

To: The chair of governors and headteachers of all Lincolnshire maintained schools and academies

7 December 2020

Dear colleague

**Mainstream schools national funding formula 2021/22
 Lincolnshire County Council's consultation with all maintained schools and academies**

The purpose of this letter is to communicate the launch of the Local Authority's (LAs) consultation on mainstream schools funding with all of the county's maintained schools and academies in light of the government's funding announcement this summer on the national funding formula (NFF) proposals for 2021/22.

The government first introduced the NFF in 2018/19 for mainstream schools. Since its introduction, LAs have continued to be responsible for agreeing and calculating schools funding allocations, however LAs were strongly encouraged to move to the NFF arrangements so that schools' allocations were on a sensible trajectory towards the full formula.

The introduction of the NFF was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. To enable a managed transition to take place nationally, the government adopted a funding floor and ceiling approach to enable incremental steps for schools to move towards the full formula allowing for a financially sustainable re-distribution of funding across the country.

The Local Authority Primary and Secondary Units of pupil funding used to finance the Schools block of the Dedicated Schools Grant which calculates mainstream schools budgets continue to rise in monetary value through the transition to the full national funding formula. Although sector unit funding levels are below the England average, Lincolnshire's position nationally has improved when making comparisons. Considering Lincolnshire funding position in 2018/19 to 2021/22, Lincolnshire's primary unit value has increased by £759, and Lincolnshire's secondary unit by £791.

2020/21	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,184	£4,337	-£153	62
Secondary	£5,279	£5,606	-£327	52
2021/22				
Primary	£4,570	£4,666	-£96	80
Secondary	£5,724	£6,048	-£324	49
Difference				
Primary	£386	£329	£57	18
Secondary	£445	£442	£3	-3

Lincolnshire County Council consulted schools and academies in November 2017 on the LAs proposals to replicate the government's NFF in 2018/19 for mainstream schools, and support the direction of travel to adopt the government's full NFF. The LA funding formula proposals and responses from schools were considered at the Schools Forum and Children and Young Peoples Scrutiny committee meetings, before the Executive Councillor on the 10 January 2018 gave approval to replicate the schools national funding formula for 2018/19.

In 2019/20 and 2020/21, Lincolnshire's mainstream primary and secondary schools continued to receive funding using the same formula factors and monetary values as the NFF, alongside the government's agreed funding floors and ceilings approach.

On 30 August 2019, the Prime Minister announced an investment of over £14bn in primary and secondary education between 2020/21 and 2022/23. The funding package for schools (aged 5 to 16) includes £2.6bn for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23 compared to 2019/20 funding levels.

Through this investment and to move towards the 'hard' formula, the DfE outlined that the minimum per pupil levels of funding applied to all schools would become a mandatory factor in 2020/21 and there would be no ceiling cap so that all schools would attract at least their full allocations under the formula.

The 2021/22 announcement of additional funding for mainstream schools and NFF changes require Local Authorities to engage in an open and transparent consultation on their 2021/22 funding formula. The LA is therefore consulting with its local schools, academies and Schools Forum on its proposed schools funding formula changes for 2021/22.

The targeted funding criteria also requires consulting on for 2021/22. The targeted funding supports schools where they have a disproportionate number of pupils with more complex needs. The planned changes reflect the increased notional SEN allocations held within schools budgets, which will ensure fair funding is provided to schools through targeted funding, and the effective deployment and financial sustainability of the High Needs block of the Dedicated Schools Grant.

The policy documents released in July 2020 by the department can be found from the links below.

[Schools Revenue Funding 2021 to 2022 Operational Guidance](#)

[NFF - Schools Block Technical Note](#)

The latest Schools Forum paper on the national funding formula was presented on the 8 October 2020:

[National Funding Formula for Schools - Update for 2021/22](#)

Schools had been advised that a consultation would be taking place on mainstream school 2021/22 funding arrangements in this term. On 3 December 2020, an email was sent to maintained schools and academies advising them that this would be launched on the 7 December. The LA has worked through the governments NFF announcements and guidance documents, including technical notes. There are two technical changes for mainstream schools funding that the LA is not required to consult on:

- Funding from the teachers' pay grant and teachers' pension employer contribution grant (including supplementary funding) have been incorporated into the NFF for 2021/22. The funding has been added to the basic per pupil entitlement (£180 for primary and £265 for secondary); to the minimum per pupil funding levels, and to the schools' 2020/21 funding baselines so that it is protected through the funding floor for protection purposes.
- The 2019 update to the Income Deprivation Affecting Children Index (IDACI) has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

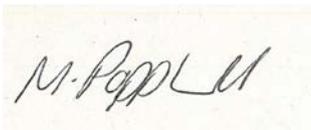
The technical notes and guidance from the DfE have enabled detailed modelling work to be undertaken by the LA to understand the government's proposed changes.

The timescales for consulting are tight (with a deadline of 21 December 2020) due to the requirement for the LA to table the outcomes of the consultation for consideration at the Schools Forum (14 January 2021) and Children's & Young Peoples Scrutiny Committee (15 January 2021) before a final decision is made by the Portfolio Holder on the 21 January 2021. The Local Authority is required to submit the agreed funding formula for 2021/22 based on the latest October 2020 census information to the Education & Skills Funding Agency (ESFA) by the 21 January 2021 for approval. The deadline for confirming schools budgets is the 28 February 2021.

The Local Authority is consulting on the proposal to continue replicating the NFF in 2021/22. There are a series of questions that schools are asked to respond to that will help shape the formula for 2021/22. As part of the consultation exercise, the ESFA requires LAs to illustrate the likely financial impact of its proposals upon individual schools. This is enclosed within the supporting documentation, which is based on the schools October 2019 census data (due to the October 2020 census data not being available at this time), and the 2020/21 baseline information for illustrative funding purposes. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the schools October 2020 census information. An outstanding matter is with the ESFA on how the LAs can respond financially to the increase in Free School Meal eligibility as a result of the pandemic when 2021/22 LA Schools block funding uses prior year 2019 pupil-led datasets. The position will of course be clear when final budgets for 2021/22 are published by the 28 February 2021.

To ensure openness and transparency, and to aid schools' understanding, the LA has provided a sufficient level of detail (including links to government pages) and illustrative school allocations to assist schools in this process, and to help schools respond to the consultation by completing and returning the enclosed proforma by 21 December 2020.

Yours sincerely



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Mainstream schools national funding formula 2021/22

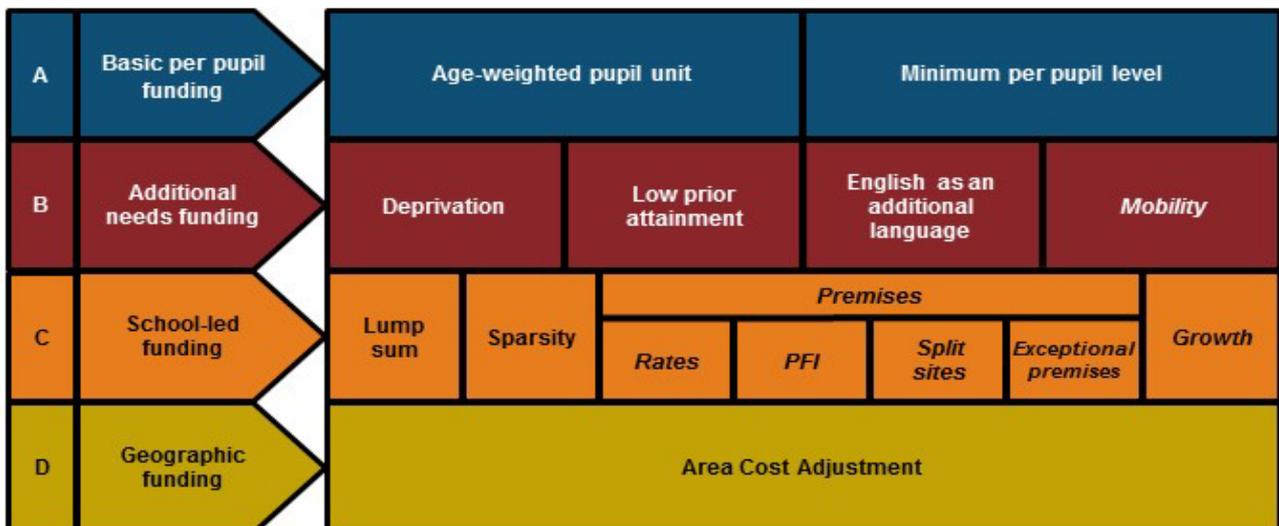
Lincolnshire County Council's consultation with all maintained schools and academies

Background

The government first introduced the mainstream NFF plan in 2018/19. The government plan has been to transition to the NFF through a 'soft' approach in the periods 2018/19 to 2021/22, whereby LAs continue to be responsible for calculating schools funding allocations.

The overall Schools block funding is determined at a LA level by the government's NFF by calculating notional budgets for each school. LAs have been encouraged to move towards the NFF so that schools' allocations are on a sensible trajectory towards the move to the full formula.

The government's building blocks of the schools national funding formula continue to include the following for 2021/22:



The key points from the government's schools national funding formula announcement for 2021/22:

- Each LA will continue to set the local schools formula for 2021/22 except for the minimum per pupil funding levels which will continue to be a mandatory factor in LA's local formula.
- The minimum per pupil funding levels will be set at £4,180 for primary schools (currently £3,750) and £5,415 for secondary schools (currently £4,800). The minimum per pupil funding levels include the incorporation of teachers' pay grant and teachers' pension employer contribution grant (primary £180, secondary £265).
- School funding through the NFF will increase by 4% overall in 2021/22. Key formula factors in the NFF will increase by 3%.
- Every school will be allocated at least 2% more pupil-led funding per pupil compared to their 2020/21 NFF baseline, i.e. the Minimum Funding Floor. This means that every school will attract an increase in their pupil-led funding of at least 2% per pupil, if the NFF is replicated. The application of this will be subject to affordability.
- LAs will continue to set the Minimum Funding Guarantee (MFG) between +0.5% and +2.0%.

- For the second year there will be no gains ceiling cap. All schools will attract at least their full allocations under the formula. LAs will still be able to use a cap in their local formula. The application of this will be subject to affordability.
- Additional funding will be available for small and remote schools through an increase in the Sparsity Factor value. Schools will be able to attract up to £45,000 (currently £26,000). The increased sparsity funding is intended to be the government's first step towards expanding the support the NFF provides for small and remote schools following an announcement by the DfE that this was to be reviewed at a national level.
- Premise funding will continue to be allocated to LAs on the basis of actual spend in the 2020/21 APT. This will continue to create a financial pressure for LAs each year due to the lag in funding which will need to be managed within the overall Schools block. The Private Finance Initiative (PFI) factor will increase in line with the RPIX measure of inflation (1.56%) to reflect PFI contracts.
- Growth funding will continue to be allocated to LAs based on the formulaic approach introduced in 2020/21 based on the growth in pupil numbers between October 2019 and October 2020 census. The government's growth funding applies a lagged approach rather than forecasting future growth expected therefore the Schools block will need to absorb any additional growth in 2021/22.
- Rates funding is based on schools actual rates bills from the prior financial year. The LA agreed through its schools consultation exercise to continue in 2020/21 to undertake a rates funding adjustment to ensure schools are funded the actual rates cost they incur in that financial year. No future agreement has been made to meet this cost from the DSG underspend.

Please refer to page 12 for the national funding formula factors monetary amounts planned for 2021/22 and page 13 refers to those in place for 2020/21.

Consultation questions – primary and secondary mainstream schools

Enclosed within the supporting documentation is the schools illustrative financial impact based on the proposals of adopting the government's national funding formula (NFF) changes for 2021/22. The illustrative funding for schools is based on the schools October 2019 census data (due to the October 2020 census data not being available at this time), and the 2020/21 baseline information. The financial impact upon individual schools will depend upon the combination of decisions that are finally taken and the updated schools October 2020 census information. The position will be clear when final budgets for 2021/22 are published by the 28 February 2021.

Replicating the National Funding Formula in 2021/22

The Local Authority has replicated the government's National Funding Formula (NFF) since its introduction in 2018/19. All Lincolnshire mainstream schools are receiving at least the NFF allocations following the government's removal of the gains cap.

For 2021/22, funding received for teachers' pay grant and teachers' pension employer contribution grant (including supplementary funding) has been added into the NFF baseline school funding and the Age Weighted Pupil Unit value. This is considered to be a DfE technical adjustment. Other school funding formula changes are explained in the key points of the background section.

Question

Do you support the Local Authority in continuing to replicate the NFF in 2021/22? Please see Appendix A for 2021/22 funding formula factors and monetary values in comparison to the 2020/21 position.

Yes / No

If the answer is **no**, please outline the reasons why, and alternatives for directing funding to schools through the government agreed formula factors.

Minimum Funding Guarantee

The Local Authority is currently required to set a minimum funding guarantee¹ (MFG) per pupil between +0.5% and +1.84% against the schools existing per pupil baseline. The MFG ensures all schools are protected against per pupil funding changes from one year to the next. The 2020/21 MFG level is +1.84%, which provided schools with a minimum increase of +1.84% per pupil through the implementation of the NFF 2020/21 changes.

The government has announced in 2021/22 that Local Authorities are required to set the MFG between +0.5% and +2.0% per pupil. A decision is required to set the level of MFG for 2021/22.

Question

Do you agree that the Local Authority (subject to affordability) should adopt the government's proposal of a +2.0% MFG per pupil protection in 2021/22?

Yes / No

If the answer is **no**, please outline the reasons why and the level of MFG to be set at, and where the funding should be re-distributed through the NFF.

Affordability

It is crucial that the overall funding delegated to schools is affordable based on the allocation made through the Schools block of the Dedicated Schools Grant to the Local Authority from central government. There remain a number of uncertainties that impact affordability.

- The Local Authority Primary and Secondary Units of Funding used to finance the Schools block, which funds schools budgets are based on the previous years' data / characteristics. This therefore does not take account of up to date pupil characteristics and any associated costs that are used to fund the new year's schools funding allocations. Previously, such cost differences have had to be managed within the Schools block. This is a pertinent point due to the significant increase in Free School Meal eligibility as a result of the pandemic,

¹ To protect schools from significant budget reductions, the minimum funding guarantee (MFG) ensures that no school loses more than a certain percentage per pupil compared to its prior year per pupil budget. A negative MFG allows school budget reductions to be set in a more sustainable way.

which will be recorded on the latest October schools census. This has been raised with the DfE for consideration due to the affordability risk of replicating the NFF - the Local Authority is waiting for their final response to the matter.

- Growth funding for planned reorganisations is allocated to Local Authorities using a formulaic approach based on the growth in pupil numbers between the October 2019 and October 2020 censuses. The government's growth funding applies a lagged approach rather than forecasting future growth expected, which does create financial uncertainty when meeting planned school growth future needs.

Question

If affordability was an issue in setting schools budgets for 2021/22 based on the government's Schools block Local Authority allocation, where would you take the monies from and please explain the reasons why:

- Reduce or remove the funding floor to a minimum +0.5% gain for all schools?
- Apply a percentage gains ceiling cap to schools per pupil gains?
- Reduce the monetary amount of age weighted pupil unit funding?
- Other.

Targeted Funding

The government introduced the approach of 'Notional SEN', which required schools to contribute the first £6,000 of an Educational Health & Care (EHC) plan. The Local Authority through this implementation in 2015/16 transferred £2.4m from the High Needs block to the Schools block to delegate through schools budgets to meet these higher level pupil needs. The Local Authority also introduced the Targeted Funding approach, to support schools with a higher number of EHC plans compared to a similar size school, Lincolnshire provided additional funding through the High Needs block of £6,000 (less 5% of the AWPU) for those above the agreed threshold – this was to ensure that schools were not being financially disadvantaged by having a disproportionate number of pupils with more complex needs.

The NFF has brought in significant funding to Lincolnshire mainstream schools since its implementation in 2018/19. This therefore means more notional SEN is within schools budgets (published in the schools budget shares calculation) to not only meet high incidence low level SEN, but also the first £6,000 for a pupil with an EHC plan. The targeted funding criteria requires updating to reflect the increased funding going to schools to ensure fair funding is provided to schools, and the effective deployment and financial sustainability of the High Needs block of the Dedicated Schools Grant.

The Local Authority is to continue using targeted funding as an approach to supporting schools, and to use the actual amount of notional SEN determined through NFF (based on pre-determined percentage amounts assigned to each formula factor) to determine whether a school has sufficient notional SEN funding to support pupils that have an EHC plan at their school. Where they have insufficient funding, targeted funding will be allocated. The percentage of notional SEN applied for higher needs pupils with an EHC plan is 30%. This percentage was established prior to the delegation of funding for School Action and School Action Plus and bands 1-5 statements, therefore reflect the full spectrum of support to be delivered through notional SEN.

The Local Authority is proposing to increase the top up rate for EHC plans to more reflect the costs being incurred by schools for delivering a wide variety of support to pupils. The planned c.14% increase in the rate will be subject to affordability of the High Needs block, therefore may require flexing downwards once the 2021/22 budget requirements are confirmed.

It is important that appropriate transitional protection is provided to schools through these planned funding changes. The Local Authority has adopted such a practice previously in supporting schools and will continue to do so. To ensure mainstream schools receive at least a +2.0% increase in per pupil funding for 2021/22 compared to 2020/21 (as set out through the NFF) including the funding changes for targeted and top up funding, the Local Authority will provide protection funding to ensure all schools achieve the +2.0% level for 2021/22 as a one year transition protection arrangement.

Question

Do you agree that the Local Authority's should use the 2021/22 NFF as the basis for determining the notional SEN amount per school when identifying whether a school is entitled to Targeted Funding?

Yes / No

If the answer is **no**, please outline the reasons why.

Question

Do you agree with the Local Authority's aspirations to increase the top up rate for EHC plans subject to affordability of the High Needs block?

Yes / No

If the answer is **no**, please outline the reasons why.

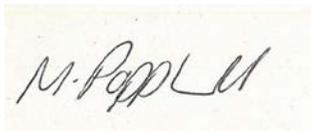
How to respond

The consultation closes on 21 December 2020. Schools are asked to complete the consultation response on MS Forms (link detailed below). Please ensure you complete the DfE number and name of school / academy should we need to contact you regarding your response.

[MS Forms - schools consultation response template](#)

Should you have any queries regarding these proposals, schools are to address correspondence to schools_finance@lincolnshire.gov.uk with the email titled 'Schools National Funding Formula Query' for the Schools Finance Team to respond to.

As indicated at the beginning of this document, the results of this consultation exercise will be reported to various groups. That information will also be made available to all schools.



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Appendix A

Proposed National Funding Formula – 2021/22

Formula Factors	Primary Rates	Secondary Rates
Basic per-pupil funding	KS1 & 2 - £3,123	KS 3 - £4,404 KS 4 - £4,963
Additional needs funding		
Ever 6 FSM	£575	£840
Current FSM	£460	£460
IDACI F (Rank 9033 to 12316)	£215	£310
IDACI E (Rank 5748 to 9032)	£260	£415
IDACI D (Rank 4106 to 5747)	£410	£580
IDACI C (Rank 2464 to 4105)	£445	£630
IDACI B (Rank 822 to 2463)	£475	£680
IDACI A (Rank 1 to 821)	£620	£865
Low Prior Attainment	£1,095	£1,660
English as an additional language	£550	£1,485
Mobility	£900	£1,290
School-led		
Lump Sum	£117,800	£117,800
Sparsity (NFF)	£45,000	£70,00
Primary Minimum Per Pupil Funding Level	£4,180	£5,415

Funding for premises factors such as Rates, Split-site and Rents will continue in line with the current year.

National Funding Formula – 2020/21 (for comparison purposes)

Formula Factors	Primary Rates	Secondary Rates
Basic per-pupil funding	KS1 & 2 - £2,857	KS 3 - £4,018 KS 4 - £4,561
Additional needs funding		
Ever 6 FSM	£560	£815
Current FSM	£450	£450
IDACI F (Between 0.2 and 0.25)	£210	£300
IDACI E (Between 0.25 and 0.3)	£250	£405
IDACI D (Between 0.3 and 0.35)	£375	£535
IDACI C (Between 0.35 and 0.4)	£405	£580
IDACI B (Between 0.4 and 0.5)	£435	£625
IDACI A (Between 0.5 and 1)	£600	£840
Low Prior Attainment	£1,065	£1,610
English as an additional language	£535	£1,440
Mobility	£875	£1,250
School-led		
Lump Sum	£114,400	£114,400
Sparsity (NFF)	£26,000	£67,600
Primary Minimum Per Pupil Funding Level	£3,750	£5,000