

City of Wolverhampton Council

SCHOOLS' FORUM

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Report title	2020-2021 Consultation on Schools' Funding Formula
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Summary

In October 2019, the Department for Education published indicative funding levels for 2020-2021 Dedicated Schools Grant (Schools Block) (DSG).

This report explains the options available for application of the National Funding Formula (NFF) to Wolverhampton schools in 2020-2021.

All school head teachers and Chairs of Governors have been consulted on the options available, and the outcomes of this consultation are shown in Appendix 1.

Decision

Members of Schools' Forum are asked to:

1. Note the outcomes of the consultation
2. Consider the implications of the impact of the various options for all schools in Wolverhampton
3. Register a vote that represents their school's cohort:
 - To agree or disagree with the implementation of the NFF Factor rates.
 - To agree or disagree with the introduction of a mobility factor
 - To choose a preferred approach to the methodology - option A or option B
4. Agree on a funding formula for 2020-2021

Appendices

Appendix 1 - Schools Funding Consultation 2020 – 2021 Factors

Appendix 2 - Illustrations of the Impact of Each Approach

Appendix 3 - Analysis of the Impact of Each Approach by Sector

Appendix 4 - Analysis of Votes

1.0 Background

- 1.1 The Government initially announced its intention to introduce a national funding formula for schools (reception to Year 11) from 2017-2018 but following a period of consultation, introduced a phased implementation of the NFF from April 2018. 2020-2021 is the third year of the phased implementation, and whilst no definite date has been given, it is anticipated that full implementation may be introduced from 2021-2022.
- 1.2 The 2020-2021 NFF has seen an increase in the minimum guarantee per pupil:

Phase	2019-2020 minimum guarantee per pupil £	2020-2021 minimum guarantee per pupil £
Primary	3,500	3,750
Secondary	4,800	5,000

- 1.3 The indicative 2020-2021 DSG allocation for City of Wolverhampton Council is:

2020-2021 Indicative DSG Settlement	2019-2020 £million	2020-2021 £million
Schools Block	191.22	197.95
High Needs Block	36.02	41.07
Central Services Block	2.00	1.91
TOTAL	229.24	240.93

- 1.4 Whilst 2020-2021 remains a transitional year, the City of Wolverhampton Council recommends that all of the NFF factor rates (see Appendix 1) be introduced for local distribution, with the Minimum Funding Guarantee (MFG) and cap rates still determined locally.
- 1.5 A formulated growth factor was introduced to the 2019-2020 funding formula used to calculate the Local Authority settlement. The illustrative settlement for 2020-2021 is £2.7 million. Whilst Local Authorities retain the option to make a top-slice from schools' funding to manage the growth fund where necessary, the City of Wolverhampton Council recommends that the growth fund remains ring-fenced within its own funding allocation limits – borrowing forward from future funds where necessary.
- 1.6 For the 2020-2021 NFF, a mobility factor has been introduced using a formulaic approach. Whilst this factor remains optional for Local Authorities, the City of Wolverhampton Council recommends that this factor now be included, in line with the National Funding Formula intentions. The table below illustrates the number of schools expected to receive funding from this factor.

Phase	Maintained	Academy	Total
Primary	19	20	39
Secondary	3	4	7
TOTAL	22	24	46

2.0 Funding Methodologies for consideration

- 2.1 In preparing the funding formula, the City of Wolverhampton Council's priority is to maximise the amount of funding provided to schools, within the funding envelope available.
- 2.2 Indicative settlements, provided by the ESFA are based on 2019-2020 pupil data, and this information is used to prepare initial estimates for individual school settlements for 2020-2021.
- 2.3 Final school block settlements are released in late December, and Local Authorities then have until mid-January to compile the data. In preparing the consultation documentation, the most up to date information is not available. Schools are advised that the illustrative examples are purely that – they are not to be used for setting future budgets.
- 2.4 After applying NFF rates to the formula, the Local Authority has 2 methods of making adjustments to ensure that the final settlement remains within the funding envelope:
- **Minimum Funding Guarantee (MFG)** – this is a methodology used to ensure that all schools receive a minimum level of per pupil funding when compared to the previous year (the MFG per pupil rate excludes premises costs such as business rates and PFI, and other one-off factors).
 - **Capping** – this is a methodology used to minimise the level at which an individual school can gain (over and above the MFG) when compared to the previous year.
- 2.5 To fully implement NFF, the maximum MFG rate of 1.84% should be applied and the cap rate should be removed. However, since the DfE are utilising different baselines, the indicative settlement figures provided suggest that this remains unaffordable, and it is necessary to adjust the MFG and Cap rates to ensure that the local distribution of funding remains within the final settlement.
- 2.6 Rather than provide specific adjustment values, the Local Authority have sought opinion in the priority methodology to be used for setting the 2020-2021 funding formula. Options for consideration are:

Option	Description
A	<p>Apply the maximum possible Cap rate, by reducing the MFG. By applying the minimum possible MFG (0.5%), a higher Cap rate can be applied. All schools will gain a minimum level of increased funding, with those gaining the most, having their gains capped.</p> <p>Using this methodology, 29 schools will not receive their full NFF allocation.</p>
B	<p>Apply the maximum possible MFG rate, by reducing the Cap rate. By applying the maximum possible MFG (1.84%), a lower Cap rate is required. All schools will gain the maximum level of increased funding through the MFG calculation, with those gaining the most, having their gains capped.</p> <p>Using this methodology, 19 schools will not receive their full NFF allocation.</p>

- 2.7 The Minimum Funding Guarantee (MFG) represents the value by which an individual school's per pupil budget can change from the previous year. The Department for Education provide flexibility for a permissible range between +0.5% and +1.84% - an increase from the previous range of -1.5% and +0.5%. The local formula used by Wolverhampton City Council in 2019-20 applied the maximum rate of 0.5%. The NFF models used by the DfE apply the maximum rate of 1.84%.
- 2.8 The Capping factor is applied to limit the gains made by a single school on a per pupil basis. Schools with gains will retain all gains below the capping factor on a per pupil basis. There is no maximum as this is an optional factor. The NFF models used by the DfE have removed the capping factor.
- 2.9 Illustrations of the impact of each approach can be seen in Appendix 2.
- 2.10 An analysis of the impact of each approach by sector can be found at Appendix 3.

3.0 Consultation

- 3.1 The formal consultation ran from 14 November to 29 November 2019. Each school was allowed two votes - one from the head teacher and one from the Chair of Governors.
- 3.2 As part of the consultation, schools were asked:
- Whether they agreed to implement the National Funding Formula factors in 2020-2021;
 - Whether they agreed to implement the mobility factor in the local funding formula in 2020-2021;
 - To express a preference on the methodology used by the local authority to ensure that the funding formula remains within the affordability envelope.
- 3.3 Of a possible 174, the following votes were received:

Proposal	Number of votes received	
	Agree	Disagree
To implement the NFF factor rates	12	0
To introduce the mobility factor	11	1

Methodology to retain affordability	Number of votes received
A – lower the MFG to maximise the cap rate	9
B – Apply the maximum MFG, and lower the cap rate	5

- 3.4 Further analysis of the votes received can be found in Appendix 4.

4.0 Recommended Option and Next Steps

- 4.1 The recommended option for the City of Wolverhampton is option B, which applies the maximum MFG value (in line with the NFF), allows the maximum number of schools to receive their full NFF allocation, and ensures that those schools with the lowest gains are not penalised.
- 4.2 Schools' Forum are advised that the final decision on the funding formula rests with the Local Authority. Whilst every consideration will be taken to adhere to the agreed formula, application of the agreed rates to the final dataset (received late December) does not always produce expected results. In these circumstances, minor adjustments will be required, and these will be reported to Schools' Forum in January 2019.

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