



## Schools Forum

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Paper

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Public

## SCHOOLS REVENUE FUNDING 2020-21

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### Summary

In September the Education & Skills Funding Agency (ESFA) published schools revenue funding guidance for 2020-21 for local authorities and schools forums. The guidance confirms the impact on the schools national funding formula (NFF) from 2020-21 as a result of the Government's £14.4bn pledge for education over the next three years.

This report summaries the latest Government guidance for schools revenue funding for 2020-21. The full guidance document can be accessed at <https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2020-to-2021>

The Education and Skills Funding Agency (ESFA) has published in October provisional NFF allocations at local authority level for the schools and high needs blocks in 2020-21 along with notional school-level allocations.

Shropshire Council, with the agreement of Shropshire Schools Forum, agreed to replicate the national funding formula through Shropshire's local funding formula from 2018-19.

### Recommendation

This report is for information only

## REPORT

### Background

1. The Government introduced a national funding formula for allocating schools, high needs and central school services funding through the Dedicated Schools Grant (DSG) to local authorities from April 2018.
2. Local authorities currently retain responsibility for determining local funding formulas for allocating funding to schools and academies in their area. Shropshire Council, with the agreement of Shropshire Schools Forum, agreed

to replicate the national funding formula in Shropshire's local funding formula to schools from 2018-19.

3. The guidance on schools revenue funding arrangements for 2020-21 was published by the ESFA in September. The guidance includes details of updates to the national funding formula announced as part of the Government's £14.4bn pledge for education over the next three years.
4. Along with the guidance, the Government has published provisional local authority level allocations for 2020-21 for the schools and high needs blocks within the DSG and notional 2020-21 national funding formula school level allocations.

### **School Revenue Funding Arrangements 2020-21**

5. The actual primary unit of funding (PUF) and secondary unit of funding (SUF) which will be used to calculate each local authority's schools block allocation has been published for 2020-21. For Shropshire these equate to £4,242.32 per pupil and £5,104.95 per pupil respectively. As a comparison, in 2019-20 Shropshire's PUF was £4,058.84 and SUF was £4,906.25.
6. These units of funding will be applied to pupil numbers recorded in the October 2019 school census to determine final schools block allocations for 2020-21. These will be issued to local authorities as usual in December.
7. Local authorities continue to have responsibility for determining their local funding formulas for allocating the schools block to their individual schools in 2020-21. The Government has confirmed its intention to move to a 'hard' NFF for schools as soon as possible, where every school's budget will be based on a single national funding formula. As a step towards this in 2020-21 it will be compulsory for local authorities to include the national minimum per pupil funding levels in their local formulas. As a reminder, Shropshire has mirrored the NFF (including the national minimum per pupil funding levels) in its local schools funding formula since 2018-19.
8. The following key elements of the schools NFF have been confirmed by the Government in 2020-21:
  - The minimum per pupil funding levels will be set at £3,750 for primary schools and £5,000 for secondary schools. The primary level will rise to £4,000 in 2021-22. These levels were £3,500 and £4,800 respectively in 2019-20. The minimum per pupil funding levels are not to be confused with the age weighted pupil units (AWPU) funding levels within the NFF.
  - The funding floor in the NFF will be set at 1.84% in line with the forecast GDP deflator, to protect pupil-led per pupil funding in real terms. This minimum increase in 2020-21 will be based on the individual school's NFF allocation in 2019-20 (rather than the 2017-18 baseline as in previous years). Local authorities will have the freedom to set minimum funding guarantee (MFG) levels in their local schools funding formula between +0.5% and +1.84%.
  - An increase of 4% to the formula's core factors. Exceptions to this are that the free school meals (FSM) factor will be increased at inflation as it is

intended to broadly reflect actual costs and premises funding will continue to be allocated at local authority level on the basis of actual spend in 2019-20, with an RPI increase to the PFI factor only.

- There will be no NFF gains cap, so that all schools attract their full allocations under the formula. Local authorities will still be able to use a cap in their local school formula.
  - There will be a new formulaic approach to the mobility factor so that it allocates this funding fairly to all authorities, rather than on the basis of historic spend. Shropshire has not received mobility funding through the NFF previously. Individual school mobility data will be part of the data set included in the Authority proforma tool (APT) and eligible schools will receive funding within their 2020-21 budget share.
  - Growth funding will be based on the same methodology as last year, and will have the same transitional protection ensuring that no authority whose growth fund is reducing will lose more than 0.5% of its 2019-20 growth fund allocation. Importantly for Shropshire however, there will be no capping or scaling of gains to the growth factor. In 2019-20, Shropshire's growth funding was scaled back by 50%.
  - The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020-21. They are likely to be mainstreamed into DSG from 2021-22.
9. The ESFA has published notional 2020-21 school-level NFF allocations which can be accessed by individual schools via COLLECT. These notional allocations include the 2020-21 increased formula values but are based on October 2018 census data. Actual allocations will be based on October 2019 census data. For many schools we have been unable to reconcile the ESFA notional allocations with the modelling authority proforma tool and therefore it is recommended that these notional allocations are used with caution at this stage.
10. 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. In previous years Shropshire schools forum has agreed to transfer any remaining balance, up to 0.5% of the schools block, to the high needs block to support the increasing pressures on the high needs block, after fully allocating individual school budget shares in line with the NFF.
11. Local authorities are required to engage in open and transparent consultation with all maintained schools and academies in their area, as well as with their schools forums, about any proposed changes to the local funding formula including the principles adopted and any movement of funds between blocks.
12. As a reminder, the local authority is responsible for making final decisions on the formula.

### **High Needs Funding Arrangements 2020-21**

13. The latest guidance confirms the following aspects of the High Needs national funding formula for 2020-21:

- The funding floor will be set at 8% so each local authority can plan for an increase of at least that percentage, taking into account changes in their 2 to 18 population (as estimated by the ONS).
  - The gains cap will be set at 17%.
14. Shropshire's provisional high needs block allocation for 2020-21, published in October, is 8.85% greater than our 2019-20 high needs block allocation. The provisional allocation is based on previous year pupil data and is subject to change.

### **Central School Services Funding Arrangements 2020-21**

15. The NFF for the central school services block (CSSB) of the DSG provides funding for local authorities to carry out central functions on behalf of compulsory school age pupils in maintained schools and academies.
16. The CSSB will continue to have two distinct elements:
- Ongoing responsibilities, which funds all local authorities for central functions they have to deliver for all pupils in maintained schools and academies, such as education welfare and asset management
  - Historic commitments, which funds some local authorities for commitments they made prior to 2013-14 that are unwinding.
17. Funding for ongoing responsibilities in 2020-21 will include a protection to ensure no local authority sees losses of greater than 20% per pupil compared to 2019-20. The gains cap will be set a 1.94%.
18. Funding for historic commitments is being reduced in 2020-21 by 20% from local authorities' 2019-20 allocations. There is a protection to ensure no local authority loses more than the equivalent of 0.5% of their 2019-20 schools block allocation. This will result in pressure on the CSSB if historic commitments cannot be reduced in line with the 20% reduction in funding.