given to reinstating it to its 17-18 level i.e. minus 1.5%. If the MFG is left as a positive amount no school will see a reduction in per pupil funding even if there has been a change in pupil characteristics or unit values. The Forum will want to consider if this level of protection is desirable.

Consultation is required on any change to the MFG so the question will depend on the use or not of the funding floor. There are 4 models which show a range of MFG between 0.25% and 0.5%.

5. Level of gains cap

The current gains cap is set at 2.75% but this is not affordable for 2019-20 in view of the small increase in funding for 2019-20 and will have to be reduced. The models provided show a range of gains cap of between 0.25% – 1.10% the final percentage would depend on the model adopted and the final funding allocation. The question in 2018-19 was for a % range of gains cap to provide flexibility. There are 5 models which show a range for the gains cap between 0.25% - 1.10%.

The proposed question would be:

In order to make the formula affordable a gains cap will be required for 2019-20. Do you agree that the gains cap should be between 0.25% – 1.10%?

6. Reduction in the NFF LPA Primary Unit of Funding

The government have reduced the primary LPA factor unit value from £1,050 to £1,022 (plus the ACA) to maintain the overall funding level in view of an increase in the cohort. If Nottinghamshire continues to mirror the NFF this will need to be reduced. If the MFG remains as a positive % the affected schools (282 schools total £610k) would be protected from losing any funding.

Question: Do you agree that the unit value for the LPA should be reduced to mirror the NFF unit value i.e. £1,050 to £1,022?

7. De-delegation

There is also a proposal to include the trade union facilities scheme within the de-delegated services for 2019-20. This was covered in an earlier report.

9. Early Years Funding Formula

The consultation proposals for the 2019-20 Early Years funding formula is covered in another report. It is proposed that a separate consultation is carried out for this in tandem to the schools consultation.

10. Consultation timetable

The Authority Proforma Tool (APT) submission deadline is 21 January 2019. Ideally the local funding formula should receive political approval via Policy Committee before it is submitted but the timing of this committee meeting in December may be difficult to achieve. A proposed timetable is below:

- 18th October Schools Forum meeting – decide content of consultation.
- Half term 29 October – 2 November.
- 29th October to 25th November – 4 week consultation period*
- 29th November – circulation of consultation responses and proposed 2019-20 local funding formula.
- 6th December Schools Forum meeting – recommendation of local funding formula.
- 21 January APT submission to EFSA
- 23 January – agreement of local funding formula at Policy Committee.

*This includes half term week so additional time has been built in.

11. Recommendation

That the Schools Forum:

- Consider and agree the proposals to be included in the 2019-20 schools funding consultation.
- Consider how any additional funding received over and above that modelled should be allocated.
- Consider and comment on the format of the financial modelling.
- Consider and agree the proposed timetable for the schools funding consultation.

For any enquiries about this report please contact:

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APPENDIX A

Nottinghamshire 2018-19 Schools Block Local Funding Formula

	Primary Unit Value £	Secondary Unit Value £
Minimum Per Pupil - new factor	3,300	4,600
Basic Entitlement - per pupil		
Primary	2,754.43	
KS3		3,873.12
KS4		4,397.70
Deprivation - per eligible pupil		
FSM Current	441.19	441.19
FSM6	541.46	787.13
IDACI Band A	576.56	812.20
IDACI Band B	421.14	601.63
IDACI Band C	391.06	561.52
IDACI Band D	360.98	516.40
IDACI Band E	240.65	391.06
IDACI Band F	200.54	290.79
Low Prior Attainment - per eligible pupil	1,052.85	1,554.20
English as an Additional Language - per eligible pupil	516.40	1,388.75
Lump Sum - per school	110,298.10	110,298.10
Sparsity - per eligible school	25,067.75	65,176.15
Pupil Mobility - per eligible pupil	476.21	476.21
Split Sites	School specific unit values	
Rental	School specific unit values	
Rates	School specific unit values	
Joint Use	School specific unit values	
Primary to Secondary Ratio		1:1.270
Minimum Funding Guarantee	0.25%	0.25%
Gains Cap	2.75%	2.75%

Note: The National Funding Formula unit values have been increased to reflect the Area Cost Adjustment for Nottinghamshire which is 1.00271.