

# **SCHOOLS FORUM**

**Meeting date: 29<sup>th</sup> October 2019**

**From: Daniel Barton  
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## **SCHOOLS FUNDING FORMULA 2020-21**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 At the last Schools Forum meeting on 20<sup>th</sup> June Schools Forum members were asked to consider and support two proposed measures to address the High Needs (HN) block deficit in 2020-21, namely, the ending of Targeted SEN Funding releasing £0.993m and the transfer of 0.5% or up to 0.75% of Schools Block funding releasing an estimated £1.427m and £2.141m based on the 2019-20 school budget shares respectively.**
- 1.2 On 4<sup>th</sup> September the Chancellor made an announcement on the school funding settlement for years 2020-21 to 2022-23. This included an additional £700m nationally for special educational needs confirmed for one year only. A report was presented to the School Forum BWG which highlighted that although the methodology for allocating this additional funding to local authorities has not yet been published, it is still expected that there will still be a significant pressure against the HN Block budget and therefore, the BWG were asked to support the LA proposal to continue to progress the two measures to address the DSG deficit above and consult all schools on the impact that this will have on individual school budget shares.**
- 1.3 At the BWG meeting of 18<sup>th</sup> September the full details of the funding arrangements for 2020-21 had not been released by the DfE, therefore it was agreed that once the DfE have published the notional schools national funding formula allocations (expected early October) modelling would be completed and a draft schools consultation document would be prepared and circulated for review ahead of the next full Schools Forum meeting re-scheduled for 29<sup>th</sup> October due to the late release of funding details from the DfE.**
- 1.4 Following the release of the funding arrangements on 11<sup>th</sup> October a draft schools consultation document and modelling of the impact of the proposal to transfer up to 0.5% on individual school budget**

*shares is presented at Appendices 1 and 2 for consideration by the Schools Forum with a view to the consultation being launched on 30<sup>th</sup> October for a period of 3 weeks. Once the outcome of the consultation is known a report will be presented at the next Schools Forum meeting on 26<sup>th</sup> November ahead of Cabinet who will make the final decision on the school funding formula for 2020-21 at its meeting on 19<sup>th</sup> December.*

## **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATION**

- 2.1 *Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.*

## **3.0 RECOMMENDATION**

- 3.1 *The Schools Forum is asked to:*

*- note the school funding settlement;*

*- note the LAs proposal to transfer up to 0.5% of Schools Block into the HN block and consider and feedback on the modelling of the impact of the proposal on individual school budget shares;*

*-note the timeline for agreeing the school funding formula for 2020-21;*

*- note the draft schools consultation document at Appendix 3 and feedback ahead of the consultation launch.*

## **4.0 BACKGROUND**

- 4.1 A national funding formula was introduced for schools from 2018-19 and in 2020-21 local authorities will continue to decide, following consultation with their schools and Schools Forum, whether this formula is applied or a locally determined formula is used.
- 4.2 Following consultation with all schools in November 2018 the School Forum members made a recommendation to Cabinet that the national funding formula be adopted in Cumbria and be used to allocate funding to primary and secondary schools in 2019-20 subject to any further changes that are notified by the DfE prior to that financial year. This recommendation was subsequently approved by Cabinet members at their meeting on 20<sup>th</sup> December 2018.
- 4.3 In 2019-20 the school budget shares were calculated using the national funding formula which included a minimum per pupil funding of £3,500 per primary and £4,800 per secondary pupil, a MFG of 0% and cap on gains of 2.065% against the 2018-19 baselines. When calculated on this basis, a surplus balance of £0.555m equating to 0.19% of the total Schools

Block was transferred to the HN block, as agreed by Schools Forum at its meeting held on 16<sup>th</sup> January 2019.

## 5.0 **SCHOOL FUNDING 2020-21**

5.1 It is a requirement that all maintained and academy schools are consulted on any changes to the local funding formula. Following this consultation, Schools Forum is then asked to make a recommendation to Cabinet on a proposed approach. Cabinet will then decide on the final formula for 2020-21.

5.2 A timeline for this process is set out below:

<b>Date</b>	<b>Task</b>
18 <sup>th</sup> September 2019	Schools Forum Budget Working Group consulted on the proposed basis for modelling the school funding formula for 2020-21 and the format of the consultation
29 <sup>th</sup> October 2019	Schools Forum approve final consultation document for issue to schools
30 <sup>th</sup> October 2019	Launch consultation with schools on arrangements for 2020-21 (incorporating any changes following the schools forum meeting)
20 <sup>th</sup> November 2019	Consultation ends
26 <sup>th</sup> November 2019	Schools Forum meeting (moved from 4 <sup>th</sup> December) to allow recommendation to Cabinet, and to meet Cabinet reporting deadlines.
19 <sup>th</sup> December 2019	Cabinet - report on School Funding 2020-21 presented and Cabinet decision to be made
Early January 2020	Following call-in period, notify schools of Cabinet decision on School Funding 2020-21
10 <sup>th</sup> January 2020	Schools Forum Meeting to agree 2020-21 DSG budget
Mid-January 2020 (tbc)	Deadline for submitting School Funding 2019-20 Proforma (showing all individual school budgets for 2020-21) to ESFA

5.3 As reported to the BWG at its meeting on 18<sup>th</sup> September, on 4<sup>th</sup> September the Chancellor announced a three year settlement stating that the schools budget would increase by £14bn by 2022-23. However, in a change from previous years, the full details of the school funding arrangements had not been released but were expected in early October.

5.4 Headline detail made available was that nationally the schools budget will rise by £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23, compared to 2019-20 levels. Separately to this central government will provide almost £1.5bn of funding each year to 2022-23 to compensate schools for the increased cost of teacher employer pension contributions which rose from 16.48% to 23.6% from 1<sup>st</sup> September 2019. It should be noted that £9m is also due to be allocated in 2019-20 nationally for the increase in teacher employer pension contributions which came into effect from 1<sup>st</sup> September 2019.

## 2020-21 National Funding Formula – key aspects

5.5 The schools settlement will allow central government to continue to implement the schools National Funding Formula and move towards a 'hard' formula. The key aspects of the formula for 2020-21 are:

- The minimum per pupil funding level will increase from £3,500 to £3,750 for primary schools and from £4,800 to £5,000 for secondary schools and will be mandatory;
- All factors within the formula will be increased by 4% with the exception of the Free Schools Meals factor which will be increased at inflation;
- Premises factor will be based on 2019-20 actual APT data;
- A new formulaic methodology for allocation mobility funding has been built into the national funding formula;
- The funding floor will be set at 1.84% per pupil although local authorities will continue to set a Minimum Funding Guarantee (MFG) which must be between +0.5% and +1.84% in their local formula;
- There will be no gains cap, all schools will attract their full core funding allocations under the formula, however, local authorities can continue to set a gains cap in their local formula.

5.6 From 2020-21 a new mobility factor has been included in the national funding formula. This factor was previously optional and only 63 local authorities that chose to use the factor in their local formula in 2018-19 were eligible for mobility funding in 2019-20, this formula factor was not used by Cumbria in 2019-20 as it did not form part of the national funding formula. The factor is intended to support schools with a high proportion of pupils who first join the school on a non-standard date. To be eligible for mobility funding the methodology involves tracking individual pupils through the last 3 years censuses. If the first census when the pupil was in the school was a spring or summer census, they are classed as a mobile pupil. This excludes reception pupils who joined in the summer term after the summer census or pupils who joined in October before the autumn census. If the proportion of mobile pupils in each primary or secondary phase is above a threshold of 6% the school will be eligible for mobility funding based on a per pupil amount of £875 primary and £1,250 secondary. The provisional NFF allocations indicate that based on October 2018 census data 85 primary and 5 secondary schools would be eligible for mobility funding totalling £0.221m.

5.7 As in 2019-20, local authorities will continue to have discretion over their schools funding formulae in 2020-21 and, in consultation with schools, will ultimately determine allocations in their areas. However, as a first step towards a 'hard' formula from 2020-21 the national minimum per pupil funding levels will be compulsory.

## Other Funding

5.8 There is also £400m investment in Further Education in 2020-21 nationally and from within this package £190m to increase core funding for 16-19 year olds and £210m targeted interventions such as high cost programmes, English and Maths resits, T Levels, the Advanced Maths Premium and workforce investments. This funding, which is for both colleges and schools with sixth forms, does not form part of the national funding formula.

## Early Years Block

5.9 The government will also increase Early Years spending by £66m nationally to increase the hourly rate paid to childcare providers through the government's free hours offer. At the time of preparing this paper the no further details have been released, however, once the details of the Early Years Block funding for 2020-21 are confirmed the current base rate will be reviewed to ensure that the increase is passed onto providers.

## Central Schools Services Block

5.10 The Central Schools Services Block funding, however, has decreased. The provisional allocation for Cumbria in 2020-21 is £4.412m a decrease of £0.590m compared to the 2019-20 allocation of £5.002m. The reduction relates to a 20% flat rate reduction in funding for historic commitments which funds central services including prudential borrowing, school capital maintenance, health and safety and staff costs. The impact of this reduction is currently being worked up and further details will be presented at a future meeting.

## High Needs Block

5.11 Finally, the settlement also includes £700m more in 2020-21 compared to 2019-20 funding for special educational needs for one year only. The provisional HN block allocation for Cumbria is £47.863m, a rise of £4.784m (11.1%) compared to the 2019-20 funding level of £43.080m. It should be noted that these figures are before deductions for direct funding of HN places by the ESFA which amounted to £3.892m in 2019-20. The final High Needs Block funding will be confirmed in December 2019 when the data used to calculate the funding is updated to reflect the October 2019 school census.

5.12 However, despite the provisional increase in special educational needs funding of £4.784m, which has only been confirmed for 2020-21, there will continue to be significant pressure on the HN block budget, as reported to Schools Forum on 20<sup>th</sup> June 2019 and the additional funding will not address the cumulative deficit on the DSG which is projected to be £7.899m at the end of 2019-20 per the recovery plan submitted to the DfE:

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
	£	£	£
Projected HN Block in-year pressure after savings applied	4.058m	6.604m	6.941m
DSG Deficit Brought Forward	3.841m	7.899m	14.503m
Projected DSG balance	<b>7.899m</b>	<b>14.503m</b>	<b>21.444m</b>

- 5.13 As shown in the table above, the in-year deficit in 2020-21 before the additional funding is projected to be £6.604m. Even with the additional funding estimated at £4.784m there will still be an estimated in-year shortfall of £1.820m. Therefore, in order to continue to work towards recovering the DSG deficit, as required by the DfE, it is still necessary to continue to progress the measure put to Schools Forum at the last meeting and consult all schools on the proposal to transfer funding from the Schools Block. The proposal to withdraw the Targeted SEN funding will not be progressed due to the negative impact that this will have on the most inclusive schools, the removal of which could be counterintuitive and lead to an increased pressure against the HN block budget with schools not being able to manage pupil needs effectively.
- 5.14 As in 2019-20 LAs are allowed to move up to 0.5% of funding in 2020-21 from the Schools Block into other blocks with the agreement of Schools Forum. If agreement is not received the LA would need to submit a request for a disapplication to the ESFA. A transfer above 0.5% would require Secretary of State approval, however, it is expected that these will only be approved on a very exceptional basis because of the additional HN funding recently announced for 2020-21 and also by transferring in excess of 0.5% out of the Schools block this moves away from the principle of a national funding formula and therefore the local authority is not proposing a transfer above this level.

### Modelling

- 5.15 At the time of the BWG on 18<sup>th</sup> September the full details of the schools funding arrangements for 2020-21 had not been published by the DfE which has created some difficulty in meeting the required timescales. Unlike in previous years it has not been possible to prepare the modelling and the draft schools consultation documents for review by the Schools Forum BWG ahead of the Schools Forum meeting today, as in previous years.
- 5.16 The provisional 2020-21 national funding formula allocations at individual school level based on October 2018 data were published by the DfE on 11<sup>th</sup> October. It should be noted that these figures do not represent actual 2020-21 school budget shares this is because the DfE calculate notional individual school budgets shares using the national funding formula based on October 2018 census data then aggregate the total primary and total secondary funding and divide this by the respective primary and secondary pupil numbers to arrive at a Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The PUFs and SUFs are then used to

allocate the Schools Block funding for 2020-21 to local authorities based on the October 2019 census from which the local authority, after consultation with schools and Schools Forum, decide on a locally determined school funding formula.

- 5.17 A number of proposed school funding formulas for 2020-21 have been modelled and the illustrative impact of each model is presented at Appendix 1. The models, which are compared against the actual 2019-20 school budget share allocations using October 2018 pupil numbers and characteristics, are shown before de-delegation and include premises factors so that a like for like comparison can be made. As in previous years the modelling is indicative only, this is because the actual individual school budget shares for 2020-21 will be calculated using the actual October 2019 census pupil data and characteristics.
- 5.18 Appendix 1 shows four modelled scenarios for illustrative purposes. It should be noted that under all 4 models all schools gain funding compared to their 2019-20 baseline funding:

**Model A** - this shows the impact of applying the national funding formula in full as applied by the DfE. This includes the mandatory Minimum per Pupil levels of £3,750 per primary and £5,000 per secondary pupil, a Minimum Funding Guarantee of 1.84% per pupil funding and no cap on gains. When the formula is applied on this basis, based on the provisional allocations provided by the DfE, there is a surplus unallocated balance of £1.170m equating to 0.39% of the total provisional Schools Block allocation as the below table demonstrates:

	<b>£m</b>
Provisional notional NFF allocations for 2020-21 published by DfE	£298.698m
Estimated growth funding based on 2019-20 allocation	£1.352m
<b>Total estimated funding available through Schools Block 2020-21</b>	<b>£300.050m</b>
Estimated School Block funding allocated to schools through the NFF funding formula (see Appendix 1 – Model A)	£298.680m
Budget for growth fund based on 2019-20 level	£0.200m
Estimated balance to transfer to HN Block (0.39%)	£1.170m
<b>Total allocated</b>	<b>£300.050m</b>

Under this model it is proposed that this surplus is transferred to the High Needs Block to support the budget pressures.

**Models B and C** – these models show the impact of transferring 0.5% to the HN Block which is estimated at £1.500m based on the provisional Schools Block allocation for 2020-21, as follows:

	<b>£m</b>
Provisional notional NFF allocations for 2020-21 published by DfE	£298.698m
Estimated growth funding based on 2019-20 allocation	£1.352m
<b>Total estimated funding available through Schools Block 2020-21</b>	<b>£300.050m</b>
Estimated School Block funding allocated to schools through the NFF funding formula (see Appendix 1 – Models B and C)	£298.350m
Budget for growth fund based on 2019-20 level	£0.200m
Estimated balance to transfer to HN Block (0.5%)	£1.500m
<b>Total allocated</b>	<b>£300.050m</b>

Under these models the reduction in school level funding is managed through the MFG and capping factors. Both Models apply all the national funding formula factors however in order to manage down the funding to allow a transfer of £1.500m under Model B a MFG of 1.84% has been applied (in line with the NFF) but gains are capped at 43.93%. Under Model C the same factors are applied but to allow greater gains the cap has been set at 52.15% and the MFG has been reduced to 1.5%. Under Model B 20 schools losing funding whereas Model C 50 schools lose funding.

**Model D** – this model also shows the impact of transferring 0.5% (estimated at £1.500m) to the HN Block. As previously reported to Schools Forum the most equitable method of applying the transfer would be to reduce the Aged Weighted Pupil Unit (AWPU) whilst maintaining the same ratios as applied in the national funding formula. All other factors in this model are as per the national funding formula for 2020-21. The AWPU reduction required to effect the transfer is as follows:



	<b>NFF AWPU Values 2020-21</b>	<b>Ratio</b>	<b>Reduction</b>	<b>Reduced AWPU Values required to Transfer 0.5% to HN Block</b>
Primary	£2,857	1	£8	£2,849
Key Stage 3	£4,018	1.41	£11	£4,007
Key Stage 4	£4,561	1.60	£12	£4,549

5.19 All schools will gain funding under all 4 models. However, Models B and C (0.5% transfer managed through applying a capping factor and reducing the MFG) show that only a small number of primary and secondary schools lose funding compared to Model A which represents the national funding formula implemented in full, however, the losses under Models B and C for the small number of schools affected are significant.

5.20 Model D shows that majority of schools lose a small amount of funding compared to Model A (NFF in full) which represents a much fairer spread of the 0.5% transfer and it should be noted that all schools are gaining funding compared to the 2019-20 baselines. It is only the schools that are receiving additional funding through the Minimum per Pupil Funding level and the MFG which guarantees at least 1.84% increase in per pupil funding compared to the 2019-20 baselines that are not losing funding under Model D.

5.21 Appendix 2 shows three worked examples at school level of the impact of the 4 modelled school funding formulas and explains why some schools are funded at the same level under all 4 models whereas other schools see a reduction in their funding.

5.22 Following the outcome of the modelling work, it is recommended to Schools Forum that:

- the national funding formula is continued to be used as the basis for the local funding formula in 2020-21;

- schools are consulted on Model A – national funding formula implemented in full with surplus balance estimated at 0.39% (£1.170m) transferred to HN Block (Option 1) and Model D – 0.5% transfer to High Needs Block (estimated at £1.500m) effected through reducing the NFF AWPU values with all other factors remaining at the same level (Option 2).

5.23 It should be noted that it is not possible to confirm the actual value of the surplus balance under Option 1, or the 0.5% transfer under Option 2 and if

the level of APWU values required to ensure that the formula is affordable until the DfE publish the final data set in December 2019 which is used to calculate the school budget shares and which takes into account the October 2019 census pupil data and characteristics.

5.24 Therefore, Schools Forum are asked to agree the principles of a transfer (either Option 1 NFF applied in full with any balance transferred to high needs block, or Option 2 reduction in AWPU values to allow a 0.5% transfer to High Needs block) and the LA will balance the budget if there is a variation (either positive or negative) between the final agreed school funding formula for 2020-21 as approved by Cabinet and the final Schools Block funding available for 2020-21 due to be published by the DfE in December 2019. The principle behind Option 1 is that if, after applying the NFF in full, any remaining surplus balance (whether less than or more than the estimated £1.170m) will be transferred to the high needs block up to a maximum equating to 0.5%. If the surplus is less than 0.5% it will be transferred in full, but if the surplus is greater than 0.5% only 0.5% will be transferred to the High Needs block with the balance above 0.5% retained in the Schools Block for the growth fund budget. As in previous years, local authorities are allowed to have a growth budget funded through the Schools Block. Last year, Schools Forum approved a budget of £0.200m for growth funding. The growth fund budget is accessible to both maintained and academy schools and a report is provided annually to the Schools Forum on the criteria for accessing the fund and the allocations made to schools.

5.25 The principle behind Option 2 (reduced AWPU values) is that if the excess balance after applying the formula factors is greater than 0.5% then AWPU values would be increased to ensure that only 0.5% would be transferred to the HN block to ensure that the full 99.5% (after taking into account the growth fund budget) is allocated to schools through the schools funding formula. Likewise, if the surplus balance, after applying the reduced AWPU values is less than 0.5% then the AWPU values would be reduced to ensure that the full 0.5% can be transferred to the HN block.

5.26 As the school funding formula for 2020-21 is still subject to consultation, the in principle agreement of the treatment of any surplus or shortfall in Schools Block balance to transfer to the HN block will be confirmed once a recommendation has been received from Schools Forum to Cabinet on the shape of the schools funding formula for 2020-21 following the outcome of the consultation.

## **6.0 SCHOOL FUNDING FORMULA 2020-21 CONSULTATION DOCUMENT**

6.1 The draft consultation document and accompanying appendix showing the impact of Option 1 (NFF in full with estimated 0.39% transfer) and Option

2 (reduced AWPU values with 0.5% transfer) on individual school budget shares is attached at Appendix 4 for consideration.

- 6.2 The consultation seeks views from schools on the proposal that Cumbria continues to use the national funding formula to allocated funding to schools in 2020-21. It also proposes that an estimated £1.170m equating to 0.39% or £1.500m equating to 0.5% Schools Block is transferred to the HN Block in 2020-21 to address the DSG deficit caused by the HN budget pressures.
- 6.3 It is proposed that the consultation, once finalised following feedback from Schools Forum, will run for a period of 3 weeks commencing on 30<sup>th</sup> October. A report on the outcome of the consultation will be presented to Schools Forum at its meeting on 26<sup>th</sup> November for consideration ahead of the final decision being made on the school funding formula for 2020-21 being made by Cabinet on 19<sup>th</sup> December 2019.

## **7.0 OPTIONS**

- 7.1 Schools Forum are asked to note the announced changes to the 2020-21 school funding and the timeline for finalising and agreeing the school funding formula for school budget shares. It is also asked support the recommendation to consult all schools on implementing the NFF in full and transferring the surplus balance estimated at £1.170m to HN Block (Option 1) and the transfer of 0.5% to HN Block estimated at £1.500m through reducing the NFF AWPU values (Option 2).

## **8.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

- 8.1 Resource and value for money implications are considered throughout this report.
- 8.2 The Department for Education has announced changes to school funding from 2020-21 and as in previous years it is a requirement that the LA consults all schools and School Forum on any proposed changes to the local funding formula as LAs continue to have local flexibility in setting the funding formula for Cumbrian schools in 2020-21. Local authorities also to have flexibility to transfer up to 0.5% of Schools Block funding to other blocks. Transfers above 0.5% require Secretary of State approval.
- 8.3 The Dedicated Schools Grant central reserve closed the 2018-19 financial year with a deficit of £3.841m. The HN recovery plan predicts that the deficit on the HN Block will increase to £9.591m and this, taking into consideration the predicted surplus on the other DSG budgets, will increase the projected overall DSG deficit to £7.899m.
- 8.4 The proposed measure to transfer up to 0.5% of Schools Block will, whilst addressing the deficit on the DSG as required by DfE, have a negative impact on individual school budget shares.

## **9.0 CONCLUSION**

- 9.1 This paper presents to the Schools Forum a summary of the government announced changes to the Schools Block funding from 2020-21. It also provides a proposed timeline for consulting all schools on the proposed transfer of up to 0.5% of Schools Block funding to the HN Block and to consider and provide comments ahead of the consultation being launched on 30<sup>th</sup> October.

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*24<sup>th</sup> October 2019*

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*Appendix 1 – Illustrative School Funding Formulas for 2020-21 (using 2019-20 pupil numbers and data) including premises factors and before de-delegation (maintained schools)*

*Appendix 2 – Worked Examples – Illustrative Impact of School Funding Formulas for 2020-21*

*Appendix 3 – Draft Consultation document – School Funding Formula 2020-21*