

# Briefing note

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

**Date:** 1 October 2020

**Purpose of the Paper:**

Information	√
Consultation	√
Decision	√

**Title of Briefing:** National Funding Formula Update

## 1 Background

- 1.1 In September 2017 the Department for Education (DfE) laid out plans to move to a separate National Funding Formula (NFF), covering Schools, High Needs and Central School Services. The DfE initially proposed a two-year transition period to implement the NFF where local authorities would continue to set a local formula to distribute funding to individual schools. However, in July 2019, the Government confirmed that, as many local authorities had already made significant progress towards implementing the NFF in the first year, and to continue to support a smooth transition, local authorities would continue to determine local formulae in 2020/21.
- 1.2 In July 2020 considering the need to focus efforts on meeting the challenges of COVID-19, the DfE confirmed that it was not changing local authorities' flexibility over the distribution of school funding in 2021/22. The DfE advised that the government will shortly put forward proposals to move to a 'hard' NFF in future, which will determine schools' budgets directly, rather than through local formulae set independently by each local authority.
- 1.3 North Tyneside Council will need to set a plan to move to the NFF by April 2022 which is when the Authority anticipate that the Government will move to a 'hard' NFF following consultation during 2021/22. As in previous years, the Authority will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2021/22. The formula will apply directly to maintained schools for the financial year, and for academies it will form the basis for their funding, distributed by the ESFA, for the year starting 1 September 2021. The local formula must comply with

statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

- 1.4 For the financial years 2018/19 and 2019/20, in consultation with Schools Forum and the Authority's maintained schools, the Authority made the decision to maintain the existing Local Funding Formula (LFF) in full. This was, in the main, to afford Secondary schools in North Tyneside sufficient time to plan for any reduction in funding and to give those schools added stability for a further 2 years until the NFF was anticipated to be implemented. The ratio of funding for 2018/19 and 2019/20 was 1:1.42 in favour of Secondary schools.
- 1.5 In 2020/21, in consultation with Schools Forum and the Authority's maintained schools, the Authority made the decision to move the LFF 50% towards the NFF. This altered the ratio of funding per pupil to 1:1.35 and represented a large movement for Secondary schools. Forum will recall at the 13 November 2019 meeting that the DfE had restricted the range of a Minimum Funding Guarantee (MFG) between +0.5% and +1.84%. To minimise the impact of the change on Secondary schools the Authority set the 2020/21 rate at the maximum MFG of 1.84%. In addition to the use of MFG to minimise impact of the change, the Authority set a capping rate at 5.84%. This rate represented the 4% increase the DfE applied to the NFF factors, plus the 1.84% MFG rate.
- 1.6 The Authority now needs to set a plan to move further towards the NFF. In considering this decision the Authority are seeking the views of Schools Forum on the approach for funding schools in both 2021/22 and 2022/23. The Authority will then take this view into account when finalising the LFF through the Authority's budget setting process. Cabinet will be asked to approve the approach in the November Cabinet report outlining the initial budget proposals across the Council.

## 2 Formula Review 2021/22

- 2.1 At its meeting on 8 September 2020 Schools Forum agreed that as in previous years the Finance Sub-group of Forum should work with the Authority and review the planned options for the Local Funding Formula (LFF) for 2021/22 and 2022/23. The Finance Sub-group met with Officers on 23 September 2020 and four LFF models were presented. See Table 1 below which describes each of the models.

**Table 1: Funding Formula Models**

<b>MODEL 1 RATIO 1:1.29</b>	<b>MODEL 2 RATIO 1:1.30</b>	<b>MODEL 3 RATIO 1:1.33</b>	<b>MODEL 4 RATIO 1:1.32</b>
Model 1 Full NFF/Lump Sum 50% MFG - +0.5% Capping 3.5%	Model 2 Full NFF MFG - +0.5% Capping 4.25%	50% NFF MFG - +1.15% No Capping	Model 4 75% NFF MFG - +0.5% No Capping

- 2.2 At this meeting Officers presented each of the scenarios with a review of the proposed LFF funding and a number of summaries showing the impact on schools of each scenario at a phase / geographical grouping. The Sub-group immediately discounted Model 3 when reviewing Appendix A and D due to the estimated significant negative

impact on Primary schools year 2 budget plans. In addition, to this the Sub-group recognised the need to continue to move to the NFF and remaining with the current LFF would not fulfil this objective. The Sub-group then went on to consider the impact of the remaining three models.

- 2.3 In all cases the options were based on pupil numbers from the October 2019 census, applied to the Dedicated School Grant (DSG) notional funding value for 2021/22 as applied via the Authority's revised Authority Proforma Tool (APT). The Authority has included a scenario based on the current National Funding Formula allocations (Model 2).
- 2.4 In reviewing the impact of the three final models, the intended impact of the DfE's NFF has to be considered. The NFF was intended to bring the ratio of funding between Primary and Secondary schools closer. It also made more funding provision available for deprivation and low prior attainment within the formula factors. Appendix B shows the overall factor comparison for each model and highlights the funding distribution for deprivation and low prior attainment. Of the remaining three Models, 1 & 2 distribute a larger proportion of the funding through the deprivation factors and prior attainment with Model 4 distributing £0.729m less for deprivation and £1.492m less for prior attainment.
- 2.5 The Sub-group also considered the overall movement from the 2020/21 LFF to the provisional allocations for 2021/22 across phase / geographical grouping, the full details are included in Appendix C. Table 2 below summarises the main movements across Models 1, 2 & 4.

**Table 2: Comparison of 2020/21 LFF and Provisional 2021/22 Allocations**

<b>Phase / Area</b>	<b>Model 1 Full NFF/Lump Sum 50% MFG - +0.5% Capping 3.5%</b>	<b>Model 2 Full NFF MFG - +0.5% Capping 4.25%</b>	<b>Model 4 75% NFF MFG - +0.5% No Capping</b>
<b>Total First Schools</b>	<b>5.22%</b>	<b>5.11%</b>	<b>5.02%</b>
North East Primary	6.36%	6.36%	6.36%
North West Primary	4.33%	3.83%	3.34%
South East Primary	3.79%	3.92%	4.17%
South West Primary	3.61%	4.02%	4.24%
<b>Total Primary Schools</b>	<b>4.00%</b>	<b>3.99%</b>	<b>3.95%</b>
<b>Total Middle Schools</b>	<b>3.58%</b>	<b>3.69%</b>	<b>3.99%</b>
North East Secondary	0.74%	0.74%	0.74%
North West Secondary	0.83%	0.83%	0.83%
South East Secondary	1.00%	1.01%	1.00%
South West Secondary	0.73%	0.73%	0.73%
<b>Total Secondary</b>	<b>0.83%</b>	<b>0.84%</b>	<b>0.83%</b>
<b>Total Academies</b>	<b>1.94%</b>	<b>1.88%</b>	<b>1.86%</b>
	<b>2.76%</b>	<b>2.75%</b>	<b>2.74%</b>

- 2.6 In the above analysis both Models 1 & 2 distribute a higher proportion of funding to First and Primary schools with Academies also attracting a higher proportion of funding under

Model 1. The distribution of funding is similar across all models for Secondary's. With Middle schools attracting a higher proportion of funding under Model 4.

- 2.7 The comparison of 2021/22 budget plans against the provisional 2021/22 allocations is shown in Appendix D. This shows the impact of the provisional allocations against schools' cumulative budget plans for 2021/22. The analysis shows that the impact on Secondary schools is static at (-)0.05% for Model 1, 2 & 4. The impact on First and Primary schools is more favourable in Models 1 & 2. However, it also shows that Model 1 would be less favourable for South East Primary schools while schools in the North West would see an improved position overall by applying Model 1. Model 2 smooths the impact on Primary schools whilst also achieving a more balanced position for Primary Schools in the South East and South West. Model 4 would see a positive impact for Middle schools at (+)1.8% whilst Model 1 would see a less favourable impact at (+)1.4%. Model 2 provides a slight improvement for Middle schools when compared with Model 1 increasing to (+)1.51%.
- 2.8 The Sub-group also considered the impact of each model on schools in deficit and schools who are currently identified as Amber 1 schools, which are those schools whose year 2 budget plan shows that they are anticipating being in a deficit position. The analysis has been included in Appendix E and shows that Model 1 and Model 2 have a positive impact on those schools who are currently in deficit or are forecasting a deficit for 2021/22.
- 2.9 As noted earlier in this briefing the Authority will need to set a plan to move to the NFF by April 2022 which is when the Authority anticipate that the Government will move to a 'hard' NFF following consultation during 2021/22. All of the remaining models move the LFF further towards the NFF in 2021/22. Schools Forum must be aware that for 2022/23 it is likely that a 'hard' NFF will be introduced and as such budget setting for the Schools Block for that financial year should be on the basis of introducing the NFF in full.
- 2.10 In order to review the impact of all options and iterations Appendices A to E show the summary impacts by phase / geographical area and were used by the Sub-group as described above. The MFG rate remains under local agreement even after a full move to NFF so this can be revised at a future date. When reviewing this information, it is important to note that this has been produced using historical pupil data from the October 2019 census and the notional funding announced for 2021/22, therefore this is only indicative as this stage.

### **3 Recommendations**

- 3.1 Schools Forum is asked to consider the following:
- note the impact of moving to the preferred options based on the summary information provided for 2021/22, Appendices A-E;
  - provide feedback on the proposed funding options and agree the options which will form part of the consultation with all schools; and
  - note that for 2021/22 the Authority will maintain a Local Funding Formula. It is likely that the 'hard' NFF will be implemented for 2022/23.