



Report to Schools Forum

Date: 13th October 2020

Title: National Funding Formula and Operational Guidance 2021-22

Author: Liz Williams, Head of Finance – Children’s Services

Recommendations:

- a. To note the information contained in this report.
- b. To confirm the principles to be adopted for 2021-22 local funding formula within the over-arching principle that the local funding formula reflects the National Funding Formula (NFF) (paragraph 6.1).
- c. To agree whether a consultation is required with schools on a change to the level of the MFG.
- d. To agree whether a consultation should take place with schools on any transfer of funding between DSG Blocks.
- e. To note that the local funding formula for 2021-22, and indicative impact at school level, will be brought back to Schools Forum for consideration in December.

Reason for decision: to outline the main changes to the NFF for schools and High Needs, and enable consideration of the principles for the local funding formula for funding schools in 2021-22.

1. Purpose of Report

- 1.1. The purpose of this report is to update Schools Forum on the Dedicated Schools Grant (DSG) 2021-22 and any changes in the Department for Education’s (DfE) Operational Guide.

2. Background

- 2.1. In July 2020 the DfE published, the Schools Revenue Funding 2021 to 2022 Operational [Guide](#). This guide helps local authorities, and their schools forums, to plan the local implementation of the funding system for the 2021 to 2022 financial year.

- 2.2. The DfE has made minimal changes to funding arrangements for 2021-22. As in previous years each local authority will continue to set a local schools formula, in consultation with local schools.
- 2.3. The government has confirmed that, later this year, it will put forward plans to move to a 'hard' NFF in the future. A 'hard' NFF will determine school funding allocations directly, rather than local funding formulae.
- 2.4. Within Buckinghamshire the Schools Forum has adopted the principle in recent years that the local funding formula should move progressively towards the NFF to avoid any significant changes to school budgets when a hard formula is adopted. In 2020-21 the formula rates for Buckinghamshire Schools are in line with the NFF rates.

3. Key Changes to the Schools Block

3.1. Key changes to the schools NFF in 2021 to 2022 are:

- a) The incorporation of the 2019 update to the Income Deprivation Affecting Children Index (IDACI), ensuring that the deprivation funding through the NFF continues to target schools most likely to need additional funding.
- b) Funding previously received through the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grants (TPECG), including the supplementary fund, to mainstream schools for pupils from reception to year 11 will be allocated through the schools NFF by adding to schools' baselines; by increasing the basic per pupil funding; and by increasing the minimum per pupil funding (MPPLs). This will streamline the way in which the funding through the grants is delivered, as well as recognise the fact that these grants are part of schools' core funding.
- c) Improving support under the NFF for small and remote schools, by increasing the maximum sparsity value from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools.

3.2. Key features of local authority formulae arrangements in 2021 to 2022 are:

- a) The technical changes to the NFF to roll in the TPG and TPECG will be reflected in local funding formulae, as far as possible. This will be implemented through the basic per pupil entitlement, Minimum Per Pupil Levels of funding (MPPLs), and the minimum funding guarantee (MFG).
- b) The incorporation of the 2019 IDACI data will also be used in local funding formulae.
- c) The MPPLs will remain mandatory, at the new NFF values, including the additional funding the DfE has rolled in from the TPG and TPECG.

- d) Local authorities have the freedom to set the MFG in local formulae between +0.5% and +2% per pupil, and should add total funding from the TPG and TPECG to schools' baselines, as has been done in the NFF.

3.3. Local authorities are required to consult on any changes to the level of the MFG.

3.4. Local authorities can only transfer up to 0.5% of their School Block to other blocks of the DSG, with schools forum approval. To transfer more than this or any amount without schools forum approval, they will have to make a request to the Department for Education, even if the same amount was agreed in the past two years.

4. Key Changes in the High Needs Block

4.1. The funding floor factor in the high needs national funding formula for 2021 to 2022 provides for every local authority to receive an underlying increase of at least 8% per head of 2 to 18 population. This is based on what local authorities received in high needs funding in 2020 to 2021. The limit on gains is set at 12%, allowing local authorities to see up to this percentage increase under the formula.

4.2. For 2021 to 2022 the teachers' pay grant (TPG) and teachers' pension employer contribution grant (TPECG) are to be incorporated within the high needs national funding formula. The grants have been incorporated by:

- increasing the basic entitlement factor of the high needs formula that pays out on the basis of the number of pupils in special schools, from £4,000 to £4,660 to include funding currently paid for TPG and TPECG to special schools separately and,
- allocating the funding that the TPG and TPECG currently provide to alternative provision (AP) through an additional factor in the high needs national funding formula, because the basic entitlement factor does not include funding for AP settings

4.3. There will be an additional DSG condition of grant requiring local authorities to pass on to special schools, special academies, pupil referral units, AP academies and hospital schools amounts of funding per place no less than the amounts of TPG, TPECG and supplementary fund paid in 2020 to 2021.

5. Central Schools Services Block (CSSB)

5.1. The CSSB continues to provide funding for local authorities to carry out central functions on behalf of maintained schools and academies, comprising two distinct elements:

- ongoing responsibilities
- historic commitments

5.2. Local authorities will continue to be protected so that the maximum per-pupil year-on-year reduction in funding for ongoing responsibilities is -2.5%, while the year-on-year gains cap will be set at the highest affordable rate of 6.45%.

5.3. In 2021 to 2022 historic commitments funding will be reduced by 20%. The potential impact on the historic commitment allocation for Buckinghamshire Council is a reduction of up to £800k and proposals will need to be brought to Schools Forum in December and January as part of the budget setting process.

6. Funding Formula Principles applicable in 2021-22

6.1. Last year Schools Forum agreed the following principles to be adopted for 2020-21 within the over-arching principle that the local funding formula reflects the NFF.

- a) Adopt the National Funding Formula factors.
- b) Adopt the Minimum Per Pupil funding levels at the values defined in the NFF and prorate (scale) of all other factors in the formula to match the available allocation of funding from the DfE.
- c) Set a Minimum Funding Guarantee (MFG) at +0.5%.
- d) Use capping of gains per pupil to pay for the cost of protecting schools where the formula reduces their budget by more than the MFG of 0.5%.

6.2. In the 2020-21 financial year 5 schools are supported through the MFG and no school has had gains capped in order to cover the MFG cost.

6.3. Local authorities will need to consult on changes to the level of the MFG, as with the rest of the formula. The deadline for local authorities to submit any applications to disapply the MFG for 2020 to 2021 is 11 October 2020. The purpose of this deadline is to get decisions back to local authorities before the APT (modelling tool) is issued in December. Any later requests must be submitted by 20 November 2019 in order for them to be considered in order to meet the APT submission deadline.

6.4. Schools Forum is asked to confirm the principles for the local funding formula. In 2020-21 Buckinghamshire formula factor rates are in line with the published NFF values.

6.5. Schools Forum is also be asked to confirm any consultation that needs to take place during the autumn term. A consultation will need to take place for:

- Any changes to the MFG or the local formula.
- Any proposal to move funding between DSG blocks.
- Proposals for De-delegation – a separate report on this agenda includes a proposal to consult with the Maintained Schools Sub-Committee on de-delegation for 2021-22.

7. DSG Balances

- 7.1. In 2019 to 2020, local authorities with a cumulative deficit of 1% or more at the end of the financial year (31 March 2019) were required to submit a recovery plan to the department to outline their plan to manage their DSG spend.
- 7.2. In 2020 to 2021, the DfE extended the rules under the DSG conditions of grant so any local authority with an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the department in handling that situation by:
- providing information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently
 - providing information as and when requested by the department about pressures and potential savings on its high needs budget
 - meet with officials of the department as and when they request to discuss the local authority's plans and financial situation
 - keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings
- 7.3. DSG management plans will need to be discussed with the schools forum and should set out the local authority's plans for bringing the DSG spend back into balance. The DfE expects the chief financial officer (CFO) and appropriate SEN colleagues to review and sign off the report periodically.