



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

Report to:	Lincolnshire Schools' Forum
Date:	21 April 2022
Subject:	Analysis of the Impact of the National Funding Formula for 2022/23

Summary:

The purpose of this report is to provide the Schools' Forum with an analysis of the impact of the implementation of the national funding formula for primary and secondary maintained schools and academies in 2022/23.

Recommendation(s):

To note the content of the report.

Background

The Government first introduced the national funding formula (NFF) in 2018/19 for mainstream schools. Its purpose was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. 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 'hard' formula, subject to floors and ceilings due to a re-distribution of funding nationally.

In 2020/21, the Government made available sufficient funding to LAs to replicate the NFF so that all schools would attract at least their full allocations under the formula. Only 73 out of 150 LAs had however mirrored the NFF in 2021/22. Lincolnshire is one of those LAs. It currently remains the LA decision on setting its schools funding formula within the DfE's funding framework.

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 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 gap.

In 2021/22 and 2022/23, Lincolnshire has continued to replicate the monetary values of the NFF factors, however due to the significant increase in Free School Meals (FSMs) recorded on the October 2020 and October 2021 census¹ resulting from the pandemic, of which LAs were expected to finance this increase through their Schools block allocation², affordability issues arose. A number of affordability measures were shared with the Schools' Forum in January 2022, which followed the same principles and approach that had been applied in the 2021/22 decision when addressing affordability. The affordability gap of £1.927m was addressed through reducing the Schools Growth funding budget to the level of planned commitments in 2022/23 (£1.540m); continuing to apply a +0.5% Minimum Funding Guarantee (MFG) per pupil protection in 2022/23 (within the MFG range) (£0.127m), and a transfer of budget from the Central Schools Services block (£0.260m), which the forum supported.

The application of a +0.5% MFG ensures all Lincolnshire schools on a per pupil funding basis receive an increase from 2021/22. Schools in receipt of MFG either arise where a school has received higher levels of funding through prior funding arrangements and government protection through the application of a positive MFG has protected these schools at this higher level, or where changes compared to prior year pupil data has taken place reducing funding levels, for example, less pupils meeting the prior attainment factor threshold.

To continue applying the +0.5% protection 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. All other schools have received a greater increase in per pupil funding through the 2022/23 funding changes and pupil characteristics from the latest October pupil census. The Government's NFF allows for a +2.0% level, which had that been replicated, 13 schools would have received an increase. For the 13 schools concerned, 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. It should be noted that these schools are funded above the NFF for 2022/23 in comparison to other Lincolnshire schools, therefore applying the +0.5% supports the principles of equity and fairness in schools funding, which is important where the LA has insufficient government funding to replicate the NFF in its entirety.

Table A details the per pupil increase in funding for 2022/23 compared to 2021/22 funding levels per pupil for the Primary sector.

The schools formula factors monetary values have increased on average by 3% per pupil; the minimum funding levels have been increased by 2% and sparsity funding changes have been adopted which are reflected in the individual school budgets analysis tables below. Also included within the table are schools updated pupil characteristics from the latest schools census, such as FSMs, prior attainment etc. The larger increases in funding relates

¹ The increase in the recorded FSMs eligibility is 13.5% and 20.8% for primary and secondary schools respectively when comparing the October 2021 to the October 2020 census. Overall, when comparing to pre-pandemic data from the October 2019 schools census, FSMs eligibility has increased by 43.2% and 47.7% for the primary and secondary schools respectively.

² LAs are funded by the DfE on lagged pupil characteristics data, for example, LAs School block funding for 2022/23 uses pupil characteristic data from October 2020 along with pupil number data from October 2021.

to changes in pupil characteristics, such as the rise of FSMs eligibility, and smaller schools funding through sparsity.

3 primary schools required MFG funding in order to ensure they received MFG of at least +0.5%. The highest proportion (62.85%) of primary schools received per pupil increases of between 2.51% and 10% in 2022/23. It should be note that this relates only to the NFF delegation.

Table A:

Primary	NoR	NoR	NoR	NoR	NoR	NoR	NoR	% of
Range of Difference	0-50	51-100	101-200	201-300	301-400	401-500	501-650	Schools
0.50%	0	1	1	0	1	0	0	1.07%
0.51% - 2.50%	0	2	7	13	10	11	5	17.14%
2.51% - 5.0%	0	3	39	29	14	4	4	33.21%
5.01% - 10.0%	3	30	29	13	4	4	0	29.64%
10.01% - 15.0%	6	17	3	0	0	0	0	9.29%
15.01% - 20.0%	5	5	0	0	0	0	0	3.57%
20.01% - 25.00%	1	2	0	0	0	0	0	1.07%
25.01% and above	1	13	0	0	0	0	0	5.00%
Total	16	73	79	55	29	19	9	100.00%

Table B details the per pupil increase in funding for 2022/23 compared to 2021/22 funding levels per pupil for the Secondary sector.

The highest proportion of percentage gains are between 2% and 4% with larger increases relating to pupil characteristic rises such as FSMs and eligibility to sparsity funding. 1 school required MFG funding in order to ensure it received the MFG of at least +0.5%.

Table B:

Secondary	NOR	NOR	NOR	NOR	NOR	NOR	% of
Range of Difference	100-400	401-550	551-700	701-850	851-1200	1201-2000	Schools
0.50%	0	1	0	0	0	0	1.85%
0.51% - 1.0%	0	0	0	0	0	0	0.00%
1.01% - 2.0%	1	0	0	0	1	0	3.70%
2.01% - 3.0%	1	3	5	2	5	4	37.04%
3.01% - 4.0%	1	5	4	2	5	3	37.04%
4.01% - 5.0%	0	1	1	2	2	0	11.11%
5.01% and above	1	1	1	1	1	0	9.26%
Total	4	11	11	7	14	7	100.00%

Analysis of the impact of the NFF 2022/23

Under the NFF, the LA adopted the following:

- Key formula factors increased by 3% in monetary value.

- A positive minimum funding guarantee of +0.5% per pupil. The MFG range is between +0.5% and +2.0% per pupil in 2022/23.
- No gains ceiling cap applied.
- The minimum per pupil funding levels have been 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 and tapering methodology.

Tables C to D provide an analysis of the impact of the NFF in percentage terms between 2021/22 and 2022/23. This analysis takes into account the NFF formula factors and monetary values for 2022/23, along with the October 2021 pupil census data, which reflects the latest pupil numbers and characteristics. Funding protection is not in place for changes in pupil numbers from year to year.

All mainstream schools funding is lagged using the October pupil census: maintained schools is a 7 months lag (April) from the start of the school year, and academy schools have a further 5 months lag (September). For the purposes of this analysis, it is assumed they have the same starting point. This analysis also uses published budget before deductions for de-delegation for maintained primary schools to ensure like-for-like comparison can be made.

Table C details the impact of the NFF for the primary sector comparing the published budgets between 2021/22 and 2022/23.

Table C:

Primary Schools	NOR	NOR	NOR	NOR	NOR	NOR	NOR	% of
Range of Difference	0-50	51-100	101-200	201-300	301-400	401-500	501-650	Schools
< (5.01%)	0	3	4	2	2	0	0	3.93%
(-5.0%) - (0.01%)	5	9	15	7	7	1	1	16.07%
0% - 5.0%	1	20	27	31	15	15	5	40.71%
5.01% - 10.0%	1	16	27	12	3	2	1	22.14%
10.01% - 15.0%	7	15	4	1	2	1	2	11.43%
15.01% - 20.0%	2	4	1	1	0	0	0	2.86%
20.01% - 25.00%	0	1	1	1	0	0	0	1.07%
25.01% and above	0	5	0	0	0	0	0	1.79%
Total	16	73	79	55	29	19	9	100.00%

The reason for the reduction in overall funding from year to year for 56 primary schools or 20% in the above table relate to reductions in pupil numbers from the prior years pupil census and pupil characteristic changes. The NFF is substantially a pupil-led funding system (whereby the Government has set a parameter for LAs to delegate at least 80% of the Schools block funding through pupil-led factors), and protection does not apply to pupil numbers, therefore changes in pupil numbers from year to year have to be managed by schools through their medium-term financial planning. The LA reviews each maintained schools medium term financial plan every year to ensure funding is accurately presented, and future years funding and expenditure assumptions are realistic, to ensure an accurate financial position and forecast is presented for budget oversight and governance, and

potentially management action. This process supports schools in particularly with reducing pupil numbers that can lead to a deficit budget.

80% of primary schools have received an increase in funding, with the highest proportion being in the range of 0% to 5.0%.

The schools with much larger funding increases than the norm, relate to growth in the numbers of pupils present, increased eligibility of pupils meeting entitlements and sparsity funding allocations to support their rurality and small school (below 150 pupils).

Table D details the impact of the NFF for the secondary sector comparing the published budgets between 2021/22 and 2022/23.

Table D:

Secondary	NOR	NOR	NOR	NOR	NOR	NOR	% of
Range of Difference	100-400	401-550	551-700	701-850	851-1200	1201-2000	Schools
< (5.01%)	0	0	1	0	0	0	1.85%
(-5.0%) - (0.01%)	1	1	1	1	1	0	9.26%
0% - 5.0%	0	4	6	3	5	4	40.74%
5.01% - 10.0%	2	4	2	2	7	1	33.33%
10.01% - 15.0%	0	1	1	1	1	1	9.26%
15.01% - 20.0%	0	0	0	0	0	1	1.85%
20.01% - 25.00%	1	0	0	0	0	0	1.85%
25.01% and above	0	1	0	0	0	0	1.85%
Total	4	11	11	7	14	7	100.00%

The reason for the reduction in overall funding from year to year for 6 secondary schools or 11.11% in the above table relate to reductions in pupil numbers from the prior years pupil census and pupil characteristic changes. The NFF is substantially a pupil-led funding system, and protection does not apply to pupil numbers, therefore changes in pupil numbers from year to year have to be managed by schools through their medium-term financial planning.

88.89% of secondary schools have received an increase in funding, with the highest proportion being in the range 0% to 5.0%.

The schools with much larger funding increases than the norm, relate to growth in the numbers of pupils present and / or planned reorganisation growth agreed with the LA to meet local demands through a permanent Pupil Admission Number increase, pupil characteristics entitlement and sparsity funding allocations to support their rurality and small school (below 600 pupils).

Supplementary Funding

As part of the Autumn 2021 spending review it was confirmed that mainstream schools would receive additional Supplementary Funding³. This additional funding has been

³ Detailed in the School Funding Arrangements 2022/23 paper presented to the forum in January 2022. Nationally funding of £1.2bn.

allocated to support schools with additional unforeseen cost pressures, such as the Health and Social Care levy, planned teachers' pay increases⁴, increased energy costs, etc. For Lincolnshire, this equates to an increase in c.£15m overall for Primary and Secondary schools in 2022/23. This translates between a 2% to 3% increase in schools funding levels from their 2022/23 delegated budget through the NFF.

From 2023/24, the Education and Skills Funding Agency (ESFA) has indicated they plan to incorporate this funding into schools core funding where possible. The Government intends to publish supplementary funding to schools shortly.

Conclusion

From the above analysis it is clear to see that the continued implementation of the NFF has been positive for the majority of Lincolnshire schools.

Those schools who have experienced a loss in funding between 2021/22 and 2022/23 have seen reductions in their pupil numbers, which schools are required to manage financially themselves. The MFG is a per pupil protection that is applied to all schools, however this does not protect a school from falling rolls. Pupil projections and financial planning are key tasks for schools. All schools and academies are required as a minimum to produce a three-year medium term financial plan where such reductions should be factored into scenario planning. The LAs Monitoring and Intervention policy will continue to provide support to maintained schools.

We can also see that all schools have received an MFG of at least 0.5%. Lincolnshire schools in receipt of 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 per pupil funding levels.

⁴ The Government's ambition to increase the entry level salary of teachers to £30,000 by September 2023.

Consultation

a) Risks and Impact Analysis

For the second year running, an increase in FSM eligibility caused by the pandemic has impacted the affordability of the Schools block for the LA to continue to replicate the NFF in full. Measures were adopted to address affordability and to continue replicating the NFF factors and monetary values, along with applying a MFG level of +0.5%. All schools have received at least a +0.5% increase in their per pupil funding amount in 2022/23 compared to prior year per pupil funding levels. The LA is limited to the funding determined through the Dedicated Schools Grant, in particular the Schools block when determining schools budgets.

The LA will continue to model DfE future funding arrangements when they are announced to help understand the financial impact facing Lincolnshire schools. Where Government consultations take place, the Council will continue representing Lincolnshire schools to ensure fair funding is delivered.

Systems are in place to support maintained schools in their financial planning to ensure they remain financially sustainability along with the accountable governing bodies, and academy schools are held accountable by the Trustees.

As the ESFA move towards a 'hard' formula, the LA could lose local flexibility and decision-making powers for all aspects of schools funding. This is a risk, as the LA will no longer have the influence or powers to respond to local needs and demands on a timely basis within reasonable DfE parameters rather than through a centralised system.

Appendices

These are listed below and attached at the back of the report	
Appendix A	None

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
School Funding Arrangements 2022/23	Report Reference: (modern.gov.co.uk)
School Funding Update 2022/23 – Mainstream Schools	(Public Pack)6.0 Schools funding Update 22/23 Agenda Supplement for Lincolnshire Schools' Forum, 20/01/2022 13:00 (modern.gov.co.uk)

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