

TELFORD & WREKIN COUNCIL

CABINET – 7 JANUARY 2021

SCHOOL FUNDING FORMULA 2021/22

REPORT OF THE DIRECTOR: EDUCATION & SKILLS

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 2021/22 it will determine the distribution of around £137m, which includes an additional allocation of approximately £12m for schools; of which £6M is mainstreaming of existing teachers pay grants.
- 1.2 The following is proposed for 2021/22:
- We continue to apply the DfE's National Funding Formula (NFF) model for school funding, details of which are updated each year. 2020/21 was the first year in which we were able to apply it in full, as DfE funding to T&W finally caught up with national rates, following three years of transitional funding increases for previously underfunded authorities.
 - Apply the maximum allowable minimum funding per pupil guarantee of a 2% increase compared to 2020/21,
 - 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.
- 1.3 The revised funding formula has to be submitted to the Education & Skills Funding Agency (ESFA), a DfE agency, by 21 January 2021.
- 1.4 This report seeks Cabinet approval for the proposed 2021/22 funding formula for Telford & Wrekin mainstream schools.

2. RECOMMENDATION

- 2.1 **That the 2021/22 funding formula for Telford & Wrekin mainstream schools, consulted on with the Schools Forum, be approved. The formula:**
- **distributes an estimated £137m, a £12m increase compared to 2020/21;**
 - **includes a guaranteed increase per pupil of 2%, the maximum allowable by government;**

- 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

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 2021 for maintained schools and from 1 September 2021 for academies. Details of the formula have to be provided to the ESFA by 21 January 2021.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	Schools are funded by the Dedicated Schools Grant (DSG), ring-fenced funding allocated to councils by government. Most mainstream schools in Telford & Wrekin (T&W) are forecast to receive an increase in funding in 2021/22, both in funding per pupil and in total funding. There is a national Minimum Funding Guarantee (MFG) per pupil set at between 0.5% and 2% for 2020/21. We propose to set the local MFG at the maximum 2%.
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 2020 for 2021/22) by a unit of funding, which is different for each local authority. The 2021/22 allocation for T&W is £137m.
- High Needs Block: Calculated by a combination of historic allocations and a national funding formula. The 2021/22 allocation for T&W is £28m.
- Early Years Block: Calculated by taking the average pupils in the relevant two January censuses (i.e. January 2021 and January 2022 for 2020/21) and then multiplying by a unit of funding. The 2021/22 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 2021/22 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 £5.19 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 good financial management meant that we ended 2019/20 with a small DSG surplus.

- 4.6 The DfE has responded to the national pressures by again allocating significant additional funding for high needs in 2021/22, amounting to around £3m for T&W.
- 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 2021/22 FUNDING FORMULA

- 5.1 The DfE is calculating 2021/22 Schools Block funding allocations to local authorities by a National Funding Formula (NFF). This revised methodology replaced the existing historically based allocations in 2018/19.
- 5.2 The NFF has benefited T&W schools. Between 2017/18 and 2020/21, the increase for T&W was around 6.8% per pupil – resulting in £7m of additional resources per annum. This was in addition to any increases arising from increasing pupil numbers. It vindicated our long-standing belief that mainstream school funding for T&W had previously been held at an unacceptably low level by the DfE. In 2020/21, the DfE also allocated a general increase to local authorities exceeding 4% per pupil and there is a 3% increase in 2021/22 (on a like-for-like basis, teachers pay grants have been brought into DSG for 2021/22).
- 5.3 Mainstream funding per pupil in T&W is now 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 £137m in 2021/22.
- 5.4 In 2021/22 the DfE has also required local authorities to apply a minimum funding per pupil amount to all schools, set at £4,180 for primary schools and £5,415 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 2021/22 was discussed with the Schools Forum on 1 October and 19 November. The Forum agreed that we should continue to mirror the NFF funding factors in the local funding formula.
- 5.6 Allocations to schools are also influenced by the amount allocated to growth funding. T&W pupil numbers in the secondary sector continue to grow and some primary schools are also experiencing significant growth. A number of schools have agreed to increase their pupil number intakes in response to demographic pressures, and we plan to continue to fund such schools using estimated pupil numbers. This 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.
- 5.7 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.

- 5.8 As noted above, the actual allocations to schools can only be finalised once the confirmed data from the October 2020 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 2021/22 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 2%, 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 after 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 4 January 2018 (concerning the 2018/19 funding formula), 3 January 2019 (concerning the 2019/20 funding formula) and 2 January 2020 (concerning the 2020/21 funding formula).

8. BACKGROUND PAPERS

“Schools revenue funding 2021 to 2022: Operational guide”, Education & Skills Funding Agency, July 2020.

T&W Schools Forum, minutes and accompanying papers of meetings held on 1 October 2019 and 19 November 2020.

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