

Cheshire West and Chester Council

Consultation with Schools on School Funding for the Financial Year 2020-2021

Description of Proposals

October 2019

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Additional documents published separately:

- Consultation questionnaire
- Illustrative financial modelling

Introduction

This consultation concerns the Schools Block formula funding for 2020-2021 and is relevant to all primary and secondary local authority maintained schools, academies and free schools.

The document outlines the requirements set by the Department for Education (DfE) for factors that may be used by the Local Authority in determining the local schools funding formula in 2020-2021.

Approach to the consultation

2020-2021 is the third year of the national funding formulae (NFF) for schools which replaced the previously historic basis for distributing Dedicated Schools Grant funding to local authorities. It is the government's intention to move to a hard NFF for schools under which school allocations would be determined nationally without any local authority involvement. However, as the formula represents significant change and some elements are still yet to be addressed, a 'soft' approach will be implemented until 2021-2022. Under a soft formula, local authorities will continue to determine, in conjunction with their schools and Schools Forum, the formula which will distribute the total funding to maintained schools and academies.

In October 2017, a consultation was held with schools on the proposal to move the local funding formula in line with the NFF to be consistent with the direction of travel of central government.

There are no proposals to reverse this decision and therefore the consultation with schools and Schools Forum for the next financial year will be limited to consulting on the changes and recurring annual decisions only.

Following consideration by the Schools Forum Finance Sub Group (which includes officer and schools representatives), the consultation is proposed to cover five aspects of funding for schools for 2020-2021; Minimum Funding Guarantee protection, Minimum per Pupil funding levels factor, optional mobility factor, review of premises factors and de-delegation options for 2020-2021. The consultation will only consist of questions in relation to those proposals and will therefore be a brief consultation.

The consultation with all schools on these proposals will be open from 16 October 2019 to noon 30 October 2019.

The shortness of the timescale and timing during half-term is a consequence of (a) the late release of information from the DfE and (b) the need to be able to take the proposed changes to Cabinet for approval in late November to meet the DfE's January submission deadline.

Comparison of local and national funding formula

The Department for Education have published that in 2019-2020 many local authorities have moved towards the values in the NFF when setting their 2019 to 2020 funding formula. 81 of 152 local authorities have moved every one of their factor values in their local formulae closer to the national funding formula since its introduction. In Cheshire West and Chester, all of the formula values were matched exactly to the NFF. Following the decision to continue to release historic protection afforded to some schools through the Minimum Funding Guarantee, the Local Authority was also able to set a slightly higher Basic Entitlement value to the NFF and distribute more funding to all schools. The additional high needs funding received for 2019-2020 also allowed the Local Authority to increase the Low Attainment factor value above the NFF, targeting more funding to schools' Notional SEN budgets.

Due to the additional funding announcement, the NFF values proposed for 2020-2021 will be uplifted from 2019-2020. Final values are yet to be confirmed but the Operational Guidance issued by the Education Skills Funding Agency confirms an increase of 4% to the formula's core factors. Exceptions to this are that the free school meals factor will be increased at inflation as it is intended to broadly reflect actual costs, and premises funding will continue to be allocated at local authority level on the basis of actual spend in 2019-2020 with an inflationary increase for the PFI factor only. The minimum per-pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools.

Table 1 below shows the current 2019-2020 formula values used in Cheshire West and Chester (CW&C) against the indicative NFF values for the Borough for 2020-2021 based on the above announcement.

Additional Premises factors (which include rates, Private Finance Initiative (PFI) affordability gap, split sites and exceptional premises factors) are not prescribed by the NFF. Funding will continue to be allocated to local authorities based on planned spend on these factors in 2019-2020 with an inflationary increase to the PFI factor to allow these factors to continue in 2020-2021.

Table 1 2019-2020 formula values used in Cheshire West and Chester (CWAC) against the **indicative** NFF values for the Borough for 2020-2021

Funding Factors	2019-2020 CWAC formula values £	2020-2021 indicative NFF values £
Basic per-pupil funding		
Age Weighted Pupil Unit (AWPU): Primary	2,842	2,857
Age Weighted Pupil Unit (AWPU): Secondary - KS3	3,952	4,017
Age Weighted Pupil Unit (AWPU): Secondary - KS4	4,477	4,561
Minimum per pupil funding level	Primary £3,500 Secondary £4,800	Primary £3,750 Secondary £5,000
Additional needs funding		
Current FSM top up (Pupils currently claiming FSM at the last census): Primary	442	450
Current FSM top up (Pupils currently claiming FSM at the last census): Secondary	442	450
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary	542	564
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary	788	819
Income Deprivation Affecting Children Index (IDACI) band F: Primary	200	209
IDACI band F: Secondary	291	303
IDACI band E: Primary	241	250
IDACI band E: Secondary	391	407
IDACI band D: Primary	361	376
IDACI band D: Secondary	517	538

Funding Factors	2019-2020 CWAC formula values £	2020-2021 indicative NFF values £
IDACI band C: Primary	391	407
IDACI band C: Secondary	561	584
IDACI band B: Primary	422	438
IDACI band B: Secondary	602	626
IDACI band A: Primary	577	600
IDACI band A: Secondary	813	845
Low prior attainment: Primary	1,081	1,067
Low prior attainment: Secondary	1,611	1,618
English as an additional language: Primary	517	538
English as an additional language: Secondary	1,390	1,446
School led funding		
Lump sum: Primary	110,392	114,807
Lump sum: Secondary	110,392	114,807
Sparsity: Primary	25,089	26,093
Sparsity: Secondary	65,231	67,841

Formula options for 2020-2021

The NFF announcement in August 2019 confirmed that there would be a higher level of funding in each local authority area in 2020-2021 compared to 2019-2020. In the Spending Round announcement, the government committed to a £7.1 billion increase in funding for schools by 2022-2023 (£4.6 billion above inflation), compared to 2019-2020 funding levels. Ahead of that, the schools budget is set to rise by £2.6 billion in 2020-2021 and £4.8 billion in 2021-2022, compared to 2019-2020 funding levels. In 2020-2021, the government will ensure that per pupil funding for all schools can rise in line with inflation (1.8 %). The minimum per pupil amount for 2020-2021 will increase to £3,750 for primary schools and £5,000 for secondary schools, with the primary schools minimum then rising to £4,000 in 2021-2022 in line with the government's commitment.

Whilst the formula allocation to local authorities provides for these increases, there are a number of issues which currently prevent the nationally calculated allocations being passed on directly to schools.

- The aggregated per pupil level of funding that is available to the Local Authority is lagged to the demographics of pupils on the October 2018 census. Therefore any changes in eligibility in the October 2019 census have to be managed within the overall allocation.
- The premises elements of the formula are being funded on a historic basis. Therefore any increase from 2019-2020 to these elements of the formula need to be met from the cash increase in the funding allocation.
- The actual formula allocation for 2020-2021 will reflect the pupils on roll on the October 2019 census. The formula does not protect schools against a loss of pupil numbers and so schools may still receive a reduction in funding overall.
- Local authorities will have some flexibility in consultation with schools and Schools Forum to transfer limited Schools Block funding to other areas (such as high needs) where local needs require this.

The following sections outline the considerations and options for the operation of the formula in 2020-2021 to manage within the allocation to the Local Authority.

Minimum Funding Guarantee (MFG) protection

Local authorities will continue to set a minimum funding guarantee (MFG) in their local formulae to protect schools from excessive year on year changes. In 2020-2021 local authorities will be able to set an MFG between +0.5% and +1.84% per pupil ensuring that schools will receive a per pupil increase compared to 2019-2020 regardless of changes in pupil characteristics and formula values. Local authorities are required to consult on the level of the MFG, as with the rest of the formula.

It has been a priority for CWC to reduce the amount of MFG protection in funding allocations to limit the cliff edge for any school in moving to the NFF and to maximise the fair distribution of funding to all schools. Over recent years, the amount of protected funding has reduced significantly and there is currently £0.9m MFG in the 2019-2020 formula, protecting 17 schools from a greater than 1.5% per pupil per year reduction from their historic funding levels.

Whilst MFG protects schools against excessive changes in per pupil levels of funding, it does not protect against loss of funding where pupil numbers fall from the previous October census. There is no mechanism to protect schools from loss of funding from falling pupil numbers.

In 2020-2021, the Local Authority has the following options to set the MFG:

- At a minimum of 0.5%
 - Individual schools would receive a guaranteed 0.5% increase on their 2019-2020 funding per pupil.
 - This increase would apply to all schools regardless of any reduction in the percentage of pupils attracting additional per pupil funding for deprivation, low attainment and EAL.
 - The 17 schools being funded at a higher level than the NFF due to historic protections in 2019-2020 would also receive a per pupil increase of 0.5%.
 - Setting the MFG at the minimum level allows changes in pupil demographics to flow through and more funding to distribute to all schools.

- Between 0.5% and up to the maximum of 1.84%
 - The DfE are allowing local authorities to implement a positive MFG up to 1.84% per pupil allowing individual schools to receive a guaranteed increase up to that percentage. The same principles apply as described above for the minimum 0.5% increase.
 - However, the affordability of the maximum option would need to be considered in view of:
 - the wider formula and funding, not all of which is keeping pace with current pupil demographics, growth and premises factors

- the already higher Basic Entitlement value implemented by CW&C in 2019-2020 which was based on the release of funding from a negative 1.5% MFG in previous years.
 - the already higher Low Attainment value implemented by CW&C in 2019-2020 using the additional high needs funding allocation.
- As such, the maximum of 1.84% may not be an affordable option for CWAC when the final allocations are received in December and the protection may need to be set between 0.5% and 1.84%.

Illustrative financial modelling of the minimum 0.5% and maximum of 1.84% options is available in a separate document. Values in between would have impacts in between these outside ranges.

Please refer to the consultation questionnaire **Question 1**.

Minimum per Pupil Factor

To ensure each school receiving sufficient basic per pupil funding, the NFF includes an additional Minimum per Pupil formula factor. The minimum level per pupil calculation includes the basic per pupil entitlement, all additional needs factors and the lump sum and sparsity factors and divides them by the number of pupils on roll. In 2020-2021 the NFF allocations will provide for a minimum per-pupil funding level of £5,000 for every secondary school and £3,750 for every primary school.

It is optional for local authorities to implement the minimum per pupil factor at a local level although the government are currently consulting on making this a compulsory factor in local formulae. Following consultation with schools in 2018-2019, this factor was implemented for Cheshire West and Chester schools using the interim minimum funding levels of £4,600 for secondary schools and £3,300 for primary schools, increasing to £4,800 and £3,500 respectively in 2019-2020. The Department for Education have published that in 2019-2020 122 out of 152 local authorities have brought in a minimum per pupil funding factor, mirroring its introduction in the national funding formula.

The schools that gain from this factor are those schools that attract little additional needs funding through the formula (i.e. have a low number of deprived or low attaining pupils). Smaller schools are not advantaged by this mechanism as the lump sum constitutes a higher level of funding on a per pupil basis than for a larger school and takes them over the minimum level.

As this consultation precedes the outcome of the government's consultation on making this factor compulsory, the Local Authority are consulting on adopting this factor in full for the 2020-2021 financial year. Adopting the factor would move funding in line with the NFF and increase funding for a small number of schools so that they are better

placed to support the needs of all pupils rather than directly funding deprived and low attaining pupils.

In not adopting this factor, the additional minimum per pupil funding allocation received by the local authority could be made available to allocate across all schools through the remaining formula factors.

The alternative option is for the additional funding of approximately £0.5m received for the increase in the Minimum per Pupil level factor to be allocated through the Basic Entitlement factor to all schools. This would equate to an additional £14 to the Primary Basic Entitlement and £49 per pupil to the KS3 and KS4 Basic Entitlement.

Illustrative financial modelling of implementing the Minimum per Pupil level funding in 2020-2021 is available in a separate document.

Please refer to the consultation questionnaire **Question 2**.

Review of premises factor - split site allowance

A local authority's formula can include a factor to provide additional funding to schools that operate on more than one site. The purpose of this factor is to support schools that have unavoidable extra costs because the school buildings are on separate sites. Allocations must be based on objective criteria for the definition of a split site, and for how much is paid.

The CW&C local funding formula includes a split site factor that was based on the pre-2013 funding formula. There are two schools eligible for funding under the current criteria which is as follows:

Primary schools

Schools which have main buildings more than 110 metres apart qualify for a Split Site Allowance of £24,918.

Secondary Schools

(a) Schools which have main buildings more than 370 metres apart qualify for a Split Site Allowance of £148,696.

(b) Schools which have main buildings more than 110 metres apart and four or more main buildings qualify for a Split Site Allowance of £92,028.

(c) Schools which have main buildings more than 110 metres apart and two or more main buildings qualify for a Split Site Allowance of £47,470.

Schools sharing facilities, federated schools and schools with remote sixth forms or remote early years' provision are not eligible for split site funding.

We have received requests from schools operating on a split site to review the criteria and values which have been in place since 2013. The existing criteria and values are historic and out of date.

In this consultation we are seeking views from schools on revising the basis of the split site allowance going forward and the additional costs that need to be recognised.

Having reviewed split site criteria used by other local authorities, we propose that:

- The additional allowance will continue to apply only in exceptional circumstances and will be limited to schools operating sites separated by an adopted highway.
- The value of the allocation would include a consideration of the additional costs associated with the duplication of facilities, supplies and services, additional staffing resources and inter-site travel.
- The criteria will recognise where increasing distance and number of buildings increases the additional costs to the school

We propose that any revisions to this formula factor remain affordable from within the premises and growth allocation rather than from the NFF factors funding all schools.

Please refer to the consultation questionnaire **Question 3**.

Mobility Factor

The mobility factor allocates funding to schools with a high proportion of pupils who first join on a non-standard date. Mobility funding was previously allocated on the basis of historic spend and has not been adopted in CW&C. However, for 2020-2021, a new methodology is being implemented to allocate this funding for eligible schools through the NFF on a formulaic basis.

The new methodology involves tracking individual pupils using their unique pupil ID through censuses from the past 3 years. If the first census when the pupil was in the school was a spring or summer census, they are a mobile pupil. This excludes reception pupils who start in January. This methodology also excludes pupils who joined in the summer term after the summer census, or pupils who joined in October before the autumn census.

To be eligible for mobility funding, the proportion of mobile pupils a school has must be above the threshold of 6%. A per-pupil amount will be allocated for all mobile pupils above that threshold. The data and values for this factor are yet to be published.

Mobility will continue to be an optional factor for local authorities' formulae.

Please refer to the consultation questionnaire **Question 4**.

De-delegation of funding

The Department of Education permits the pooling of funding for maintained schools to meet expenditure collectively for a limited number of items of school expenditure. Schools in each phase will need to agree collectively, through the Schools Forum, whether to de-delegate the funding to the Local Authority to meet the expenditure centrally.

As in 2019-2020, de-delegation will be an option for primary and secondary schools for the following allocations in 2020-2021.

- Contingencies to cover suspensions and tribunals
- Free school meals eligibility assessment
- Licences (SIMS and CLEAPPS) - please note proposed change below
- Staff costs for maternity/paternity/adoption leave
- Staff costs for trade union facilities time

Schools will need to consider whether the amount delegated to them on a per pupil basis allows them to meet the costs or buy in the services they need individually. The rationale for de-delegation is to achieve economies of scale and to pool risk across schools for these costs.

Schools should therefore consider whether they may find difficulty in securing services from providers other than the Local Authority on an individual basis with the funding that has been delegated.

Whilst most contingencies offer a pooled risk against potential costs, charges for licences are identifiable for individual schools. As some schools have moved away from SIMS, schools may want to consider a direct charging arrangement for licences (SIMS and CLEAPPS) in 2020-2021. This would ensure that schools that do not use the licences are not charged for them.

Current pooled funding for 2019-2020 and the basis for de-delegation for primary and secondary is summarised in tables 3 and 4 below. Actual de-delegation for 2020-2021 however will be amended to reflect underspends or overspends within each sector in 2019-2020 so may vary from the figures below.

Table 2 Indicative primary de-delegation

	Primary per pupil delegation £	Primary lump sum delegation £	Maintained pupil numbers/ schools	Total funding to de-delegate £
Contingencies	3.20	0	23,342	74,694
Free school meal eligibility	4.81	0	4,296	20,664

assessment				
Licences	3.57	0	23,342	83,331
Staff costs - maternity	12.58	2,017	23,342/109	513,495
Staff costs – trade unions	1.79	0	23,342	41,782

Table 3 Indicative secondary de-delegation

	Secondary per pupil delegation £	Maintained pupil numbers/ schools for £	Total funding to de- delegate £
Contingencies	0.26	9,333	2,427
Free school meal eligibility assessment	4.06	1,866	7,577
Licences	5.23	9,333	48,812
Staff costs – trade unions	3.43	9,333	32,012

Please refer to the consultation questionnaire **Question 5a and 5b.**