



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
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SHROPSHIRE SCHOOLS FUNDING FORMULA 2020-21

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1. Summary

In September 2019 the Education and Skills Funding Agency (ESFA) published the 2020-21 school revenue guidance for local authorities and schools forums. The guidance confirmed the arrangements for distributing funding through the national funding formula (NFF) for schools, early years, high needs and central schools services. This is in the context of the Government's £14.4 billion funding pledge for education for the next three years.

At their meeting on 10 January 2018, Cabinet approved the recommendation from Shropshire Schools Forum to replicate the NFF, through Shropshire's local funding formula, which means 2020-21 will be the third year of the NFF being applied to the funding of the county's schools and academies.

The ESFA require the proposed formula for 2020-21 to be politically approved by mid-January 2020. This paper therefore sets out the proposals, agreed by the Shropshire Schools Forum on 5 December 2019, for Cabinet approval.

2. Recommendation

That Cabinet accept the recommendation of Shropshire Schools Forum on the funding formula for Shropshire schools for the financial year 2020-21 for maintained schools, and the academic year 2020-21 for academies.

REPORT

3. Risk Assessment and Opportunities Appraisal

The Secretary of State for Education announced in September 2017 planned changes to the school funding arrangements for 2018-19 and future years, placing a requirement on local authorities to formally consult

with their maintained schools and academies on the schools funding formula to be applied in their local authority area.

Shropshire schools were consulted in the autumn term 2017 on the basis for distributing the Schools Block of the Dedicated Schools Grant (DSG) to Shropshire schools and academies. Following this consultation Shropshire Schools Forum recommended, and Cabinet agreed, the distribution of individual school budgets for 2018-19 and 2019-20 would be aligned with and mirror the transitional NFF announced by the Government in July 2017.

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.

At their meeting on 5 December 2019, Shropshire Schools Forum considered specific arrangements for 2020-21, with a view to these arrangements being politically ratified by Cabinet at their meeting on 22 January 2020, in line with ESFA requirements.

4. Financial Implications

The school funding formula is used to determine how part of the Council's DSG allocation, in particular the Schools Block, is distributed to Shropshire maintained schools and academies. The individual school 'budget shares' determined by the formula represent a significant proportion of the annual revenue funding for maintained schools for the financial year, and funding for academies for the academic year.

The funding for maintained schools is distributed through the local authority, while the ESFA uses the formula to allocate funding direct to Shropshire's academies and the county's one free school.

In September 2019, the Government announced plans to invest £14.4 billion over the three years 2020-21, 2021-22 and 2022-23 in primary and secondary education. The additional funding for schools has been widely welcomed. Most Shropshire schools will benefit from the combination of the nationally set minimum per pupil funding levels, the removal of the gains cap and the increase in the funding formula factor values.

There are no direct financial implications for Shropshire Council as a result of this decision.

5. School Funding Arrangements for 2020-21

The latest guidance on schools revenue funding arrangements for 2020-21 was published by the ESFA in September 2019. The guidance included an update to the NFF for 2020-21, along with a number of policy changes. The Government has also published illustrative local authority level allocations for 2020-21 for the schools, high needs and central school services blocks within the DSG and illustrative NFF calculations for the Schools Block for all maintained schools and academies in each local authority area.

For 2020-21, the following key elements of the schools NFF will apply:

- 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 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 in line with 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.
- 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.
- In recognition of the fact that all local authorities are facing some pressures on their high needs budgets, the DfE are allocating increased funding through the high needs NFF with a higher funding floor set at 8%. This means that at a minimum, local authorities will see

at least an 8% per head increase in funding compared to what they received in 2019-20.

- In 2020-21, local authorities that receive historic commitments funding as part of their Central Schools Services Block DSG allocation will have their allocation reduced by 20% compared to their 2019-20 baseline. For Shropshire this has resulted in a loss of DSG of £428,476.

Shropshire Schools Forum has a statutory consultative and advisory role in respect of school funding, while the responsibility for determining and approving the funding formula rests with the local authority. Forum meetings in September and November considered detailed reports on the proposed funding arrangements for 2020-21, as well as the announcement of additional education funding for the next three years.

Schools Forum considered a paper on the *School Funding Arrangements 2020-21* at their meeting on 5 December 2019 – copy of the report is appended to this report. They considered and agreed a number of additional specific technical arrangements for 2020-21, designed to align the local funding formula for Shropshire schools and academies as closely as possible to the NFF.

As well as applying the NFF formula values and weightings, Schools Forum agreed the following:

- A lump sum split site factor value of £15,000 is provided to the Ludlow Infant/Junior amalgamated school from 2020-21.
- To transfer any remaining balance, up to 0.5% of the Schools Block, into the High Needs Block after fully funding individual schools in line with the NFF.
- To ensure a proportional impact on all schools, in the event that the Schools Block allocation for 2020-21 is not sufficient to fully fund the local formula in line with the NFF, to reduce the minimum funding guarantee (MFG) as necessary, and within allowable limits, to ensure affordability. Following this, if also required, to reduce the age weighted pupil unit (AWPU) factor on a consistent basis across all Shropshire schools.

Cabinet are recommended to approve a schools funding formula for 2020-21 that delivers funding to Shropshire schools and academies through the application of the NFF formula factors and weightings.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Schools Forum website - <https://shropshire.gov.uk/committee-services/ieListMeetings.aspx?Committeed=632>

Cabinet Member (Portfolio Holder)

Edward Potter

Local Member

All Council members

Appendices

Appendix A – Schools Forum report – School Funding Arrangements 2020-21 – 5 December 2019