

NORTH YORKSHIRE COUNTY COUNCIL

CORPORATE DIRECTOR MEETING WITH CYPS EXECUTIVE MEMBERS

15<sup>TH</sup> SEPTEMBER 2020

2021/22 SCHOOL FUNDING ARRANGEMENTS

1.0 PURPOSE OF THE REPORT

1.1 This report provides an overview of school funding arrangements for the 2021/22 financial year, as per the DfE announcement in July 2020. CYPS Executive Members, in conjunction with the Corporate Director – CYPS, are asked to provide approval for a consultation to be undertaken with schools and academies within North Yorkshire on:

- The level of the Minimum Funding Guarantee (MFG) for 2021/22
- The methodology for the allocation to school budgets of any surplus funding available after the application of the NFF factor values in the North Yorkshire funding formula.

2.0 BACKGROUND

2.1 In Autumn 2017 the Department for Education (DfE) announced national changes to the school funding formula which will eventually see all mainstream school budgets set using a national funding formula. To date, a 'soft' approach has been undertaken where the funding which local authorities receive is based on the new formula but there continues to be a degree of local decision in terms of determining the funding formula values and factors used within each local authority area. The Schools Forum has adopted an approach of calculating school budgets using the NFF principles as far as possible since the introduction of the formula in 2018-19. The DfE have stated that their continued aim is to move to a "hard" NFF in the future which will determine schools' budgets directly, rather than through local formulae set independently by each local authority.

2.2 In September 2019, Government announced that in excess of £14bn additional funding over three years would be made available compared to 2019-20. For clarity, the increase in the overall education funding quantum will be £7.1bn by 2022-23. The table below describes how the £14bn has been arrived at:

Year	Additional Annual Amount	Cumulative Annual Amount	Cumulative Cash Amount
2020-21	£2.6bn	£2.6bn	£2.6bn
2021-22	£2.2bn	£4.8bn	£7.4bn
2022-23	£2.3bn	£7.1bn	£14.5bn

2.4 In previous announcements, the minimum per pupil level funding for secondary schools increased to £5,000 per pupil in 2020-21 (from £4,800 per pupil in 2019-20).

Additionally, for primary schools, the minimum level of per pupil funding increased to £3,750 in 2020-21 (from £3,500 per pupil in 2019/20) and will increase to £4,000 per pupil in 2021-22.

2.5 Grants related to increases in teacher's pay and employer pension contributions continued to be paid separately from the National Funding Formula in 2020/21; however, the Government indicated an intention to incorporate the grants into the NFF in the future.

2.6 The local funding formula within North Yorkshire for the 2020-21 financial year included the following key points in terms of the calculation methodology used:

- A Minimum Funding Guarantee of +1.84%
- No cap on funding gains
- Funding formula factor values based on the DfE National Funding Formula (NFF) values with the exception of the Lump Sum and Primary Low Prior Attainment (PLPA)
- A Lump Sum value of £119,885 which is £5,485 higher than the NFF value of £114,400. Additional "one-off" funding was able to be provided as a result of the Growth Funding element of the Dedicated Schools Grant for 2020/21 being higher than the estimated allocation needed to be retained centrally by NYCC for this purpose.
- A PLPA formula factor value of £1,206 compared to the NFF value of £1,065. The 2020/21 PLPA funding quantum, based on the NFF formula factor value, was significantly lower than the PLPA funding quantum for 2019-20 due to the first cohort of pupils who were assessed under the new process introduced in the 2012-13 academic year moving into secondary school in Autumn 2019. Nationally, this cohort had higher levels of Low Prior Attainment than succeeding cohorts resulting in the Low Prior Attainment rate for the pupils in school in Autumn 2019 tending to be lower than in the previous year. In order to avoid funding turbulence, the DfE steer was to increase the PLPA formula factor value in order to achieve the same overall PLPA funding quantum value for 2020-21 as the 2019-20 financial year. NYCC adopted this approach with a higher PLPA factor value than the NFF value.
- The application of the mandatory minimum per pupil level funding values of £3,750 for primary schools and £5,000 for secondary schools.
- No funding transfer from School budgets to the High Needs budget

2.3 The local authority has continued to lobby DfE and MPs for a better funding deal for children and young people in all North Yorkshire education settings (including maintained schools and academies). The local authority continues to be concerned about school funding levels, particularly in relation to small secondary schools, the secondary school sparsity funding, and the level of the high needs funding quantum.

### 3.0 EDUCATION FUNDING POLICY: 2021 to 2022 SCHOOLS BLOCK

3.1 On the 20<sup>th</sup> July 2020 the DfE announced the school funding arrangements for the 2021-22 financial year indicating, nationally, an increase of 3.77% in the NFF for 2021-22 in cash terms compared to 2020-21 and a 3.13% increase in funding per pupil between the two years. The Education Policy Institute analysis highlighted: "*In 2021-22, total Schools Block funding will be £38.8bn, representing a cash increase of £1.4bn on allocations for 2020-21, or 3.1 per cent on a per pupil basis – just over one per cent after allowing for inflation.*"

3.2 The key updates to the NFF for 2021/22 are as follows:

- The key factors in the NFF will increase by 3%,
- The minimum per pupil funding levels will ensure that every primary school receives at least £4,000 per pupil, and every secondary school at least £5,150 per pupil. In addition, primary schools will receive an additional £180 per pupil and secondary schools £265 per pupil respectively to cover additional teachers' pay and pension costs previously funded through the separate grants. The minimum per pupil funding levels, at the levels provided in the NFF, are mandatory in 2021/2022.
- Every school will be allocated at least 2% more pupil-led funding per pupil compared to its 2020-21 NFF baseline.
- Local authorities are able to continue to set a Minimum Funding Guarantee in local formulae, which in 2021-22 must be between +0.5% and +2.0%. This allows the protection in the NFF to be matched, and the DfE expect local authorities to do this where possible.
- Funding from the teachers' pay grant and the teachers' pension employer contribution grant, including the supplementary fund, has been added to schools' NFF allocations from 2021-22. The funding has been added to the basic per pupil entitlement, to the minimum per pupil funding levels, and to schools' baselines so that it is protected through the funding floor.
- Additional funding for small and remote schools will increase in 2021-22, with an increase in the maximum sparsity value for primary schools from £26,000 to £45,000. However, the associated increase for secondary schools is much smaller with the maximum value increasing from £67,600 to £70,000. The DfE have identified these increases as "a first step towards expanding the support the NFF provides for such schools from 2022-23".
- The 2019 update to the Income Deprivation Affecting Children Index has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.
- Following the cancellation of assessments in summer 2020 due to COVID-19, local authorities are unable to use this data as part of setting a low prior attainment factor in local funding formulae. Instead, the 2019 assessment data will be used as a proxy for the 2020 reception and year 6 cohort, and this will be reflected in the data received by local authorities from the DfE.
- Local authorities continue to be able to transfer up to 0.5% of their schools block to other blocks of the Dedicated Schools Grant (DSG), with school's forum approval. In 2021-22, the total schools block available for such transfers must exclude the additional funding local authorities have been allocated for the teachers' pay and pension grant, thereby guaranteeing that all of this funding remains with schools. A disapplication request is required for transfers above 0.5%, or for any amount without school's forum approval.

3.3 The approach adopted by the DfE for rolling the Teachers' Pay Grant (TPG) and the Teachers' Pension Employer Contribution Grant (TPECG) into the school NFF aims to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants in 2021-22, without adding significant additional complexity to the formula. The grants have been rolled into the three different ways in which schools attract funding through the NFF:

- Adding an amount to reflect the current grant funding (£180 per pupil for primary schools and £265 per pupil for secondary schools) onto the age-weighted pupil unit (AWPU). This increases the amount that schools already funded on their NFF allocations will attract.

- Adding the same per pupil amounts to the minimum per pupil level funding amounts. This increases the amount that schools on the minimum per pupil level funding will attract through the NFF.
- Adding an amount representing the funding schools receive through the TPG, TPEG and supplementary fund in respect of their reception to Year 11 pupils onto their baselines, which is used to calculate any funding protection for the schools through the funding floor and minimum funding guarantee (MFG). This increases the amount that schools whose allocations are determined by the funding floor or MFG will attract. This particular element of the calculation ensures that those schools of less than 100 pupils who received grant funding allocations based on the minimum funding level of 100 pupils will see their funding protected at this level in the NFF.

3.4 The Income Deprivation Affecting Children Index (IDACI) will be updated for 2021/2022 to reflect the 2019 data. In addition, the DfE is also changing the banding structure to reflect the new data in order to ensure that the amount of deprivation funding allocated through IDACI does not decrease. The new band boundaries will be based on the proportion of LSOAs in each band. In line with MHCLG recommendations, this means that the banding boundaries will be defined by rank rather than by score. The new IDACI bands are detailed in the table below:

Band	A	B	C	D	E	F	G
% of LSOAs in each band	2.5%	5%	5%	5%	10%	10%	62.5%
Ranks covered by each band	1	822	2464	4106	5748	9033	12317
	-	-	-	-	-	-	-
	821	2463	4105	5747	9032	12316	32844

3.5 The DfE have stated that they are “committed to supporting small and remote schools which are at the heart of the rural communities they serve.” The County Council has continuously lobbied DfE and local MPs for additional funding in recognition of the financial pressures faced by small, rural primary and secondary schools within North Yorkshire. The DfE have increased the sparsity funding values in 2021-22 “in response to evidence we have heard of the financial pressure such schools find themselves under compared to others, particularly small and remote primary schools.” 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.

3.6 The DfE also indicate that further developments in support of the NFF for small and remote schools is planned for 2022-23 and associated consultation will be undertaken. Whilst the additional sparsity funding for 2021-22 is welcomed and it is encouraging to hear that further changes are planned for 2022-23, the financial plight of our small rural secondary schools continues to be extremely concerning. It is disappointing that the DfE have not applied a similar increase to the maximum sparsity funding for secondary schools for 2021-22 as to the one that has been applied to primary sparsity funding. The local authority will continue to lobby for an increase in the level of NFF funding for our small rural secondary schools.

3.6 The DfE have stated that they remain committed to completing NFF reforms by moving to a ‘hard’ NFF in the future where schools will receive the funding generated through the national NFF rather than a local authority funding formula. They indicate that shortly they will put forward proposals to move to a ‘hard’ NFF in future and will be undertaking consultation in this respect.

- 3.7 The DfE have produced notional individual school allocations for 2021-22 reflecting the changes in the NFF. It should be noted that the notional NFF allocations released in July 2020 are based on the October 2019 census and final 2021-22 funding allocations, updated to the October 2020 census pupil number and other data changes, will not be available until December 2020.
- 3.8 North Yorkshire County Council is not requesting a transfer of funding from the Schools Block to the High Needs budget for the 2021-22 financial year.
- 3.9 Options have been developed in relation to:
- The level of the MFG for the 2021-22 financial year
  - The methodology to be used for allocation to school budgets of any surplus funding available within the Schools Block DSG after the calculation of the school funding formula using NFF values for the 2021-22 financial year.

The options developed are summarised as follows:

Option	MFG %	Methodology for the Allocation of Any Surplus Funding
1a	0.5%	Lump Sum increased
1b	0.5%	Age Weighted Pupil Unit (AWPU) values increased
1c	0.5%	Pupil Led Formula Factor values increased
1d	0.5%	All Formula Factor values increased
2a	2%	Lump Sum increased
2b	2%	Age Weighted Pupil Unit (AWPU) values increased
2c	2%	Pupil Led Formula Factor values increased
2d	2%	All Formula Factor values increased

The Local Authority intends to consult schools and academies within North Yorkshire on the level of the MFG to be set for 2021-22 and the methodology to be used for allocation to school budgets of any surplus funding available within the Schools Block DSG after the calculation of the school funding formula using NFF values. The methodologies result in an increase to identified NFF factor values beyond the level set by the DfE. It needs to be noted that any surplus funding available for allocation in 2021-22 cannot be guaranteed to continue for future years. Appendix 1 to this report provides the Equalities Impact Assessment associated with the proposals.

- 3.10 The 2021-22 indicative funding figures received from the DfE currently exclude Growth Funding. The actual Growth Funding allocation for 2021-22 will not be known until December 2020. Growth Funding is utilised to provide funding for:
- Pupil Growth & Falling Rolls contingency funds
  - The funding for additional year groups in new schools as provision is expanded each academic year until the school is fully operational.

In the event of surplus Growth Funding being available, after the funding of the above, the additional funding will also be allocated to school budgets using the preferred methodology (as per 3.9 above) identified through consultation with schools and academies and agreed by the Schools Forum. In the event of the Growth Funding received for 2021/22 providing insufficient funding for the identified items, school budgets will need to be reduced using the preferred methodology.

#### 4.0 INTENTION TO CONSULT

4.1 The local authority intends to consult schools and academies within North Yorkshire on the following items:

- The level of the MFG for 2021-22
- The methodology for the allocation to school budgets of any surplus funding available after the application of the NFF factor values in the North Yorkshire funding formula.

4.2 The timescales for the consultation process are detailed in the table below:

Date	Process
15/09/2020	Approval obtained from CYPS Executive Members in conjunction with Corporate Director – CYPS to consult schools & academies
17/09/2020	School Funding Update report to Schools Forum including details of 2021/22 school funding consultation
23/09/2020 – 23/10/2020	Consultation with schools & academies on 2021/22 school funding arrangements
12/11/2020	Consultation feedback considered by Schools Forum
24/11/2020	Outcome of consultation considered by CYPS Executive Members in conjunction with Corporate Director and associated proposals approved
02/12/2020	Communication of consultation outcome and associated decisions to schools & academies

#### 5.0 RECOMMENDATIONS

5.1 CYPS Executive Members, in conjunction with the Corporate Director – CYPS are asked to provide approval to consult with schools and academies within North Yorkshire on:

- The level of the MFG for 2021-22
- The methodology for 2021-22 for the allocation to school budgets of any surplus funding available after the application of the NFF factor values in the North Yorkshire funding formula.

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