

# Agenda Item 6

## Schools Funding Update 2022/23 - Mainstream Schools

This is an update paper to the Schools' Forum on the affordability of continuing to replicate the National Funding Formula (NFF) in 2022/23. The Local Authority (LA) is currently finalising the Authority Proforma Tool (APT), which is used to determine schools budgets for 2022/23 using the latest October 2021 census data. This is before submitting the APT to the ESFA for compliance by 21 January 2022. The LA is able to provide an update to the affordability position of the NFF in 2022/23, although noting validation work is still taking place at the time of writing this update, but the position is not expected to be materially different from what is being presented below.

The fundamental principles of the NFF are not changing for 2022/23, and the formula refinements from the DfE are recognising inflationary rises (namely, key formula factors in the NFF will increase by c.3%); a development to sparsity funding (by changing the measure to road distance; increasing the monetary sum and introducing tapering), and a new methodology of the payment of non-domestic rates through the ESFA paying the cost directly to billing authorities.

The sector and Schools' Forum have previously supported the decision for Lincolnshire to continue replicating the NFF since its introduction in 2018/19 due to the increased per pupil funding levels being seen in all mainstream schools. The 20 January 2021 Executive Councillor decision (I021123) remains in place to replicate the NFF including measures taken to address the affordability issue. The cause of the affordability issue in 2021/22 related to the c.25% increase in Free School Meals (FSMs) recorded on the October 2020 schools census as a result of the pandemic and the time lag in data used to fund LAs School block allocations.

The October 2021 schools census which is used for 2022/23 mainstream schools budgets has continued to see significant growth in both FSMs and FSMs Ever 6. The increase in the recorded FSMs eligibility is 13.5% and 20.8% for primary and secondary schools respectively when comparing to the October 2020 schools census, and overall when comparing to pre-pandemic data from October 2019 schools census, FSMs eligibility has increased by 43.2% and 47.7% for the primary and secondary schools respectively. FSMs Ever 6 has increased by 13.0% and 12.2% over the same period for primary and secondary schools respectively. The time lag in LA Schools block funding identified an additional cost to the Schools block of £1.457m for FSMs and £1.675m for FSMs Ever 6 in 2022/23. This time lag has been raised to the DfE, however the expectation based on the previous position of the Department is for LAs to determine a formula that is affordable. Other increases in funding through formula factors include schools mobility (£0.504m), and prior attainment growth (£0.415m) in secondary schools.

The additional costs have been partly offset by a reduction in the funding required for schools to ensure they are funded at the minimum per pupil funding levels (£1.929m), there are 9 fewer schools receiving this funding in 2022/23 compared to 2021/22 (71 recorded).

The affordability gap shortfall is £1.927m to fulfil the NFF in its entirety including a 2% minimum funding guarantee (MFG). The LA plans for 2022/23 are to adopt the same principles and approach that had been applied in the 2021/22 decision when addressing

affordability issues of the Schools block. The following steps ensure the NFF 2022/23 formula factors and monetary values are replicated in full for all mainstream Lincolnshire schools and the MFG protection continues to be applied at the lowest level of the range of +0.5% increase in per pupil funding, which is consistent with the 2021/22 treatment:

1. To reduce the Schools Growth funding budget within the Schools block from £3.480m (funded by central government through a formulaic allocation using prior school level growth data) to £1.940m. The remaining budget of £1.940m will meet the financial commitments for planned primary and secondary reorganisations (in accordance with the LA's policies) in 2022/23 to ensure the LA fulfils its statutory duty of provide sufficient school places for pupils in Lincolnshire. The budget movement to fund the NFF is £1.540m.
2. To apply a positive MFG of +0.5% per pupil protection in 2022/23. The MFG range is between +0.5% and +2.0% per pupil in 2022/23, therefore the plan is to continue to apply the lowest level of +0.5%. This will reduce the funding gap by £0.127m from the previously modelled +2.0% MFG. This impacts 17 schools. These schools will still receive at least a +0.5% increase in their per pupil funding.

Lincolnshire schools in receipt of the MFG are receiving a higher level of funding than is determined through the NFF. This is due to either historic funding arrangements where schools will be aware of this position through their budget build up, and at some point in the future will transition onto the NFF, to be consistent with all other schools, or where changes in prior year pupil data has taken place reducing funding levels.

The LA supports the principles of equity and fairness in schools funding, and therefore where the NFF cannot be funded in its entirety, reducing the MFG to +0.5% would seem a sensible measure. In the 2021/22 NFF consultation, the downward change in MFG was identified as the most popular approach of responding schools to the consultation (35% of respondents) in addressing affordability issues, which also received support of the Schools Forum before the formal decision was made.

This outcome will mean 4 schools will receive MFG in 2022/23 ensuring they receive +0.5% in per pupil funding compared to 2021/22 funding levels, and 13 schools will receive an increase in their per pupil funding between +0.5% to +1.99% based on the NFF determination, however a top up in funding will not be applied to the +2.0% level. For 13 of the schools, this funding adjustment represents less than 1.00% of their 2022/23 determined budget, and 4 remaining schools this presents a maximum of 1.38% of their 2022/23 determined budget.

3. The remaining £0.260m will be funded through a budget transfer from available funding within the Central Schools Services block of the LA relating to ongoing responsibilities and historic commitments funding to the Schools block. No financial commitments are placed against this available funding in 2022/23.

Movement of budgets from the Central Schools Services block to any other block are not subject to any limit and can be made in consultation with the Schools Forum. The LA is to seek support of the Schools Forum for this transfer to take place.

In summary, the LA plan to replicate the NFF factors and monetary values in 2022/23 subject to an MFG of +0.5% per pupil. The key refinement updates to the NFF in 2022/23 are as follows:

- Key formula factors will increase by 3% in monetary value.
- A positive minimum funding guarantee of +0.5% per pupil protection. The MFG range is between +0.5% and +2.0% per pupil in 2022/23.
- No gains ceiling cap.
- The minimum per pupil funding levels will be set at £4,265 for primary schools and £5,525 for secondary schools.
- Adoption of the increase in Sparsity Funding to a maximum of £10,000 per school; using the road distance measure and tapering methodology.
- Adoption of the new methodology of the payment of non-domestic rates bills by the ESFA directly to the billing authorities.

The LA will provide a mainstream school analysis of what the NFF for 2022/23 means for Lincolnshire schools at the April 2022 Schools' Forum meeting.

### **Recommendations**

The Schools' Forum is asked to:

- (1) support the approaches to addressing affordability to replicate the NFF factors and monetary values for 2022/23 and by applying a +0.5% MFG per pupil, and
- (2) support the Central Schools Services block transfer of £0.260m to the Schools block.

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