



## REPORT

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. 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.
- 4.2. 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.
- 4.3 Local authorities continue to have responsibility for determining their local funding formulas for allocating the Schools Block to their individual schools in 2022-23. As in the current financial year 2021-22 it will be compulsory for local authorities to include the national minimum per pupil funding levels in their local formulas for 2022-23.
- 4.4 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. A consultation process is currently underway in which the Government is seeking views on how they complete their reforms of the NFF and how they most effectively transition away from local formulae to all schools' funding allocations being determined directly by the NFF in the years ahead.
- 4.5 At their meeting on 2 December 2021, Shropshire Schools Forum considered the specific arrangements for 2022-23, with a view to these arrangements being approved by Cabinet at their meeting in the Spring term, in line with ESFA guidance.

### 5. Financial Implications

- 5.1 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.

- 5.2 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.

## **6. Climate Change Appraisal**

- 6.1. There are no anticipated climate change implications from the proposals within this report, though it is recognised that the school leaders, governors and trustees can and do apply their delegated revenue budgets to support carbon reduction measures in the operation of their schools.

## **7. Background**

- 7.1. The latest operational guidance on schools revenue funding arrangements for 2022-23 was published by the ESFA in July 2021. The guidance included updates to the NFF for 2022-23, along with new factor values and a number of technical changes.
- 7.2. The Government has also published the illustrative local authority level allocations for 2022-23 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.
- 7.3. The following key elements of the schools NFF have been confirmed by the Government for 2022-23:
- School funding is increasing by 3.2% overall. The NFF continues to distribute this based on the needs of schools and their pupil cohorts and is increasing core factors of the formula by 3%, while ensuring that every school is allocated at least 2% more funding per pupil.
  - The maximum amount of sparsity funding schools can attract through the NFF is increasing by £10,000, to £55,000 for primary schools and £80,000 for all other schools. There is also a change to the way schools' remoteness is calculated, by using road distances instead of straight-line distances and introducing a new distance "taper". This will significantly increase the number of schools attracting sparsity funding. As a result, the total allocation to small, remote schools through the sparsity factor has more than doubled, from £42 million in 2021-22 to £95 million in 2022-23.
  - The minimum per pupil funding levels will be set at £4,265 for primary schools and £5,525 for secondary schools, a 2% increase. These levels were £4,180 and £5,525 respectively in 2021-22. The minimum per pupil funding level is not to be

confused with the age weighted pupil units (AWPU) funding levels within the NFF.

- The funding floor in the NFF will continue to be set at 2% to protect pupil-led per pupil funding in real terms. This minimum increase in 2022-23 will be based on the individual school's NFF allocation in 2021-22. Local authorities will have the freedom to set minimum funding guarantee (MFG) levels in their local schools funding formula between +0.5% and +2%
- The additional money invested in schools for 2022-23 means that there is an increase to the core factors in the NFF – the basic per pupil funding factor (AWPU), additional needs factors and the school lump sum – by 3%.
- The free school meals Ever 6 (FSM6) factor in the NFF provides additional funding for pupils who are, or have been, recorded as eligible for free school meals at any point in the last 6 years. From 2022-23, data on pupils who are eligible is taken from the most recent October census (October 2020) instead of from the preceding January census (January 2020). This brings the FSM6 factor in line with how other NFF factors are calculated and shortens the FSM6 funding lag in the NFF by 9 months. As FSM eligibility increased between January and October last year, this increases the amount of funding allocated through the FSM6 factor to £1,369 million in 2022-23.
- For the low prior attainment (LPA) factor in the NFF, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) assessments have been used as a proxy for the 2020 assessments, following the cancellation of these assessments due to the pandemic. This is consistent with how the LPA factor was calculated in local formulae in 2021-22
- Eligibility for the mobility factor is usually determined based on the census in which pupils first appear at their current school. In light of the cancellation of the May 2020 census, pupils who joined a school between January and May 2020 attract funding for mobility on the basis of their entry date, rather than by virtue of the May school census being their first census at the current school.
- Further to the consultation on changes to the payment process of schools' business rates, the business rates payment system for schools will be centralised and ESFA will pay billing authorities directly on behalf of state funded schools from 2022-23 onwards.
- 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 2021-22 growth fund allocation.

- In 2022-23, 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 2021-22 allocation. This will be the third year the authority has had the allocation reduced by 20%. For Shropshire this has resulted in a loss of DSG of £274,225. Shropshire Council has chosen to build expenditure growth of £235,000 into its 2022-23 budget to ensure there is no impact on service delivery.

7.4. 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. A Schools Forum meeting in September considered a detailed report on the proposed funding arrangements for 2022-23.

7.5. Schools Forum considered a paper on the *School Funding Arrangements 2022-23* at their meeting on 2 December 2021 – copy of the report is appended to this report (Appendix A). They considered and agreed a number of additional specific technical arrangements for 2022-23, designed to align the local funding formula for Shropshire schools and academies as closely as possible to the NFF.

7.6. 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 for Ludlow Primary School to be allocated in 2022-23.
- 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 2022-23 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.

## 8. Conclusions

8.1. Cabinet is recommended to approve a schools funding formula for 2022-23 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 revenue funding 2022 to 2023 – Operational guidance – July 2021

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1037472/Schools\\_revenue\\_funding\\_2022\\_to\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037472/Schools_revenue_funding_2022_to_2023.pdf)

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

**Cabinet Member (Portfolio Holder)**

Kirstie Hurst-Knight

**Local Member**

All Council members

**Appendices**

Appendix A – Schools Forum report – School Funding Arrangements 2022-23 - 2 December 2021