

London Borough of Enfield

Schools Forum Meeting Date 7 October 2020

Subject: Block 2021 – 22
Cabinet Member: Cllr Jewell
Report Number: 13

Item: 5c

Purpose of Report

This report provides an update on the school funding arrangements for 2021/22 and draft proposals for 2021/22.

Proposal

The Schools Forum are asked to note the update and provide comment on the draft proposals.

Recommendation

It is recommended to move to NFF unit rates for 2021/22. The position will be re-assessed for affordability when actual DSG funding and dataset for 2021/22 is published in December 2020 and if any adjustment is needed this will be done via the MFG rate or, if required, adjustment of the Ever6 FSM factor unit rate.

Main Consideration for the Schools Forum

1. Schools Budget – General Perspective

1.1 School Funding Reforms: Background

1.1.1 Since 2013/14 the Government began their implementations of their School Funding Reforms, which aimed at providing a fairer, more consistent and transparent national funding system.

1.1.2 The implementation process began with the Government freezing the Dedicated Schools Grant (DSG) to the level received by individual local authorities (LAs) as at 2012/13. The DSG was then notionally separated into three blocks as detailed in (a) - (c) below:

(a) Schools Block: to fund mainstream (primary and secondary) schools from 5 – 15 years of age.

The key change, at this point, was to restrict the number of factors LAs were able to use to reflect needs of pupils in their local formulae.

(b) High Needs Block (HNB) to fund pupils with SEND¹ from 0 up to 25 years of age, who have EHCP² and require additional support above that is provided by schools and institutions through their funding from the Schools or Early Years blocks.

The key change was to freeze the total funding provided at 2012/13 levels for this block and introduce a place plus approach.

¹ Special Educational Needs And Disabilities

² EHCP is Education Health Care Plans

- (c) Early Years Block (EYB) to fund free nursery education in schools and private, voluntary and independent (PVI) settings for pupils from 2-4 years of age.
- (d) Central Services Schools Block (CSSB) was introduced in 2018/19 to fund statutory services provided by the LA.

1.1.3 In 2017, the Government confirmed their intention to continue with the funding reforms and implement a National Funding Formula (NFF) for schools from 2018/19. The Government confirmed that an additional £1.3bn would be provided across two years to support the changes.

The full implementation of the NFF was delayed because the primary legislation governing school funding had to be amended before the change to a national system could be implemented.

1.2 **School Funding Reforms: 2021/22**

In August 2019, following an annual Spending Review the Minister of State for School Standards 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** at that time suggested the increase by 2022/23 would represent 7.4% real terms growth in spending per pupil for the period between 2019/20 and 2022/23. This growth was sufficient to reverse the 8% cuts seen by schools 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.

The DfE have confirmed the full implementation of the **NFF** for the Schools and High Needs Blocks has been postponed. Therefore, for 2021/22, it has been confirmed that the same arrangements as this year will continue.

The arrangements are the implementation of a 'soft' NFF, whereby local authorities are funded using the NFF, but the distribution of funding to schools is managed by the LA through a local funding formula in consultation with the Schools Forum and schools. The reason for the continuation is that until the primary legislation is amended to remove the statutory duty for LAs to maintain a local funding formula, a national system cannot be introduced. 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.

For 2021/22:

- Schools block will be based on the notional NFF funding allocations on an individual school level and then allocated to LAs. Of the national increase of 4% announced by the Government, the increase for Enfield will be approximately 2%. This increase includes adding the teachers' pay and pension grants into the DSG. It is unclear if individual LAs will receive the total grant in their DSG due to the effect of the NFF.

It is important to note that not all schools may receive this level of increase. This is due to how the current funding formula is implemented and contextual data relating to individual schools.

- High Needs block will be increased just over 8% and the allocation will be based 50% on proxy indicators and 50% on planned spend from 2020/21.

Again, it is important to emphasis the funding to be provided is unlikely to meet the current demand to support pupils with EHCPs.

- Early Years block: the funding will be allocated to local authorities on the NFF implemented in 2017-18.
- Central Services Schools Block (CSSB) covers the statutory duties provided by LAs and central licenses purchased by the ESFA on behalf of all schools. The funding is

allocated on the NFF. Enfield will see a reduction of just under 8% in the funding provided for CSSB.

Table 1 summaries the actual funding provided for 2021/22 and the indicative allocation for 2020/21.

Table 1: Summary of DSG for 2020/21 and 2021/22

DSG FUNDING	Schools Block	Schools Block per pupil	High Needs Block	Early Years Block	Central Schools Services Block	TOTAL
	£m	£	£m	£m	£m	£m
Indic 21/22	284.51	5,569	59.78		2.43	346.41
Actual 20/21	281.08	5,504	54		2.67	337.75
Variance	3.43	65	5.78	0	-0.24	8.66

* Early Years: These figures exclude funding for the Early Years block because these haven't been confirmed and will be amended to reflect actual take up.

For Enfield, the change to NFF will see an increase in funding for both the Schools and High Needs block.

The remainder of this document details proposals for allocating the funding for 2021/22.

2. Schools Block

2.1 Introduction

2.1.1 This block is the main source of funding for mainstream schools. Other funding from the DSG includes high needs and early years; and other key sources of funding outside the DSG are Post 16 and Pupil Premium.

The funding provided to mainstream schools is derived by using a funding formula. The factors to inform the formula are governed by statutory regulations. Local authorities with their Schools Forum have flexibility to determine which and how these statutory factors should be used for the local funding formula. The aim of the NFF has been to fund all schools using the same formula factors and apply the same rate plus an area cost adjustment across the country.

2.2 National Arrangements for 2021/22

2.2.1 The DfE have confirmed the parameters for setting the local rates for the allowable formula factors and these include:

Schools Block:

- Teachers' pay grant and the teachers' pension employer contribution grant, including the supplementary fund, has been added to the basic per pupil entitlement, to the minimum per pupil funding levels, and to schools' baselines so that it should be protected through the funding floor.

It should be noted that this addition reflects the historic grants and not any new costs relating to the pay award from September 2020;

- The Income Deprivation Affecting Children Index (IDACI) was updated in 2019 and has been incorporated into the NFF for allocating deprivation funding. The IDACI allocation will continue to be divided into seven bands, A – G, with band A representing the most deprived areas;
- Some of the core proxy factors used for the NFF's will increase by 3%;

- The Minimum per pupil funding levels as part of the Government's policy initiated in 2018/19 when minimum per pupil funding levels were £3,300 for primary and £4,600 for secondary and the increases will include the addition of £180 for primary and £265 for secondary for the transfer of teachers' pay and pension grants.

This will result in the minimum per pupil levels being set at £4,180 for primary schools and £5,215 for KS3 and £5,715 for KS4;

- No cap in the **NFF** for schools gaining with per pupil led funding **MFG** being set between 0.5% and 2.0%. This should result in schools seeing some increase in their per pupil led funding;
- No changes to the current arrangements for mobility and growth funding for expanding and new schools;

2.2 Local Arrangements for 2021/22

2.2.1 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 2021/22, there would be a full move the NFF rates. 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.

2.2 Proposals for 2020/21

Officers have assessed the recently published national arrangements and the local arrangements agreed last year for moving to the NFF.

The following paragraphs in this section outline the outcomes from the assessment and details proposals for the local funding formula and seeks responses from schools.

2.3 Minimum Funding Guarantee (MFG) and Gains Cap

2.3.1 The MFG protects schools against loss of per pupil led funding (at an agreed %) when compared to the previous year. The MFG calculation includes all formula with exception of the lump sum and premises factors.

As stated earlier the MFG rate allowed for 2021/22 is between 0.5% and 2.0% and the national arrangements do not allow a gains cap to offset the implementation of the MFG. The positive MFG will result in all schools seeing some increase in their pupil led funding but will require the cost of any school triggering the MFG being met from within the overall resources available.

Unlike 2020/21, local authorities can continue to choose to cap any gains schools receive through the 2021 to 2022 local formula, unlike the NFF where no gains cap is applied. Capping and scaling must be applied on the same basis to all schools. As Enfield removed the gains cap from their local formula in 2020/21 this is not something that they plan to re-introduce.

Several variants of the operation of the MFG have been considered in assessing the changes announced and developing options for the local arrangements. The final proposals are detailed in the section below.

2.4 Options for the Local Funding Formula

2.4.1 When the School Funding Reforms and the NFF were first introduced, locally with the Schools Forum's agreement, the priority was any arrangements should consider what was best for Enfield and also provide stability and least turbulence for individual schools. This was because of the financial impact the NFF would have on individual schools and

therefore on standards. For this reason, there has been an incremental move towards the NFF. This has been done by increasing or decreasing the unit rates for each formula factor slowly towards the rates imposed by the NFF.

As part of the consultation of the funding arrangements for the current year (2020/21), it was proposed that there should be a full move to NFF for 2021/22. With the increases in funding and changes to the level of MFG allowed, the proposals for moving to the NFF were reviewed by the Authority to assess again the impact for individual schools.

2.4.2 As part of the assessment, some parameters were identified to inform the local funding formula. These included:

- **Resources:** any option considered could be managed within the resources available;
- **Minimum Per Pupil Funding Level:** Ensure the minimum per pupil led funding level of £4,180 for primary and £5,415 for secondary was being met;
- **Primary to secondary ratio:** since the introduction of the NFF, the aim has been to try and maintain the ratio between primary and secondary funding of 1 : 1.3. This is because this has traditionally been the ratio applied locally and, with the introduction of the NFF, is closely aligned to the national average of 1 : 1.297;
- **Supporting pupils with SEND and EHCPs:** as part of the implementation of the local arrangements, it was agreed that 0.5% of funding would be transferred from the Schools to the High Needs block to fund £6ks for mainstream schools with above average number of pupils with EHCPs. The amount added to the baseline for pay grants is protected and there is a requirement that this is fully passported to schools. The 0.5% transfer calculation is therefore net of this amount. Based on indicative DSG allocations for 2021-22 this transfer would equate to £1.360m (Prim £0.75m and Sec £0.61m).
- **Raising Standards:** to ensure that the formula aims to direct funding to priorities that support the raising of standards. Within the Authority, the area of concern is literacy at Key Stage 1;
- **MFG:** Implement the MFG in line with the requirements of between 0.5% to 2.0% to support individual options.

2.4.3 The models developed included a full move to the NFF and different options for a partial move to the NFF. Each model was assessed against the parameters detailed in paragraph 3.4.2 above. Details of both models are shown in Table 2 below.

Table 2: Application of NFF and Local Formula Rates for Proposed Formula

Areas	NFF	Local Formula
Low Prior Attainment English as an Additional Language Mobility	NFF Unit Rates Applied	NFF Unit Rates Applied
Per Pupil Rate (AWPU) Free School Meals (both FSM & FSM Ever 6) Income Deprivation Affecting Children Index (IDACI)	NFF Unit Rates Applied	As 20/21 formula, moved 85% towards NFF rates apart from Ever6 FSM where moved 92.5% towards NFF rates
MFG	1.26%	1.73%
Prim:Sec Ratio	1:1.37	1:1.35

It was found that based on the indicative DSG funding allocations for 2020/21 both options were affordable, whilst still continuing the 0.5% transfer from the Schools Block to High

Needs Block. Therefore, for 2021/22, it is proposed to move to the NFF based on affordability and the recommendations resulting from the 2020/21 formula consultation exercise.

When the actual DSG allocations and 2020 dataset are published in mid December the NFF model will be re-assessed for affordability. If any amendments are required to match available funding, it is proposed that, as in previous years, the Ever6 FSM factor will be adjusted.

Appendix B details the impact of the Model for each school.

Appendix C details the unit rates applied for each of the models.

3 Recommendation

It is recommended to move to NFF unit rates for 2021/22. The position will be re-assessed for affordability when actual DSG funding and dataset for 2021/22 is published in December 2020 and if any adjustment is needed this will be done via the MFG rate or, if required, adjustment of the Ever6 FSM factor unit rate.