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**CITY OF WESTMINSTER**

**SCHOOLS’ FORUM 1st JUNE 2020**

**REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI BOROUGH CHILDREN’S**

**REVIEW OF LOCAL FUNDING FORMULA 2021/22**

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| **Purpose of the report**  This report is the first stage of the review of the Westminster funding formula which is used to calculate school budgets.  **FOR DECISION** |

1. **INTRODUCTION**
   1. At the extraordinary Schools’ Forum meeting on 2nd December 2019 it was agreed that the Westminster formula for calculating school budgets in 2020/21 should remain unchanged from 2019/20. It was also agreed that a review of the formula to be used for 2021/22 school budget allocations would commence earlier in 2020/21.
   2. This paper is the first stage of the 2021/22 formula review and aims to agree the funding principles and the factors to be focused on in the review.
2. **Background**
   1. It is assumed that Local Authorities (LAs) will continue to set local funding formula in 2021/22. The Secretary of State confirmed on 3 September 2019, the government’s intention to move to a ‘hard’ NFF for schools – where budgets will be set on the basis of a single, national formula. The ESFA recognise that this will represent a significant change and will work closely with LAs, schools and others to make this transition as smoothly as possible. As a first step towards hardening the formula, from 2020/21 the government made the use of the national minimum per pupil funding levels, at the values in the school NFF, compulsory for LAs to use in their own funding formulae. This did not affect Westminster schools in 2020/21 as they are all already funded above the national minimum per pupil funding levels.
   2. In addition, it is expected that two important restrictions will continue:

* LAs will continue to set a Minimum Funding Guarantee (MFG) in local formulae, which in 2020/21 was between +0.5% and +1.84% per pupil compared to per pupil funding in 2019/20. In Westminster the 2020/21 MFG was set as +1.84% per pupil. It should be noted that the MFG limits how much funds can be redistributed between schools as a result of any formula review.
* Schools’ Forum can agree to a transfer out of the schools block to a maximum of 0.5%. If a local authority needed to balance blocks by removing more than 0.5% from the schools block it would need to make an application to the Secretary of State. No transfer to the high needs block was made in 2020/21.

1. **WCC FORMULA FOR CALCULATING SCHOOL BUDGETS**
   1. After five funding formula options were considered for 2019/20 year and an ESFA representative provided clarity around options and the NFF, there was overwhelming support for stability for schools, with the expectation that the Westminster local funding formula remained unchanged until the NFF is introduced. Since then however the introduction date of the NFF remains unclear, however it is not expected to be before 2022/23 as there has been no further consultation on how it would be implemented in 2021/22. There however remains a small possibility that it could be introduced from 2021/22.
   2. As a result of the above decision taken for 2019/20 formula it was not proposed to make any changes to the WCC formula for calculating 2020/21 school budgets. Information was provided comparing the existing Westminster funding factors and values with the NFF factors and values.
   3. For comparison purposes Appendix A shows the summary 2020/21 factor values within the WCC locally agreed formula and those if the NFF factor values had been used.
2. **Principles for Formula Funding Review**
   1. The principles and areas to be reviewed are subject to any changes required by the Department for Education (DfE) which will not be known until later this year.
   2. The following are the proposed principles of the formula funding review:
      1. Stability - In January 2019 the Schools’ Forum agreed that stability of funding should be the main aim of the funding formula review.
      2. Consistency and fairness - Pupils with the same characteristics are funded the same amount of money (in line with the NFF principles).
      3. Aim not to increase the MFG significantly as this may expose schools to risk when the NFF is consulted on and introduced.
   3. It must be noted that the MFG limits the amount that funds can reallocated between schools and that total funding available to be allocated would be the same in any options considered as funds just move between schools.
3. **Areas to consider for Review**
   1. The following are suggested for consideration and discussion:
      1. At the December 2019 Extraordinary Schools’ Forum it was requested that the option of moving more funding to deprived pupils via the deprivation factors was considered, this could be by using some or all of IDACI bandings.
      2. The primary heads partnership have requested that an increase in the lump sum is considered to help provide a minimum level of funding for small schools. The increases modelled could start at the NFF level with the area cost adjustment of 1.8%. Should some of the Westminster factors and values / proportions of funding allocated move closer to those in the NFF?
      3. The funding provided for year 7 admissions, considered elsewhere on the agenda re 2020/21 funding should be included in this review for consistency re all pupil funding.
   2. Modelling of agreed options will be carried out and will return to the next Schools’ Forum. If the options are agreed full consultation will take place.
4. **Recommendations**
   1. Schools’ Forum are recommended:
      1. To agree the principles suggested in section 4 for the review of the WCC funding formula used to calculate school budgets.
      2. To agree and / or amend the areas / factors for review as proposed in section 5.
      3. To note that models of agreed options to be considered will return to the next Schools’ Forum and full consultation will take place.
5. **Appendix**

Appendix A – Westminster 2020/21 formula factor values compared to NFF factor values

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**Background Papers:**

ESFA - National Funding Formula (NFF) for Schools and High Needs

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021>

ESFA – Operational Guidance 2020-21

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/831848/Schools\_operational\_guide\_2020\_to\_2021.pdf