

**Open Report on behalf of Debbie Barnes OBE,  
Executive Director - Children's Services**

Report to:	<b>Councillor Mrs P A Bradwell OBE, Executive Councillor: Adult Care, Health and Children's Services</b>
Date:	<b>21 January 2020</b>
Subject:	<b>Schools Funding Update 2020/21 - Mainstream Schools</b>
Decision Reference:	<b>I019234</b>
Key decision?	<b>Yes</b>

**Summary:**

The purpose of this report is to seek approval from the Executive Councillor for the Local Authority's funding formula proposals for 2020/21 in light of the government's funding announcements on the mainstream schools national funding formula proposals.

The outcomes of the Local Authority's consultation with mainstream schools (see Appendix A) have been considered, and the Local Authority is now in a position to present its latest proposals for schools funding in 2020/21, for Executive Councillor approval.

**Recommendation(s):**

That the Executive Councillor approves the Local Authority's funding formula proposals for 2020/21 set out in Appendix A.

**Alternatives Considered:**

The government first introduced the national funding formula in 2018/19 for mainstream schools. Local Authorities were strongly encouraged to move to the national funding formula arrangements so that schools' allocations were on a sensible trajectory towards the full formula. The Local Authority consulted with schools and academies in November 2017 to replicate the government's national funding formula due to the increase in funding Lincolnshire schools overall would be in receipt of. The Executive Councillor made the decision on the 10 January 2018 to replicate the schools national funding formula for 2018/19. Lincolnshire mainstream schools have been receiving funding levels that replicate the government's national funding formula including its funding floor and ceiling approach as schools incrementally move towards the full formula.

Local Authorities continue to be responsible for determining and calculating schools funding allocations in 2020/21 during this transition period to the full formula. Local Authorities would find it difficult to justify a decision to move away from the government's national funding formula, and the lateness in the government releasing the latest national funding formula information and datasets left limited time for consultation and the Local Authority decision-making process. No alternative funding option to replicating the national funding formula was provided through the Local Authority's consultation with schools.

A high percentage of schools that responded to the consultation supported the Local Authority's proposals for the mainstream schools funding formula in 2020/21. The support rate ranged from 88% to 100% across the consultation questions. The Local Authority will continue to keep the funding formula under review including any future government planned changes to ensure Lincolnshire schools are fairly treated.

The illustrative funding for Lincolnshire primary schools based on the schools October 2018 census data (due to the October 2019 census data not being available at the time of writing the report), and the 2019/20 baseline information are showing overall school gains of 6.8% or £0.054m. Illustrative funding for Lincolnshire secondary schools show overall gains of 4.2% or £0.157m. Each individual schools funding comparison will however be based on their school characteristics and current funding levels.

**Reasons for Recommendation:**

To enable the Local Authority to meet the requirements of implementing funding changes following the government's announcement of a national funding formula for schools in 2020/21.

The announcement of additional funding for mainstream schools and national funding formula changes require Local Authorities to engage in an open and transparent consultation on their 2020/21 funding formula.

The approval will allow the schools funding formula to be formally approved, which will be used to fund all mainstream schools in 2020/21.

## 1. Background

The government first introduced the national funding formula in 2018/19 for mainstream schools. Since its introduction, Local Authorities have continued to be responsible for agreeing and calculating schools funding allocations, however Local Authorities were strongly encouraged to move to the national funding formula arrangements so that schools' allocations were on a sensible trajectory towards the full formula.

The introduction of the national funding formula was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. To enable a managed transition to take place nationally, the government adopted a funding floor and ceiling approach to enable incremental steps for schools to move towards the full formula allowing for a financially sustainable re-distribution of funding across the country.

### Local Authority 'Schools block' Funding

The Local Authority Primary and Secondary Units of pupil funding used to finance the Schools block of the Dedicated Schools Grant which calculates mainstream schools budgets continue to rise in monetary value through the transition to the full national funding formula. Table 1 below outlines Lincolnshire's schools overall funding level for 2020/21 through the implementation of the national funding formula compared to other Local Authorities.

Table 1

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,184	£4,337	-£153	62
Secondary	£5,279	£5,606	-£327	52

The unit funding levels are below the England average for each sector, however Lincolnshire's position nationally has improved when making comparisons. Lincolnshire's primary unit value has increased by £373 from 2018/19, and Lincolnshire's secondary unit by £346.

### Schools Funding for 2020/21

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.

The announcement of additional funding for mainstream schools and national funding formula changes require Local Authorities to engage in an open and transparent consultation on their 2020/21 funding formula. The Local Authority has

therefore consulted with its local schools, academies and its Schools' Forum on proposed schools funding formula changes for 2020/21.

Details of the funding formula changes and monetary values attached to each formula factor (compared to 2019/20 funding levels) can be found within Appendix A, which is accompanying this report.

### Proposed Lincolnshire's Schools Funding for 2020/21

Detailed financial modelling work has been undertaken by the Local Authority to understand the government's national funding formula changes for 2020/21. The government announcement of additional funding into schools will have a positive impact on Lincolnshire schools. Subject to affordability (and subsequent scaling to a maximum of +0.5%), schools will receive a minimum of +1.84% in per pupil funding through the 2020/21 funding arrangements.

Other key points for 2020/21 funding arrangements include:

- all pupil-led formula factors will increase by 4% in monetary value
- the minimum per pupil funding levels will be a mandatory factor in Local Authorities local formula
- 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), and
- no gains ceiling cap to be applied.

The illustrative 2020/21 funding for Lincolnshire primary schools in comparison to 2019/20 funding levels show overall school gains of 6.8% or £0.054m. Illustrative funding for Lincolnshire secondary schools show overall gains of 4.2% or £0.157m.

The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the schools October 2019 census information. The position of schools budgets for 2020/21 are to be published by the 29 February 2020.

The Local Authority has consulted on the proposal to continue replicating the national funding formula in 2020/21. This will ensure all Lincolnshire mainstream schools attract at least their full allocations under the national funding formula. A series of questions accompanied the consultation with schools to help shape the final formula for 2020/21.

The schools consultation period covered the period 25 November to the 13 December 2019. The consultation period timescales were tight due to the lateness in the government releasing the national funding formula technical information and datasets, leaving limited time for consultation and the Local Authority decision-making process. Schools were however forewarned on the 14 November 2019 and 18 November 2019 through electronic communication informing all Lincolnshire schools of the Local Authority's intention to conduct this consultation exercise.

The consultation document that was circulated to all mainstream schools can be found in Appendix A. As part of the consultation exercise, the Education and Skills Funding Agency required Local Authorities to illustrate the likely financial impact of the proposals upon individual schools. This was enclosed within the supporting documentation using the schools October 2018 census data (due to the October 2019 census data not being available at this time), and the 2019/20 baseline information for illustrative funding purposes.

Tables 2 and 3 below show the monetary gains at school level from continuing to replicate the national funding formula in 2020/21 using October 2018 census data, and the 2019/20 baseline information for comparison purposes.

Table 2

Primary Schools (£)	Gains
0 - 9,999	6
10,000 - 19,999	31
20,000 - 29,999	28
30,000 - 39,999	53
40,000 - 49,999	48
50,000 - 59,999	19
60,000 - 69,999	30
70,000 - 79,999	16
80,000 - 89,999	8
90,000 - 99,999	9
100,000 – 165,000	32

Table 3

Secondary Schools (£)	Gains
0 - 29,999	2
30,000 - 59,999	5
60,001 - 79,999	3
80,000 - 99,999	4
100,000 – 149,999	14
150,000 – 199,999	9
200,000 – 249,000	10
250,000 – 299,999	4
300,000 – 399,999	1
400,000 – 499,999	0
500,000 – 503,000	1

Those schools receiving the largest gains are as a result of the government's removal of the ceiling cap enabling schools to attract at least their full allocations under the national funding formula providing fairness and consistency in funding with comparable schools across the country.

### Schools Consultation

The response rate to the consultation was however low with 12% of primary schools and 26% of secondary schools. The overall response rate of 14% across the sectors was higher than the 2018/19 school national funding formula consultation response rate of 11%<sup>1</sup>.

The Local Authority set out in the consultation document six questions, and these are shown in Appendix A. Also shown is the percentage of schools in favour, against or not sure, together with an outline of the key comments that emerged from schools. All of this information has been considered by the Local Authority

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<sup>1</sup> The response rates to consultations are typically below 30%. Since its creation in 2003, the Schools' Forum has been responsible for considering school funding arrangements on behalf of schools, and acts an effective consultative body when proposing funding changes. It must also be added that the school funding arrangements are rather complex, and some schools may have found this difficult to understand.

and Appendix A sets out the Local Authority's current proposals for consideration by the Children and Young People Scrutiny Committee and the Schools' Forum in January 2020.

It is clear from Appendix A, that of the schools that responded the support rate ranged from 88% to 100% across the consultation questions for the Local Authority's proposals to continue replicating the government's national funding formula in 2020/21, and for schools to attract at least their full allocations under the national funding formula. Where schools identified issues, these were more national matters as opposed to local issues, such as by applying a positive minimum funding guarantee, schools funded at a higher level than the national funding formula due to historic funding levels will continue to receive more per pupil funding than similar schools.

The Local Authority's proposal is to continue adopting the national funding formula in 2020/21 by adopting the following:

- no gains ceiling cap
- new mobility formula factor
- positive minimum funding guarantee ranging between +0.5% and +1.84% (subject to affordability)
- new PFI (Private Finance Initiative) formula factor, and
- rates adjustment in-year (for 2020/21 only).

In 2020/21, the national funding formula factor monetary values will increase by 4% to reflect cost increases; the minimum per pupil funding levels will increase to £3,750 for primary schools and £5,000 for secondary schools, and this factor will become mandatory in Local Authorities local formula.

The government's intentions are to move all schools onto the national funding formula, therefore losing schools currently receiving protection funding are likely to face reductions in per pupil funding through the operation of a negative minimum funding guarantee at some point in the future. The timing of this however is unclear, and will be subject to central government decisions. This impacts five primary schools and five secondary schools.

### Next Steps – Schools National Funding Formula

The next steps are as follows:

- to table a report at the Schools' Forum meeting (16 January 2020) on the consultation findings, and the proposed 2020/21 funding formula for Schools' Forum consideration.
- to table a report at the Children and Young People Scrutiny Committee meeting (17 January 2020) on the consultation findings, Schools' Forum comments and the proposed 2020/21 funding formula for the Committee's consideration.
- the Education and Skills Funding Agency issue October 2019 census-based pupil data and factors to Local Authorities and Dedicated Schools Grant funding.
- Executive Councillor approval to agree the schools funding formula for 2020/21 on the 21 January 2020.

- submission of the Authority Proforma Tool by the 21 January 2020 to the Education and Skills Funding Agency outlining 2020/21 Lincolnshire's schools delegated funding to ensure compliance with regulations.
- the Local Authority Finance Team to provide further information on the implementation of the national funding formula to schools and academies to aid their understanding of the 2020/21 school funding arrangements.
- the Local Authority to calculate individual schools budgets by the 29 February 2020.

### Direction of travel

The Local Authority will continue to respond to the government's schools funding consultations representing the position of Lincolnshire schools to achieve fair levels of funding, including the Local Authority's role in being responsible for setting its schools funding formula for its mainstream schools.

Key factors to consider in future years:

- for schools forecast to lose funding compared to the full national funding formula, the scale of the downward trajectory of funding through the operation of the minimum funding guarantee will need to be confirmed in the medium term.
- how the government intends to fund school cost increases relating to pay within the national funding formula compared to operating separate funding streams, e.g. teachers' pay grant and teachers' pension grant.
- how the government intends to make changes to the historic funding arrangements, such as, split-site funding and rates funding.
- The scale and speed of the reductions in funding for schools historical commitments e.g. schools broadband services.

## **2. Legal Issues:**

### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- \* Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- \* Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- \* Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- \* Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.

- \* Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- \* Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

The Local Authority proposes to continue adopting the government's national funding formula. Attached at Appendix B is the Department for Education's 'national funding formulae for schools and high needs 2020-21' (October 2019).

This has thoughtfully considered the Equality Act where proposed changes impact the areas of Age, Sex, Gender, Religion, Race and Disability in determining the funding arrangements. It is considered that the Local Authority can legitimately adopt this analysis.

As a result of the Council's proposals all schools will receive increases in per pupil funding.

Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

Education is central to the wellbeing of young people and has a significant effect on their future health, wellbeing and life chances. The funding proposals enable children in Lincolnshire to continue to receive a good standard of education.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting



the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

The proposals in the Report to provide a funding formula that will support schools in delivering effective school provision will include targeting funding for those pupils from disadvantaged backgrounds through deprivation measures of eligibility of current and Ever6 Free School Meals, an area deprivation indices (Income Deprivation Affecting Children Index), mobility and low prior attainment to reduce pupil inequalities.

### **3. Conclusion**

The Local Authority's proposal is to continue adopting the national funding formula in 2020/21 by adopting a:

- no gains ceiling cap
- new mobility formula factor
- positive minimum funding guarantee ranging between +0.5% and +1.84% (subject to affordability)
- new PFI formula factor, and
- rates adjustment in-year (for 2020/21 only).

Of the schools that responded to the consultation the vast majority supported the Local Authority's proposals to continue replicating the government's national funding formula in 2020/21, and for schools to attract at least their full allocations under the national funding formula.

Appendix A sets out the Local Authority's current proposals for consideration by the Executive Councillor.

### **4. Legal Comments:**

The Council has the power to adopt the recommendation. The decision is consistent with the Policy Framework and within the remit of the Executive Councillor if it is within the budget.

### **5. Resource Comments:**

The recommendation in the report to support the Local Authority's funding formula proposals to continue replicating the national funding formula and adopting a new PFI formula factor will be funded by the Dedicated Schools Grant 'Schools block'.

The Local Authority Schools block allocations are calculated by aggregating schools' notional allocations under the national funding formula, therefore ordinarily ensuring suitable funding levels to meet the funding commitment to schools. Where lagged arrangements to School block funding cause the national funding formula to be unaffordable, the minimum funding guarantee will be scaled back from +1.84% (to a maximum of +0.5%) to ensure it becomes affordable.

## **6. Consultation**

### **a) Has Local Member Been Consulted?**

No

### **b) Has Executive Councillor Been Consulted?**

Yes

### **c) Scrutiny Comments**

This decision is to be considered by the Children and Young People Scrutiny Committee on 17 January 2020. The comments of the Committee will be provided to the Executive Councillor.

### **d) Have Risks and Impact Analysis been carried out?**

Yes

### **e) Risks and Impact Analysis**

School illustrative financial modelling has been undertaken and shared with all schools through the Local Authority consultation exercise on the funding formula proposals for 2020/21 in light of the government's funding announcements on the mainstream schools national funding formula proposals. The school illustrative allocations will have assisted schools in understanding the national funding formula and to help inform their consultation response.

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. This announcement has provided a level of financial certainty for schools in the short term.

The illustrative 2020/21 funding for Lincolnshire primary schools in comparison to 2019/20 funding levels show overall school gains of 6.8% or £0.054m. Illustrative funding for Lincolnshire secondary schools show overall gains of 4.2% or £0.157m.

Subject to affordability (and subsequent scaling to a maximum of +0.5%), schools will receive a minimum of +1.84% in per pupil funding through the 2020/21 funding arrangements. Those losing schools through the national funding formula due to their historic funding levels will not see a reduction in per pupil funding due to the government's positive minimum funding guarantee of +0.5% to +1.84%.

Schools are required to respond to pupil number and pupil characteristic changes, which is currently the case for schools.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Schools National Funding Formula consultation document and school responses
Appendix B	DfE: the National Funding Formula for schools and high needs: equalities impact assessment

## 8. Background Papers

Document title	Where the document can be viewed
National Funding Formula for Schools – update for 2020/21 (Schools' Forum – item 5): 10 October 2019	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5319&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5319&amp;Ver=4</a>
Schools National Funding Formula - Announcement	<a href="https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021">https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021</a>
Schools Funding Arrangements (Schools' Forum – item 83): 24 January 2019	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5316&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5316&amp;Ver=4</a>
Schools Funding Arrangements (Schools' Forum – item 5): 18 January 2018	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5160&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&amp;MId=5160&amp;Ver=4</a>
National Funding Formula for mainstream schools: 10 January 2018 Decision paper: I014788	<a href="https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=402">https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=402</a>

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