



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

Report to:	Lincolnshire Schools Forum
Date:	14 January 2021
Subject:	National Funding Formula for schools (2021/22)

Summary:

The purpose of this report is to consult the Schools' Forum on the Local Authority's funding formula proposals for 2021/22 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 2021/22, for Schools' Forum consideration.

Executive Councillor approval will be required to agree the schools funding formula for 2021/22.

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 2021/22 including continuing to replicate the national funding formula.

Background

The government first introduced the national funding formula (NFF) 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 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.

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 continues to rise in monetary value. Table 1 below outlines Lincolnshire's schools overall funding level for 2021/22 through the implementation of the NFF compared to other Local Authorities.

Table 1

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,570	£4,666	-£96	80
Secondary	£5,724	£6,048	-£324	49

The unit funding levels are below the England average for each sector, however Lincolnshire's position nationally has improved when making comparisons. Lincolnshire's net primary unit value increase is £206¹, and Lincolnshire's secondary unit increase is £180² for 2021/22.

Schools Funding for 2021/22

The DfE confirmed in July 2020 that the 2021/22 funding settlement announced by the Prime Minister on the 30 August 2019 would remain in place. This included the 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 2021/22 funding for Lincolnshire primary and secondary mainstream schools (using October 2019 data) is an overall increase of £18.067m when taking account of the £20.769m added into the Schools block for teachers' pay and pension grant funding.

The announcement of additional funding for mainstream schools and NFF changes require Local Authorities to engage in an open and transparent consultation on their 2021/22 funding formula. The Local Authority has therefore consulted with its local schools and academies on proposed schools funding formula changes for 2021/22.

Details of the funding formula changes and monetary values attached to each formula factor (compared to 2020/21 funding levels) can be found within the Appendix A, which is accompanying this report.

Proposed Lincolnshire's Schools Funding for 2021/22

¹ The overall primary unit value has increased by £386 in 2021/22. This includes £180 of existing funding received by primary schools for the teachers' pay grant and teachers' pension employer contribution grant, which has been moved into the Dedicated Schools Grant from 2021/22.

² The overall secondary unit value has increased by £445 in 2021/22. This includes £265 of existing funded received by secondary schools for the teachers' pay grant and teachers' pension employer contribution grant.

Detailed financial modelling work has been undertaken by the Local Authority to understand the government's NFF changes for 2021/22. The government announcement of additional funding into schools will continue to 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 +2.00% in per pupil funding through the 2021/22 funding arrangements.

Other key points for 2021/22 funding arrangements include:

- Key formula factors will increase by 3% in monetary value.
- The minimum per pupil funding levels will be set at £4,180 for primary schools and £5,415 for secondary schools. This will continue to be a mandatory factor in Local Authorities local formula.
- 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; 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.
- No gains ceiling cap will continue to be applied.
- Additional funding for small and remote schools through an increase in the sparsity factor value.

The Local Authority has consulted on the proposal to continue replicating the government's NFF in 2021/22, subject to affordability. It is important to make reference to affordability due to the time lag in data used to fund Local Authorities Schools block allocations, which funds schools budgets. This is a pertinent point due to the significant pre-16 increase of 25.20% in Free School Meal eligibility Lincolnshire has experienced as a result of the pandemic, which is recorded on the latest October schools census. The determination of school budgets will be undertaken in January 2021 following the publication of schools census information by the Department for Education (DfE), thereafter affordability will be understood. Affordability options are considered in question 3 of the consultation. and the Local Authority will consider all options available to ensure individual school level implications are minimised.

The Local Authority also consulted on the proposal to continue using targeted funding as an approach to supporting schools, but to use the actual amount of notional SEN determined through NFF to identify whether a school has sufficient notional SEN funding to support pupils that have an EHC plan at their school. The targeted funding supports schools where they have a disproportionate number of pupils with more complex needs. The planned changes reflect the increased notional SEN allocations held within schools budgets through the introduction of the NFF, which will ensure fair funding is provided to schools through targeted funding.

The schools consultation period covered the period 7 December to the 21 December 2020. The consultation period timescales were tight due to a number of factors, which limited the consultation time and the Local Authority decision-making

process. Schools were however forewarned that a consultation would be taking place in the autumn period. NFF funding formula updates were delivered to Lincolnshire schools through the virtual head teacher briefing sessions.

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 2019 census data (due to the October 2020 census data not being available at this time), and the 2020/21 baseline information (including teachers' pay and pension grants) for illustrative funding purposes.

Schools Consultation

Overall, 60 schools responded to the consultation. The response rate to the consultation did improve compared to previous consultation exercises. The response rates however continue to remain low with 15% of primary schools and 26% of secondary schools. The overall response rate of 17% across the sectors was higher than the 2020/21 NFF consultation response rate of 14%³.

The Local Authority set out in the consultation document 5 questions, and these are shown in Appendix A. Also shown is the percentage of schools in favour or against, 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 2021.

It is clear from Appendix A, that of the schools that responded the support rate ranged from 93% to 100% across the consultation questions for the Local Authority's proposals to continue replicating the government's NFF in 2021/22, and to use the NFF as the basis for determining the notional SEN amount per school when identifying whether a school is entitled to targeted funding. The SEN related amendments recognise the increased funding going to schools through the NFF therefore providing fair funding (and effective deployment and financial sustainability of the High Needs block), and the application of targeted funding ensures schools are not being financially disadvantaged by having a disproportionate number of pupils with more complex needs.

The Local Authority's proposals are to continue adopting the NFF in 2021/22 (subject to affordability) by adopting the following:

- Key formula factors will increase by 3% in monetary value.

³ 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 complex, and some schools may have found this difficult to understand.

- A positive minimum funding guarantee of +2.0% per pupil protection (subject to affordability). The MFG range is between +0.5% and +2.0% per pupil in 2021/22.
- No gains ceiling cap (subject to affordability).
- The minimum per pupil funding levels will be set at £4,180 for primary schools and £5,415 for secondary schools.
- Funding from the teachers' pay grant and teachers' pension employer contribution grant (including supplementary funding) will be incorporated into the NFF for 2021/22 (technical adjustment).

The Local Authority proposals are to adopt the following SEN related amendments in 2021/22:

- To use the 2021/22 NFF as the basis for determining the notional SEN amount per school when identifying whether a school is entitled to targeted funding.
- The targeted funding criteria will allocate the first £6,000⁴ where a school has been identified as having insufficient notional SEN within its delegated budget due to the number of pupils with an EHC plan.
- To increase the top up rate for EHC plans subject to affordability of the High Needs block.
- To apply transitional protection funding for 2021/22 where targeted funding and top up rate changes result in the school funding falling below +2.0% per pupil increase (or the final minimum funding guarantee value agreed).

The illustrative 2021/22 funding for Lincolnshire primary schools in comparison to 2020/21 funding levels show overall school gains of 4.3% or £0.034m. Illustrative funding for Lincolnshire secondary schools show overall gains of 2.7% or £0.110m.

The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the schools October 2020 census information. The position of schools budgets for 2021/22 are to be published by the 28 February 2021.

Tables 2 & 3 below show the monetary gains at school level from continuing to replicate the national funding formula in 2021/22 using October 2019 census data, and the 2020/21 baseline information for comparison purposes, including the SEN changes.

Table 2

Primary Schools (£)	Gains
0 - 9,999	5.36%
10,000 - 19,999	22.50%
20,000 - 29,999	31.43%
30,000 - 39,999	13.93%
40,000 - 49,999	7.14%
50,000 - 59,999	3.93%
60,000 - 69,999	5.36%

Table 3

Secondary Schools (£)	Gains
0 – 19,999	3.78%
20,000 - 39,999	7.55%
40,000 - 59,999	5.66%
60,000 - 79,999	9.43%
80,000 –99,999	16.98%
100,000 – 119,999	18.87%
120,000 – 139,999	9.43%

⁴ Where a school is entitled to targeted funding for an EHC plan pupil starting part way through a financial year, the £6,000 will be pro-rata.

70,000 - 79,999	2.86%	140,000 – 159,999	9.43%
80,000 - 89,999	1.43%	160,000 – 179,999	9.43%
90,000 - 99,999	2.86%	180,000 – 199,999	5.66%
100,000 – 140,000	3.20%	200,000 – 315,000	3.78%

The government's intentions are still to move all schools nationally onto the 'full' NFF. This will be subject to a DfE consultation in 2021. It is important to note that a positive minimum funding guarantee has applied since the introduction of the NFF in 2018/19. A small number of schools will lose funding through the NFF in Lincolnshire but are currently receiving protection funding, therefore they 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 9 primary schools and 3 secondary schools.

Next Steps – Schools National Funding Formula

The next steps are as follows:

- To table a report at the Schools Forum meeting (14 January 2021) on the consultation findings, and the proposed 2021/22 funding formula for Schools Forum consideration.
- To table a report at the Children & Young Peoples Scrutiny committee meeting (15 January 2021) on the consultation findings, Schools Forum comments and the proposed 2021/22 funding formula for the committees' consideration.
- To review Lincolnshire's Dedicated Schools Grant funding for 2021/22.
- To calculate mainstream school budgets based on the proposed funding formula using the schools October 2020 census.
- Executive Councillor approval to agree the schools funding formula for 2021/22 on the 20 January 2021.
- Submission of the Authority Proforma Tool by the 21 January 2021 to the Education & Skills Funding Agency outlining 2021/22 Lincolnshire's schools delegated funding to ensure compliance with the regulations.
- The Local Authority Finance Team to provide further information on the implementation of the NFF to schools and academies to aid their understanding of the 2021/22 school funding arrangements.
- The Local Authority to calculate individual schools budgets by the 28 February 2021.

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 beyond the current funding settlement for schools (from 2023/24).
- 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.

What will it mean for Local Authorities and schools if a 'hard' NFF was applied and funding for each school is determined by central government e.g. how will annual school funding changes be applied and consulted upon to ensure it supports local needs; Local Authorities influence in representing local needs; pupil number changes for growing schools; local factors such as rents, rates and split-sites, to name a few examples. The government has confirmed that this will be consulted upon in 2021.

Conclusion

The Local Authority's proposals are to continue adopting the NFF in 2021/22 (subject to affordability) by adopting the following:

- Key formula factors will increase by 3% in monetary value.
- A positive minimum funding guarantee of +2.0% per pupil protection (subject to affordability). The MFG range is between +0.5% and +2.0% per pupil in 2021/22.
- No gains ceiling cap (subject to affordability).
- The minimum per pupil funding levels will be set at £4,180 for primary schools and £5,415 for secondary schools.
- Funding from the teachers' pay grant and teachers' pension employer contribution grant (including supplementary funding) will be incorporated into the NFF for 2021/22 (technical adjustment).

The Local Authority proposals are to adopt the following SEN related amendments in 2021/22:

- To use the 2021/22 NFF as the basis for determining the notional SEN amount per school when identifying whether a school is entitled to targeted funding.
- The targeted funding criteria will allocate the first £6,000 where a school has been identified as having insufficient notional SEN within its delegated budget due to the number of pupils with an EHC plan.
- To increase the top up rate for EHC plans subject to affordability of the High Needs block.
- To apply transitional protection funding for 2021/22 where targeted funding and top up rate changes result in the school funding falling below +2.0% per pupil increase (or the final minimum funding guarantee value agreed).

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 2021/22, and the SEN related amendments.

Consultation

a) 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 2021/22 in light of the government's funding announcements on the mainstream schools national funding formula (NFF) proposals, and local SEN funding amendments. The school illustrative allocations will have assisted schools in understanding the changes and to help inform their consultation response.

The DfE confirmed in July 2020 that the 2021/22 funding settlement announced by the Prime Minister on the 30 August 2019 would remain in place. This included the 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 2021/22 funding for Lincolnshire primary schools in comparison to 2020/21 funding levels show overall school gains of 4.3% or £0.034m. Illustrative funding for Lincolnshire secondary schools show overall gains of 2.7% or £0.110m.

Subject to affordability (and subsequent scaling to a maximum of +0.5%), schools will receive a minimum of +2.00% in per pupil funding through the 2021/22 funding arrangements. Those losing schools through the NFF 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 +2.00%.

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

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
National Funding Formula for Schools –	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CIId=166&MIId=5610&Ver=4

update for 2021/22 (Schools Forum – item 7): 8 October 2020	
Schools National Funding Formula - Announcement	https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2021-to-2022
Schools Funding Update 2020/21	Decision paper: I019234
Schools Funding Arrangements 2020/21 (Schools Forum – item 28): 16 January 2020	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5607&Ver=4
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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