

Open Report on behalf of Heather Sandy, Interim Director Children's Services Education

Report to:	Lincolnshire Schools' Forum
Date:	16 January 2020
Subject:	National Funding Formula for Schools (2020/21)

Summary:

The purpose of this report is to consult the Schools' Forum on the Local Authority's funding formula proposals for 2020/21 following the government's funding announcements on the mainstream schools national funding formula proposals.

The outcomes of the Local Authority's consultation with mainstream schools (enclosed) have been considered, and the Local Authority is now in a position to present its latest proposals for schools funding in 2020/21, for Schools' Forum consideration.

Executive Councillor approval will be required to agree the schools funding formula for 2020/21.

Recommendation(s):

The Schools' Forum is asked to:

1. to note the content of the report, and
2. support the Local Authority's funding formula proposals for 2020/21 including continuing to replicate the national funding formula.

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 the 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 & 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 & 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

Table 3

Secondary Schools (£)	Gains
0 - 29,999	2
30,000 - 59,999	5
60,001 - 79,999	3
80,000 - 99,999	4

40,000 - 49,999	48	100,000 – 149,999	14
50,000 - 59,999	19	150,000 – 199,999	9
60,000 - 69,999	30	200,000 – 249,000	10
70,000 - 79,999	16	250,000 – 299,999	4
80,000 - 89,999	8	300,000 – 399,999	1
90,000 - 99,999	9	400,000 – 499,999	0
100,000 – 165,000	32	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%¹.

The Local Authority set out in the consultation document 6 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 and Appendix A sets out the Local Authority's current proposals for consideration by the Children & Young Peoples 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

¹ 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.

- 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).

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 operational 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 5 primary schools and 5 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 an Children & Young Peoples Scrutiny committee meeting (17 January 2020) on the consultation findings, Schools Forum comments and the proposed 2020/21 funding formula for the committees' consideration.
- the Education & 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 & 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.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) 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.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Schools National Funding Formula consultation document and school responses

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 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5319&Ver=4
Schools National Funding Formula - Announcement	https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021
Schools Funding Arrangements (Schools Forum – item 83): 24 January 2019	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5316&Ver=4
Schools Funding Arrangements (Schools Forum – item 5): 18 January 2018	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5160&Ver=4
National Funding Formula for mainstream schools: 10 January 2018	Decision paper: I014788

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