

SCHOOLS FORUM**2 October 2019****Report of the Executive Director for Children's Services****School Funding Settlement****1. Purpose of the Report**

To inform the Schools Forum of the latest information regarding the national funding settlement for schools and the potential implications for Derbyshire.

2. Information and Analysis**2.1 The National Picture**

As part of the government's Spending Round 2019, the Chancellor of the Exchequer confirmed to Parliament that the funding for schools and high needs will, compared to 2019-20, rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23. This was followed by a statement by the Minister of State for School Standards on 9 September 2019 which provide some further limited details. These included confirmation that:

- 2020-21 funding will be distributed using the Schools and High Needs National Funding Formulae (NFF);
- LA Primary and Secondary Units of Funding (PUF/SUF) rates will be published in October;
- The Settlement includes an additional £700 for high need provision, £66m for early years providers and £400m for 16-19 provision;
- Final School and High Needs allocations will be published in December; and
- The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020 to 2021. Rates for 2020 to 2021 will be published in due course.

The DfE have now published the "Schools revenue funding 2020 to 2021 Operational Guide" which provides more details of the funding framework for next year, key details of which are set out below. The full guidance is available at <https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2020-to-2021>

2.2 Schools Block

The key aspects of the 2020-21 NFF for mainstream schools are as follows:

- The NFF be largely unchanged, however, technical changes and changes in factor values (multipliers) will be advised in October 2019;

- The Minimum Per Pupil Funding levels (MPPF) will be set at £3,750 (2019-20 £3,500) for primary schools and £5,000 (2019-20 £4,800) for secondary schools. The following year, 2021-22, the primary minimum level will rise to £4,000;
- The funding floor will be set at 1.84% per pupil, in line with the forecast GDP deflator, to protect per pupil allocations for all schools in real terms. This minimum increase in 2020-21 allocations will be based on the individual school's NFF allocation in 2019-20;
- Schools that are attracting their core NFF allocations will benefit from an increase of 4% to the formula's core (i.e. pupil led) factors;
- Pupil mobility funding will be allocated via a formulaic approach rather than on an historic basis;
- LAs will have the freedom to set the Minimum Funding Guarantee (MFG) in local formulae between +0.5% and +1.84% per pupil;
- There will be no gains cap in the NFF, however LAs can apply a cap locally;
- Growth funding will be based on the same methodology as this year, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2019-20 schools block allocation;
- LAs will continue to have discretion over their funding formula.
- Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required for transfers above 0.5%, or any amount without schools forum approval

As part of the transition to a "hard" national funding formula, the Minimum Per Pupil Funding (MPPF) levels listed above will become mandatory from April 2020.

LAs will continue to set the Minimum Funding Guarantee locally which, for 2020-21, must be between +0.5% and +1.84% per pupil.

LAs can transfer up to 0.5% of their School Block to other blocks of the DSG, with Schools Forum approval. To transfer more than this, or any amount without Schools Forum approval, they will have to make a request to the DfE.

The government have confirmed a £700m increase in High Needs Block funding for 2020-21, equivalent to 11.15% of the 2019-20 base. Individual LA increases will be equivalent to at least 8% per head of population aged 2-18. These increases will be in addition to the This minimum increase in 2020-21 allocations will be based on local authorities' high needs allocations in 2019-20, including the additional £125 million announced in December 2018.

2.3 Local implications

The increase in funding is to be welcomed, however, until the DfE published much more detailed information later this month it is difficult to gauge precisely the implications locally. If more information is provided in the next few days an update will be tabled at the meeting.

Appendix 1 is a first look at the size of increase in Schools Block funding that would be required to deliver the national changes in Derbyshire i.e. the changes in formula multipliers, a +1.84% MFG, higher minimum funding thresholds and the removal of capped gains. Based on 2019-20 data, these are estimated to cost £16.133m (+6.8%, primary) and £6.698m (+3.5%, secondary).

The affordability or otherwise of the multipliers in Appendix 1 will depend on the increase in Derbyshire's PUF/SUF values and the impact of the 2020-21 data changes.

A further report on school funding will be presented to the November Schools Forum.

2.4 Other Blocks

2.4.1 High Needs

High Needs allocations will increase by at least 8% per head of population, compared to the 2019-20 baseline, including the additional £125m announced in December 2018. A gains cap will limit increases to a maximum of 17%. Based on these minima and maxima limits, Derbyshire's increase will be between £5.598m and £11.895m. Derbyshire's 2019-20 HNB equates to 11.1% of the national total. Hence if Derbyshire were to receive a pro rata share of the additional £700m this would suggest an increase of ~£7.8m.

As previously reported the information to date does not allow for a more accurate forecast of the increase. A separate report on the high needs budget is on the agenda for discussion at tonight's Forum meeting.

2.4.2 Early Years

An additional £66m has been announced for 2020-21 for providers delivering the free core offer. The increase equates to 2.1% on the current national spend of £3.062bn. The impact on LAs' hourly rates i.e. the rates on which allocations to LAs are based, will be influenced by the number of hours the DfE calculate need to be funded.

Derbyshire's current hourly rate from the DfE is £4.39. This rate is protected, our true EY NFF rate is £4.17. Assuming Derbyshire receives a pro rata increase, rather than the rate saying the same and our protection reducing, would see our rate increase in 2020-21 to £4.48 per hour. Assuming Derbyshire can replicate this percentage locally, this would see our universal/additional 15 hours rate increase from £4.08 to around £4.16 per hour.

The settlement is silent on the Maintained Nursery School grant which supports the higher costs of nursery schools. To date the government have only committed to preserving this grant until the end of the summer term 2020. In 2019-20 Derbyshire received £1m for this purpose and the potential cessation or reduction in this grant represents a key financial risk.

2.4.3 Central School Services Block (CSSB)

This block is in two parts. The first funds LAs for their ongoing responsibilities for schools and academies e.g. cost of the Schools Forum, admissions service, various

copyright licences and services previously funded by the Education Services Grant (Retained Duties). The government have not announced the CSSB rates at this time.

The second element funds LAs for their historic commitments, in Derbyshire’s case a £1.737m contribution to our Early Help Offer. Traditionally, this has been based on the previous year’s planned spend. However, the DfE have signalled their intention to reduce allocations to LAs: further details on this from the DfE will be published in due course.

Central School Services Block budgets are a matter for the Schools Forum and a report on the DSG allocations and proposed budgets for 2020-21 will be presented to the November meeting of the Forum.

3. Key Dates for LAs

Finally, the Operational Guidance sets out the key dates for LAs and Schools Forums.

Date	Event
3 October	School Census
11 October	MFG disapplication deadline for MFG, premises factors etc. (for December response)
11 October	HNB place changes
20 November	MFG disapplication deadline for MFG, premises factors etc. (for APT deadline response)
28 November	Deadline for requests to transfer SB funding to HNB
21 January	Deadline for submission of APT to ESFA
29 February	Deadline for confirmation of budget shares for m/s schools

4. **Other Considerations** In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, HR, legal & human rights, environmental, health, property and transport considerations.

5. **Background Papers** Held within Finance.

6. **Executive Director’s Recommendation** - That the Schools Forum notes the report.

Jane Parfremment
Executive Director for Children’s Services

Indicator	2019-20 LA value £	2020-21 Assumed NFF value £	Assumption	Potential Change £	2019-20 count	Implied change in funding £m
AWPU – KS1&2	2,746.99	2,856.87	4% increase	109.88	59,582.50	6.547
DEPRIVATION: CURRENT FSM	440.00	448.80	2% increase	8.80	9,163.87	0.081
DEPRIVATION: EVER 6 FSM	540.00	561.60	4% increase	21.60	13,618.84	0.294
DEPRIVATION: IDACI F	200.00	208.00	4% increase	8.00	6,434.53	0.051
DEPRIVATION: IDACI E	240.00	249.60	4% increase	9.60	3,441.33	0.033
DEPRIVATION: IDACI D	360.00	374.40	4% increase	14.40	3,848.94	0.055
DEPRIVATION: IDACI C	390.00	405.60	4% increase	15.60	3,919.05	0.061
DEPRIVATION: IDACI B	420.00	436.80	4% increase	16.80	3,516.73	0.059
DEPRIVATION: IDACI A	575.00	598.00	4% increase	23.00	383.12	0.009
LPA	750.00	1,062.88	4% increase	312.88	20,296.63	6.350
EAL: 3 YEARS	515.00	535.60	4% increase	20.60	1,045.09	0.022
LUMP SUM	110,000.00	114,400.00	4% increase	4,400.00	351.17	1.545
Sub total						15.107
Other consequential changes:						
THRESHOLD PER PUPIL TOP UP			Using £3,750			0.335
FUNDING FLOOR			-			-0.888
MFG			Based on +1.84%			0.207
CAPPING			Removal of cap			1.372
Total increase excluding premises						16.133

Indicator	2019-20 LA value £	2020-21 Assumed NFF value £	Assumption	Potential Change £	2019-20 count	Implied change in funding £m
AWPU – KS3	3,862.65	4,017.16	4% increase	154.51	23,626.00	3.650
AWPU – KS4	4,385.81	4,561.24	4% increase	175.43	14,565.00	2.555
DEPRIVATION: CURRENT FSM	440.00	448.80	2% increase	8.80	5,363.00	0.047
DEPRIVATION: EVER 6 FSM	785.00	816.40	4% increase	31.40	9,529.98	0.299
DEPRIVATION: IDACI F	290.00	301.60	4% increase	11.60	4,084.67	0.047
DEPRIVATION: IDACI E	390.00	405.60	4% increase	15.60	2,041.99	0.032
DEPRIVATION: IDACI D	515.00	535.60	4% increase	20.60	2,237.63	0.046
DEPRIVATION: IDACI C	560.00	582.40	4% increase	22.40	2,214.57	0.050
DEPRIVATION: IDACI B	600.00	624.00	4% increase	24.00	2,179.44	0.052
DEPRIVATION: IDACI A	810.00	842.40	4% increase	32.40	226.05	0.007
LPA	1,550.00	1,612.00	4% increase	62.00	7,781.48	0.482
EAL: 3 YEARS	1,385.00	1,440.40	4% increase	55.40	133.15	0.007
LUMP SUM	110,000.00	114,400.00	4% increase	4,400.00	45.00	0.198
Sub total						7.472
Other consequential changes:						
THRESHOLD PER PUPIL TOP UP			Using £5,000			0.216
FUNDING FLOOR			-			-0.946
MFG			Based on +1.84%			-0.044
CAPPING			-			0.000
Total increase excluding premises						6.698

Based on file: N:\LMS\Formbud\2020-21\Modelling\1. FORMBUD_2020-21_Baseline with increases to multipliers and thresholds etc.xlsx