



Item 6.1a

Briefing note

To: Schools Forum **Author:** Claire Emmerson

Date: 26 November 2020

Purpose of the Paper:

Information	√
Consultation	√
Decision	

Title of Briefing: **Update on National Funding Formulae and the Outcome of Consultation with All Schools on Funding Distribution for 2021/22**

Purpose of Paper

- 1.1 This paper provides a summary of the outcomes from the consultation exercise carried out with all schools in October and November 2020 in relation to the Schools block, Local Funding Formula (LFF) in North Tyneside.
- 1.2 It also provides an outline of the current information available relating to 2021/22 for each funding block of the Dedicated Schools Grant (DSG) including indicative allocations (based on October 2019 census data) which were announced in October 2020.
- 1.3 This report also contains a brief update on the draft 2020/21 budget monitoring position after the first set of monitoring visits to schools.

Consultation Responses for Local Funding Formula Changes

- 2.1 Officers from the Authority have been working with the Schools Finance Subgroup, to review the Authority's Local Funding Formula (LFF) for schools and what the potential impact would be if the LFF was moved towards the National Funding Formula (NFF). The outcome of that work was presented to Schools Forum on 1 October 2020 and two funding models were proposed. These were: -
 - Option 2. Move 100% to national funding formula (NFF) and capping maximum increase at 4.5%
 - Option 4. Move 75% to national funding formula (NFF) with no capping

Each of the models put forward were presented in summary and the reasons for the selected MFG rates and capping were explained in relation to the estimate allocation and the relative gap to full NFF. At its meeting on the 1 October, Schools Forum agreed to consult with all schools on these options. A consultation exercise was carried out with all schools during October and November 2020, with all headteachers, school leaders and governors given the opportunity to reply.

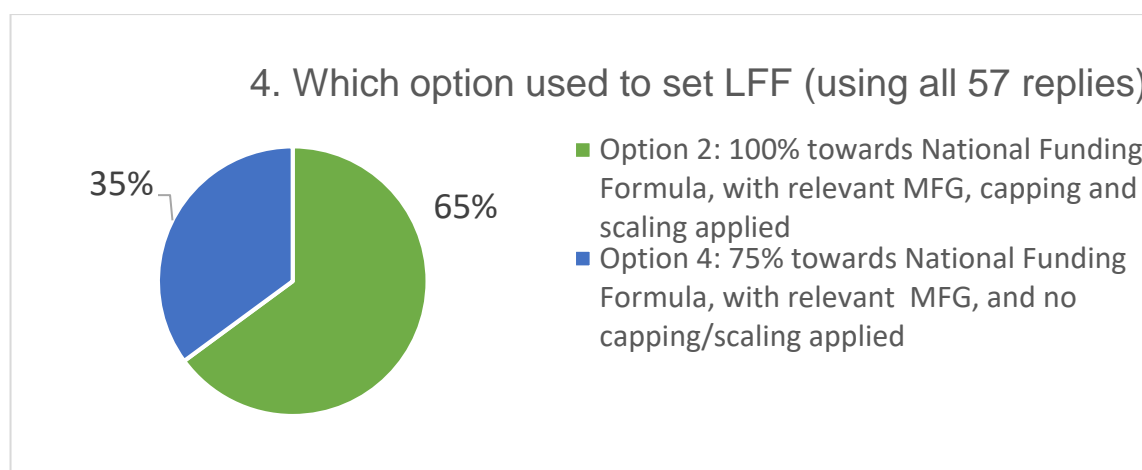
During the consultation a number of engagement events with school staff, headteachers and governors were held to provide additional information on the modelling work performed and to support schools to give an informed response. In total 57 surveys were completed from 38 different schools. The response rate moved from 68% in 2019 to 54% in 2020 with responses received from 31 head teachers and 19 governors or governing bodies, plus 7 from other leadership figures. The responses were split by phase as follows;

Table 1: Response Rates to the Consultation by Phase

Phase	Number Schools Responded	Number in Phase	Response Rate
Primary	23	47	49%
First	3	7	43%
Secondary Middle	3	5	60%
Secondary High	9	11	82%
All Through	0	1	0%
Total	38	71	54%

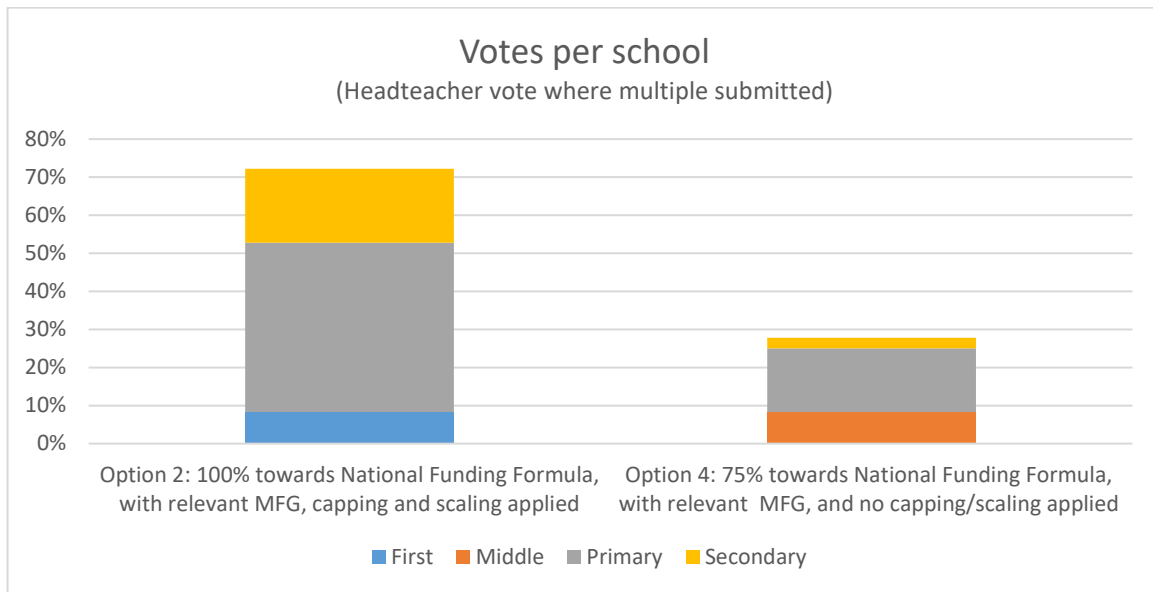
2.2 Responses to the consultation questions from the respondents are summarised below. These have been analysed based on both the total number of votes and limiting to one vote per school (usually casting the headteacher vote).

Chart 1(a): Which of the following options would you support as the method of allocating funding for 2021/22?



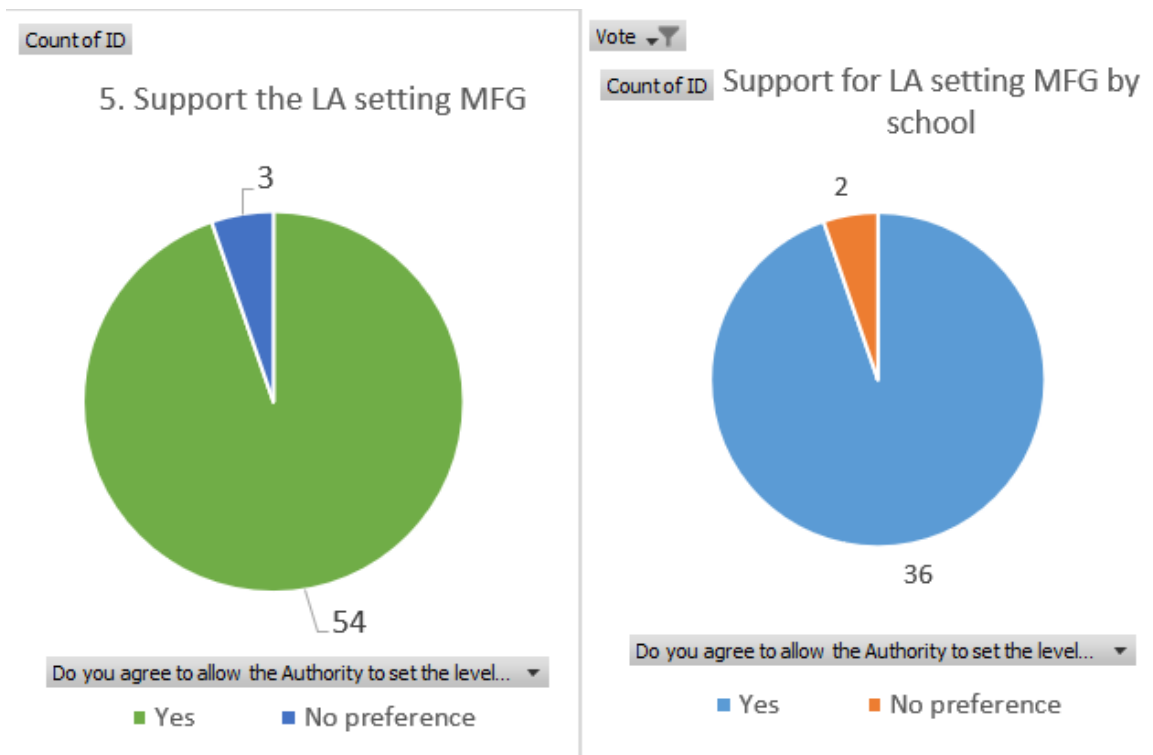
2.3 Total votes leaned 65/35 towards option 2, whilst votes per school were clearer with 72/28 towards option 2.

Chart 1(b): Analysis for Votes by School Phase



2.4 In conclusion, the consultation favours moving 100% towards NFF with relevant MFG, capping and scaling applied. A factor impacting selection was the application, or not, of capping. The chart below does show an overwhelming majority agree to allow the Authority to set a fair MFG based on the available funding both overall and by school.

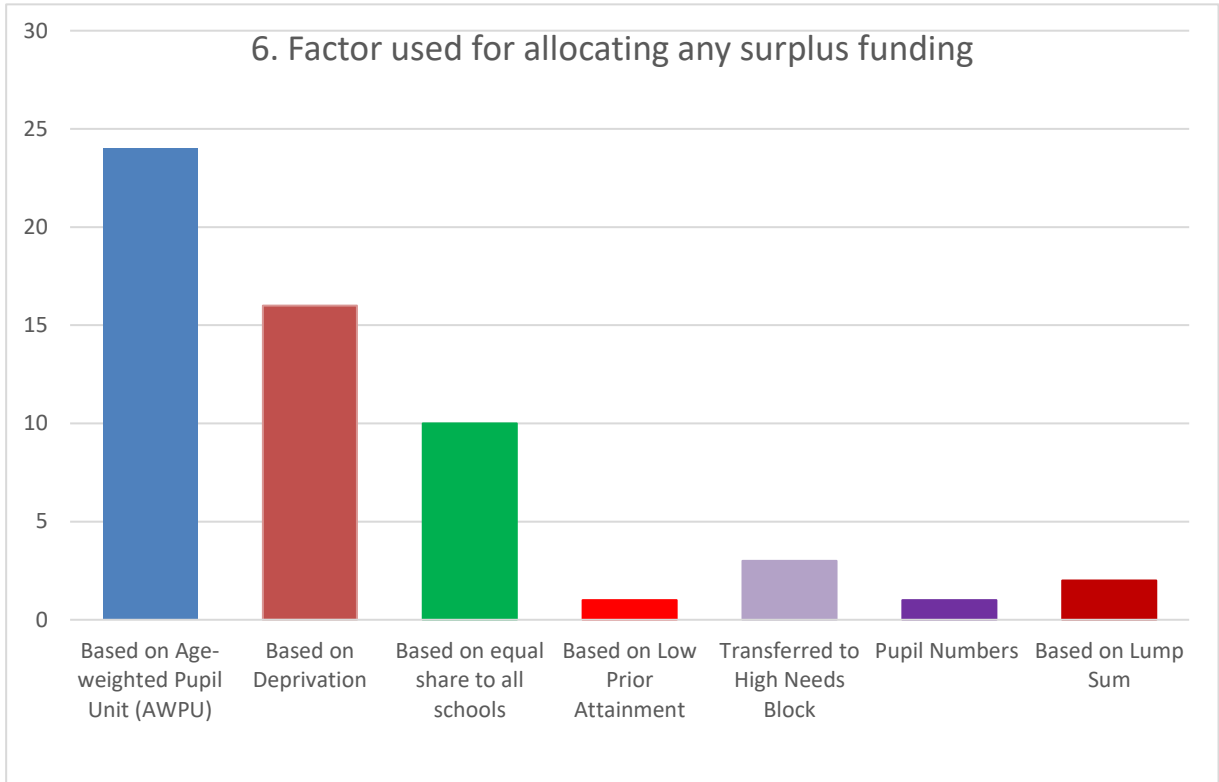
Chart 2: Do you agree to allow the Authority to set the level of Minimum Funding Guarantee subject to affordability, based on the final funding allocation?



2.5 In reviewing how best to allocate any surplus funding respondents were offered seven options, plus “other”. The preferred option remains to be using age-weighted pupil units

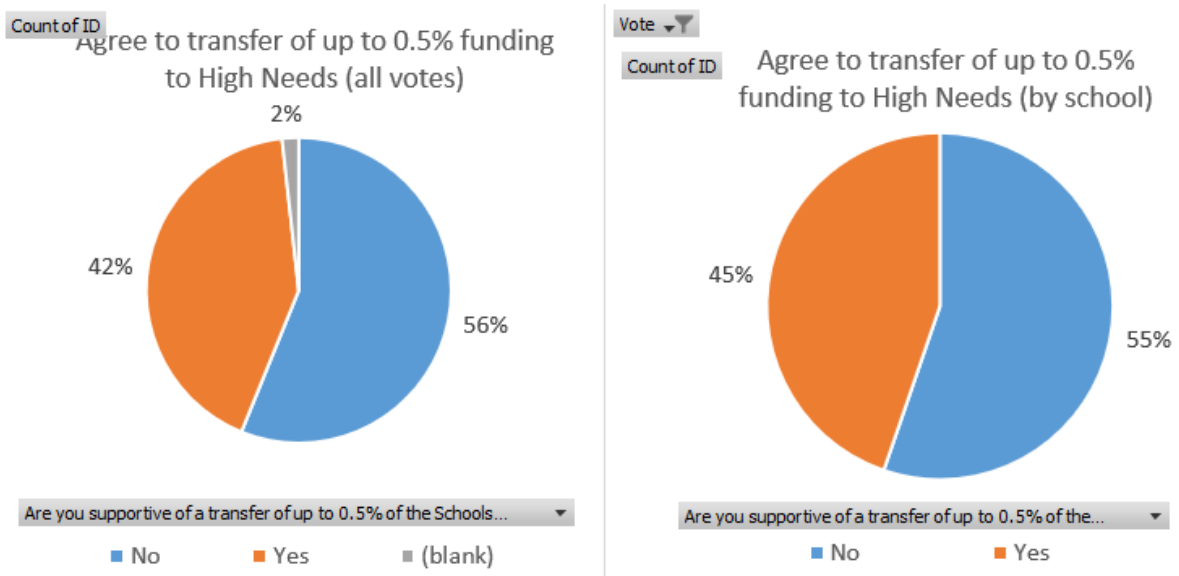
(AWPU), though one school reflected this penalises small primary and first schools who are already impacted by the drop in lump sum.

Chart 3: Which of these factors do you think should be used to distribute any surplus after delivering the chosen MFG protection level?



2.6 There was no overall agreement to transfer up to 0.5% of the Schools block to High Needs block if required, as can be seen in Chart 4, however the yes vote was up from 23% in last year's consultation, with a much closer result.

Chart 4: Responses to whether to transfer funds to High Needs



Update on 2021/22 Funding Allocations

- 3.1 In September 2017 the Department for Education (DfE) published the response to the stage 2 national funding formula consultation and confirmed the details of the National Funding Formula (NFF) for the Schools block. In 2021/22 the Dedicated Schools Grant (DSG) will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has their own funding formula.

DSG Illustrative funding 2021/22: Schools Block

- 3.2 In 2021/22, as in 2020/21, the Authority will receive its DSG funding based on the revised DfE National Funding Formula. In October 2020 the DfE published indicative allocations under the NFF at a school level using October 2019 census data. This shows the funding level for each mainstream school based on the NFF using the 2021/22 Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF) with October 2019 pupil numbers. This information is for planning purposes only as local formulae used by each local authority can still vary from the NFF within the guidance issued by the DfE. The initial DSG allocation to the Authority for 2021/22 will be published in December 2020 using the October 2020 census results.
- 3.3 The link to the school level NFF allocations using October 2019 census data information is shown below: -
- <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2021-to-2022>
- 3.4 The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities will continue to set a local formula to distribute funding to individual schools. However, in July 2018, as a result of the significant movement witnessed towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2020, the DfE again confirmed that the transitional arrangements will continue into 2021/22, with the expected move to “hard” NFF being likely in 2022/23.
- 3.5 The Schools NFF for 2021/22 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2021/22 are:
- The minimum per pupil funding levels will be set at £4,180 for primary schools, £5,215 for KS3 and £5,415 for KS4; and
 - The funding floor will be set at 2.0% per pupil. This minimum increase in 2021/22 allocations will be based on the individual school’s NFF allocation in 2020/21.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in the local formula, which in 2021/22 must be between +0.5% and +2%. This allows them to mirror the real terms protection in the NFF, which is the Government’s expectation; and
- Local authorities can only transfer up to 0.5% of their School Block to other blocks of the DSG, with their schools’ forum approval. To transfer more than this, or any

amount without their schools' forum approval, they will have to make a request to the Department for Education, even if the same amount was agreed in the past two years.

- 3.6 The North Tyneside illustrative allocation for the Schools block, Central Schools Services block and High Needs block in 2021/22 (using census 2019 i.e. static pupil numbers) is shown below with the 2017/18 to 2020/21 figures for comparison. The Early Years Block value for 2021/22 is based on 2020/21 rates and uses prior year pupil numbers, as the DfE have not published this information at time of writing.

Table 2: 2021/22 Illustrative allocation compared with prior year actuals

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	Notional for 2021/22* £m	2020/21 to 2021/22 £m
Schools	115.395	116.594	120.926	126.794	135.906	9.112
Central School Services	2.500	2.314	2.343	2.051	1.854	(0.197)
High Needs	18.680	19.291	19.818	23.319	26.101	2.782
Early Years Block	12.064	13.553	13.514	13.771	13.771 ^T	0.000
TOTAL	148.639	151.752	156.601	165.935	177.632	11.697
Change from 17/18 Baseline £m	-	3.113	7.962	17.296	28.993	
Change from 17/18 Baseline %	-	2.1%	5.4%	11.6%	19.5%	
Change per Year £m	-	3.113	4.849	9.334	11.697	
Change per Year %	-	2.1%	3.2%	5.8%	7%	
PUF	-	3,769.62	3,860.44	4,083.69	4,424.57	
SUF	-	5,272.53	5,304.68	5,427.04	5,840.64	
MPPF: Primary	-	3,300.00	4,600.00	3,750.00	4,180.00	
MPPF: Secondary	-	4,600.00	5,100.00	5,000.00	5,415.00	

* Includes pay award grants previously separate to DSG

^T No information from DSG, so based on last year.

- 3.7 Within North Tyneside, modelling work is continuing based on the information currently available. At this stage, before initial allocations based on the October 2020 census are announced by the DfE, we are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2021/22.

High Needs Block Update for 2020/21 Position and 2021/22 illustrative allocation

- 4.1 Schools Forum will recall as reported at the September 2020 meeting, the High Needs block outturn in 2019/20 was an overspend of £4.542m. This pressure has continued in 2020/21 with a forecasted in-year outturn variance of £3.515m at November and therefore a total cumulative overspend of just over £8.057m. The Authority are working on a recovery plan for High Needs, factoring in approaches taken regionally and nationally within other Authorities.

- 4.2 The pressures in North Tyneside are due to additional places required in special schools, increasing Out of Borough placements and in top up payments in mainstream schools, as outlined in Table 3 below;

Table 3: Forecasted High Needs Overspend as at November 2020

Provision	Budget	Forecast November	Variance	Comment	Prior Variance
	£m	£m	£m		£m
Special schools and PRU	13.000	14.954	1.954	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.866
ARPs/Top ups	4.005	4.610	0.946	Pressures in pre 16 top ups e.g. Norham ARP	0.991
Out of Borough	2.165	3.156	0.641	Increased number of children placed outside North Tyneside Schools	0.565
Commissioned services	3.957	4.041	0.085		0.035
Subtotal	23.127	26.752	3.625		3.457
2019/20 b/f			4.542		4.542
Subtotal			8.167		7.999

- 4.3 Transfers have been made to the High Needs block from the Schools block in previous years. These transfers were consolidated into the High Needs block as part of rebasing exercises carried out in 2016/17 and 2017/18 by the DfE. There is currently no mechanism for transfers to be permanently consolidated into the High Needs block (as both blocks are on a formula basis with the historic element of the High Needs block referenced to a 2017/18 baseline).
- 4.4 The indicative value of the High Needs block in 2021/22 based on static rolls is as follows:

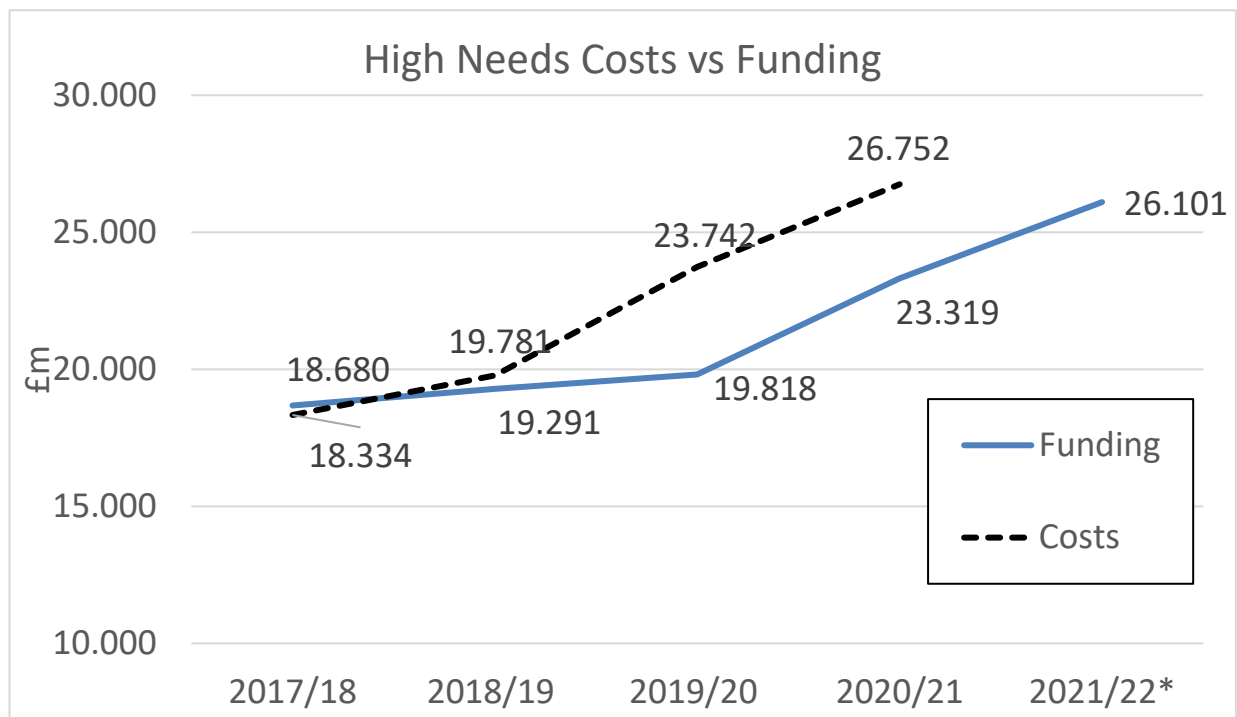
**Table 4: Indicative High Needs Block Values 2020/21 compared to prior years
DSG funding (excluding in year transfer)**

	2017/18 Baseline	2018/19	2019/20	2020/21	Notional for 2021/22*
High Needs Funding (DSG)	18,680,303	19,291,295	19,817,842	23,318,597	26,101,303
Change from 2017/18 Baseline £		610,992	1,137,539	4,638,294	7,421,000
Change from 2017/18 Baseline %		3.3%	6.1%	24.8%	39.7%
Change per Year £	-	610,992	526,547	3,500,755	2,782,706
Change per Year %	-	3.3%	2.7%	17.7%	11.9%

* Indicative only

4.5 The funding increases since 2017/18 have been constant but still lag behind the actual costs of High Needs over the same period, as can be seen in chart 5 below.

Chart 5: High Needs Costs vs Funding 2017/18 to 2021/22



Central Block Funding for 2021/22

5.1 The make-up of the Central School Services Block (CSSB) has changed from 2019/20, with further changes to be implemented in 2021/22. Funding is comprised of a historic commitments' allocation and a formula-based amount for ongoing functions. Table 10 shows the impact of the indicative funding for 2021/22, which reflects the DfE's plan to reduce funding of CSSB. The historic commitments element has been reduced by 20% per annum, in line with strategic DfE published plans over the last two years.

Table 5: Indicative allocations for North Tyneside CSSB 2021/22 compared to prior years DSG funding

	2019/20	2020/21	2021/22	Annual Change	
	£m	£m	£m	£m	%
Historical Commitments	1.555	1.244	0.995	(0.249)	(20.0%)
Ongoing Functions	0.788	0.807	0.859	0.052	6.4%
Total	2.343	2.051	1.854	(0.197)	(9.6%)
Change from 2017/18 Baseline £m	-	(0.292)	(0.489)		
Change from 2017/18 Baseline %	-	(12.5%)	(20.9%)		
Change per Year £m	-	(0.292)	(0.197)		
Change per Year %	-	(12.5%)	(9.6%)		

Early Years Block Update for 2020/21 Position and 2021/22 illustrative allocation

- 6.1 The Early Years block outturn for 2019/20 was a surplus of £0.432m. 2-year old provision is forecast to be provided on budget for the year, with payments to providers continuing in December as normal.
- 6.2 The Authority have now confirmed that funding for 3- and 4- year olds in the Autumn term can go ahead as planned. Providers will be funded based on the higher of the Autumn 2019 or the Autumn 2020 places, with payments going out to providers shortly. From spring term funding will be provided based on the funded numbers at that time.

Update on 2020/21 Budget Monitoring for Schools

- 7.1 Forum will recall, as reported in September 2020, that the overall level of school balances at the end of March 2020 was £0.165m compared to £1.599m as at March 2019. This represented a decrease in balances of £1.434m.
- 7.2 The first set of monitoring for the 2020/21 year has just been completed, with schools overall showing a £1.089m improvement against budget plans. One school has moved out of deficit following allocation of funding for schools in financial difficulty, though there are 2 more schools reporting new forecast deficits over £5,000 in addition to those identified at budget planning stage. The summary of balances by phase is shown in Table 6 below.

Table 6: School balance position against plan (committed and uncommitted)

PHASE	BUDGET 2019/20 OUTTURN £m	ACTUAL OUTTURN 2019/20 £m	BUDGET 2020/21 OUTTURN £m	MONITORING 1 2020/21 £m	Variance £m
Nursery	0.002	0.127	0.053	0.086	0.034
First	0.412	0.746	0.666	0.619	(0.047)
Primary	2.346	3.497	2.271	2.702	0.432
Middle	0.369	0.437	0.276	0.338	0.063
Secondary	(8.028)	(5.549)	(9.679)	(9.766)	(0.087)
Special/PRU	0.238	0.907	(0.341)	0.353	0.695
TOTAL	(4.661)	0.165	(6.755)	(5.666)	1.089

- 7.3 The position of schools in deficit improved by £0.308m by the first set of monitoring compared with their budgeted outturns. It should be noted that Beacon Hill, St Mary's N/S, Monkseaton High and Norham High have not yet had deficits approved and discussions are ongoing.
- 7.4 Deficit review meetings have been held between the representatives of the Head of Resources (Janice Gillespie) and the Head of Health, Education, Care and Safeguarding (Jacqui Old) and the Heads and Chairs of Governors of all schools under a deficit approval agreement. In addition, meetings have been extended to schools predicting a deficit position in 2021/22 (known as amber deficits in the support and challenge framework).
- 7.5 Tailored support has been offered to individual schools following these deficit review meetings. This support includes peer review, detailed reviews of curriculum planning and support with more detailed forecasting for funding in future years in addition to the normal ongoing support provided by the schools Finance and HR SLAs.

Table 7: Position of Deficit Schools after Monitoring 1

School	BUDGET PLAN 2020/21 £m	MONITORING 1 2020/21 £m	VARIANCE 2020/21 £m	Status
Beacon Hill	(0.773)	(0.598)	0.175	In Deficit
Forest Hall Primary	(0.014)	(0.015)	(0.000)	In Deficit
Holystone Primary	(0.032)	0.020	0.052	Out of Deficit
Ivy Road Primary	(0.300)	(0.245)	0.055	In Deficit
Marden High	(0.494)	(0.475)	0.018	In Deficit
Monkseaton High	(5.164)	(5.090)	0.073	Structural Deficit
Norham High	(3.193)	(3.189)	0.004	Structural Deficit
Longbenton High	(2.610)	(2.610)	0.000	In Deficit
Benton Dene Primary	(0.022)	(0.010)	0.012	New Deficit
Greenfields Primary	(0.120)	(0.178)	(0.058)	New Deficit
St Mary's R C Primary N/S	(0.033)	(0.039)	(0.005)	New Deficit
Marden Bridge Middle	(0.067)	(0.042)	0.025	New Deficit
Rockcliffe First	0.017	(0.016)	(0.033)	New Forecast
Burradon Primary	0.003	(0.007)	(0.010)	New Forecast
TOTAL	(12.802)	(12.494)	0.308	

Recommendations

8.1 Schools Forum is asked to:

- Note the responses to consultation with all schools in relation to distribution of funding from the Schools Block;
- Confirm the option which Forum wishes to recommend to Cabinet to inform Budget engagement;
- Note the update on National Funding Formula and update on indicative allocations for each of the four funding blocks;
- Note the improvement in the budget monitoring position for schools following monitoring one; and
- Continue to review the position of the High Needs block, considering the work to keep children in schools, the SEND Review and reviews of ARPS and commissioned services which will consider value for money and the outcomes for children and young people and will implement change, where needed, following due process.