

To: The Chair of Governors and Headteachers of all Lincolnshire maintained schools and academies

25th November 2019

Dear colleague

**Mainstream Schools National Funding Formula 2020/21
Lincolnshire County Council's consultation with all maintained schools and academies**

The purpose of this letter is to communicate the launch of the Local Authority's consultation on mainstream schools funding with all of the county's maintained schools and academies in light of the government's funding announcement this autumn on the national funding formula proposals for 2020/21.

The government first introduced the national funding formula 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 national funding formula arrangements so that schools' allocations were on a sensible trajectory towards the full formula.

The introduction of the national funding formula was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. To enable a managed transition to take place nationally, the government adopted a funding floor and ceiling approach to enable incremental steps for schools to move towards the full formula allowing for a financially sustainable re-distribution of funding across the country.

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 continue to rise in monetary value through the transition to the full national funding formula. Although sector unit funding levels are below the England average, Lincolnshire's position nationally has improved when making comparisons. Lincolnshire's primary unit value has increased by £373 from 2018/19, and Lincolnshire's secondary unit by £346.

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,184	£4,337	-£153	62
Secondary	£5,279	£5,606	-£327	52

Lincolnshire County Council consulted schools and academies in November 2017 on the Local Authority's proposals to replicate the government's national funding formula in 2018/19 for mainstream schools, and support the direction of travel to adopt the government's full national funding formula. The Local Authority funding formula proposals and responses from schools were considered at the Schools Forum and Children and Young Peoples Scrutiny committee

meetings, before the Executive Councillor on the 10 January 2018 gave approval to replicate the schools national funding formula for 2018/19.

In 2019/20, Lincolnshire's mainstream primary and secondary schools continue to receive funding using the same formula factors and monetary values as the national funding formula, alongside the government's agreed funding floors and ceilings approach.

On 30 August 2019, the Prime Minister announced an 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.

The announcement of additional funding for mainstream schools and national funding formula changes require Local Authorities to engage in an open and transparent consultation on their 2020/21 funding formula. The Local Authority is therefore consulting with its local schools, academies and Schools Forum on its proposed schools funding formula changes for 2020/21.

The policy documents released in September and October 2019 by the department can be found from the links below.

[Schools Revenue Funding 2020 to 2021 Operational Guidance](#)

[NFF - Schools Block Technical Note](#)

The latest Schools Forum paper on the national funding formula was presented on the 10th October 2019:

[National Funding Formula for Schools - Update for 2020/21](#)

On 14 November 2019, an email was sent to maintained schools and on the 18 November 2019 to academies advising them of the Local Authority's intention to conduct this consultation exercise. The Local Authority has worked through the government national funding formula announcements and guidance documents, including technical notes released in October 2019. The technical notes have enabled detailed modelling work to be undertaken by the Local Authority to understand the government's proposed changes.

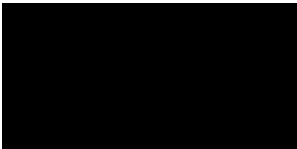
The timescales for consulting are tight (with a deadline of 13 December 2019) due to the lateness in the government releasing the national funding formula technical information and datasets; the requirements for the Local Authority to table the outcomes of the consultation for consideration at the Schools Forum (16 January 2020) and Children's & Young Peoples Scrutiny Committee (17 January 2020) before a final decision is made by the Portfolio Holder on the 21 January 2020. The Local Authority is required to submit the agreed funding formula for 2020/21 based on the latest October 2019 census information to the Education & Skills Funding Agency (ESFA) by the 21 January 2020 for approval. The deadline for confirming schools budgets is the 29 February 2020.

The Local Authority is consulting on the proposal to continue replicating the national funding formula in 2020/21. There are a series of questions that schools are asked to respond to that will help shape the formula for 2020/21. As part of the consultation exercise, the ESFA requires Local Authorities to illustrate the likely financial impact of its proposals upon individual schools. This is enclosed within the supporting documentation, which is based on the schools October 2018 census data (due to the October 2019 census data not being available at this time), and

the 2019/20 baseline information for illustrative funding purposes. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the schools October 2019 census information. The position will of course be clear when final budgets for 2020/21 are published by the 29 February 2020.

To ensure openness and transparency, and to aid schools' understanding, the Local Authority has provided a sufficient level of detail (including links to government pages) and illustrative school allocations to assist schools in this process, and to help schools respond to the consultation by completing and returning the enclosed proforma by 13 December 2019.

Yours sincerely



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MAINSTREAM SCHOOLS NATIONAL FUNDING FORMULA 2020/21

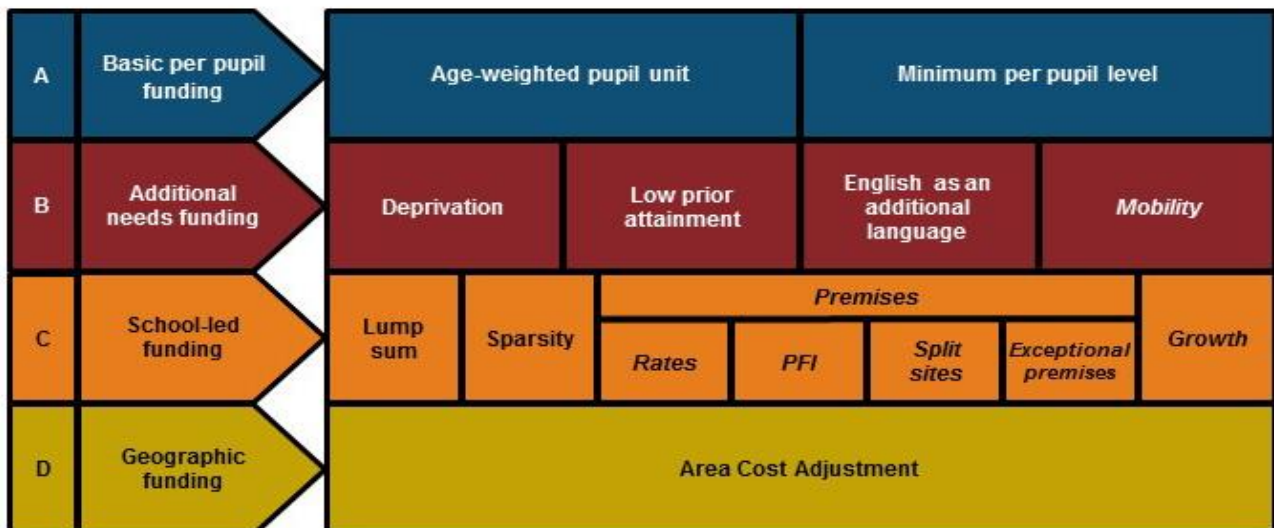
LINCOLNSHIRE COUNTY COUNCIL'S CONSULTATION WITH ALL MAINTAINED SCHOOLS AND ACADEMIES

Background

The government first introduced the mainstream national funding formula plan in 2018/19. The government plan has been to transition to the national funding formula through a 'soft' approach in the periods 2018/19 to 2020/21, whereby Local Authorities continue to be responsible for calculating schools funding allocations.

The overall Schools block funding is determined at a Local Authority level by the government's national funding formula by calculating notional budgets for each school. Local Authorities have been encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to the full formula.

The government's building blocks of the schools national funding formula continue to include the following for 2020/21:



The key points from the government's schools national funding formula announcement for 2020/21:

- Each Local Authority will continue to set the local schools formula for 2020/21 except for the minimum per pupil funding levels.
- As a move towards the 'full' formula for 2020/21, the DfE are proposing to make the minimum per pupil funding levels a mandatory factor in Local Authorities local formula.
- The minimum per pupil funding levels will be set at £3,750 for primary schools (currently £3,500) and £5,000 for secondary schools (currently £4,800). The primary level is planned to rise to £4,000 in 2021/22.
- All pupil-led formula factors will increase by 4% in monetary value. Exceptions to this include the free school meals factor, which will increase at the rate of inflation to broadly reflect actual costs.
- Premises funding, namely, rates will continue to be allocated to Local Authorities on the basis of actual spend in 2019/20.
- There will be no gains ceiling cap in 2020/21. All schools will attract at least their full allocations under the formula. This is a positive outcome for gaining Local Authorities like Lincolnshire, since a number of schools gaining through the national funding

formula had funding gains capped¹. To ensure affordability Local Authorities will still be able to use a cap in their local formula.

- The LA has flexibility to set the Minimum Funding Guarantee (MFG) between +0.5% and +1.84%. The current MFG is 0%.
- A schools' funding floor baselines will use the national funding formula allocations in 2019/20 in line with the MFG methodology.
- A new formulaic approach will be applied to the mobility factor from 2020/21. Schools will only start to trigger funding if the proportion of mobile children exceeds 6% of the schools' pupil numbers, and will only receive funding above this threshold. Lincolnshire will start to receive mobility funding from 2020/21 through the NFF.

Please refer to page 13 for the national funding formula factors monetary amounts planned for 2020/21 and page 14 refers to those in place for 2019/20.

Please note. The DfE has recently undertaken a Call for Evidence exercise relating to the funding for young people with special educational needs and disabilities in schools & colleges. The government's introduction of the national funding formula did not address notional SEN and targeted funding, therefore the exercise is intended to shape schools SEN funding going forward. Lincolnshire County Council contributed to this exercise, and schools were also encouraged to participate in this review also. It is anticipated that any planned changes will not come into place until 2021/22.

¹ Using 2019/20 funding arrangements, Lincolnshire schools overall would be set to receive an increase in funding of £5.272m (primary schools: £4.534m and secondary schools: £0.738m) from removing the gains ceiling cap.

CONSULTATION QUESTIONS – PRIMARY AND SECONDARY MAINSTREAM SCHOOLS

Enclosed within the supporting documentation is the schools illustrative financial impact based on the proposals of adopting the government's national funding formula (NFF) changes for 2020/21. The illustrative funding for schools is based on the schools October 2018 census data (due to the October 2019 census data not being available at this time), and the 2019/20 baseline information. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the updated schools October 2019 census information. The position will be clear when final budgets for 2020/21 are published by the 29 February 2020.

Gains Ceiling Cap

To ensure the affordability of the NFF, the government previously applied transitional protection by way of a percentage cap for schools gaining in pupil-led funding. Schools gaining in pupil-led funding against its 2017/18 baseline had been limited to 3.00% in 2018/19 and 6.09% in 2019/20 in per pupil gains to enable incremental steps for schools to move towards the full formula allowing for a financially sustainable re-distribution of funding across the country.

The government has announced that there will no gains ceiling cap in 2020/21. The Schools block funding determined at a Local Authority level by the government's formula will ensure all schools attract at least their full allocations under the NFF. This is a positive outcome for Lincolnshire schools. Lincolnshire schools overall were gaining through the introduction of the government's NFF, however a number of schools increases in funding were being limited by the gains ceiling cap². By adopting a no gains ceiling cap, gaining schools will not be financially disadvantaged due to their historic funding position, and will from 2020/21 be funded at a fairer level that is consistent with comparable schools across the country.

Question 1

Do you agree that the Local Authority should adopt the government's proposal of allowing all mainstream schools to attract at least their full allocations under the NFF by having no percentage gains ceiling cap in 2020/21?

Yes / No

² Using 2019/20 funding arrangements, Lincolnshire schools overall would be set to receive an increase in funding of £5.272m (primary schools: £4.534m and secondary schools: £0.738m) from removing the gains ceiling cap.

If the answer is **no**, please outline the reasons why, the desired per-pupil percentage gain in 2020/21, and where funding should be redirected to (for example, increase the monetary amount of formula factors, such as the age weighted pupil unit funding, ensure the minimum funding guarantee is maintained at +1.84%).

Mobility Factor

The government has introduced a new formulaic approach to the mobility factor from 2020/21. The mobility factor in the NFF is intended to support schools that have a high proportion of pupils joining the school mid-way through the academic year. Schools will only start to trigger funding if the proportion of mobile children exceeds 6% of the schools' pupil numbers, and will only receive funding above this threshold. The measure counts pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils).

The Local Authority does not have a mobility factor presently within the local funding formula, and has not previously been in receipt of funding from central government for this factor. From 2020/21, Lincolnshire will start to receive mobility funding through the NFF.

A select number of schools across Lincolnshire are impacted by mobile pupils, however it was previously concluded that the cost for mobile pupils was small (c.£150 per pupil) and due to the government's previously set threshold of 10% before funding is received for those pupils above this level, the funding going out to schools would be minimal and would be offset by a reduction in another formula factor to fund it. The mobility funding will however be new monies coming into Lincolnshire designed to be targeted at this pupil group.

The mobility factor is an optional funding formula factor.

Question 2

Do you agree that the Local Authority should adopt the government's new mobility factor in 2020/21?

Yes / No

If the answer is **no**, please outline the reasons why and where the funding should be re-distributed through the NFF.

Minimum Funding Guarantee

The Local Authority is currently required to set a minimum funding guarantee³ (MFG) per pupil between minus 1.5% and 0% against the schools existing per pupil baseline. The 2019/20 MFG level is 0%, which is protecting all schools against per pupil funding reductions through the implementation of the NFF.

The government has announced in 2020/21 that Local Authorities have the flexibility to set an MFG between +0.5% and +1.84%. A decision is required to set the level of MFG for 2020/21.

Question 3

Do you agree that the Local Authority (subject to affordability) should adopt the government's proposal of a +1.84% MFG per pupil protection in 2020/21?

Yes / No

If the answer is **no**, please outline the reasons why and the level of MFG to be set at, and where the funding should be re-distributed through the NFF.

Affordability

It is crucial that the overall funding delegated to schools is affordable based on the allocation made through the Schools block of the Dedicated Schools Grant to the Local Authority from central government. There remain a number of uncertainties that impact affordability.

- The Local Authority Primary and Secondary Units of funding used to finance the Schools block, which schools calculations are based on, are based on the previous years' data / characteristics. This therefore does not take account of up to date pupil characteristics and

³ To protect schools from significant budget reductions, the minimum funding guarantee (MFG) ensures that no school loses more than a certain percentage per pupil compared to its prior year per pupil budget. A negative MFG allows school budget reductions to be set in a more sustainable way.

any associated costs that are used to fund the new year school funding allocations. Such cost differences have to be managed within the Schools block.

- Growth funding for planned reorganisations is allocated to Local Authorities using a formulaic approach based on the growth in pupil numbers between the October 2018 and October 2019 censuses. The government's growth funding applies a lagged approach rather than forecasting future growth expected, which does create financial uncertainty when meeting planned school growth future needs.
- The DfE continues to use historic spending to finance some school formula factors e.g. premises, such as rates adjustments. This time lag does not take account of current year rises in costs (particularly for rates' rises) therefore such cost increases have to be managed within the existing funding levels, for example, 2020/21 government allocated rates funding uses schools published rates funding for 2019/20, which is based on the 2018/19 rates value.

Question 4

If affordability is an issue in setting schools budgets for 2020/21 based on the government's Schools block Local Authority allocation, do you agree that the MFG (referred to in Question 3) is reduced (to a maximum of +0.5%) to make it affordable?

Yes / No

If the answer is **no**, please outline the reasons why and how the funding shortfall is to be addressed, such as apply a percentage gains ceiling cap; reduce the monetary amount of age weighted pupil unit funding; other, etc.

Rates Funding

Within the current funding formula, schools receive initial rates funding based on their actual rates bill from the prior financial year.

Local Authorities can make adjustments to rates funding during the financial year, but it must be undertaken outside the funding formula. The Local Authority currently undertake this rates funding adjustment through requesting each autumn term for information on the actual rates bills. The adjustment ensures the actual rates bill matches the rates funding the school receives.

The Schools Forum supported the Local Authority's proposal to earmark monies to fund the 2020/21 rates adjustment from the Dedicated Schools Grant underspend. No future years funding commitments have however been made available for the rates adjustment. Schools will therefore be required to meet this rates adjustment cost from 2021/22.

Question 5

Do you agree that the Local Authority should apply the rates adjustment in 2020/21 to schools funded through the Dedicated Schools Grant underspend?

Yes / No

If the answer is **no**, please outline the reasons.

Private Finance Initiative (PFI) schools

Lincolnshire has three PFI primary schools that were built in the early 2000s. The PFI contractual commitments are in place until 31 August 2032. The contractual commitments to finance these ongoing costs are funded through a government grant, and the Central Schools Services Block (CSSB) of the Dedicated Schools Grant funds the remainder known as the PFI 'affordability gap'. The schools pay for building related activities provided by the contractor for caretaking, cleaning, repairs and maintenance for example, through their delegated budget shares.

The CSSB funds the Local Authority ongoing responsibilities and historic commitments for its schools. The government has previously indicated that historic commitments funding should reduce as contracts come to an end. From 2020/21, the government's intentions were to reduce the historical commitments funding allocations where Local Authorities expenditure has not reduced to support its drive towards the move to the full national funding formula. Funding levels for historic commitments from 2020/21 remained unclear until the government confirmed its position last month. To the Local Authority's surprise, the government plan to reduce the historic commitments funding by 20%. The Local Authority is challenging this position since this historic contractual commitment does not cease until August 2032.

The government has set its intentions with the planned funding reduction, therefore to ensure this financial risk is mitigated and a sustainable approach is adopted, the Local Authority is proposing to create a PFI funding formula factor for these three primary schools by reinvesting the available central budget. The Local Authority had set a prudent PFI budget in 2019/20 in anticipation of the government's intentions of reducing historic commitments funding.

The purpose of this PFI factor is to provide additional funding to these three schools to meet the devolved PFI affordability gap and unavoidable costs to be charged. There will be no cost implications from this proposal for these schools. By creating the PFI formula factor, the government will fund the current funding distributed going forward including uprating funding in line with inflation, using RPIX.

Question 6

Do you agree that the Local Authority should create a new PFI formula factor for the three PFI primary schools to meet its affordability gap and unavoidable costs?

If the answer is **no**, please outline the reasons why.

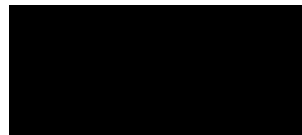
HOW TO RESPOND

The consultation closes on 13 December 2019. Schools are asked to complete the proforma attached (as this will aid the collation and analysis of responses which needs to be completed within a tight timescale) and email it to the following address with the email titled 'Schools National Funding Formula Consultation Response':

schools_finance@lincolnshire.gov.uk

Should you have any queries regarding these proposals, schools are to address correspondence to the above email account with the email titled 'Schools National Funding Formula Query' for the Schools Finance Team to respond to.

As indicated at the beginning of this document, the results of this consultation exercise will be reported to various groups. That information will also be made available to all schools.



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Proposed National Funding Formula – 2020/21

Formula Factors	Primary Rates		Secondary Rates	
<u>Basic per-pupil funding</u>	KS1 & 2	£2,857	KS 3 KS 4	£4,018 £4,561
<u>Additional needs funding</u>				
Ever 6 FSM		£560		£815
Current FSM		£450		£450
IDACI F (Between 0.2 and 0.25)		£210		£300
IDACI E (Between 0.25 and 0.3)		£250		£405
IDACI D (Between 0.3 and 0.35)		£375		£535
IDACI C (Between 0.35 and 0.4)		£405		£580
IDACI B (Between 0.4 and 0.5)		£435		£625
IDACI A (Between 0.5 and 1)		£600		£840
Low Prior Attainment		£1,065		£1,610
English as an additional language		£535		£1,440
Mobility		£875		£1,250
<u>School-led</u>				
Lump Sum		£114,400		£114,400
Sparsity (NFF)		£26,000		£67,600
Primary Minimum Per Pupil Funding Level		£3,750		£5,000

Funding for premises factors such as Rates, Split-site and Rents will continue in line with the current year.

National Funding Formula – 2019/20 (for comparison purposes)

Formula Factors	Primary Rates		Secondary Rates	
<u>Basic per-pupil funding</u>	KS1 & 2	£2,746.99	KS 3 KS 4	£3,862.65 £4,385.81
<u>Additional needs funding</u>				
Ever 6 FSM		£540		£785
Current FSM		£440		£440
IDACI F (Between 0.2 and 0.25)		£200		£290
IDACI E (Between 0.25 and 0.3)		£240		£390
IDACI D (Between 0.3 and 0.35)		£360		£515
IDACI C (Between 0.35 and 0.4)		£390		£560
IDACI B (Between 0.4 and 0.5)		£420		£600
IDACI A (Between 0.5 and 1)		£575		£810
Low Prior Attainment		£1,022		£1,550
English as an additional language		£515		£1,385
<u>School-led</u>				
Lump Sum		£110,000		£110,000
Sparsity (NFF)		£25,000		£65,000
Primary Minimum Per Pupil Funding Level		£3,500		£4,800