



Derby City Council

SCHOOLS FORUM
10th December 2019

Report of the Strategic for People Services

ITEM
02

Schools Block Funding 2020-21

SUMMARY

- 1.1 HM Treasury released some details of the 2019 Spending Round on 4 September 2019 and further details were contained in a written statement to Parliament on 9th September 2019
- 1.2 Detailed allocations were received during October 2019 with final allocations originally due in December 2019 but likely to be January 2020 due to the General Election. Allocations to individual schools are dependent on the autumn 2019 census information.
- 1.3 Funding to Local Authorities will be distributed using the National Funding Formula (NFF), a local formula can be adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has given a strong indication that the move to a full National Funding Formula for individual school allocations (hard National Funding Formula) is still very much the desired ambition.
- 1.4 Full Council, at their meeting on 24 January 2018, agreed to the move towards the adoption of the National Funding Formula in Derby as soon as DSG Schools Block allocations allowed.

RECOMMENDATIONS

- 2.1 To note the provisional settlement in relation to the Schools Block of the Dedicated Schools Grant.
- 2.2 To agree a Minimum Funding Guarantee for 2020 21 of 0.5%
- 2.3 To comment on the options for the Schools Funding Formula in 2020 21.

SUPPORTING INFORMATION

3.1 The Government’s announcement stated that national funding for schools and high needs will increase by £2 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 2022/23. Further details of the provisional allocations have not yet been issued.

The announced national increase in the Schools Block is around 5% although allocations to individual Local Authorities will be different as the National Funding Formula will be used to distribute the growth. Derby is set to gain considerably from the NFF in the Schools Block.

The government have announced the mainstream National Funding Formula (NFF) multipliers for 2020-21. Details of the current and new values are shown in each of the modelling options at Appendix 1,2 and 3. These increased multipliers feed directly into the calculation of the 2020-21 Schools Block budgets for each LA.

The provisional Local Authority level Schools Block is derived from a primary and secondary unit of funding (PUF/SUF) multiplied by the October census numbers. In addition to this local authorities receive an allocation for premises factors which are primarily based on actual costs and are intended to cover the costs of things such as PFI and rates.

The final allocation of the Schools Block will also include a Growth Fund element which is intended to meet the costs of basic needs growth and new schools. This allocation will not be known until the final allocation of the DSG is confirmed; likely to be January 2020.

3.2 The provisional allocations are detailed below, these will be updated for pupil numbers derived from the October 2019 census.

	Primary	Primary	Secondary	Secondary
	2019 20	2020 21	2019 20	2020 21
Unit funding	£3,935	£4,251	£5,153	£5,477
Increase		8%		6.3%
October 18 Pupil Count	23,680	23,680	15,014	15,014
NFF Allocations (£M)	93.181	100.664	77.367	82.231
Total NFF	2019 20	2020 21		
	£170.548m	£182.895m		

Premises	£3.635m	£2.760m		
Growth Fund	£1.422			
	£175.605	£185.655		

3.3 National Changes to the Funding Formula

Although the government has stated that it remains committed to a 'hard' national formula; one where local authorities have little or no role in determining schools' budgets, the approach to be applied for the year 2020 21 is that there still remains some local discretion. There are however some national requirements to be adhered to, the changes for 2020 21 are:

- An increase of approximately 4% has been applied to the national NFF multipliers (it is not mandatory to replicate these values at a local level)
- 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. For 2021-22 the primary MPPF will rise to £4,000. These values are mandatory and have to feature at a local level.
- Pupil mobility will be allocated to local authorities via a formulaic approach rather than the historic basis previously used and the threshold for individual schools to trigger this is 6% of their pupil cohort being defined as 'mobile'; defined as pupils entering school outside of the 'normal' admission date.
- A Minimum Funding Guarantee (MFG) to be applied locally of between +0.5% and +1.84% per pupil.
- There is no gains cap in the allocations applied to local authorities however local formulae can feature one to address, usually used to address affordability issues.

3.4 Proposals for Derby's local formula.

Full Council, at their meeting on 24 January 2018, agreed to the move towards the adoption of the National Funding Formula in Derby as soon as DSG Schools Block allocations allowed. This principle will continue for 2020-21.

3.5 The Minimum Funding Guarantee

Because of the substantial growth this year and the implementation of the increased MPPF all schools have been removed from the MFG. The MFG is the protection feature within the funding formula that protects schools per pupil funding from financial losses due to formula changes.

This is a really positive position to be in, schools will be operating at their true allocations and the DSG is no longer bearing any costs of protection.

The national guidance allows local authorities to set a MFG of between +0.5%

and +1.84%. As no schools are affected by this it is proposed to set the MFG at the lowest level of 0.5%

- 3.6 Capping and scaling
This is a mechanism which is used to limit gainers from formula change to help finance the MFG (protections). Capping caps gains at a certain level and scaling scales down gains above a capped level.
- 3.7 Scaling (abatement) back of NFF factors is the usual method used to bring the budget into an affordable position. It is proposed to scale back all factors equally, this is so that the scaling is equally applied across all schools and does not create distortion from the eventual implementation of the national Funding Formula.
- 3.8 Infant Class Size Funding
The 2020 21 budgets will feature the final transitional element of the infant class size funding after which it will cease.
- 3.9 Transfer to the High Needs Block
Schools Forum, at its meeting on the 15 October 2019, agreed to support a consultation with schools regarding the transfer of 0.5% from the Schools Block to the High Needs Block, circa £980,000 in 2020-21. It is the intention that this is used to invest into making some transformational changes to the sector that will support the inclusion agenda and some of the areas for development as identified within the recent SEND Inspection.
- 3.10 Modelling Options

Attached are indicative provisional school budgets for 2020 21. To note that although these are based on the 2020 21 provisional DSG allocation for Derby City they use census data from October 2018. Final budgets will obviously be updated to reflect final DSG allocations and October 2019 data.

Option 1

MFG set at 0.5%, transfer of 0.5% to the High Needs Block, capping and scaling used as the affordability mechanism; capping at 4.71% with scaling of 80% above the capped gain.

This option impacts adversely on those schools that gain the most from the NFF as it scales back growth over 4.71%. This however does not impact on those schools that gain from the mandatory introduction of the Minimum Per Pupil Funding (this is not scaled back). This option is favoured by the Council.

Option 2

MFG set at 0.5%, no transfer to the High Needs Block, abatement of the NFF factors used as the affordability mechanism; abatement of -1.5%.

The Council recommends a transfer from the High Needs Block subject to full consultation with the sector.

Option 3

MFG set at 0.5%, 0.5% transfer to the High Needs Block, abatement of the NFF factors used as the affordability mechanism; abatement of -2.2%. This moves the majority of schools further away from the NFF.

These options are subject to a wider consultation with the sector and will be considered by Schools Forum at their next meeting on 21st January 2019.

For more information contact: Background papers: List of appendices:	Name telephone number and email address Provisional Schools Budget Allocations Appendix 1 Option 1
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	Appendix 2 Option 2 Appendix 3 Option 3
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