

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

Report to:	Lincolnshire Schools' Forum
Date:	08 October 2020
Subject:	National Funding Formula for Schools - Update for 2021/22

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 2021/22.

Recommendation(s):

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

Background

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

The introduction of the NFF 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 initially 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.

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 government continue to be committed to this ongoing investment.

Through this investment and to move towards the 'hard' formula in 2020/21, the DfE stated that the minimum per pupil levels of funding applied to all schools would become a mandatory factor and there would be no ceiling cap so that all schools would attract at least their full allocations under the formula.

Since its introduction in 2018/19, Lincolnshire has continued to replicate the government's NFF due to increased per pupil funding levels that it has been in receipt of. This has been positive for Lincolnshire schools.

School funding announcements

On 20 July 2020, the government announced its funding intentions for 2021/22 including publication of the Schools Revenue Funding 2021/22 Operational Guidance and the provisional Dedicated Schools Grant (DSG) allocations for 2021/22.

For 2021/22, the DSG will continue to comprise of four blocks – Schools block, Central School Services block, High Needs block, and Early Years block.

Provisional allocations for 2021/22 are detailed in the table below:

Block	Lincolnshire (£m)
Schools block	491.833
Central School Services block	4.930
High Needs block	102.449
Total	599.212
Early Years block	TBC

Schools block

Schools block allocations are calculated by aggregating schools' notional allocations under the NFF. Schools block allocations are expressed as a separate per pupil primary and secondary rate for each LA. The primary position for Lincolnshire has improved from a national context for 2021/22. Both rates are however still below the England national average as a result of the indices being used:

2020/21	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,184	£4,337	-£153	62
Secondary	£5,279	£5,606	-£327	52
2021/22				
Primary	£4,570	£4,666	-£96	80
Secondary	£5,724	£6,048	-£324	49
Difference				
Primary	£386	£329	£57	18
Secondary	£445	£442	£3	-3

The Schools Revenue Funding 2021/22 Operational Guide is available on the below link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902183/Schools_operational_guide_2021_to_2022_1.pdf

The information confirms that within the Schools block there are two key technical changes for mainstream schools funding:

- Funding from the teachers' pay grant and teachers' pension employer contribution grant (including supplementary funding) have been incorporated into the NFF for 2021/22. The funding has been added to the basic per pupil entitlement (£180 for primary and £265 for secondary); to the minimum per pupil funding levels, and to the schools' 2020/21 funding baselines so that it is protected through the funding floor for protection purposes.
- The 2019 update to the Income Deprivation Affecting Children Index (IDACI) has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

The DfE does not require the LA to consult with schools on the above technical changes.

The funding that has been incorporated into the NFF for Teachers' pay is based on current teachers' pay scales (academic year 2019/20). It is assumed that schools will be required to meet the pay award for September 2020 (impacting 2021/22 financial year) from the government's 2021/22 increased school funding announcement, therefore meeting this additional cost within their overall funding allocation for 2021/22.

Further information within the guidance in relation to the Schools block confirms:

- LAs will continue to set the local schools formula for 2021/22.
- School funding through the NFF will increase by 4% overall in 2021/22.
- The key formula factors in the NFF will increase by 3%.
- The minimum per pupil funding levels will be set at £4,180 for primary (currently £3,750) and £5,415 for secondary schools (currently £4,800). The minimum per pupil funding levels include the incorporation of teachers' pay grant and teachers' pension employer contribution grant (primary £180, secondary £265).
- Every school will be allocated at least 2% more pupil-led funding per pupil compared to their 2020/21 NFF baseline, i.e. the Minimum Funding Floor. This means that every school will attract an increase in their pupil-led funding of at least 2% per pupil, if the NFF is replicated. The application of this will be subject to affordability.
- LAs will continue to set the Minimum Funding Guarantee (MFG) between +0.5% and +2.0%.
- For the second year there will be no gains ceiling cap. All schools will attract at least their full allocations under the formula. LAs will still be able to use a cap in their local formula.
- Additional funding will be available for small and remote schools through an increase in the Sparsity Factor value. Schools will be able to attract up to £45,000 (currently £26,000). The increased sparsity funding is intended to be the government's first step towards expanding the support the NFF provides for small and remote schools following an announcement by the DfE that this was to be reviewed at a national level.
- Premise funding will continue to be allocated to LAs on the basis of actual spend in the 2020/21 APT. This will continue to create a financial pressure

for LAs each year due to the lag in funding which will need to be managed within the overall Schools block. The Private Finance Initiative (PFI) factor will increase in line with the RPIX measure of inflation (1.56%) to reflect PFI contracts.

- Growth funding will continue to be allocated to LAs based on the formulaic approach introduced in 2020/21 based on the growth in pupil numbers between October 2019 and October 2020 census. The government's growth funding applies a lagged approach rather than forecasting future growth expected therefore the Schools block will need to absorb any additional growth in 2021/22.
- Rates funding is based on schools actual rates bills from the prior financial year. The LA agreed through its schools consultation exercise to continue in 2020/21 to undertake a rates funding adjustment to ensure schools are funded the actual rates cost they incur in that financial year. No future agreement has been made to meet this cost from the DSG underspend.
- The Schools block continues to be ring-fenced, LAs can transfer up to 0.5% of their Schools block funding into another block, following consultation with all schools and academies and the approval of Schools Forum.

Appendix A provides a funding comparison of the NFF factors from 2020/21 to 2021/22.

Central Schools Services block

The published information outlines that within the Central School Services block, funding will continue to be provided to LAs to carry out central functions on behalf of maintained schools and academies, comprising two distinct elements:

- Ongoing responsibilities
- Historic commitments

The ongoing rate per pupil for 2021/22 is £32.75 (compared to 2020/21 rate of £31.84), a 2.87% increase. The final allocation will be subject to the October 2020 schools census, but the provisional allocation is £3.150m (2020/21: £3.062m). This will be considered when the detailed budget exercise is undertaken.

The government alarmed LAs in October 2019 announcing that historic commitment funding would reduce in monetary values by 20%. This was challenged by the LA, due to commitments on contracts of PFI and broadband that still remain in place. Unfortunately this was without success, and the government continue to be committed to removing this funding stream with a further planned reduction of 20% in 2021/22. Officers will again raise this with the department due to the long term contract still remaining in place for PFI school buildings to 2032. The prior movement of funding to the Schools block to establish a formula factor for the Primary PFI contract element (£0.511m) in 2020/21 following consultation with all schools will be fully funded, therefore mitigating the shortfall in 2021/22, however, the problem will still exist in future years for the special PFI schools, and the broadband contract to October 2022, which will need to be worked through.

High Needs block

The published information outlines that within the High Needs (HN) block the provisional allocation for 2021/22 has increased by £9.507m to £102.449m¹. This increased allocation includes the Teachers' Pay and Teachers' Pension grants for high needs establishments.

Within the HN block the funding floor has been set at 8% so that each LA will see an increase of at least 8% per head of their 2 to 18 population. Lincolnshire has received a funding uplift within its funding allocation of £2.089m to ensure it receives an 8% uplift in its per head of population. Hospital funding has increased by 8% in line with the funding floor.

The increased funding in the HN block is welcomed, however with the current trajectory of spending and forecast HN block overspends and the uncertainty of future years HN block allocations beyond 2021/22 there is still an urgent need for transformation in the SEND arena and support from the schools sector.

Early Years block

The provisional budget for the Early Years block has yet to be released at the time of writing the report, however the DfE have confirmed the LAs autumn term 2020 funding will be based on the January 2020 rather than January 2021 which will provide more financial certainty for settings and the LA during this current financial year. The government have advised they wish LAs to allocate funding to providers as they would have expected had the pandemic not occurred.

There has been no further updates regarding the future position of nursery schools supplementary funding, the current agreement ends in March 2021.

Pupil Premium

Pupil Premium will continue in the 2021/22 financial year, rates will be published later in the year.

DSG Deficit Balances

The government recognises that there may well be some authorities which, despite their best efforts, will still not be able to pay off their historic deficit from the DSG over the next few years. In these cases, the DfE expects to work together with the LA to agree a plan of action to enable the LA to pay off its deficit over time

Where a LA has a substantial in-year overspend or cumulative DSG deficit balance at the end of the financial year, its management plan should look to bring the overall DSG account into balance within a timely period. The ESFA has now published its deficit recovery plan format for applicable LAs to complete.

¹ Historic Funding £36,453,765, Proxy Funding £52,203,488, 8% growth funding £2,089,189, Hospital School funding £2,529,332, Basic Entitlement funding £9,662,510, Imports & Exports -£489,000

Conclusions

The funding announcements are again positive news for Lincolnshire schools, however it must be noted that there continues to be a large level of uncertainty at a national level due to a number of factors including Covid-19 and Brexit.

The incorporation of the teachers' pay and pension grant is positive in that the mainstreaming of these grants into the NFF simplifies school funding.

The HN block continues to be an area of concern and will require careful management.

Next Steps

A draft version of the APT that allows officers to undertake modelling of school budgets has been released, officers are utilising the tool to undertake financial modelling to fully understand the impact of the funding announcements detailed in this paper.

An outstanding matter has been raised to the DfE:

- The pandemic is likely to result in more pupils meeting the FSM eligibility (Lincolnshire data has indicated that pupil entitlement has increased by c.38% from October 2019 data to now). LA Schools block funding for pupil characteristics data are based on prior October census, which through the current approach will understate the level of funding to LAs and could impact the overall affordability of replicating the NFF. The department has agreed to keep this under review.

The LA is required to engage in open and transparent consultation with all schools and academies regarding the changes identified within the Schools block. The consultation will be launched in the autumn term to all Lincolnshire mainstream schools and will be taken through the LA decision-making process.

A final version of the APT will be released in December 2020. This tool will include October 2020 census information and will be used to calculate school budget shares for 2021/22. The APT will be submitted to the ESFA by 21 January 2021 for compliance.

School budget shares must be published by 28 February 2021.

The government have confirmed that later in the year they will put forward plans to consult on a move to a 'Hard' formula in the future (between now and 2024/25). The LA will review such proposals and contribute to any discussions and consultation.

The LA has seen a significant increase in spending and number of schools receiving Targeted SEN Funding. This funding mechanism was established to support certain schools who have a disproportionate number of pupils with more complex needs. The banding thresholds have not been adjusted to take account of

the increased funding schools are receiving through the NFF introduction, therefore the LA is intending to reset these thresholds for 2021/22 to ensure the funding is directed to the right schools.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	National Funding Formula Factors Comparison 2021/22 to 2020/21

Background Papers

Document title	Where the document can be viewed
National Funding Formula for Schools (2020/21)	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5607&Ver=4
School Funding Arrangements 2020/21	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5607&Ver=4
National Funding Formula for Schools – Update for 2020/21	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5319&Ver=4

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