

SCHOOLS FORUM MEETING – 11th NOVEMBER 2019

2020-21 Schools Funding Formula arrangements

Introduction

The purpose of this report is to provide members of the Schools Forum with information in respect of the 2020-21 Schools Funding arrangements as detailed in the Operational Guide which was issued in September 2019 and updated in October 2019.

Background

As a reminder for the School Forum members, the “School Funding Reform: Next Steps towards a Fairer system” consultation paper significantly altered the way schools were funded in 2013 -14 and beyond. All Local Authorities were required to use formula funding factors or elements from a pre-defined range. The purpose of these proposals was to move towards a more consistent, simple, transparent and fairer funding system which was understood by all stakeholders. It was also to assist with moving towards the national funding formula (NFF) which is still planned to be fully introduced. The original deadline for the full introduction of the NFF was from the financial year 2019-20 but as of yet the date for its introduction is unconfirmed.

Details of changes for the 2020-21 schools funding as per the Operational Guide are summarised below:

Summary

- In 2020-21 each local authority will continue to set a local schools formula
- The government has confirmed its intention to move towards a hard NFF but as yet no date for its implementation has been confirmed.
- The minimum per pupil funding levels have increased to £3,750 for all primary schools and £5,000 for all secondary schools. The primary level will rise to £4,000 in 2021-22.
- The intention is for the minimum per pupil funding to become a mandatory factor.
- The government will ensure that per pupil funding for all schools can rise in line with inflation (1.85%)
- Schools that are attracting their core NFF allocations will benefit from a 4% increase to the funding formula values in nominal terms. Exceptions to this are the free school meals factor which will be increased at inflation to reflect actual.
- The funding floor factor will be set at 1.84%.
- There will be no NFF gains cap so that all schools attract their full allocations under the formula.

- Mobility funding based on a formulaic approach.
- The Teachers Pay grant and the Teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020-21.
- The schools block will remain ring fenced but LA's will be able to transfer up to 0.5% of their schools block funding with the agreement of their Schools Forum.
- All LA's will have the flexibility to set a local Minimum Funding Guarantee (MFG) between +0.5% and +1.84%.

A summary of the unchanged requirements are as follows:

- No other changes to the allowable factors excepted as detailed above.
- Minimum AWPU's remain (£2,000 per primary pupil, £3,000 KS3 & KS4).
- Proportion of funding allocated through pupil led factors retained at 80%.
- Consultation requirements with schools is unchanged from last year although compressed timetable acknowledged.
- Redetermination of budget shares still not permitted.
- School Forum approval for centrally retained and delegated funding remains and needs to be voted on by the eligible members. A copy of an extract is provided at Appendix A.
- DSG balances – the requirement introduced in 2019-20 for those LA's who are in deficit on their DSG account remain in place. Under these rules LA's have to explain to the Department their plans for bringing the DSG account back into balance. Where the deficit exceeds 1% of the gross DSG allocation a report will be required which details plans as to how the DSG account will be brought back into balance. This report will need to be discussed with the schools forum.

The 2019-20 funding formulae position

The final funding formula that the Council consulted with schools on and discussed and agreed with the Schools Forum for the current financial / academic year (2019-20) was as follows:

- Adopted the NFF and its unit values for all formula factors except for the below:

<u>Factor</u>	<u>NFF unit value £</u>	<u>NELC 2019-20 unit value £</u>	<u>Variance £</u>
Primary	2,747	3,050	303
Secondary – KS3	3,863	3,880	17
Secondary – KS4	4,386	4,600	214

Primary Prior attainment	1,022	700	-322
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- Retained the previous year's (2018-19) AWPU values
- Maintained the Primary : Secondary ratio of 1 : 1.28 which the DfE expected
- Had a Minimum Funding Guarantee (MFG) protection cost of £1.7m, £1.6m in 2018-19 with £0.247m additional funding for 3 secondary schools in order to meet the minimum funding levels.
- MFG + 0.20 % compared to + 0.5% in 2018-19
- Put 75.50% of the funding through Basic pupil factors – Age Weighted Pupil Factors (AWPU). This was 75.62% in 2018-19.
- Put 92.78% of the funding through Pupil led factors – Age Weighted Pupil Factors (AWPU), deprivation, prior attainment etc. This was 93.02% in 2018-19.

Allocated 99.61% of the schools block through the APT.

Proposed approach

The below is our proposed approach. It clearly is subject to clarification and refinement when the October 2019 school census data is issued. Also the indicative Schools Block allocation for 2020-21 of £104m does not include funding for the growth factor. This amount is due to be issued in November. For modelling purposes we have used the same figure for growth as was given in 2019-20. This assumption will need to be reviewed on receipt of the final figure.

In preparing the schools funding formula for 2019-20 we advised Schools Forum, members that we would be looking to move to the Primary Prior attainment value to the NFF level in the 2020-21 formula. We advised that the increase in this factor would result in a reduction in the Primary AWPU of an estimated £100.

We have increased the Primary prior attainment value in line with the NFF. Through the additional funding however we have managed to increase the primary AWPU and the KS4 AWPU from their 2019-20 levels. Both of these values are above the NFF values by £220 and £139 respectively. In respect of Secondary KS3 AWPU we have brought this factor into line with the NFF.

Other matters we have considered is around the possible introduction and use of the Mobility factor. Our current thinking is given the small number of pupils meeting this criteria, primary 176.7 units out of a total cohort of pupils of 13,576 and secondary 21.33 units out of a total cohort of pupils of 8,202, then introducing this factor would not have a material impact on the financial position of any school.

The minimum per pupil funding levels factor will be used as per last year. To restate these are £3,750 for all primary schools pupils and £5,000 for all secondary school pupils.

The MFG will be set at the maximum amount of +1.84% with no caps and scales so all schools will keep the gains the formula generates.

In respect of the sparsity factor a new methodology has been introduced which we propose to introduce. The approach we intend to adopt is to allocate funding to those eligible schools on the same basis it is allocated to NELC through the NFF methodology.

The above will result in a fully allocated schools block.

As part of the 2019-20 funding formula the LA top sliced 0.4% from the Schools Block. Given the significant investment in the High Needs Block for 2020-21 then no top slice is proposed for the 2020-21 financial / academic year.

As in previous years there is a tight timescale between the issuing of the October 2019 data (mid December 2019) and the final proforma submission date (21st January 2020). This pressure has been slightly exacerbated this year with the delay in the release of information and indicative figures.

Consultation with Schools

As in previous years consultation with schools is required to be undertaken and the plan is to set up a small number of sessions at the end of November and early December 2019 in respect of the proposed approach to the funding formula for 2020-21. The usual caveat will be that at this time of the year the financial data shown will be based on old year student number data.

Growth Fund / Falling Roll Fund

In 2019-20 following discussions with the Schools Forum it was decided not to top slice for the above two funds. It is proposed to continue this approach for the 2020-21 funding formula. As per last year there would be no allocated in year funding for meeting falling rolls and growth pressures. Whilst this does present a risk it is considered manageable.

One-off distribution from contingency

As per the last 2 financial / academic years due to the continuing position of the spend on the high needs block and the fragility of the DSG central contingency there will be no one off payment to schools in the 2020-21 funding formula distribution.

Centrally retained expenditure / Delegated budgets

The usual voting mechanisms remain for the above and these will be brought to the next forum meeting in December 2019 / January 2020. In respect of those services where maintained schools can vote to return the budgets to the local authority then these will be reviewed to evaluate whether due to the decreasing financial value they remain viable for the council to provide.

Timetable – Key Dates

These are detailed in the table below:

<u>Date</u>	<u>Action</u>
3 October 2019	School Census day.
October / November 2019	Draft APT issued to LA's
20 November 2019	School census database closed
20 November 2019	Deadline for submitting requests (for response by APT submission deadline) for MFG exclusions
28 November 2019	Deadline for submitting requests for movements of the Schools Block which is above the 0.5% limit or which the schools forum has not approved, or both.
November 2019	Further information to illustrate 2020-21 growth funding allocations will be provided to LA's
December 2019	Final APT issued to LA's containing October 2019 census based pupil data and factors.
December 2019	Publication of 2020-21 schools block, initial EY allocations and initial high needs block allocations for 2020-21
Mid-January 2020	Schools Forum consultation / political approval required for final 2020 – 21 funding formula.
21 January 2020	Deadline for the submission by the LA of the final 2020 – 21 APT to the ESFA.

29 February 2020	Deadline for the confirmation of school budget shares to maintained schools.
31 March 2020	Deadline for the confirmation of the annual general grant to academies open by 9 January 2020.

High Needs Block

The ESFA has issued a provisional 2020-21 allocation for the high needs block, before recoupment of £21.132m. This is an increase of 13.7% on the 2019-20 allocation (£18.585m). There remains a significant piece of work to do in respect of the High Needs Block and its future allocation.

Early Years

The ESFA has announced there will be increase in the hourly rate for 2 year old entitlement and the vast majority of areas for the 3 & 4 year old entitlement. Details will be published in due course however the early indication is an 8p increase in hourly rates and an extension of the transition funding for maintained nursery schools until March 2021.

Central School Services Block

The EFSA has applied a 20% reduction to the historic commitments in this block. This equates to a reduction of £87k. These historic commitments relate to pension commitments and the contribution does not cover the cost of payments the Council is obliged to make.

The intentions of the ESFA are not known at this time in respect of future year's reductions and the amounts. Consequently there is a need to flag this matter to the Schools Forum as this may need to be the subject of a further debate.

Recommendations

It is recommended that:

1. Schools Forum note this report,
2. Schools Forum makes comment on the approach to be adopted,
3. No in year top slice be made from the schools funding formula in respect of the growth or falling rolls fund for the 2020-21 financial / academic year,

4. Schools Forum agree to the re-establishment of a small working party to work with officers to review the 2020-21 Schools funding formula to be adopted once updated data is received to permit this to be submitted as per the deadlines detailed in the report.

Contact Officer: David Kirven, Strategic Lead – Finance Business Partnering.

25th October 2019

Appendix A**Centrally Retained Services - Expenditure position**

Schools Forum approval is not required (although they should be consulted).	<input type="checkbox"/> High Needs block provision <input type="checkbox"/> Central licences negotiated by the Secretary of State
Schools Forum approval is required on a line-by-line basis.	<input type="checkbox"/> Admissions. <input type="checkbox"/> Servicing of schools forum. <input type="checkbox"/> Contributions to responsibilities that local authorities hold for all schools (services previously funded by the retained rate of the ESG). <input type="checkbox"/> Contributions to responsibilities that local authorities hold for maintained schools (services previously funded by the general rate of the ESG) (voted on by the relevant maintained school members of the forum only). <input type="checkbox"/> De-delegated services from the schools block (voted on by the relevant maintained school members of the forum only).
Schools Forum approval is required	<input type="checkbox"/> Any movement of funding out of the schools block <input type="checkbox"/> Any deficit from the previous funding period that is being brought forward and is to be funded from the new financial year's schools budget. <input type="checkbox"/> Any brought forward deficit on de-delegated services which is to be met from the overall schools budget.
Schools Forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into.	<input type="checkbox"/> Capital expenditure funded from revenue (i.e. no new projects can be charged to the central schools budget). <input type="checkbox"/> Contribution to combined budgets. <input type="checkbox"/> Existing termination of employment costs (i.e. no new redundancy costs can be charged to the central schools budget). <input type="checkbox"/> Prudential borrowing costs.
Schools Forum approval is required on a line-by-line basis, including	<input type="checkbox"/> Funding for significant pre-16 pupil growth, including new schools set up

approval of the criteria for allocating funds to schools.	to meet basic need, whether maintained or academy. <input type="checkbox"/> Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within 3 years.
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Appendix B**National Funding Formula Values 2020-21**

<u>National Funding Formula Factor</u>	<u>NFF 2020-21 Values</u>	<u>NFF 2019-20 Values</u>	<u>% change</u>	<u>NELC Value used 2020-21</u>	<u>NELC Value used 2019-20</u>	<u>% change</u>
	<u>£</u>	<u>£</u>		<u>£</u>	<u>£</u>	
AWPU – Primary	2,857	2,747	4.0	3,077	3,050	0.9
AWPU Secondary KS3	4,018	3,863	4.0	4,018	3,880	3.6
AWPU Secondary KS4	4,561	4,386	4.0	4,700	4,600	2.1
Primary Minimum per pupil funding	3,750	3,500	7.1	3,750	3,500	7.1
Secondary Minimum per pupil funding	5,000	4,800	4.1	5,000	4,800	4.1
Current FSM top up – primary & secondary	450	440	2.2	0	0	0
FMS6 FSM top up – primary	560	540	3.7	560	540	3.7
FMS6 FSM top up – secondary	815	785	3.8	815	785	3.8
IDACI Band A - Primary	600	575	4.3	600	575	4.3
IDACI Band B - Primary	435	420	3.6	435	420	3.6
IDACI Band C - Primary	405	390	3.8	405	390	3.8
IDACI Band D - Primary	375	360	4.2	375	360	4.2
IDACI Band E - Primary	250	240	4.2	250	240	4.2
IDACI Band F - Primary	210	200	5.0	210	200	5.0
IDACI Band A - Secondary	840	810	3.7	840	810	3.7
IDACI Band B - Secondary	625	600	4.2	625	600	4.2

IDACI Band C - Secondary	580	560	3.6	580	560	3.6
IDACI Band D - Secondary	535	515	3.9	535	515	3.9
IDACI Band E - Secondary	405	390	3.8	405	390	3.8
IDACI Band F - Secondary	300	290	3.4	300	290	3.4
Low prior attainment - primary	1,065	1,022	4.2	1,065	700	4.2
Low prior attainment – secondary	1,610	1,550	3.9	1,610	1,550	3.9
EAL – primary	535	515	3.9	535	515	3.9
EAL - secondary	1,440	1,385	4.0	1,440	1,385	4.0
Primary Mobility	875	No value		0	0	
Secondary mobility	1,250	No value		0	0	
Lump sum – primary & secondary	114,400	110,000	4.0	114,400	110,000	4.0
Sparsity - primary	26,000	25,000	4.0	26,000	25,000	4.0
Sparsity - secondary	67,600	65,000	4.0	67,600	65,000	4.0
Primary: Secondary ratio DfE expectation				1:1.27	1:1.28	