

**Cabinet**

**11 December 2019**

**Mainstream Primary and Secondary  
Formula Funding 2020-21**

**Ordinary Decision**



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**Report of Corporate Management Team**

**John Pearce, Corporate Director of Children and Young People's Services**

**John Hewitt, Corporate Director of Resources**

**Councillor Olwyn Gunn, Portfolio Holder for Children and Young People's Services**

**Councillor Alan Napier, Portfolio Holder for Finance**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To update Members on mainstream primary and secondary formula funding arrangements for the coming financial year and recommend that Members approve the proposed approach to setting the local formula for mainstream primary and secondary funding 2020/21. Final decisions on the formula will be reported to Cabinet in February.

**Executive summary**

- 2 Information about mainstream primary and secondary formula funding for the 2020-21 financial year was published on 11 October 2019, following the Spending Round announcements on 4 September 2019.
- 3 There has been a national increase in funding for 2020-21 and further increases are planned for 2021-22 and 2022-23.
- 4 There is no information at this stage about how much of the announced increases for 2021-22 and 2022-23 will be for the mainstream formula.

- 5 The Units of Funding per pupil (UFs), which determine most of the funding for the formula have increased from last year. The primary increase is near the national average (4.4%), but the secondary increase (2.5%) is less than the national average (3.8%).
- 6 The National Funding Formula, which determines UFs, has been amended for 2020/21:
  - (a) The mobility factor has been amended and Durham will receive funding for this for the first time. The proposed local formula includes the mobility factor for the first time;
  - (b) There has been an increase in most factor values;
  - (c) The Minimum Per Pupil Funding (MPPF) values have increased and the NFF values will be mandatory for local formulas;
  - (d) The MPPF changes are of concern, because they tend to benefit larger schools with relatively few pupils with additional needs. The council has responded to a consultation about this and a copy of the response is included at appendix 2;
  - (e) There are changes to the Funding Floor in the NFF and to the Minimum Funding Guarantee (MFG) in the local formula, which means that all schools will see an increase in funding per pupil next year. Local formulas are allowed to vary the MFG value, between a minimum of a 0.5% increase per pupil and a 1.84% increase per pupil;
  - (f) The increase in funding per pupil does not protect schools from falling rolls and some funding is excluded from the MFG calculation.
- 7 The council will continue to determine the local formula and needs to take account of feedback from the Schools Forum when doing so. The formula includes a continuation of the transition from the local formula to the NFF at the rate set last year i.e. to achieve convergence in 2021-22.
- 8 The report identifies that a request has been made to the Secretary of State to disapply funding regulations in respect of the MFG/capping calculation for Bowburn Primary School, so that it does not lose the benefit of a split-site allowance in the first year in which this is received. This was supported by the Schools Forum at its meeting on 25 November 2019.
- 9 The council intends to make adjustments to the pupil numbers used in the 2020-21 formula for four primary schools in respect of basic need growth. The council asked the DfE to review a decision not to provide

growth funding for a group of secondary schools and the DfE has not questioned the decision.

- 10 The Schools Forum is to meet again on 7 January 2020 to consider the use of the growth funding provided as part of formula funding.
- 11 Options for the formula have been modelled using current year's pupil numbers and data, with changes to reflect school amalgamations and academy conversions to demonstrate the pure formula impacts. The council is not requesting a transfer of funding from the Schools Block to the High Needs Block in 2020/21.
- 12 Five options have been modelled, using the minimum and maximum permitted MFG values. These were discussed with the Schools Forum on 25 November 2019, which supported a transitional mid-point option, therefore the MFG will be a 1.17% increase next year.

### **Recommendation(s)**

- 13 Cabinet is recommended to:
  - (a) note the impact of the government's announcements and the draft local formula funding proposals for 2020-21 outlined in this report;
  - (b) note and support the request to disapply the funding regulations to exclude the split-site allowance for Bowburn Primary from the MFG/capping calculation;
  - (c) note that the Schools Forum will meet again on 7 January 2020, to consider the use of growth funding;
  - (d) agree to the adjustments planned for growth at Red Rose, Howden-le-Wear, Montalbo and Framwellgate Moor primary schools for the 2020-21 formula;
  - (e) agree the continued use of the transitional formula, including the new mobility factor, with the aim of achieving convergence with the NFF in 2021-22;
  - (f) agree the use of a transitional MFG value of 1.17% in the local formula for 2020-21.
  - (g) note that a further report will be brought to Cabinet in February with the final formula vales and factoring the impacts on schools of the formula and the October 2019 pupil census numbers.

## **Background**

- 14 The main source of funding for mainstream primary and secondary schools and academies is the local schools funding formula. Each local authority currently sets its own formula, within the restrictions imposed by the Department for Education (DfE), after consultation with all schools and the Schools Forum.
- 15 The DfE had previously announced that local formulas would be replaced by the National Funding Formula (NFF) from 2020-21, however, in July 2018, the DfE announced that this has been postponed and local authorities will continue to set local formulas for 2020-21.
- 16 The DfE has cited the progress made by local authorities in aligning local formulas to the NFF as the main reason for this decision. The DfE has expressed confidence that in the light of the progress made to date, local authorities will continue to increase the alignment between local formulas and the NFF in 2020-21 without the need for a statutory deadline of convergence in that year.
- 17 In the DfE's view, the NFF is fairer to schools than local formulas, because it is consistent between local authority areas, but in the short-term it sees local formulas as a way to allow a smoother transition from local formulas to the NFF. The argument for this is presumably that each local authority is best placed to determine the appropriate transition to the NFF from its local formula.
- 18 Members will recall that in setting the funding formula for mainstream primary and secondary schools for the current financial year, the Council took the decision to use a transitional formula, intended to smooth the transition from the local formula in place in 2017-18 to the NFF allocations for individual schools over three years (2018-19 to 2020-21), with the plan to fully converge in 2021-22.

## **Mainstream School Funding**

- 19 Funding for the mainstream primary and secondary schools formula is provided through the Dedicated Schools Grant (DSG).
- 20 Until 2013-14 this funding was provided as a single allocation and local authorities had significant freedom as to how this was used, with the caveat that it was ring-fenced for spending on schools / education.
- 21 Since 2013-14, the DSG has been split into different funding blocks, Early Years, Schools and High Needs (for Special Educational Needs and Disabilities - SEND) and from 2018-19 a Central School Services

Block (CSSB) - the latter includes funding formerly included in the Schools Block and Education Services Grant.

- 22 The allocations for academies, as determined by the local formula, is recouped from the overall DSG allocations for the local authority area and paid by the DfE directly to academies in County Durham in line with the local formula allocations for those individual schools. The remaining DSG is paid to the Council, who then distributes (delegates) the funding received to individual maintained schools in line with their formula funding allocations.
- 23 Mainstream schools and academies also receive funding for pupils with SEND, early years, (where primary schools have nursery units), post-16 funding and also the Pupil Premium, which in the current year is worth circa £20 million. From 2013/14 there were also changes to how SEND is funded, which affected the amounts provided through formula funding.
- 24 Since 2013-14, local discretion over the local funding formulae has been significantly restricted, with local decision making limited to the application of a relatively small number of permissible formula factors, most of which are pupil-led, (i.e. an amount per eligible pupil), with the rest being either school-led, (i.e. an amount per school), or relating to specific premises related costs, for example rates. There is still, however, significant variation between local authorities in terms of the proportions of funding allocated to different factors within the formula.
- 25 Local authorities must consult Schools Forums and all schools about their local formula proposals before deciding on the final version. The final version of the formula needs to be determined in early January, by adjusting the agreed formula to take account of the actual amount of funding received and updated pupil numbers and data for schools, including the proportions of pupils deemed to have additional needs, for example, because of deprivation.
- 26 Between 2013-14 and 2017-18, the local schools funding formula in County Durham did not change significantly from year-to-year in respect of either the formula factors or the proportions allocated to each factor and in general there was little appetite by either schools or the Council to make significant changes to the formula. This was a conscious decision to try and restrict turbulence within the schools funding regime in County Durham. One exception was in respect of the primary lump sum, which was reduced over the two years 2016-17 and 2017-18, with the funding released being used to increase the allocation of pupil-led funding for secondary schools.

- 27 For 2018-19, the Council decided to begin to make changes to the formula, to reduce differences between the local formula used in previous years and the NFF, with the intention of smoothing the transition to the NFF over the remaining two years of the local formula. That decision does not preclude the Council making a different decision for 2020-21, but because government policy has not changed, no change to the rate of transition is recommended.

## **2020-21 funding and formula requirements**

- 28 The majority of funding for individual schools is provided through the mainstream primary and secondary schools funding formula. DSG funding for this formula is provided as an amount per primary and secondary pupil.
- 29 The amounts per pupil are set each year by central government and are calculated using notional NFF allocations to each school using pupil numbers from the previous financial year.
- 30 Information about mainstream formula funding for the 2020-21 financial year was published on 11 October, 2019, following the Spending Round announcements on 4 September, 2019. The information is summarised below.

### ***National Increases in funding***

- 31 There will be a national increase in core schools funding compared to 2019-20 funding, details as follows:
- (a) £2.6 billion for 2020-21
  - (b) £4.8 billion for 2021-22 (an additional £2.2 billion on 2020-21)
  - (c) £7.1 billion for 2022-23 (an additional £2.3 billion on 2021-22)
- 32 Core schools funding includes:
- (d) Schools Block – which funds the mainstream primary and secondary formula
  - (e) High Needs Block (HNB) – which funds provision for Special Educational Needs and Disabilities
  - (f) Central School Services Block – which funds local authority centrally managed services and historic commitments

(g) Teachers' Pay Grant (TPG), which will include the cost of increasing the starting salary for teachers to £30,000 by 2022-23. (Separate funding is being provided over the next three years to fund the increase in Teachers Pension contributions).

33 For 2020-21, the HNB has increased nationally by £0.780 million, and the Central School Services Block has been cut. Increases in the Schools Block will be finalised in December once the October 2019 census data is finalised and taken into account, but the units of funding per pupil have been announced and have increased.

34 There is no information about how the 2021-22 and 2022-23 increases will be allocated between the Schools Block, the HNB, the Central Schools Block and the TPG.

***Schools Block funding for Durham***

35 This will not be confirmed until December, because it takes account of pupil numbers recorded in the October schools census, which will not be available until December.

36 Most of the Schools Block funding is based on amounts per pupil. The funding per pupil is different between primary and secondary and these are known as Units of Funding (UFs). The UFs are determined by dividing notional NFF allocations by pupil numbers and separate UFs are calculated for each local authority, based on its maintained schools and academies. The UFs for Durham for 2020-21 have increased compared to the 2019-20 UFs:

<b><i>Primary and secondary Units of Funding per Pupil</i></b>	<b>Primary</b>	<b>Secondary</b>
2020-21	£4,405.58	£5,382.04
2019-20	£4,227.34	£5,253.15
Increase	£178.24 4.2%	£128.89 2.5%

37 Members should note that the overall increase in funding does not mean that all schools will see an increase in their funding, particularly if there has been a significant reduction in the overall number of pupils on roll or a reduction in the number of pupils who are eligible for additional needs funding (deprivation and low prior attainment).

38 In addition, the Schools Block includes funding for premises and growth:

- (a) Funding for premises is provided as a lump sum, based on historic funding allocations and has increased from £6.665 million to £6.675 million in 2020/21.
- (b) Growth funding is based on changes in population and will be confirmed in December.

39 For this report, the modelling of options for the local formula for 2020-21 uses overall funding based on:

- (a) the new UFs;
- (b) the pupil numbers used for the current year;
- (c) the new funding allocation for premises; and
- (d) last year's growth funding.

40 The table below shows the funding used for modelling options.

<b>Schools Block Funding Used for Modelling Formula Options</b>	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
October 2018 Pupils	39,090.5	25,239.5	64,330
2020-21 units of funding (UFs)	£4,405.58	£5,382.04	
Funding (£m)			
Pupil funding (Oct 18 pupils and 20-21 UFs)	172.216	135.840	308.056
Premises (20-21 allocation)			6.675
Growth (19-20 allocation)			1.575
<b>Estimated funding for 2020-21</b>			<b>316.306</b>
Funding for 2019-20			305.929
<b>Change in funding</b>			<b>10.377</b>
			<b>3.4%</b>

41 Members should note that the overall funding increase shown is not the actual change in funding for next year but is the additional funding that we estimate would have been provided in the current year if the UFs for 2019-20 had been equal to the 2020-21 UFs.

42 Information provided by the ESFA shows that Schools Block funding has increased by 4% nationally. The way in which UFs are calculated



means that the increase will vary from authority to authority. At this stage, we estimate that the increase in Durham's funding will be c3.4%, which is below the national increase. If the increase in Durham was 4%, there would be c£1.8 m of additional funding into Durham than what is forecast.

- 43 The table below shows the average changes in UFs by region. Note that the highest increase is for the South West, for both primary and secondary. The north east is around midway between the highest and lowest for primary, but the second lowest for secondary. This is similar to the changes for Durham (4.2%), where the primary increase is near the national average (4.4%), but the secondary increase (2.5%) is significantly less than the national average (3.8%).

Region	Average increase in UFs		Ranking (out of ten, one = highest average increase)	
	Primary	Secondary	Primary	Secondary
East Midlands	5.5%	4.0%	2	5
East of England	4.7%	3.9%	4	6
Inner London	2.2%	2.0%	10	10
<b>North East</b>	<b>4.6%</b>	<b>3.1%</b>	<b>5</b>	<b>9</b>
North West	4.5%	3.8%	6	8
Outer London	3.6%	4.2%	9	3
South East	4.9%	4.2%	3	2
South West	5.7%	4.3%	1	1
West Midlands	4.1%	3.8%	8	7
Yorkshire and the Humber	4.5%	4.1%	7	4
<b>England</b>	<b>4.4%</b>	<b>3.8%</b>		

### ***Formula funding and local formulas***

- 44 Local authorities will continue to set local formulas for 2020-21. The Government is committed to replacing local formulas with the NFF but, as with previous announcements, has not at this stage made convergence mandatory in 2020-21. The Government has stated that it will continue to work closely with local authorities, schools and others to make the transition away from local formulas as smooth as possible. In Durham, the transitional local formula currently seeks to achieve convergence by 2021-22.

- 45 The NFF uses the same formula factors as in previous years, but there is now a formula factor to allocate mobility funding, which was previously allocated on the basis of historic allocations. Because Durham has never used the mobility factor it has not been funded for the factor previously.
- 46 The factor values in the NFF have been increased by 4%, with the exception of the Free School Meals and PFI factors, which have been increased by inflation (2.3%).
- 47 The Minimum Per Pupil Funding used in the NFF has been increased and it is intended to make this mandatory for local formulas for next year, at the same values as in the NFF:

<b><i>Minimum Per Pupil Funding values (£/pupil)</i></b>	<b>Durham local formula</b>	<b>National Funding Formula</b>		
	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Primary	3,300	3,500	3,750	4,000
Secondary	4,600	4,800	5,000	5,000

- 48 There are concerns about the way in which this factor works as it tends to provide additional funding to larger schools with relatively few pupils with additional needs. The council submitted a response to the consultation and a copy is attached at Appendix 2.
- 49 Other changes affecting formulas next year are:
- (a) The Funding Floor, which provides minimum funding increases in the NFF will be increased to 1.84% per pupil, (it was 1% in 2019-20). Another change affecting the floor is that the baseline used to determine the minimum funding increases will be 2019-20 funding, instead of the 2017-18 funding used in the last two years.
- The Floor is not used in the local formula, but changes to the Minimum Funding Guarantee (MFG) will allow the floor to be replicated in local formulas and this has been modelled as an option for the local formula for next year.
- (b) The MFG will guarantee an increase in funding per pupil next year, within the range 0.5% to 1.84%. As already noted, at the maximum level this will replicate the new Funding Floor. Note that the MFG does not protect schools from falling rolls and even with

an increase in funding per pupil, a school could still see a reduction in overall funding if pupil numbers are falling.

### **Setting the local formula in Durham**

- 50 The council will continue to set a local formula for 2020-21 after consultation with the Schools Forum and schools.
- 51 The formula is a council decision, but it must take account of feedback from consultation with schools and the Schools Forum.
- 52 On 25 November, 2019 the Schools Forum met to consider the 2020/21 schools formula and to make decisions on de-delegation and centrally managed services. Members voted to continue with the transitional formula used since 2018-19, the use of a transitional rate of protection through the Minimum Funding Guarantee, and to support a disapplication request for a school with a new split-site allowance.
- 53 Forum members deferred a decision about the use of growth funding and will have a further meeting on 7 January 2020. Any decision by members to establish a growth fund will reduce the funding available for all schools via the formula as it reduces the funding per pupil through the formula, but would not necessitate a wider change to the transitional basis of the formula.

### **Disapplication for split-site allowance**

- 54 Following the amalgamation of Bowburn infant and junior schools, the new primary school is operating on a split-site and will continue to do so until at least the end of the 2020-21 financial year. The distance by road between the two schools is 1 kilometre and the school qualifies for a split-site allowance, because the distance between the two schools is more than 500 metres.
- 55 The split-site allowance for a primary school is a lump sum of £50,320 and £3.70 per pupil. For this school, using the 2019-20 pupil numbers, the split-site allowance would be £51,523.
- 56 Bowburn Primary was formed by an amalgamation on 1 September 2019 and the first year in which it will receive a split-site allowance is 2020-21.
- 57 Split-site allowances are included in the calculation of the MFG and capping and without adjustment the school is likely to lose most of the split-site allowance through capping, because the split-site allowance will be a significant increase in the school's funding per pupil.
- 58 In order to avoid the school losing the value of the split-site allowance through capping, it is necessary to request permission from the

Secretary of State to disapply the funding regulations by excluding the split-site allowance from the MFG/capping calculation for that school.

- 59 Disapplication is only necessary for the first year in which a split-site allowance is received.
- 60 This has been done in the past, most recently for Bluebell Meadow and Wingate primary schools. A request for disapplication must be approved by the Schools Forum. This was agreed by the Forum on 25 November, 2019.
- 61 Members are recommended to agree to support a request to disapply the funding regulations to exclude the split-site allowance for Bowburn Primary from the MFG/capping calculation.

### **Growth funding**

- 62 This is provided as part of the Schools Block to recognise the need to fund additional places to meet basic need that are not reflected in October School Census pupil numbers.
- 63 Allocations of growth funding are based on year-to-year changes in pupil numbers recorded for Middle-Layer Super Output Areas, which are sub-divisions of each local authority area. This is a formula-based approach to allocating funding between authorities, based on changes which might cause basic need growth, but does not mean that the ESFA has identified actual basic need growth.
- 64 The funding that was allocated to Durham for 2019-20 was £1.574 million. At present there is no information to form a basis for estimating funding in our DSG allocations for 2020-21. The fact that this funding is based on year-to-year changes in pupil numbers rather than total pupil numbers is likely to mean that this funding will be volatile and could change significantly from year-to-year.
- 65 A basic need increase means that there is a shortage of places in the locality, and the school has been asked to expend to accommodate this demand. Funding regulations provide that local authorities can adjust funding to take account of the growth in numbers as a result of basic need. This does not apply where a school expects to take on additional pupils as a result of parental preference, even where encouraged to do so by the local authority; schools are expected to manage these increases within their usual formula funding, based on the previous October's Schools Census.
- 66 There are a small number of primary schools that have been identified by the Pupil Place Planning Team where admissions increased from September 2019 as a result of basic need. These schools will continue

to grow to accommodate basic need in September 2020 and the adjustments that will be required are shown below. The adjustment being made to places for 2020-21 is 7/12s of the basic increase from September 2020:

<b>Basic needs adjustments</b>	<b>Increase in admissions from September 2020</b>	<b>Adjustment to formula for 2020-21</b>
Red Rose	7	4.08
Howden-le-Wear	7	4.08
Montalbo	15	8.75
Framwellgate Moor	15	8.75

- 67 These adjustments are not reflected in the modelling of formula options for next year at this stage, as it uses the pupil numbers used to determine funding for the current year.
- 68 Members are recommended to support the adjustments planned for growth at Red Rose, Howden-le-Wear, Montalbo and Framwellgate Moor primary schools for the 2020-21 formula.
- 69 Growth does not provide for adjustments to funding where pupil numbers are increasing through parental choice. Following a challenge from a Forum member, the council has consulted the DfE about its decision not to provide growth funding to secondary schools in Bishop Auckland. The DfE was provided with details of the schools and changes in pupil numbers and has not raised any objections to the council's decision not to provide growth funding to these schools.
- 70 Further ESFA guidance about the use of growth funding is expected and the council will consider the implications of this guidance and whether it should change its position on how this is used.
- 71 If this funding was set aside for growth, it would reduce the factor values, and hence funding, allocated through the formula. The growth funding would still be distributed to schools and academies, but only to those qualifying for basic need growth.
- 72 The proposals in terms of use of growth funding for the above primaries was considered by the Schools Forum on 25 November. Members of the Forum did not agree to these proposals and requested a further meeting to consider this issue further and a meeting has been arranged for 7 January 2020.

- 73 Should the Forum wish to set aside further funding for distribution through a growth fund to other schools, this will reduce the funding available for distribution through the formula, and members of the Forum will have to agree to a method for distributing the growth fund which complies with school funding regulations and ESFA guidance.
- 74 Any decision by Schools Forum members to establish a revised growth fund would reduce the funding available for the formula, which will reduce the funding per pupil through the formula and impact on all schools, but will not necessitate a wider change to the transitional basis of the formula.
- 75 In the meantime, members are recommended to approve the proposed adjustments to numbers for the four primary schools set out above. This decision does not require the agreement of the Schools Forum.

### **Options for the local formula in 2020/21**

- 76 A number of options have been identified and these are set out below.
- (a) Rate of transition
  - (b) Transfers to the High Needs funding block
  - (c) Minimum Funding Guarantee
  - (d) Mobility factor

#### ***Rate of transition***

- 77 The current local formula is a transitional formula, using the same factors that are used in the NFF and reducing the differences in factor values (£/pupil and £/school) between the old local formula and the NFF over a number of years.
- 78 The current rate of transition anticipates that the local formula will be aligned to the NFF by 2021-22, which is the earliest year in which the NFF could replace local formulas.
- 79 Members may recall that the original plan for transition was for the local formula to align to the NFF by 2020-21, which was originally planned to be the year in which local formulas would be replaced by the NFF. The rate of transition was changed last year after the Government announced that local formulas would continue to be used in 2020-21.

- 80 The table below shows the difference between the local and national formula factor values in each year of the transition:

<b><i>Difference between factor values between local formula and NFF</i></b>		
<b>Year</b>	<b>Original plan</b>	<b>Current plan</b>
2017-18	100%	100%
2018-19	67%	67%
2019-20	33%	45%
2020-21	0%	22%
2021-22	0%	0%

- 81 Recent announcements confirm that Government policy is still to replace local formulas with the NFF, but with the national convergence date still not defined. There is however, a commitment to have a smooth transition.
- 82 The planned increases in funding in 2021-22 and 2022-23 would go some way to offsetting reductions in funding for schools that were adversely affected by the change to the NFF. This makes it more likely that local formulas will be replaced in either 2021-22 or 2022-23.
- 83 There is no reason to alter the rate of transition and illustrative figures for next year's formula have been modelled on the basis that the current rate of transition continues.
- 84 Members should be aware that although the rate of transition is the rate planned for 2020-21, the differences in formula values are measured against our estimate of the revised NFF, with factor values increased by 4%, as described above.
- 85 Other alternatives in respect of the rate of transition are:

***Align the formula to the NFF from next year***

The council does not see any advantage to this, which would commit to the NFF before it is confirmed that it will replace local formulas and does not allow for the possibility of changes to the NFF before it replaces local formulas.

***Slow down or reverse the current transition***

The council does not see any advantage to this, given that Government policy is still to

replace local formulas. Slowing down or reversing transition would lead to greater turbulence when local formulas were replaced.

Most local authorities are moving to align local formulas to the NFF and being an outlier in refusing to do so is unlikely to be helpful in terms of schools avoiding turbulence when local formulas are replaced.

- 86 The Schools Forum meeting on 25 November supported the continued use of the transitional formula, which seeks to achieve convergence with the NFF in 2021/22.

### ***Transfer to HNB***

- 87 Members will be aware of the significant pressures on the High Needs spending. A report on High Needs Sustainability was considered by Cabinet in July 2019 and outlined proposals to seek to transfer circa £1.5 million from the Schools Block to the HNB in 2020/21 to cushion the impact of planned reductions in HNB spending as part of its review of Special Educational Needs (SEN) provision.
- 88 The recent announcement of funding included the allocation for next year for the HNB, which is more than was previously estimated. After reviewing this, the council is minded not to request a transfer for 2020-21. Members should note, however, that the SEN review continues and the outcome of the consultation on the proposals considered by Cabinet in July 2019 will be reported to Cabinet in January 2020.

### ***Minimum Funding Guarantee***

- 89 The Minimum Funding Guarantee (MFG) limits changes in funding per pupil arising from changes to the formula. In the past it has been used to limit reductions in funding from year-to-year. However, for 2020-21, it will be used to guarantee a minimum increase in funding per pupil.
- 90 Local authorities will be able to set a minimum increase in a range from 0.5% to 1.84%. The latter is the increase used in the Funding Floor, and an MFG at this level would replicate the Funding Floor, which is part of the NFF, but not part of local formulas.
- 91 It is important to note that the MFG is funded by capping increases in funding per pupil for other schools, so setting a higher rate for the MFG will benefit some schools, but disadvantage others.



92 Members should also note that the MFG only applies to funding per pupil, so it does not protect schools from falling rolls. In considering the approach to be taken the Schools Forum considered a range of options in terms of the approach to the MFG next year.

### ***Mobility factor***

93 This factor is intended to recognise that pupil movement during the year can, if at a significant level, require schools to provide additional resources to cope with these movements.

94 Prior to 2018-19 this factor was not used in the local formula, because the formula allocated funding on the basis of historic data and was not seen as an effective way of targeting funding to schools affected by significant mobility.

95 The factor is included in the NFF, but for 2018-19 and 2019-20, funding through the Schools Block was only provided for authorities that were using the factor in 2017-18. Because the factor was not used in the local formula in 2017-18, Durham received no funding for mobility for either 2018-19 or 2019-20 and accordingly this factor has not been included in the transitional formula to date.

96 The reason for the DfE's past approach to funding mobility was that there were problems with the data for mobility, which can be distorted when schools convert to sponsored academies or are subject to a reorganisation such as an amalgamation. The DfE used historic allocations as the basis for the 2018-19 and 2019-20 allocations and assumed that authorities that had used the factor had made appropriate adjustments to the data before doing so.

97 However, for 2020-21, the factor uses a new method to determine funding and this has been taken into account in the units of funding per pupil for 2020-21.

98 The new method is to compare pupils across three years' worth of school censuses, counting as mobile those who were recorded on the spring and summer censuses but not the preceding October census. Schools only receive funding where the proportion of pupils counted as mobile is more than 6% of the number on roll and only for pupils in excess of 6%.

99 This factor is part of the NFF and now that it is funded it is consistent to include this factor in the transitional model.

100 The factor is relatively small, only 0.05% of the total allocated through the formula (circa £168,000) and has not been modelled as a separate option.

## Modelling options for 2020-21

- 101 The delays to the provision of information about funding for next year, and about proposals for changes to funding regulations in respect of the formula, meant that there has been little time to model what next year's formula might look like.
- 102 As a result of these delays, modelling for formula options has been undertaken using the current year's pupil numbers and data, instead of using estimates of the pupil numbers in this year's October school census. For schools that have amalgamated during 2019-20 the October 2018 pupil numbers and data have been amalgamated.
- 103 Funding for premises-related factors for non-domestic rates, and PFI have been updated to the estimated allocations for 2020-21.
- 104 This means that the results of modelling compare the formula options with the current year's formula funding and are not affected by estimated changes in pupil numbers.
- 105 Members should note that the majority of funding is distributed through pupil-led factors and the final allocations to individual schools will be affected by changes in pupil numbers and the proportions of pupils eligible for additional needs funding.
- 106 Appendix 3 provides a summary of the 2019-20 and draft proposed 2020-21 formula, showing the factor values the amounts allocated through each factor and the proportion of funding allocated through each factor. The formula and factor values are the same regardless of the MFG value. Columns are described below:

**Column C** The number on roll used to determine formula funding for 2019-20, from the October 2018 school census.

**Column D** The factor values in the NFF in 2019-20.

**Column E** The factor values in the local formula in 2019-20.

**Column F** The difference between the factor values in 2019-20, which arise because the local formula is a transitional formula, (which means that there continue to be differences between the factors in the formulas), and because the local formula factors are adjusted so that the amount allocated equals the funding available.

A positive figure in this column means that the factor values in the local formula are greater than in the NFF and the values for these factors should decrease in 2020-21 as part of the transition to the NFF.

Factors with negative values should increase in 2020-21.

**Column G** The amount allocated through each factor in the local formula in 2019-20.

**Column H** The amount allocated through each factor in the local formula in 2019-20 as a percentage of the total allocation through the local formula.

**Column K** The factor values in the NFF in 2020-21, which have increased by 4%, except for FSM, which has increased by 2.3%.

**Column L** The factor values in the local formula in 2020-21.

**Column M** The difference between the factor values in 2020-21. The differences should be smaller than those in 2019-20, because the transition has moved forward by one year.

**Column N** The amount allocated through each factor in the local formula in 2020-21.

**Column P** The amount allocated through each factor in the local formula in 2020-21 as a percentage of the total allocation through the local formula.

**Column R** The change in the NFF factor values from 2019-20 to 2020-21.

**Column S** The change in local factor values from 2019-20 to 2020-21.

Factors with a positive value in column F should decrease in 2020-21, because these are factors where the local formula values are higher than the NFF and should be reducing as part of transition.

Factors with a negative value in column F should increase.

IDACI Band D (Secondary) is an exception because the local value in 2019-20 is close to the NFF value for 2020-21, so there is only a small adjustment in respect of transition, but the value then has to increase as part of the affordability adjustment.

107 Five options were modelled using this formula, showing the difference between the minimum and maximum MFG values, the mid-point (1.17%) and also MFG at 1.0% and 1.5%. All options included the transitional formula at the 2020-21 rate and included the new mobility factor.

108 The table below summarises the MFG funding and the cap on increases for the various MFG values that were considered:

<b><i>MFG funding and cap on increases in funding per pupil</i></b>	<b>MFG = 0.5%</b>	<b>MFG = 1.0%</b>	<b>MFG = 1.17%</b>	<b>MFG = 1.5%</b>	<b>MFG = 1.84%</b>
Funding provided through MFG (£, rounded)	103,000	119,000	125,000	145,000	173,000
Cap on increases in funding per pupil	6.71%	6.51%	6.44%	6.27%	6.06%
Number of schools with MFG funding	10	10	11	13	15
Number of schools that have funding capped	6	11	11	16	19

109 The differences between the different options in terms of the effect on funding are summarised overleaf:

<b>Change in funding (£, rounded)</b>		<b>MFG = 0.5%</b>	<b>MFG = 1.0%</b>	<b>MFG = 1.17%</b>	<b>MFG = 1.5%</b>	<b>MFG = 1.84%</b>
<b>No of schools</b>						
Schools with increased funding	Primary	210	210	210	210	210
	Secondary	30	30	30	30	31
Schools with decreased funding	Primary	2	2	2	2	2
	Secondary	1	1	1	1	-
Total		243	243	243	243	243
<b>Total change in funding (£, rounded)</b>						
Schools with increased funding	Primary	6,615,000	6,607,000	6,604,000	6,591,000	6,571,000
	Secondary	3,836,000	3,844,000	3,847,000	3,852,000	3,872,000
Schools with decreased funding	Primary	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)
	Secondary	(9,000)	(9,000)	(9,000)	(1,000)	-
Total		10,376,000	10,376,000	10,376,000	10,376,000	10,376,000
<b>Average change in funding (£, rounded)</b>						
Schools with increased funding	Primary	31,000	31,000	31,000	31,000	31,000
	Secondary	128,000	128,000	128,000	128,000	125,000
Schools with decreased funding	Primary	(33,000)	(33,000)	(33,000)	(33,000)	(33,000)
	Secondary	(9,000)	(9,000)	(9,000)	(1,000)	-

- 110 The two primary schools with reduced funding compared to 2019-20 are Wingate Primary and Horden Cotsford. The main reason for their reduction in funding are changes in their lump sums following amalgamation.
- 111 The secondary school with reduced funding is Dene, whose funding has reduced because it has converted to an academy and its funding for rates has reduced because of the 80% relief that academies benefit from through their charitable status. For most convertors the impact of the reduction in funding for rates is not significant, but Dene was rebuilt as part of the Building Schools for the Future programme, which increased its rateable value significantly. Rates are budget neutral and if rates are excluded the school has an increase in funding or around £48,000.

112 The impact of the increase in the MFG value is shown in the table below, which summarises the changes in funding for each of the higher MFG rates compared to the minimum rate of 0.5%.

<b>Change in funding (£, rounded)</b>		<b>Change from 0.5% to higher rate of MFG</b>			
		<b>1.0%</b>	<b>1.17%</b>	<b>1.5%</b>	<b>1.84%</b>
<b>No of schools</b>					
Schools with increased funding	Primary	9	10	11	12
	Secondary	1	1	2	3
Schools with decreased funding	Primary	11	11	16	19
	Secondary	-	-	-	-
Total		21	22	29	34
<b>Total change in funding (£, rounded)</b>					
Schools with increased funding	Primary	8,000	11,000	18,000	26,000
	Secondary	8,000	11,000	24,000	44,000
Schools with decreased funding	Primary	(16,000)	(22,000)	(42,000)	(70,000)
	Secondary	-	-	-	-
Total		-	-	-	-
<b>Average change in funding (£, rounded)</b>					
Schools with increased funding	Primary	1,000	1,000	2,000	2,000
	Secondary	8,000	11,000	12,000	15,000
Schools with decreased funding	Primary	(1,000)	(2,000)	(3,000)	(4,000)
	Secondary	-	-	-	-

113 The impact of varying the MFG rate is relatively small and it would be consistent with using a transitional formula to use a transitional value between the minimum rate allowed and the maximum, which is equal to the Funding Floor used in the NFF. The mid-point of 1.17% is the most appropriate rate to use as a transitional rate and this was reported to the Schools Forum, which supported using this rate.

114 Appendix 4 shows how the proposed formula, using the mid-point MFG rate, would have changed funding for schools had it been used in the current year.

115 Appendix 4 includes the following columns:

**Column D** The number on roll used to determine formula funding for 2019-20. These figures are based on the October 2018 school census and for Bowburn Primary and Horden Cotsford these are the total numbers on roll for their predecessor infant and junior schools.

**Column E** The current year's formula funding before de-delegation. For Bowburn Primary and Horden Cotsford this is the total funding for their predecessor infant and junior schools.

**Column F** Funding using the 2020-21 formula.

**Column G** The change in funding from 2019-20 to the 2020-21 formula.

**Column H** The change in funding from 2019-20 to the 2020-21 formula as a percentage of the 2019-20 funding.

116 Members should bear in mind that:

- (a) the figures for individual schools are illustrative only, for the purposes of comparing the formula options and do not take account of changes in pupil numbers and the proportions eligible for additional needs funding; and
- (b) the final version of the formula will take account of the actual funding allocation and actual pupil numbers and data on additional needs, which will affect the final factor values in the formula.

117 Members are recommended to:

- (a) agree the continued use of the transitional formula, including the new mobility factor, with the aim of achieving convergence with the NFF in 2021-22
- (b) agree the use of a transitional MFG value of 1.17% in the local formula for 2020-21.
- (c) note that a further report will be brought to Cabinet in February with the final formula vales and factoring the impacts on schools of the formula and the October 2019 pupil census numbers.

## **Equality Impact Assessment**

118 An Equality Impact Assessment has been completed and is attached at Appendix 3. In summary, with the exception of age, the formula does

not differentiate according to any of the protected characteristics from an Equality Act perspective.

- 119 The differentiation in respect of age is in accordance with the factor values attached to each key stage in the education lifecycle, which is common practice and a key feature of the existing local formula across the country and the NFF, and recognises differences in the provision required by pupils of different ages.
- 120 There is a small positive impact in relation to disability as the transitional formula will increase the proportion of funding allocated to Low Prior Attainment (LPA), which is one of the DfE's proxy indicators for Special Educational Needs (SEN).
- 121 Faith schools receive less funding per pupil, on average, compared to non-faith schools. However, it should be noted that the formula does not differentiate between schools in terms of religion but does take account of additional needs in calculating allocations. A comparison of faith and non-faith schools supports a view that differences between these types of school is a result of differences in the proportion of pupils who are eligible for additional needs funding.
- 122 Where funding reduces from year-to-year schools will continue to be supported to understand the implications, to forecast any budget shortfall and to identify appropriate savings that can be made to balance the budget. Where a staff restructuring is necessary schools will also continue to be supported through this process.

## **Conclusion**

- 123 This report set out details of new information about funding for the mainstream primary and secondary funding formula for next year (2020-21) and changes to the regulations in respect of the setting of local formulas, as published on 11 October 2019.
- 124 The modelling included in this report is based on October 2018 census data i.e. the pupil numbers for each school in the current year's formula, as adjusted for amalgamations in year.
- 125 It confirms that the council is minded to continue with a transition formula approach that will seek convergence with the NFF in 2021-22, will not seek to transfer funding provided for this formula to the budget for Special Educational Needs and Disabilities and recommends that the Forum support using a transitional value for the Minimum Funding Guarantee (1.17%) in 2020-21.



## Background papers

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## Other useful documents

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## **Appendix 1: Implications**

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### **Legal Implications**

Schools are largely funded by Dedicated Schools Grant (DSG).

The Dedicated Schools Grant is issued by the Department for Education, with the terms of grant given governed by section 16 of the Education Act 2002, which states that it is a ring-fenced specific grant that must be used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations.

Local authorities are currently responsible for establishing a local formula for distributing the funding to individual schools. This is subject to national regulations and statutory restrictions established by the Education and Skills Funding Agency.

Since 2013-14, local discretion over the funding formulae that can be applied has been significantly restricted, with local decision making limited to the application of a relatively small number of formula factors, most of which are pupil-led, with the rest being either school-led or relating to specific premises related costs.

The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation, the council is required to publish a Scheme of Financing for Schools.

The scheme sets out the financial relationship between the authority and the maintained schools that it funds, including the respective roles and responsibilities of the authority and schools. Under the scheme, deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year are charged against the school and deducted from the following year's budget share to establish the funding available to the school for the coming year.

The Council is restricted by legislation from allocating funding to a particular mainstream school as its funding must come from the local formula.

### **Finance**

The Dedicated Schools Grant (DSG) is a specific earmarked grant provided by the Government which provides the major source of funding for schools and the provision of support to them. It is notionally split into four 'blocks': Early Years, High Needs Central School Services and Schools.

All DSG funding must be spent on schools or support to them.

Starting in 2018-19, funding allocations to each local authority's Schools Block of the DSG are based on notional funding for each school using the National Funding Formula, which is determined by the DfE. Individual local authorities use the Schools Block funding to set a local formula using the available funding and in accordance with funding regulations, which limit the discretion of authorities.

Local authorities will continue to set local formulas until at least 2020-21. DfE policy is that in the longer term local formulas will be replaced by the NFF, which will determine allocations to individual schools. The Government are encouraging local authorities to align their local formula with the NFF.

The NFF puts more funding into pupil-led factors than school-led factors, which could create longer-term challenges for smaller schools, because the increase in pupil-led funding will be of less benefit to schools with smaller numbers of pupils. The NFF will include minimum funding levels which may reduce the amount that can be allocated through factors such as deprivation.

## **Consultation**

The Council must consult with schools and the Schools Forum before setting its local funding formula for mainstream schools. The latter is a statutory consultative body, mainly consisting of representatives of head teachers, governors and academy trusts, plus Trade Unions.

The Schools Forum received reports about these issues in September and October and considered the proposed formula at its meeting on 25 November 2019.

A consultation document was made available to schools through the Schools Extranet.

## **Equality and Diversity / Public Sector Equality Duty**

An Equality Impact Assessment has been completed and is attached at Appendix 3. In summary, with the exception of age, the formula does not differentiate according to any of the protected characteristics from an Equality Act perspective.

The differentiation in respect of age is in accordance with the factor values attached to each key stage in the education lifecycle, which is common practice and a key feature of the existing local formula across the country and the NFF, and recognises differences in the provision required by pupils of different ages.

There is a small positive impact in relation to disability as the transitional formula will increase the proportion of funding allocated to Low Prior

Attainment (LPA), which is one of the DfE's proxy indicators for Special Educational Needs (SEN).

Faith schools receive less funding per pupil, on average, compared to non-faith schools. However, it should be noted that the formula does not differentiate between schools in terms of religion but does take account of additional needs in calculating allocations. A comparison of faith and non-faith schools supports a view that differences between these types of school is a result of differences in the proportion of pupils who are eligible for additional needs funding.

Where funding reduces from year-to-year schools will continue to be supported to understand the implications, to forecast any budget shortfall and to identify appropriate savings that can be made to balance the budget. Where a staff restructuring is necessary schools will also continue to be supported through this process.

### **Climate Change**

None

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

There are likely to be consequential restructuring and potential redundancies in schools where funding is reduced.

### **Accommodation**

None

### **Risk**

The National Funding Formula increases the proportion of funding allocated on pupil based factors, by reducing the amounts of funding allocated through schools led factors such as lump sums.

The NFF also distributes deprivation linked funding differently to the previous local formula arrangements, with greater proportions of funding being distributed on the basis of low Prior Attainment. Small schools and those schools receiving a proportionately higher proportion of deprivation linked funding currently distributed via the existing local formula will face a greater

financial challenge as a result of the move towards a National Funding Formula for schools.

The long-term policy of replacing local formulas with the NFF requires local authorities to consider the implications for schools when local formulas are replaced by the NFF.

There is a risk of significant turbulence for schools if there is a 'cliff-edge' change in funding when their funding changes to the NFF.

## **Procurement**

None

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## **Appendix 2: Consultation on Minimum Per Pupil Funding**

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***Question 1: Do you agree that, in order to calculate mandatory minimum per pupil funding levels, all local authorities should follow the NFF methodology? If not, please explain your reasons.***

Council response:

If the factor is to be mandatory, then a standard methodology would be appropriate. It would, however, be appropriate to allow local authorities to apply to vary the methodology where they identify that the methodology would result in unfair treatment for a school. Such applications should be considered individually and on their merits.

***Question 2: Do you agree that any requests from local authorities to disapply the use of the mandatory minimum per pupil levels should only be considered on an exceptional basis and in the context of the grounds described above? If not, please explain your reasons.***

Council response:

Requests should be considered on their merits and the DfE should not make any assumptions about the reasons why applications may be necessary, particularly when local authorities have only limited information about funding for next year, particularly units of funding.

***Question 3. Please provide any additional comments you wish to make on the implementation of mandatory minimum per pupil levels.***

Council response:

The proposal distorts the funding allocated through the NFF and is not accompanied by a satisfactory rationale.

The original consultation on the NFF set out the rationale for the additional pupil needs factors, in terms of evidence that pupils in these categories do not do as well as their peers and are likely to need additional support in school to achieve a good standard of education, over and above the standard provision funded the basic amount per pupil and lump sum.

The MPPF distorts this by giving additional funding to schools that a larger and have fewer pupils with additional needs:

- Larger schools have a lower amount of school-led funding per pupil because the lump sum is spread over more pupils. However, if the lump sum is intended to cover minimum fixed costs then there is no justification for increasing school-led funding per pupil above the funding provided in the lump sum.
- Schools with fewer pupils with additional needs receive less pupil-led funding per pupil because most of their pupil-led funding comes from the basic amount per pupil. However, if the pupils in these schools don't have additional needs then the schools shouldn't need the additional funding beyond the basic amount per pupil.

This proposal will divert funding away from smaller schools and those with greater additional needs. The council has modelled funding using the proposed mandatory values, which shows that MPPF funding favours schools with fewer pupils with additional needs:

<b><i>Average percentage of pupils eligible for additional pupil-led funding using the revised 2019-20 formula with 2.5% additional funding, £1.5m transferred to HNB and MFG = 0.5%</i></b>	All schools	Schools without MPPF funding	Schools with MPPF funding
% of pupil-led funding for additional needs	19.5%	20.2%	10.6%
% of pupils not eligible for IDACI funding	40.7%	38.0%	79.1%
IDACI F - least deprived	13.8%	14.2%	8.3%
IDACI E	14.3%	15.0%	5.0%
IDACI D	11.4%	12.0%	3.3%
IDACI C	7.0%	7.4%	1.8%
IDACI B	7.7%	8.1%	1.6%
IDACI A - most deprived	5.1%	5.4%	0.9%
FSM	22.5%	23.6%	7.3%
FSM6	31.2%	32.5%	12.2%
Low Prior Attainment	34.4%	35.1%	24.1%

If the Government's view is that schools need at least the MPPF values as a minimum level of funding, then a more appropriate response would be to increase the basic funding per pupil in the formula, whilst maintaining the additional pupil needs funding, so that all schools were adequately funded, and those with additional pupil needs were given additional funding to allow them to provide for these needs. The lump sum could be converted into a minimum amount of funding per school, so that very small schools still had sufficient funding to operate, and the sparsity factor could continue as a separate factor to recognise the unique needs of schools in sparsely populated areas.

No evidence has been provided in support of the MPPF to show that pupils in larger schools with fewer additional needs are adversely affected by current levels of funding.

***Question 4a: Do you think that any of our proposals could have a disproportionate impact, positive or negative, on specific pupils, in particular those who share a protected characteristic? Please provide evidence to support your response.***

Council response:

As already noted, the council's is concerned that the proposal distorts funding, because it favours schools with fewer pupils with additional needs. This is likely to affect pupils with protected characteristics, particularly disabilities.

The DfE's Equalities Impact Assessment for the National Funding Formula, published in December 2016, noted the strong correlation between Low Prior Attainment and SEN and between SEN and disability, which is why LPA is used in the High Needs National Funding Formula as well as the Schools NFF.

This means that using the MPPF will have a disproportionate impact on pupils with disabilities, because the MPPF increases funding for schools with fewer pupils eligible for Low Prior Attainment funding and does so at the expense of pupils who are eligible for LPA funding, because allocating funding through the MPPF reduces the funding that can be allocated through the rest of the NFF.

***Question 4b: How could any adverse consequences be reduced and are there any ways we could better advance equality of opportunity between***



***those pupils who share a relevant protected characteristic and those who do not? Please provide evidence to support your response.***

Council response:

Using a basic unit of funding that reflects the government's view of the minimum funding per pupil needed to provide a good basic education and having appropriate levels of additional needs funding to provide for these pupils' needs. Removing the distortion of the Minimum Per Pupil Funding factor would ensure that funding is targeted to where it is needed.

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**Appendix 3: Mainstream Formula Funding Factors 2020-21**

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**Appendix 4:**

**Mainstream Formula Funding 2020-21 – Impacts per School**

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