



# Briefing note

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

**Date:** 12 September 2019

**Purpose of the Paper:**

Information	√
Consultation	√
Decision	

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

## 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 2018, 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 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 2020/21. 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 2020. 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.
- 1.3 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. In North Tyneside, Secondary schools currently benefit favourably from a local ratio of total funding per pupil (1:1.42 in 2019/20), compared to the national average ratio of 1:1.29 on which the NFF has been based. The decision to maintain the LFF in full in 2018/19 and 2019/20 has afforded Secondary schools a period of financial stability whilst preparing for future changes to their funding.

In addition it has allowed the Authority to consider how the move to the NFF would affect individual schools.

- 1.4 The Authority now needs to set a plan to move towards the NFF. In considering this decision the Authority are asking Schools Forum for their views on an approach for funding schools in both 2020/21 and 2021/22. 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.

## **Formula Review 2020/21**

- 2.1 During June and July Officers from the Authority have been working collaboratively with the Schools Forum Finance Sub Group to review the potential options which move the current LFF towards the NFF. Initially six models were identified for consideration (see Appendix A). The initial six models were based on two approaches; the first approach is to manually adjust the factors making up the funding formula to include some elements of the NFF whilst smoothing out the impact to individual schools (models 1, 2, 5 and 6); the second approach was to move all factors towards NFF by a set percentage (models 3 and 4).
- 2.2 In all cases the models were based on pupil numbers from the October 2018 census, applied to the Dedicated Schools Grant (DSG) funding value for 2019/20 as applied via the Authority's existing Authority Pro-forma Tool (APT). The Authority included a scenario based on the current NFF allocations for comparison. The impact of any subsequent changes to these variables has not been considered.
- 2.3 Officers presented each of the models with a review of the proposed funding formula and a summary showing the impact on schools for each model at a phase/geographical grouping. Over the course of Schools Forum Finance Sub Group meetings a number of models were discounted and others were refined, leading to the preferred options being identified.
- 2.4 Models 1, 2, 5 and 6 (Appendix A), which were all attempts to smooth the impact of adopting the DfE's NFF, were all rejected as they still had significant impacts on individual schools and would still leave a need to move wholly towards the NFF, with further impact. This left models 3 and 4, which move all factors towards the NFF by fixed percentages.
- 2.5 The remaining models were presented with additional scenarios showing the impact of varying the Minimum Funding Guarantee rates (MFGs), allowing this factor to be used to smooth the impact on schools.

## **Preferred Options**

- 3.1 Officers from the Authority presented the final two models, each with three scenarios based on differing MFGs to the Schools Forum Finance Sub Group on 3 July 2019, looking for consensus on a scenario becoming the preferred option. The six scenarios presented were based on the following two models:

- **MODEL 3:** Moving the current LFF factors 50% towards the DfEs proposed funding regime by 2020/21. This option was presented with three potential iterations of the MFG: the current -1.5% rate, plus further rates at -1.0% and -0.5%.
- **MODEL 4:** Moving the current LFF factors 75% towards the DfEs proposed funding regime by 2020/21. This option was presented with three potential iterations of the MFG: the current -1.5% rate, plus further rates at -1.0% and -0.5%.

Appendix B shows these six scenarios as it would have been if these models of funding had been used to fund schools in 2019/20 as the current LFF, and the current DfE NFF as applied via the Authority Proforma Tool.

- 3.2 In reviewing the impact of the two 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.
- 3.3 In order to review the impact of all options and iterations Appendices C to E show the summary impacts by phase/geographical area against the current budget plans. Whilst the iterations of MFG are included in the summary for illustrative purposes, the Minimum Funding Guarantee 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 2018 census and the funding received for 2019/20, therefore this is only indicative.

## Consultation

- 4.1 The Authority requires that schools take part in a consultation regarding the LFF to be used to fund schools in 2020/21, and the Authority require schools to consider the impact of the two preferred options, with the additional scenarios for Minimum Funding Guarantee. The outcome of the consultation will be taken into consideration when the Authority makes the decision on the LFF to be applied in 2020/21. The consultation will take place from 16<sup>th</sup> September to 11<sup>th</sup> October. To carry out this consultation, schools will be provided with the following documents:
  - A summary of the final preferred models with three scenarios for MFG.
  - A summary of all model scenarios and ratios
  - A summary of the scenarios by factor
  - A Proforma of comparisons
  - A summary by phase/area showing impact on schools
- 4.2 Schools will be asked to consider the following questions whilst reviewing the options and scenarios being presented:
  - Which model do schools support in principle? Why?
  - Do schools support in principle the use of the MFG to reduce the level of losses, subject to affordability, for individual schools between years? Why?
  - Which factors do schools think we should use to distribute any surplus after delivering the chosen MFG protection level?

- Do schools have any further questions or comments on the contents of the consultation paper or the options for the 2020/21 LFF?
- 4.3 Schools Forum has been concerned in the past at the low level of participation from schools and particularly from Primary and First schools. Officers are actively considering how schools can be supported to make an informed contribution to the consultation process for 2020/21 and any suggestions from Schools Forum members are welcomed.

## **Recommendations**

- 5.1 Schools Forum is asked to:
- review the impact of moving to the preferred LFF option based on the summary information provided for 2020/21
  - approve the consultation approach with any further changes agreed by the Chair of Schools Forum.

## Appendix A:

### **Initial Models Prepared for Evaluation by Schools Forum Finance Sub Group**

The Authority's finance team initially identified the following six models as options for the Schools Forum Finance sub-group to evaluate.

- **MODEL 1:** Basic Entitlement: LFF proportions (to Balance), Lump Sum: £110k/£110k, All other Factors as NFF (Ratio: 1:1.38)
- **MODEL 2:** Basic Entitlement: LFF proportions (to Balance), Lump Sum: £120k/£150k, Deprivation/LPA: 75% movement to NFF, All other Factors as NFF (Ratio: 1:1.40)
- **MODEL 3:** 50% Movement of all Factors towards NFF including BE (Ratio: 1:1.36)
- **MODEL 4:** 75% Movement of all Factors towards NFF including BE (Ratio: 1:1.33)
- **MODEL 5:** Basic Entitlement: LFF proportions (to Balance), Lump Sum: £110k/£110k, Low Prior Attainment: £6m total, £3m movement from LFF, All other Factors as NFF (Ratio: 1:1.41)
- **MODEL 6:** Basic Entitlement: LFF proportions (to Balance), Lump Sum: £120k/£150k, Deprivation: 75% movement to NFF, Low Prior Attainment: £6m total, £3m movement from LFF, All other Factors as NFF (Ratio: 1:1.41)