



Delegated decision report

DECISION UNDER DELEGATED POWERS

**DECISION CANNOT BE TAKEN BEFORE
30 JANUARY 2019**

Title **2019-20 SCHOOL FUNDING FORMULA**

Report to **CABINET MEMBER FOR CHILDREN'S SERVICES**

EXECUTIVE SUMMARY

1. The Department for Education (DfE) publishes annual changes to school funding arrangements. There have been minor amendments to the national funding formula which was introduced for 2018/19 to allocate funding to local authorities, with a local formula continuing to be used to allocate funding to individual schools.
2. This paper sets out arrangements for the Isle of Wight pre-16 mainstream school revenue funding formula for 2019/20 financial year for approval. The formula has been set following the principles agreed by Schools' Forum on 17 October 2018 following consultation with individual schools, and continues to closely follow the national funding formula used to allocate funding to the council.
3. The amount of funding to be passed to schools through the formula has increased from £69.1million to £70.7million, resulting in an increase in funding for the majority of schools.
4. The DfE must be notified of the proposed formula by 21 January 2019 and school budget allocations must be confirmed by 28 February 2019, applicable from 1 April 2019.
5. While the council is required to consult with schools on the funding formula, the final decision is for the local authority to take, as the body accountable for the Dedicated Schools Grant.

BACKGROUND

6. The DfE allocate funding to local authorities using a national funding formula. It has used this formula to calculate notional budgets for all schools, and combined the budgets for all schools on the island to identify the amount per-

pupil to be allocated to the Isle of Wight in 2019/20. Using the October 2018 school census pupil numbers, this has resulted in an increase in funding for school budget shares from £69.1million to £70.7 million.

7. School funding is provided mainly through the Dedicated Schools Grant (DSG), which is made up of four funding blocks: schools, early years, high needs and central school services, with restrictions on the use of funding allocated to each block. This funding formula relates to the schools block element of DSG and the amount allocated through the formula is determined by the schools block funding position.
8. The pre-16 schools funding guidance for 2019 to 2020 was released in July. There are few changes to the rules governing the local funding formula, as the system is currently in transition. The DfE still aim to move to a 'hard' national funding formula, which allocates funding directly to schools, in coming years.

STRATEGIC CONTEXT

9. Supporting schools and the education system in adapting to changes as a result of the national funding formula is one of the key activities for Children's Services in the corporate plan, and the proposed funding formula continues to move school allocations towards the national funding formula allocations for individual schools.
10. The additional funding to be allocated through the formula in 2019/20 will help schools to meet some of the funding pressures they face and to maintain and improve educational provision, contributing to the corporate plan outcomes of a well-educated and skilled community, and for all young people to have the best start in life so they can fulfil their potential.

LOCAL SCHOOL FUNDING FORMULA

11. The proposed local funding formula for mainstream schools and academies is included in appendix A, along with the current 2018/19 formula values for comparison.
12. As agreed with local schools, the approach taken has been to continue to use the same principles when setting the formula as in 2018/19, which are:
 - to fix the lump sum at the same value of £115,500, to give schools certainty on the level of fixed funding that they receive;
 - to update the premises funding (split sites, rates and exceptional premises factors) to the estimated actual costs in 2019/20;
 - to allocate funding through the remaining factors in the same proportions as 2018/19 and the national funding formula, uplifting the factors in equal proportion to balance to the total formula allocation.

13. Due to the additional funding in 2019/20, the overall impact has been a modest increase in the remaining factors of mostly two per cent.
14. The minimum funding guarantee (MFG) protects schools that are seeing a reduction in per-pupil funding. No protection in the formula is permitted for a fall in pupil numbers. Local authorities have the flexibility to set the MFG at a level between the current level of -1.5 per cent and 0.5 per cent (ie between a maximum reduction of 1.5 per cent and a minimum gain of 0.5 per cent). As the local funding formula is used for distributing a set amount of funding, an increase in the protection given by the MFG would be funded through reducing the formula allocation to other schools.
15. A majority of local schools and schools forum have supported retaining the current MFG of -1.5 per cent to ensure that schools reach their formula allocation as quickly as possible, and to limit the impact on schools that are currently underfunded according to the updated funding formula. This is the approach recommended in this report.
16. There is one new optional protection which has been introduced for 2019/20, which is a funding floor factor that would guarantee all schools a per-pupil increase of one per cent compared to their 2017/18 funding baseline. This would operate in addition to the MFG if used. As with the MFG, providing this additional protection would be at the expense of other schools. Schools' Forum and the majority of schools that responded to the consultation opposed the use of the funding floor factor, due to the fact that it 'locks in' historic allocations based on the October 2016 school census, rather than reflecting current pupil characteristics and needs. The formula proposed in appendix A does not include this factor.

CONSULTATION

17. The school funding regulations require that schools are consulted on any proposed changes to the funding formula; a consultation took place in the autumn term with 20 of 48 mainstream schools providing a response to the consultation. The proposed formula was supported by the majority of consultation responses.
18. Schools' Forum was consulted on the principles for the funding formula on 17 October 2018, and agreed with the proposed formula.

FINANCIAL / BUDGET IMPLICATIONS

19. The school funding formula is fully funded from the Dedicated Schools Grant, which is ring-fenced for education purposes. The grant conditions require local authorities to utilise the grant for the purposes set out in the School and Early Years Finance (England) Regulations.
20. The school funding formula details the methodology which will be used to apportion funding for school budget shares between schools.

LEGAL IMPLICATIONS

21. The School and Early Years Finance (England) Regulations set out the statutory arrangements for school funding.
22. The regulations prescribe the timescale for publishing school budgets, the formula factors which can be used to calculate school budgets and the costs which can be met by the local authority from the grant funding.
23. The regulations also set out the types of expenditure which cannot be met from the Dedicated Schools Grant but which must be met from local authority budgets.

EQUALITY AND DIVERSITY

24. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
25. An equality impact screening was completed on 25 January 2017 for the 2017/18 funding formula, showing no impact on those with protected characteristics. The changes for 2019/20 will not have a negative impact on those with protected characteristics, particularly as any schools losing funding per-pupil will receive protection through the MFG and funding through the formula will continue to be allocated in the same proportions as in 2018/19.

OPTIONS

26. The following options are available for consideration:

Option a) – to approve the school funding formula for 2019/20 detailed in appendix A.

Option b) – to require further formula options to be prepared and a period of consultation to be carried out with schools.

RISK MANAGEMENT

27. The proposed 2019/20 school funding formula has been prepared in accordance with the latest guidance issued by the Education and Skills Funding Agency (ESFA) in respect of the funding arrangements, and is considered to be fully compliant with that guidance and the appropriate legislation. However, once approved by the Cabinet member, the formula will be subject to compliance checking by the ESFA and, although considered unlikely, the ESFA may require the authority to make changes to the formula if it is not considered compliant.

28. Given that any schools which face a reduction in funding per-pupil will receive protection through the minimum funding guarantee, any financial turbulence within schools should be minimal as a direct result of the formula.

EVALUATION

29. The proposed funding formula has been produced in consultation with local schools and agreed by Schools' Forum, and represents the option with the greatest local support. If further formula options are required, these will need to be prepared and a further period of consultation carried out with schools. This will mean that the local authority will fail to meet to deadline set by the government for the notification of budget allocations to schools, and will limit schools' ability to plan for the 2019/20 financial year.

RECOMMENDATION

30. Option a) - to approve the school funding formula for 2019/20 detailed in appendix A.

APPENDICES ATTACHED

31. Appendix A – 2019/20 school funding formula factors.

BACKGROUND PAPERS

32. Pre-16 schools funding: guidance for 2019 to 2020
<https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>
33. October 2018 schools forum paper F
<https://www.iwight.com/azservices/documents/1584-Paper-F-School-Funding-Formula-2019-20-October-2018.pdf>

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Appendix A – 2019/20 school funding formula factors

Factor	Description	Isle of Wight Position	2018/19 Unit Value		2019/20 Unit Value		2019/20 Budget	Percentage of Overall Budget
			Primary	Secondary	Primary	Secondary		
1) Basic Entitlement (Compulsory)	Funding allocated according to an age-weighted pupil unit (AWPU) Primary - £2,000 minimum Secondary - £3,000 minimum	Values amended in 2018/19 in line with national funding formula.	£2,760	KS3 £3,881 KS4 £4,406	£2,808	KS3 £3,949 KS4 £4,484	£51,530,525	72.94%
2) Deprivation (Compulsory)	LAs can choose to use free schools meals (FSM) and/or the Income Deprivation Affecting Children Index (IDACI) based on pupils' home postcodes. Free School meals can be measured using the previous October census and/or Ever 6 (pupils entitled to FSM at any time in the last 6 years) The IDACI measure uses 6 nationally set bands, with LAs able to set a value for each band	Both current and Ever 6 FSM used from 2018/19 (receiving both where the pupil is currently eligible for FSM) as well as IDACI factor in line with national funding formula.	FSM £442 Ever6 FSM £542 IDACI F £201 IDACI E £241 IDACI D £361 IDACI C £391 IDACI B £422 IDACI A £578	FSM £442 Ever6 FSM £789 IDACI F £291 IDACI E £391 IDACI D £516 IDACI C £562 IDACI B £603 IDACI A £814	FSM £451 Ever6 FSM £552 IDACI F £205 IDACI E £245 IDACI D £369 IDACI C £398 IDACI B £430 IDACI A £587	FSM £450 Ever6 FSM £803 IDACI F £296 IDACI E £399 IDACI D £526 IDACI C £574 IDACI B £614 IDACI A £828	£6,331,223	8.96%
3) Looked After Children (LAC)	A single unit value may be applied for any child who has been looked after for one day or more as recorded on the SSDA903 return, and mapped to the January school census.	No longer included for 2018/19 – additional funding available through pupil premium.	N/A		N/A		£0	0.00%
4) English as an Additional Language (EAL)	EAL pupils may attract funding for up to 3 years after they enter the school system. LAs may choose to have separate unit values for primary and secondary pupils	Values amended in 2018/19 in line with national funding formula. Pupils are funded for 3 years.	£517	£1,392	£526	£1,416	£159,775	0.23%

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5) Pupil Mobility	This measure counts pupils who have entered a school during the last 3 academic years, but did not start in August or September (or January for reception pupils). There is a 10% threshold & funding is based on the proportion above the threshold	Factor is in line with regulations.	£624		£629		£166,937	0.24%
6) Prior Attainment	This may be applied for primary pupils identified as not achieving the expected level of development within the early years foundation stage profile (EYFSP), and for secondary pupils not achieving the expected standard in KS2 at reading, writing or Maths. A national weighting is applied to year 7 and 8.	Values amended in 2018/19 in line with national funding formula.	£1,054	£1,556	£1,045	£1,583	£5,538,345	7.84%
7) Lump Sum	LAs can set different lump sums for primary and secondary schools. The maximum lump sum is £175,000. Where schools amalgamate, they will retain 85% of the total lump sums in the year after amalgamation.	Lump sum has been set at the 2017/18 primary level following consultation.	£115,500	£115,500	£115,500	£115,500	£5,361,125	7.59%
8) Sparsity	Schools that are eligible for sparsity funding must meet two criteria: • they are located in areas where pupils would have to travel a significant distance to an alternative should the school close • they are small schools	Used from 2018/ 19 in line with national funding formula, using same thresholds (21.4 max year group, 2 mile distance to second nearest school for primary)	£25,113 (max)	£65,295 (max)	£25,562 (max)	£66,456 (max)	£49,656	0.07%

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9) London Fringe	An optional factor, but only for the five local authorities to which it applies.	Not applicable and, therefore, not used by the Isle of Wight.	N/A	N/A	N/A	N/A	£0	0.00%
10) Split Sites	This is a factor to support schools that have unavoidable extra costs because the school buildings are on separate sites. The criteria are set by the LA.	1 Secondary school and 1 All through school meets the criteria set and agreed by Schools Forum.	£30,000		£30,000		£60,000	0.08%
11) Rates	These must be funded at the LAs estimate of the actual cost. Adjustments to rates may be made outside of the funding formula, or in the following year.	Factor is in line with regulations.	N/A	N/A	N/A	N/A	£1,200,364	1.70%
12) PFI Contracts	Factor to support schools which have unavoidable extra premises costs because of they are a PFI school and/or to cover situations where the PFI "affordability gap" is delegated and paid back to the LA.	Not used by the Isle of Wight.	N/A	N/A	N/A	N/A	£0	0.00%

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13) Exceptional Premises Factors	<p>This must relate to premises costs and the value of the factor must be more than 1% of a school's budget and apply to fewer than 5% of the schools in the LA.</p> <p>Any factors which were used in 2016 to 2017 can automatically be used for pre-existing and newly-qualifying schools in 2017 to 2018, provided that the qualification criteria are still met.</p>	One primary school receives funding through an exceptional rent factor, at a total cost of £55,000.	N/A	N/A	N/A	N/A	£55,000	0.08%
		One secondary school receives funding through an exceptional "dual use site" factor.	N/A	N/A	N/A	N/A	£109,988	0.16%
		One all through receives lump sum protection following amalgamation during 2018/19	N/A	N/A	N/A	N/A	£80,850	0.11%
14) Minimum level of per pupil funding	<p>The purpose of this factor is to allow local authorities to provide amounts up to the minimum per-pupil funding levels for primary and secondary schools:</p> <ul style="list-style-type: none"> the formula will provide local authorities with per-pupil funding of at least £3,500 for primary and £4,800 for secondary in 2019 to 2020 the formula will provide a transitional minimum per pupil funding of at least £3,300 for primary and £4,600 for secondary in 2018 to 2019 	Minimum per-pupil funding levels of £3,500 for primary and £4,800 for secondary per the 2019/20 national funding formula.	£3,300	£4,600	£3,500	£4,800	£4,964	0.01%