

TELFORD & WREKIN COUNCIL

CABINET – 2 JANUARY 2020

SCHOOL FUNDING FORMULA 2020/21

REPORT OF THE ASSISTANT DIRECTOR: EDUCATION & CORPORATE PARENTING

LEAD CABINET MEMBER – COUNCILLOR SHIRLEY REYNOLDS

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 Each year we review the local funding formula for mainstream schools in the context of revisions to Department for Education (DfE) regulations or any other relevant developments. Although we consult with schools and the Schools Forum regarding any changes, the Council makes the final decision on the funding formula. The local funding formula applies both to academies and maintained schools. For 2020/21 it will determine the distribution of around £126m, which includes an additional allocation of approximately £9m for schools.
- 1.2 Over £6m of the additional £9m arises from a 5.4% increase in funding per pupil. Most of this reflects a national increase in funding of over 4%. The remainder of the £6m is the final element of T&W schools being brought up to the level of the national funding formula which was introduced three years ago, replacing the previous system of historically based funding.
- 1.3 T&W schools funding is now around the middle point comparing to other English local authorities. Prior to the introduction of the national funding formula, two-thirds of Councils received more funding per pupil for their schools than Telford & Wrekin. As a result the Councils schools have been underfunded by central government for a number of years (around £7m p.a. below average). Additional funding over the last three years serves only to bring them into line with the average funding received by schools from central government in other parts of the Country. Despite a lack of funding our schools continued to maintain high standards with over 90% of our primary schools being judged good or better by Ofsted.
- 1.4 The remainder of the £9m increase arises from an increase in pupils of around 500. The increase in pupils is particularly concentrated in the secondary sector. Funding is allocated by the DfE on a per pupil basis, at a rate of £4,147 per primary pupil and £5,402 per secondary pupil. Pupil growth accounts for £2.6m of the £9m increase.
- 1.5 The following is proposed for 2020/21:
 - We continue to use the additional funding allocated by the DfE to move towards the DfE's National Funding Formula (NFF) model for school funding, details of which were published in 2017. It may be possible for T&W to adopt in full the DfE's NFF for T&W schools, as in 2020/21 the DfE will complete the transition for previously 'underfunded' local authorities (of which T&W was one) to full NFF rates. Whether or not this is possible will depend upon the final October 2019 census data.

- Apply the maximum allowable minimum funding per pupil guarantee of 1.84%, ensuring that (based on the DfE's measure of inflation) every school has an increase per pupil at least in line with cost pressures.

- When schools have agreed with the local authority to increase their Pupil Admission Number (PAN) or admit additional pupils above their PAN, to fund these schools on the basis of estimated pupil numbers, so as to avoid these schools being negatively affected by the usual lag in funding compared to pupil numbers.

1.6 The revised funding formula has to be submitted to the Education & Skills Funding Agency (ESFA), a DfE agency, by 21 January 2020.

1.7 This report seeks Cabinet approval for the proposed 2020/21 funding formula for Telford & Wrekin mainstream schools.

2. RECOMMENDATION

2.1 That the 2020/21 funding formula for Telford & Wrekin mainstream schools, consulted on with the Schools Forum, be approved. The formula:

- distributes £126m, a £9m increase compared to 2018/19;

- includes a guaranteed increase per pupil of 1.84%, the maximum allowable by government;

- includes £0.6m that in previous years was moved in order to support high needs pressures;

- where appropriate, supports growing schools by using estimated pupil numbers to determine funding, to avoid a lag in money reaching growing schools.

3 SUMMARY IMPACT ASSESSMENT

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| COMMUNITY IMPACT | Do these proposals contribute to specific Co-operative Council priority objective(s)? | |
| | Yes | By ensuring that as far as is possible schools receive fair funding for their pupils, this supports the objective to improve local people's prospects through education and skills training. |
| | Will the proposals impact on specific groups of people? | |
| | Yes | Children, young people, parents and the wider community served by schools. |
| TARGET COMPLETION/DELIVERY DATE | The revised funding formula will take effect from 1 April 2020 for maintained schools and from 1 September 2020 for academies. Details of the formula have to be provided to the ESFA by 21 January 2020. | |
| FINANCIAL/VALUE FOR MONEY IMPACT | Yes | Most mainstream schools in Telford & Wrekin (T&W) are forecast to again receive an increase in funding in 2020/21, both in funding per pupil and in total funding. This is because the government has allocated more funding to schools generally for 2020/21 onwards and also because many local schools are experiencing increases in pupil numbers. There is a national Minimum Funding Guarantee (MFG) per pupil set at between 0.5% and 1.84% for 2020/21. In the context of the increasing funding for T&W, we propose to continue to set the local MFG at the maximum 1.84%, meaning that no school in T&W will experience a real terms reduction in funding per pupil in 2020/21. |
| LEGAL ISSUES | Yes | The revised arrangements have to comply with the Government's School Finance Regulations. |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | No | |
| IMPACT ON SPECIFIC WARDS | Yes | The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough. |

PART B) – ADDITIONAL INFORMATION

4 THE FUNDING SYSTEM FOR SCHOOLS

- 4.1 Dedicated Schools Grant (DSG) is allocated to local authorities by the DfE in four blocks; Schools, High Needs, Early Years and Central School Services, using the following bases:
- Schools Block: Calculated by multiplying the number of pupils at the preceding October census (i.e. October 2019 for 2020/21) by a unit of funding, which is different for each local authority. The 2020/21 allocation for T&W is £126m.
 - High Needs Block: Calculated by a combination of historic allocations and a national funding formula. The 2020/21 allocation for T&W is £25m.
 - Early Years Block: Calculated by taking the average pupils in the relevant two January censuses (i.e. January 2020 and January 2021 for 2020/21) and then multiplying by a unit of funding. The 2020/21 allocation for T&W is £12m.
 - Central School Services block: Calculated by a mixture of historic expenditure levels and number of pupils. The grant was introduced in 2018/19 replacing (albeit at a much reduced level) the abolished Education Services Grant. The 2020/21 allocation for T&W is £1m.
- 4.2 There is some flexibility to move money between blocks, but any movement out of the Schools and Early Years blocks is limited in scale and subject to a Schools Forum vote. DSG as a whole is ring-fenced for schools.
- 4.3 The final distributions of DSG are notified in December, based upon October census data.
- 4.4 DSG is distributed to institutions as follows:
- Mainstream schools - via a locally determined funding formula, within the constraints of DfE regulations. The details of this are discussed in section 5 below.
 - Special schools and pupil referral units (PRUs) - via a place plus top-up system, the place element being set nationally at £10,000, the top-up element being locally determined. The number of places is determined by a combination of the local authority and the ESFA.
 - Nurseries, nursery classes and private, voluntary and independent early years providers – for 3 and 4 year olds via an Early Years Single Funding Formula, locally determined, within the constraints of DfE regulations; for 2 year olds, calculated on the basis of a single hourly rate (currently set at £5.11 in T&W).
- 4.5 In recent years there has been increasing budget pressure in the high needs area, as a result of legislative change and demographics. Many local authorities have incurred DSG deficits as a result, although T&W's strong partnerships with schools and financial management meant that we ended 2018/19 with a small DSG surplus.

- 4.6 The DfE has responded to the national pressures by allocating significant additional funding for high needs in 2020/21, amounting to around £3m for T&W. The net increase for high needs will be £0.6m less than this, as the Schools Forum has made it clear that in the context of the additional high needs resources, it will not agree to another transfer of 0.5% of the Schools Block to high needs in 2020/21.
- 4.7 The overall high needs funding increase does not remove the pressure in this area, but does offer some financial respite. T&W has a number of initiatives in place with the aim of delivering the most effective and cost efficient provision possible, but is experiencing similar difficulties to most other LAs in dealing with fundamental pressures in what, to a large extent, is a demand-led system.

5 T&W 2020/21 FUNDING FORMULA

- 5.1 The DfE is calculating 2020/21 Schools Block funding allocations to local authorities by continuing to move towards a National Funding Formula (NFF). This revised methodology replaced the existing historically based allocations in 2018/19.
- 5.2 The NFF is benefiting T&W schools. Between 2017/18 and 2020/21, the increase for T&W will have been around 6.8% per pupil – resulting in £7m of additional resources per annum. It is in addition to any increases arising from increasing pupil numbers. It is good news for our schools and vindicates our long-standing belief that mainstream school funding for T&W had previously been held at an unacceptably low level by the DfE.
- 5.3 In 2020/21, the DfE has also allocated a general increase to local authorities exceeding 4% per pupil. Mainstream funding per pupil in T&W now ranks 78th out of 150 local authorities, i.e. around the national mid-point, but higher than the average for non-London authorities (London authorities receive additional funding from ‘area cost adjustments’). Total schools block funding for T&W has increased from £107.5m in 2017/18 to an estimated £126m in 2020/21.
- 5.4 In 2020/21 the DfE has also required local authorities to apply a minimum funding per pupil amount to all schools, set at £3,750 for primary schools and £5,000 for secondary schools. This has the impact of boosting the funding of schools with less deprived intakes, as these schools receive relatively little from funding factors linked to deprivation and low prior attainment.
- 5.5 The local funding formula for 2020/21 was discussed with the Schools Forum on 19 September. The Forum agreed that we should continue with the agreed principles in 2018/19 and 2019/20, which are:
- to continue to move our local funding formula towards the NFF model, as more funding is allocated by the DfE; and
 - continue to offer the highest minimum funding guarantee (MFG) per pupil that is possible within the constraints of available resources and DfE rules. An MFG set at 1.84% in 2020/21 means that no school will experience a real terms decrease in funding per pupil.

- 5.6 It may be possible to move T&W schools on to the NFF, i.e. by mirroring the NFF funding factors in the local funding formula, which would complete the movement towards the NFF pursued in recent years. We will only be able to finally determine this once October 2019 census data is available.
- 5.7 Allocations to schools are also influenced by the amount allocated to growth funding. T&W pupil numbers continue to show significant growth particularly in the secondary sector. A number of schools have agreed to increase their pupil number intakes in September 2020 in response to demographic pressures, and we plan to fund such schools using estimated pupil numbers. Using estimated numbers means that the schools do not have to wait until the following April (for maintained schools) or September (for academies) for funding to reflect the increased pupil numbers.
- 5.8 The authority's successful Building Schools for the Future (BSF) capital programme prepared the way for this secondary growth, by building capacity to absorb more pupils, both through the completed buildings and also through the schools being designed to enable expansion when required.
- 5.9 As noted above, the actual allocations to schools can only be finalised once the confirmed data from the October 2019 census is released by the DfE in December. Cabinet approval is therefore being sought for the principles behind the local funding formula for schools, rather than the precise amounts allocated to each school.

6 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 6.1 Schools continue to be protected by the national Minimum Funding Guarantee, which for 2020/21 sets the minimum increase per pupils at 0.5% per pupil. As noted above, T&W is proposing a local protection that amends this to 1.84%, the maximum allowable level of protection.
- 6.2 Under current regulations, the formula can be reviewed and, if desirable, it can be amended by the local authority each year. This may change from 2021/22, if an NFF at school level is introduced by the DfE.

7. PREVIOUS MINUTES

- 7.1 Minutes of the meetings of the Cabinet held on 15 January 2017 (concerning the 2017/18 funding formula), 4 January 2018 (concerning the 2018/19 funding formula) and 3 January 2019 (concerning the 2019/20 funding formula),

8. BACKGROUND PAPERS

"Schools revenue funding 2020 to 2021: Operational guide", Education & Skills Funding Agency, September 2019.

T&W Schools Forum, minutes and accompanying papers of meetings held on 19 September 2019 and 21 November 2019.

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