



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
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## **SHROPSHIRE SCHOOLS FUNDING FORMULA 2021-22**

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### **1. Summary**

In July 2020 the Education and Skills Funding Agency (ESFA) published the 2021-22 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, high needs and central services to schools.

At their meeting on 22 January 2018, Cabinet approved the recommendation from Shropshire Schools Forum to replicate the NFF, through Shropshire's local funding formula, which means 2021-22 will be the fourth year of the NFF being applied to the funding of the county's schools and academies.

The ESFA require the proposed formula for 2021-22 to be politically approved. This paper therefore sets out the proposals, agreed by the Shropshire Schools Forum on 3 December 2020, 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 2021-22 for maintained schools, and the academic year 2021-22 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 future years 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 2021-22. 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.

The Government has confirmed it will put forward plans to move to a 'hard' NFF in the future, which will determine school funding allocations directly, rather than local funding formulae. The Department for Education will work closely with local authorities and other stakeholders in making this transition, and further information on that process will follow in due course.

At their meeting on 3 December 2020, Shropshire Schools Forum considered specific arrangements for 2021-22, with a view to these arrangements being politically ratified by Cabinet at their meeting in the Spring term, 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, meaning that this year is the second year on this three-year plan. The additional funding for schools was widely welcomed when announced. Most Shropshire schools are benefiting 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.

## 5. School Funding Arrangements for 2021-22

The latest guidance on schools revenue funding arrangements for 2020-21 was published by the ESFA in July 2020. The guidance included updates to the NFF for 2021-22, along with new factor values and a number of technical changes. The Government has also published illustrative local authority level allocations for 2021-22 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 2021-22, the following key elements of the schools NFF will apply:

- The minimum per pupil funding levels will be set at £4,180 for primary schools and £5,415 for secondary schools. These levels were £3,750 and £5,000 respectively in 2020-21. The increase includes an additional £180 for primary and £265 for secondary to cover the additional teachers' pay and pension costs that were previously funded through the separate grants. 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 2% in line with the forecast GDP deflator, to protect pupil-led per pupil funding in real terms. This minimum increase in 2021-22 will be based on the individual school's NFF allocation in 2020-21 (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 +2%.
- An increase of 3.0% overall to the key factors in the NFF. This means that schools which are already attracting their NFF allocations will attract a significant increase in both cash and real terms. On top of this 3.0% uplift, a further £180 for primary pupils and £265 for secondary pupils has been added to the age-weighted pupil unit (AWPU), to reflect the rolling in of the teachers' pay and pension grants into the NFF.
- 2019 data from the Income Deprivation Affecting Children Index (IDACI) has been used in place of 2015 data. The basis on which pupils are assigned to the seven IDACI bands has changed - they are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.
- The maximum sparsity value will increase from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools. This will increase the amount that the formula allocates nationally to

remote schools through the sparsity factor to £42 million – an increase of over 60% in comparison to 2020-21.

- Premises funding will continue to be allocated at local authority level based on actual spend in 2020-21, with an RPI increase to the PFI factor only.
- 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 2020-21 growth fund allocation.
- The DfE are allocating increased funding through the High Needs NFF in 2021-22. Each local authority will receive an underlying increase of 8% per head of 2 to 18 population based on the value received in high needs funding in 2020-21. The DfE has also set a gains cap of 12%.
- In 2021-22, local authorities that receive historic commitments funding as part of their Central Schools Services Block DSG allocation will again have their allocation reduced by 20% compared to their 2020-21 allocation. For Shropshire this has resulted in a loss of DSG of £342,781. Shropshire Council has chosen to build expenditure growth of £342,780 into its 2021-22 budget and so there is no impact on service delivery.

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 considered a detailed reports on the proposed funding arrangements for 2021-22.

Schools Forum considered a paper on the *School Funding Arrangements 2021-22* at their meeting on 3 December 2020 – copy of the report is appended to this report (Appendix A). They considered and agreed a number of additional specific technical arrangements for 2021-22, 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 £33,300 for Shrewsbury Academy, and £15,000 for Ludlow Primary School, continue to be allocated in 2021-22. Outcome – these amounts have been included in the funding as planned.
- 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. Outcome – it has been possible to transfer 0.5%

(£876,218) of the Schools Block into the High Needs Block after fully funding schools in line with the NFF.

- To ensure a proportional impact on all schools, in the event that the Schools Block allocation for 2021-22 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. Outcome – it was not required to impose any reduction to MFG or AWPU as Shropshire’s allocation was fully able to fund schools in line with the NFF.

**Cabinet are recommended to approve a schools funding formula for 2021-22 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?Committeeld=632>

**Cabinet Member (Portfolio Holder)**

Edward Potter

**Local Member**

All Council members

**Appendices**

Appendix A – Schools Forum report – School Funding Arrangements 2021-22 – 3 December 2020