

# MUNICIPAL YEAR 2019/2020 REPORT NO. 12

## MEETING TITLE AND DATE:

Education Resources Group – 24 September 19  
Schools Forum – 2 October 2019

## REPORT OF:

Director of Education

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Item: 4c

## Subject:

**School Funding Arrangements –  
2020/21**

Wards: All

## 1. EXECUTIVE SUMMARY

1.1. This report:

- provides a summary of the latest guidance on schools funding arrangements for the Schools and High Needs block of the **DSG** for 2020/21 published by the DfE;
- update on the development of the local funding arrangements for 2020/21.

## 2. RECOMMENDATIONS

2.1 Members are asked to consider the proposals and where appropriate provide initial comments and / or agreement to:

- Arrangements for the local funding formula for mainstream schools;
- Disapplication of the **MFG** as detailed in paragraph;
- Arrangements for Early Years provision.

## 3 INTRODUCTION

3.1 In August 2019, the Government confirmed HM Treasury announced that there will be a one year Spending Review wound for 2020/21 and this was going to be carried by September 2019, and then a full Spending Review clarifying that a full Spending review would be done in 2020.

Following the annual Spending Review presented by the Chancellor, Nick Gibbs, Minister of State for School Standards has confirmed the overall increase in school funding would be £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23. Analysis carried out by the **IFS** suggests that the increase in 2022/23 will “represent 7.4% real terms growth in spending per pupil between 2019/20 and 2022/23 and that this is sufficient to reverse the 8% cuts seen since 2009/10. If delivered, this will leave school funding per pupil at about the same level in 2022/23 as it was in 2009/10, i.e. no real terms growth.

It was also confirmed that the Government would continue with their proposals for implementing a **NFF** for the Schools and High Needs Blocks. For 2020/21, the arrangements for a ‘soft’ NFF will continue, whereby local authorities will be funded using the NFF, but the distribution of funding to schools will be managed through a local funding formula. For 2020/21, as an initial move towards the NFF, it is intended that the Government will make use of the national minimum per pupil funding levels, at the values in the NFF, compulsory for the local funding formula.

Local authorities continue to have a statutory duty to maintain their local formula and consult with their Schools Forum and schools on any changes to the formula. Separate funding arrangements apply for high needs and early years, where the Authority sets funding in line with the government’s NFF and other associated regulations.

### 3.2 DfE Guidance

3.2.1 Further detailed information on the final arrangements will be published sometime in October. The information available so far is as follows

- Minimum per pupil funding levels are set at £5,000 for secondary schools and £3,750 for primary schools in 2020/21 and then £4,000 in 2021-22;
- An increase of 4% for some NFF's core proxy factors;
- No cap in the NFF for schools gaining;
- The funding floor has been set at 1.84% in line with the forecast GDP deflator, to protect pupil-led per-pupil funding in real terms;
- **MFG** can be set between 0.5% and 1.84%;
- Mobility funding continuing to be allocated to local authorities on a national formula;
- Growth fund to funded on the same methodology as 2019/20 with the same transitional protection that ensure where the growth funding is unwinding the loss is no more than 0.5% of the 2019-20 schools block allocation;
- High Needs an increase of at least 8% with a gains cap of 17%;
- Teachers' pay and teachers' pension grants continue to be funded as separate grants;
- There is no information on the separate announcement of initial starting salaries for teachers of £30,000.

3.2.2 The detailed operational guidance published provides some further information, this confirms that:

- **DSG**
  - NFF will continue to be used to allocate funding to local authorities' Schools & High Needs blocks;
- **Schools Block**
  - Local authorities will set a local formula to distribute funding. As part of the process:
    - All schools must be consulted on any proposed local formula or funding changes;
    - Following consultation with schools, and as required, the agreement of the Schools Forum and a final sign-off of the local arrangements by the Cabinet Member;
  - Schools block will be ring-fenced, but Local Authorities are able to continue to transfer up to 0.5% of Schools block funding out with the agreement the Schools Forum;
  - Local formulae: Pupil led factors

Some factors will see a 4% increase with the exception of free school meals factor, which will be increased at inflation to broadly reflect actual costs, and premises funding will continue to be allocated at local authority level on the basis of actual spend in 2019 - 20, with an RPIX increase for the PFI factor only

    - *Basic entitlement*

Primary single rate per pupil of at least £2,000;  
Secondary different rates for KS3 and KS4 with a minimum of £3,000 for each;
    - *Deprivation*: the new IDACI data is due to be published at the end of September, but for calculating funding for 2020-21 the existing data from 2015 will be used;
    - *Minimum level of per-pupil funding for primary and secondary schools*

For 2020/21, this is set at £3,750 for primary schools and £5,000 for secondary schools. The only factors not included in per-pupil funding for the purpose of the minimum per-pupil calculation are premises and growth funding. The DfE have published a separate consultation document on the methodology used to calculate the minimum per pupil level funding;
    - *Disapplication Requests*: seek disapplication for anomalies in the funding for new or amalgamating schools. Details of what can be considered is subject of a separate consultation;
    - *Lump Sum* can be set the same or different rates for primary and secondary;

- **LAC** continues to be exempt from the NFF, but it can be included in the local formula.

Full details of the formula factors is attached at Appendix A.

- Local formulae: Other factors
  - Growth Fund to continue to be funded on NFF rather than on historical funding;
  - Minimum funding guarantee can be set between 0.5% and 1.84%;
- Central School Services block – no changes and will be subject of a separate report;
- High Needs Funding: Funding to be provided using the High needs NFF and
  - *Funding Floor*: set at 8% with a gains cap of 17%;
  - no other changes have been identified so it is assumed
  - Additionally Resourced Provision (APRs) and Specialist Units (SU), where pupils are recorded on the Census as attending a unit, the per pupil funding will be included as part of the school's delegated budget;
    - The Authority will provide the balance of the place funding of £6k per place for those pupils recorded as attending the provision, plus top up funding;
    - If a place is vacant at a school, then the Authority will fund £10k place fund, plus top up funding.
- Teachers Pay and Pension employer contributions Grants: It is confirmed:
  - Rather than be added to the base funding, both will continue to be paid separately from the NFF in 2020 -21. The rates to paid are yet to be determined;
  - The Teachers pay award from September 2019 for all teachers and school leaders are uplifted by 2.75%. It is unclear where any additional funding will come from and how it will be distributed. However, from the information available, the Government will expect schools to pay the first 2% of this out of existing budgets with the DfE funding the 0.75% difference from savings from elsewhere in its budget.

## 4. LOCAL ARRANGEMENTS FOR 2020/21

### 4.1 Current Arrangements

Move to NFF: Since the changes to the school funding arrangements were introduced, the principles governing the local arrangements have been stability and least turbulence for individual schools.

However, in developing the arrangements for the current year, it was agreed, for 2019/20, there would be part move to using the NFF unit rates and then to move fully to the NFF rates for 2020/21. This was because it was considered schools had had sufficient time to manage any adverse change in funding due to the NFF and enable schools gaining to benefit from the change in funding.

LAC Factor: the LAC factor is not included in the NFF. With the intended move to NFF, for the current year, the factor was removed from the local formula. The funding released from removing this factor was held centrally to fund specific activities in schools to support LAC pupils and raise their attainment.

The current position is that the strategy / protocol for use of this funding to support LAC pupils has been agreed and once the form for schools to complete is approved by the Education Resources Group, then both the criteria and form will be circulated to schools to consider and complete.

### 4.2 Schools Block Proposals

#### 4.2.1 Pupil-led Formula Factors:

As detailed above the limited information available to date indicates that some of the unit rates for the core formula factors may increase by 4%. Until the final arrangements are published, it is unclear which factors and whether the 4% increase will be uniformly applied. An initial modelling exercise has been carried out where 4% has been applied to the unit rates for the per pupil funding (**AWPU**), **IDACI**, **LPA** and **EAL** currently used for the local formula and those used for the NFF.

From the information published, the intention appears to be for free school meals to be increased at inflation to broadly reflect actual costs. It is unclear, which indices will be used to reflect actual costs. For modelling purposes for FSM, 2% increase has been used.

Once all the per pupil-led factors have been calculated and added to the lump sum for each school and the resulting sum will be divided by the number of pupils at the school to test to whether the minimum funding levels of £3,750 for primary and £5,000 for secondary schools has been achieved. If this is not the case for any school, then additional funding will need to be allocated to bring the per pupil-led funding to the thresholds detailed above. Members should note that a minority of schools will attract this funding because of the area cost adjustments.

The outcome from the modelling will be provided in a separate document.

#### 4.2.2 LAC factor

The change to a targeted activity-based funding model has taken time to be implemented, so there has not been sufficient time to assess the use of the funding in this way. It is suggested that the funding is maintained to continue this support for 2020/21 to enable some projects to have longer to embed into schools or local practice and also a full review to be carried out in the Autumn term next year.

#### 4.2.4 Primary to secondary funding ratio

For 2019/20, the primary to secondary ratio was 1:1.33. This was a slight decrease from the ratio in 2018/19 of 1:1.36. The DfE have carried out a national analysis and this indicates nationally across all local authorities is 1:1.297, a slight increase from the 2018 to 2019 formulae where it was 1:1.296.

Previous analysis has shown that the change to NFF moves funding from primary to secondary sector which resulted in over half of Enfield primary schools seeing a reduction in funding. It is unlikely that this position will change if the proposal is to move to NFF in the coming year.

#### 4.2.5 Minimum Funding Guarantee

The MFG aims to protect the pupil-led funding from significant funding changes. As stated, the national arrangements allow local authorities with their Schools Forum to set an MFG between 0.5% to 1.84%. Unlike previous years, for 2020/21, the gains cap has been removed.

Attached:

- Appendix A: Full list of the formula factors and how they are applied;

#### 4.2.6 Growth Fund

The DfE have changed how the funding is provided for the growth fund. The change is to move from funding based on historical spend to a NFF. At this stage, it is assumed the same level of funding as this year would be required and this will be fully analysed to inform the final arrangements.

#### 5. Falling Rolls Fund

As this year, due to the restricted criteria in the use of this funding, we are proposing not to introduce a falling roll fund.

#### 6. **HIGH NEEDS TRANSFER**

Funding has previously been transferred from the Schools block to the High Needs block to continue to support more inclusive schools through the allocation of £6k per pupil for any additional pupils above the school's average incident of pupils with high level of SEND. To

enable inclusive schools to continue to be supported, it is recommended that 0.5% again be transferred from the Schools block to the High Needs block for 2020/21.

## 7. DISAPPLICATION REQUEST

The DfE have confirmed with the Schools Forum approval requests for disapplication from the MFG can be submitted in certain circumstances. The deadline for submitting requests and obtaining approvals from the DfE is tight, so with the Schools Forum's approval it is intended, if required, to submit the following disapplication request:

- for secondary schools who are becoming all through schools. This is to prevent the primary element of the school funding being protected at the secondary funding level. The adjustment will be based on an EFA calculation template, which will ensure a consistent methodology is applied between authorities.
- If the Forum provide initial agreement the transfer of 0.5% funding from the Schools Block to the High Needs Block. Final confirmation of the transfer would be sought from the Schools Forum after consultation with schools has been carried out and the DfE advised accordingly.
- Similarly, if the Forum provides initial agreement to the transfer of £140k from the Schools Block to the High Needs Block. Final confirmation of the transfer would be sought from the Schools Forum after consultation with schools has been carried out and the DfE advised accordingly.

## 8. EARLY YEARS

- 8.1 Since April 2017, funding provided to local authorities for the free nursery entitlement for three and four year olds has been based on NFF and, in a similar way to mainstream schools, local authorities determine the local funding formula for distributing funding to local early years settings.

As stated earlier, no information has been received on the funding arrangements for 2020/21, but it is assumed the current arrangements will continue. Therefore, there is a need to confirm the current local arrangements and seek confirmation on their continuation for 2020/21.

### 8.2 Current Arrangements

The regulations require the local funding arrangements include a per pupil amount and funding to support pupils from a deprived background and then additional factors that could be included are an inclusion fund and supplement linked to quality. In Enfield, it was decided to include the first three factors, but not the supplement linked to quality. There is a requirement that 95% of the funding must allocated to providers and 5% may be retained to fund local authority central services.

Table below summaries how funding is distributed currently.

**Table : Allocation of Early Years Funding for 2018/19**

Factors	Rate per hour £	Rate per hour %	Total £
Basic hourly rate per child	£5.11	91%	£
Deprivation: Based on IDACI	£0.13	2%	£
Inclusion Fund	£0.10	2%	£
Central Support	£0.28	5%	
Total			

- 8.3 The inclusion fund was introduced to support pupils to enable local authorities to work with providers to address the needs of individual children with SEND. The use of the inclusion fund locally was split between individual providers being able to access targeted resources to support pupils with SEND and centrally commissioned specialist provision to support all providers. The targeted resources are administered through an Inclusion Panel consisting of officers, with representation from headteachers, settings and other professionals as

required. Specialist support is commissioned from Educational Psychology and the Early Years Inclusion Team (provided in the form of Area SENCOs).

- 8.4 The inclusion fund has enabled individual providers to access additional provision and support. Through the commissioned support providers have had access to training, SENCO forums, information including how to access local services and making links with professionals. The SENCOs have advised on developing resource to support holistic communication and developing sensory provision and Educational Psychologists have been support providers through the review process required for pupils with SEND. The roles of these commissioned services are continually being developed in response to the needs of children and providers.
- 8.5 For 2020/21, it is recommended that the current arrangements for early years are maintained with no further adjustments.

**Table 1: Summary of Allowable Factors for Local Formula****Required proportion of funding allocated through pupil-led factors**

Local authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors (the factors in lines 1 to 6, and 12 below, and London fringe uplift, where relevant).

Below are the allowable factors for the schools' local funding formula. All factors are optional except for items (1) basic entitlement and (2) deprivation funding.

<b>Factor</b>	<b>Further information</b>
<b>1. Basic entitlement</b> A compulsory factor	This factor assigns funding based on individual pupils, with the number of pupils for each school or academy based on the October pupil census <ul style="list-style-type: none"> <li>• funding is allocated according to an age-weighted pupil unit (AWPU)</li> <li>• there is a single rate for primary age pupils, which must be at least £2,000</li> <li>• there can be different rates for KS3 and KS4, with a minimum of £3,000 for each</li> </ul>
<b>2. Deprivation</b> A compulsory factor	Local authorities can use free school meals (FSM), the income deprivation affecting children index (IDACI), or both, to calculate the deprivation factor <ul style="list-style-type: none"> <li>• eligibility for current FSM using the previous October census, and Ever6 FSM (pupils entitled to free meals at any time in the last 6 years) from the previous January census</li> <li>• FSM can choose to use either current FSM, Ever6 FSM, or both</li> <li>• the IDACI measure uses 6 bands, and different values can be attached to each band; different unit values can be used for primary and secondary within each band</li> <li>• DfE will automatically set the FSM Ever6 ratio equal to the current FSM ratio for schools where the FSM Ever6 rate is recorded as lower than the current FSM rate</li> </ul>
<b>3. Prior attainment</b>	Primary pupils not achieving the expected level of development in the early years foundation stage profile (EYFSP) Secondary pupils not reaching expected standard in KS2 for either English or maths. A new separate weighting for new year 7 pupils with low prior attainment.
<b>4. English as an additional language (EAL)</b>	Pupils having a mother tongue other than English may attract funding for up to three years after they enter the statutory school system. Funding based on October Census.
<b>5. Pupil mobility</b>	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) A 10% threshold with funding is allocated based on the proportion above the threshold (for example, a school with 12% mobility will attract pupil mobility funding for 2% of pupils)
<b>6. Lump sum</b>	Maximum lump sum allowed is £175k for all phases. Rates for sectors can vary.
<b>7. Split sites</b>	Allocation based on an objective criterion to support schools that are on different sites.
<b>8. Rates</b>	Based on actuals with arrangements for adjustments.
<b>9. Private finance initiative (PFI) contracts</b>	To support schools that have unavoidable extra premises costs because they are a PFI school and/or to cover situations where the PFI "affordability gap" is delegated and paid back to the local authority.
<b>10. Exceptional premises factors</b>	This factors must relate to premises costs and apply the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the authority's area.
<b>11. Minimum level of per pupil funding for primary and secondary schools</b>	For 2020/21: Primary; £3,750 and Secondary £5,000 2021/22: Primary; £4,000 and Secondary £5,000
<b>12. Sparsity</b> <b>14. London fringe</b>	Not relevant Not relevant – only used by Bucks, Essex, Herts, Kent and West Sussex