



Open Report on behalf of Heather Sandy, Interim Director of Education

Report to:	Lincolnshire Schools' Forum
Date:	10 October 2019
Subject:	National Funding Formula for Schools – Update for 2020/21

Summary:

The purpose of this report is to provide a summary of the updates from the Department for Education (DfE) relating to the national funding formula for schools, central school services, high needs and early years for 2020/21.

Recommendation(s):

Schools Forum is asked to note the content of the report.

Background

On the 14 September 2017, the government announced the implementation of the national funding formula (NFF) for schools and high needs in 2018/19. A transition period was planned through a 'soft' approach, whereby Local Authorities (LAs) would continue to be responsible for calculating schools funding allocations. LAs were encouraged to move towards the NFF so that school's allocations were on a sensible trajectory towards the move to a 'hard' national formula.

An Executive Councillor decision on the 10 January 2018 gave approval to replicate the schools NFF for 2018/19 following consultations with key stakeholders.

In the second year of the implementation of the NFF (2019/20), Lincolnshire's mainstream primary and secondary schools continue to receive funding using the same formula factors and monetary values as the NFF, along with the government's agreed funding floors and ceilings approach to enable incremental steps for schools to move towards the hard formula allowing for a financially sustainable re-distribution of funding across the country.

The Schools Revenue Funding 2019/20 Operational Guidance published by the DfE on 21 December 2018, confirmed the 'soft' approach that was due to end at the end of 2019/20 would be extended into 2020/21, whereby LAs would continue to determine local formulas for 2020/21.

There had been uncertainty in future funding levels for schools from 2020/21 due to the current funding settlement ending in 2019/20, however the government has now made a number of announcements regarding the future of schools funding.

School Funding announcements

On 30 August 2019, the Prime Minister announced an investment of over £14bn in primary and secondary education between 2020/21 and 2022/23. The funding package for schools (aged 5 to 16) includes £2.6bn for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23 compared to 2019/20 funding levels. Within this package £700m extra will be allocated to the High Needs block in 2020/21.

The Schools Revenue Funding 2020/21 Operational Guide was published on 13 September 2019, the document can be found at:

<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2020-to-2021>

The information confirms that within the Schools block:

- Each LA will continue to set the local schools formula for 2020/21 except for the minimum per pupil funding levels.
- As a move towards the 'hard' formula for 2020/21, the DfE are proposing to make the minimum per pupil funding levels a mandatory factor in LAs local formula. A consultation has been launched regarding this proposal which is detailed later in the report.
- The minimum per pupil funding levels will be set at £3,750 for primary schools (currently £3,500) and £5,000 for secondary schools (currently £4,800). The primary level is planned to rise to £4,000 in 2021/22.
- All pupil-led formula factors will increase by 4% in monetary value. Exceptions to this include the free school meals factor, which will increase at the rate of inflation to broadly reflect actual costs, and premises funding (namely, rates) will continue to be allocated to LAs on the basis of actual spend in 2019/20.
- The actual monetary values of the schools NFF factors will be confirmed in due course.
- There will be no gains ceiling cap in 2020/21. All schools will attract at least their full allocations under the formula. This is a positive outcome for gaining LAs like Lincolnshire, since a number of schools gaining through the NFF had funding gains capped¹. LA will still be able to use a cap in their local formula.
- The LA has flexibility to set the Minimum Funding Guarantee (MFG) between +0.5% and 1.84%².
- The funding floor to protect per pupil funding in real terms, will be set at +1.84%³. The minimum increase in the 2020/21 allocations will be based on the individual school's NFF allocations from 2019/20.

¹ Using 2019/20 funding arrangements, Lincolnshire schools overall would be set to receive an increase in funding of £5.272m (primary schools: £4.534m and secondary schools: £0.738m) from removing the gains ceiling cap.

² The current regulations allow for a MFG of -1.5% to 0.5% in 2019/20. Lincolnshire MFG is 0%.

- A schools' funding floor baselines will use the NFF allocations in 2019/20 in line with the MFG methodology.
- A new formulaic approach will be applied to the mobility factor from 2020/21. Schools will only start to trigger funding if the proportion of mobile children exceeds 6% of the schools' pupil numbers, and will only receive funding above this threshold. Lincolnshire will start to receive mobility funding from 2020/21 through the NFF⁴.
- Growth funding will continue to be allocated to LAs using a formulaic approach based on the principles adopted for 2019/20. The calculation considers the growth in pupil numbers between the October 2018 and October 2019 censuses. The government's growth funding applies a lagged approach rather than forecasting future growth expected.
- Rates funding is based on a schools actual rates bills from the prior financial year. The LA currently undertakes a rates funding adjustment to ensure schools are funded the actual rates cost they incur in that financial year. Through the LAs NFF consultation, it was agreed that the LA would fund this from Dedicated Schools Grant (DSG) reserves for 2018/19 and 2019/20. The Schools block does not include any funding for this rates adjustment and therefore for 2020/21 this adjustment will need to be financed from the DSG reserves (see Revised Schools Budget 2019/20 paper for further information).
- LAs will continue to be able to transfer up to 0.5% of their Schools block to other blocks of the DSG subject to Schools Forum approval.

The published information outlines that within the High Needs block:

- The funding floor will be set at 8% so each LA can plan for an increase of at least that percentage, taking into account changes in their 2 to 18 population. Officers are seeking further clarification regarding the financial impact this will have for Lincolnshire due to current funding protection arrangements.

The published information outlines that within the Central School Services block:

- The level of funding for 2020/21 are yet to be confirmed.
- As previously detailed, the historic commitments category of funding will start to reduce from 2020/21, in line with expectations that contracts are starting to have reached their natural conclusion. The scale of the reduction is yet to be confirmed by the government, therefore it is unclear of the impact this will have on Lincolnshire's historic commitments for schools.

Information regarding the Early Years block:

The Chancellor announced on 4 September 2019 the department will increase early years funding by £66 million to increase the hourly rate paid to childcare providers through the government's free hours offer. Officers continue to seek

³ The current NFF funding floor is 1% (0.5% in both 2018/19 and 2019/20) when comparing to 2017/18 baseline funding.

⁴ Under the current funding arrangements, Lincolnshire NFF does not operate the optional mobility factor. This was consulted upon in November 2017, and support was received to not operate the formula factor due to the threshold of 10% before schools received funding, and Lincolnshire was not in receipt of any funding for this factor through its government funding.

clarification from the ESFA regarding the 'supplementary funding' for nursery schools post September 2020.

Teachers' Pay Grant

The teachers' pay grant will continue to be paid separately from the NFF in 2020/21. Rates per pupil have yet to be confirmed for 2020/21 relating to prior year teacher pay awards.

Teachers' Pension Grant

The teachers' pension employer contributions grant (for the change from 16.48% to 23.68% in September 2019) will continue to be funded through a separate grant over the next three years (£1.5bn per annum nationally).

Consultation Mandatory Per Pupil Funding Levels

The ESFA launched a consultation on 10 September 2019 seeking views on how LAs should implement the NFF mandatory minimum per pupil funding levels in local funding formula, covering:

- The methodology used to calculate the minimum per pupil levels in local funding formula.
- The circumstances in which LAs can request to dis-apply the use of the minimum per pupil levels.
- Any other considerations for delivering this change at local level.

The LA will provide a comprehensive response to this consultation.

DSG Deficit Balances

Although Lincolnshire is not in a financial deficit position, costs continue to rise in the area of high needs due to the growth and complexity of pupils requiring additional support. An increasing number of LAs are incurring a deficit on their overall DSG, largely due to overspends on their High Needs block. From 2019/20 the ESFA has tightened up the rules under which LAs have to explain their plans for bringing the DSG back into balance. Where a LA's cumulative DSG deficit is more than 1% at the end of the financial year, the LA will be required to produce a report signed by the Chief Finance Officer detailing the recovery plan.

Conclusions

The funding announcements are positive news for Lincolnshire schools, however it must be noted that there is still great uncertainty at a national level due to a number of factors, namely Brexit. It is hoped that greater certainty will be provided in the coming months.

The LA is not able to fully model the impact of the funding announcements until the technical notes and policy documents have been published, including the ESFA providing the monetary values of the NFF factors.

At the Schools Forum on 11 December 2017, the Forum approved that subject to affordability the LA would replicate the NFF for Lincolnshire schools. In the consultation, schools supported the approach that the LA would model the least

impact option on schools where affordability became an issue in setting schools budgets based on the government's Schools block allocation. Such options include reducing the one or more of the following: minimum per pupil funding level; the funding floor; MFG rate; the ceiling cap or the monetary value of the age weighted pupil unit of funding.

Next Steps

A draft version of the APT that models schools budgets is due to be released this month, which will enable officers to undertake financially modelling to fully understand the impact on the funding announcements detailed in this paper.

The LA is to provide a response to the consultation on the mandatory minimum per pupil funding levels by 22 October 2019.

A final version of the APT will be released in December 2019. This tool will include October 2019 census information and will be used to calculate school budget shares for 2020/21. The APT will be submitted to the ESFA by 21 January 2020 for compliance.

School budget shares to be published by 29 February 2020.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Background Papers

Document title	Where the document can be viewed
School Funding Arrangements 2019/20 – January 2019	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5316&Ver=4
National Funding Formula for Schools – December 2017	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5194&Ver=4

This report was written by Lizzie Bowes, Strategic Finance Manager, Schools Finance Team, who can be contacted on 01522 554905 or Elizabeth.bowes@lincolnshire.gov.uk.

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