

2021-22 Schools Block Funding and Local Funding Formula Consultation

1. Purpose of the Report

To provide:

- a summary of the provisional 2021-22 Dedicated Schools Grant funding allocations and changes to the National Funding Formula.
- The proposals for the 2021-22 local funding formula consultation.

2. Provisional Indicative 2021-22 Schools Block Funding Allocation

The indicative local authority (LA) funding allocations for 2021-22 for the Schools Block was announced in July 2020, together with notional allocations for individual schools. The indicative funding allocation is based on pupil numbers for October 2019 and will be updated to reflect the October 2020 pupil numbers in December 2020.

Schools Block Funding Breakdown

	Actual 2020-21			Indicative 2021-22			Increase/ Decrease(-)	
	October 2019 Pupil No.'s	Unit of Funding	2020-21	October 2019 Pupil No.'s	Unit of Funding	2021-22		
		£	£000		£	£000	£000	%
Primary	66,827.5	4,125	275,632	66,828	4,467	298,524	22,892	8.31
Secondary	43,023.5	5,218	224,480	43,024	5,650	243,098	18,617	8.29
Premises & Mobility			6,002			6,326	324	5.40
Growth Funding			3,789			3,789	0	0.00
TOTAL SCHOOLS BLOCK	109,851		509,903	109,851		551,736	41,833	8.20

In terms of the overall settlement, the main changes for 2021-22 are an overall increase for Nottinghamshire of £41.8m. However around £23.9m of the increase relates to the Teachers' Pay and Pension grants being rolled into the Schools Block. Adjusting for this means the like for like increase is around £17.9m, (3.5%).

For the High Needs Block the indicative allocation is £10.5m higher which is 13.4%.

3. Changes to the National Funding Formula (NFF) for 2021-22

The key changes to the schools NFF in 2021-22 are:

- Incorporation of the 2019 update to the Income Deprivation Affecting Children Index (IDACI) data set.
- The funding floor will be set at 2.0% (1.84% 2020-21) and based on individual schools funding floor baseline. This increase is based on pupil led funding only.

- The Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contributions Grants (TPEG), including the supplementary fund, have been rolled into the NFF by increasing the funding floor base line, basic per pupil entitlement and minimum per pupil funding.
- The Minimum Per Pupil (MPP) funding levels will be set at £4,180 (including £180 for the rolling in of grants) for primary schools, £5,215 for Key stage 3 and £5,715 for Key stage 4. This means that for each secondary with a standard structure of 5 year groups the minimum per pupil amount will be £5,415 (including £265 for the rolling in of grants). These levels are mandatory for all local authorities to use in their local funding formula (LFF).
- Schools that are attracting their core NFF allocations will benefit from an increase of 3% to the formula's core (i.e. pupil led) factors.
- An increase to the maximum sparsity value from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools to improve support for small and rural schools.

The key Changes in the High Needs Block are:

- The funding floor is set at 8% so each local authority can plan for an increase of at least 8% per head of their 2 to 18 population (ONS data).
- The gains cap is set at 12%.

4. Operational Guidance – Schools Revenue Funding 2021-22

The operational guidance was issued in July 2020 for LAs to start to plan the local implementation of the funding system for 2021-22. As well as the above announcements the following also applies for 2021-22:

- LAs' will still be able to transfer up to 0.5% of the schools block to other blocks of the DSG with the agreement of their schools forum.
- Flexible minimum funding guarantee (MFG) to be allowed between plus 0.5% and 2.00%.
- LAs' will continue to set a local schools funding formula. The government will, later this year, put forward plans to move to a 'hard' NFF in the future.

5. Implications for the Local Funding Formula (LFF)

The LA would wish to continue to mirror the NFF subject to it being affordable. Initial financial modelling for 2021-22, based largely on 2020-21 data, suggests it is just about affordable. This is after taking into account the Minimum per Pupil increase for Minster School (see Section 7) and an estimated increase in school rates bills. The illustrative allocations are, however, still based on October 2019 census data, final allocations will be based on affordability once the actual funding settlement is received in December 2020 using October 2020 census and changes to pupil characteristics. Key to affordability will be the impact of changes in deprivation and low prior attainment data.

If the NFF was unaffordable in full, perhaps because of data changes, consideration would need to be given as to how the shortfall would be met. The options which could be considered are:

- Setting the MFG at less than 2.00%
- Setting a gains cap.
- Using some of the growth funding as it is part of the Schools Block

6. Application of the Sparsity Factor

The LA has been approached by NC primary school to review the application of the sparsity criteria because it is not currently eligible for funding through this factor although it is a small rural school.

In order to qualify for the funding schools must meet two criteria:

- a) they are located in areas where pupils would have to travel a significant distance to an alternative should the school close and;
- b) they are small schools.

For schools for whom the school is their closest compatible school the factor measures the distance (**as the crow flies**) from their home to their second nearest compatible school, and the mean distance for all pupils is then calculated. For a primary school to qualify as a small school the maximum average number of pupils per year group is 21.4 and the minimum average distance to second nearest compatible school is 2 miles.

NC Primary did not qualify for the funding in because it does not meet the distance criteria. The average distance to the second nearest compatible school for all its pupils was 1.75906 miles which is less than the 2 miles minimum required. The school have calculated that if the **road distance** had been used instead it would have qualified for the funding.

Local authorities are able to make exceptional applications, in agreement with the schools forum, for schools not meeting the distance criteria where they would have significantly higher mileage if road distances had been used. It should be noted, however, that such an application may impact on the affordability of the NFF because locally agreed changes to it do not attract additional funding from the ESFA.

In order to assess if this was an exceptional circumstance the LA have reviewed the application of the sparsity factor to ascertain if any other schools are in a similar position. On further analysis there are only 12 schools in the county that qualify for the funding and there are another 9 schools (676 pupils) which are actually closer to the 2 mile limit than NC Primary and also miss out on being eligible for the funding under the existing criteria.

In order to fully complete this piece of work the pupils for all schools that meet the minimum year group criteria would need to be assessed using the road distance instead of 'as the crow flies'. This would mean obtaining the post codes for 4,450 pupils, establishing the nearest compatible school and calculating the road distance for each and that would be a major task. This is further exacerbated by the fact that the data isn't readily available. The ESFA have been approached to see if they can assist with this but no response has been received yet.

Furthermore, the ESFA have announced that as well as the increases in sparsity funding for 2021-22 further changes are planned from 2022-23 and it is understood that the use of road distances is being considered as one of those changes. There will be a consultation on any proposed changes in due course.

It is the LA's view therefore **not** to ask the schools forum to agree to an exceptional application for this school as it could be potentially unfair to other schools in the County who may be able to make a similar claim. The data is not available in order for the LA to assess the extent and financial implication of this. As the ESFA are already planning to make changes to the sparsity criteria to

broaden the application of the factor from 2022-23 it would seem sensible to wait and see what the proposals are when the consultation is released.

7. Minster MPP disapplication request

The schools forum received a report at the June 2020 meeting regarding the application of the NFF Minimum Per Pupil (MPP) methodology for Minster School because it disadvantages the school for not having a standard number of year groups and a disproportionate number of primary and secondary pupils. This had significantly reduced the MPP protection that it would have received as a stand-alone secondary school. In view of this anomaly, the LA redetermined the 2020-21 budget allocation for Minster School accepting that it was a unique circumstance and submitted a disapplication request to the ESFA which was approved. The report highlighted that this amendment may be needed for the school in future years if no change was made to the NFF MPP methodology.

The forum are advised that no change has been made to the NFF MPP methodology therefore the amendment will be required for the school's 2021-22 funding and a disapplication request will need to be made again.

There is another school, Serlby Park (an all-through school), which this MPP methodology also applies to. However, it receives more funding per pupil through the core formula compared to the MPP levels and there is a more equal split of pupils across the year groups, so it does not create the same anomaly.

8. Consultation Proposals – Schools Block

The aim of the consultation is to mirror the National Funding Formula as far as possible based on the indicative 2021-22 funding allocation for Nottinghamshire. The local authority is required to consult on any changes to the LFF and the questions below are designed to align the current LFF with the NFF.

1. Changes to the Unit Values Attributed to each Factor

The unit values for all the NFF factors have been increased by 3%. In order to continue with the principle to mirror the NFF as far as possible these increases will need to be reflected in the LFF. The unit values for 2020-21 and those proposed for 2021-22 are shown in the Appendix.

Question 1

In order to continue with the principle to mirror the NFF as far as possible the local authority would need to increase the unit values for each factor as detailed in Table 1

Are you in agreement with this proposal? Yes/No

2. Minimum Funding Guarantee/Funding Floor (MFG)

For 2021-22 the MFG must be between +0.5% and +2.00% and the current MFG in the LFF is 1.84%, by setting a positive MFG this protects schools from any reduction in per pupil funding as a result of a change in pupil characteristics or unit values. In order to mirror the real terms protection in the NFF the local authority would need to set the MFG at +2.00%.

Question 2

In order to continue with the principle to mirror the NFF as far as possible the local authority would need to set the MFG at 2.00%.

Are you in agreement with this proposal? Yes/No

3. De-delegation

The DfE requires any funding that was subject to de-delegation in 2020-21 to be re-approved by Schools Forum if the de-delegation is to continue in 2021-22. The services to be de-delegated haven't changed nor have the proposed per pupil amounts.

Question 3 (to be answered by maintained schools only)

Do you agree to the de-delegation of the following in 2021-22?

- Free school meals eligibility assessment?
- Support to underperforming ethnic minority groups and bilingual learners?
- Contingency for crisis communications?
- Trade Union Facilities?

	Primary per pupil de-delegation	Secondary per pupil de-delegation
Free school meal eligibility assessment	£0.75	£0.75
Support to underperforming ethnic minority groups and bilingual learners	£5.03	£5.03
Contingency for crisis communications	£0.90	Nil
Trade Union Facilities	£1.56	£1.69

9. Consultation timetable

- 12th November Schools Forum meeting – decide content of consultation.
- Week commencing 16th November 2/3 week consultation period
- 7th December – circulation of consultation responses and proposed 2021-22 local funding formula.
- 10th December Schools Forum meeting – recommendation of local funding formula.
- Mid December 2021-22 final Schools Block funding allocation announced
- 21 January 2021 APT submission to ESFA
- 10 February 2021 – agreement of local funding formula at Policy Committee.
- 25 February 2021 – update to the Schools Forum on final 2021-22 local funding formula

10. Recommendation

That the Schools Forum:

- Offers its views on the options for addressing an affordability gap
- Offers its views on the LA approach to the sparsity criteria
- Agrees with the LA submitting a disapplication request for Minster School MPP calculation
- Consider and agree the proposals to be included in the 2020-21 schools funding consultation.
- Consider and agree the proposed timetable for the schools funding consultation.

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	Nottinghamshire Local Funding Formula 2020-21		National Funding Formula 2021-22		
	Primary	Secondary	Primary	Secondary	Secondary KS3 Only
	Unit Value £	Unit Value £	Unit Value £	Unit Value £	Unit Value £
Minimum Per Pupil	3,750	5,000	4,180	5,215	5,715
Basic Entitlement - per pupil					
Primary	2,864.89		3,131.62		
KS3		4,029.09		4,416.16	
KS4		4,573.59		4,976.70	
Deprivation - per eligible pupil					
FSM Current	451.24	451.24	461.27	461.27	
FSM6	561.55	817.25	576.59	842.32	
IDACI Band A	601.66	842.32	621.71	867.39	
IDACI Band B	436.20	626.73	476.31	681.88	
IDACI Band C	406.12	581.60	446.23	631.74	
IDACI Band D	376.04	536.48	411.13	581.60	
IDACI Band E	250.69	406.12	260.72	416.15	
IDACI Band F	210.58	300.83	215.59	310.86	
Low Prior Attainment - per eligible pupil	1,067.94	1,614.44	1,098.02	1,664.58	
English as an Additional Language - per eligible pupil	536.48	1,443.97	551.52	1,489.10	
Lump Sum - per school	114,715.74	114,715.74	118,125.13	118,125.13	
Sparsity - per eligible school	26,071.76	67,786.58	45,000.00	70,000.00	
Pupil Mobility - per eligible pupil	877.42	1,253.45	902.48	1,293.56	
Split Sites		School specific unit values			
Rental		School specific unit values			
Rates		School specific unit values			
Joint Use		School specific unit values			
Minimum Funding Guarantee	1.84%		0.50% - 2.00%		
Gains Cap	0.00%		N/A		

Note: The National Funding Formula unit values have been increased to reflect the Area Cost Adjustment for Nottinghamshire. For 2020-2 this is 1.00276 and for 2021-22, 1.00276.