



NORTH YORKSHIRE COUNTY COUNCIL

2021/22 SCHOOL FUNDING A CONSULTATION PAPER

23rd September 2020

Revised Deadline for responses: Friday, 23rd October 2020 (5.00pm)

1 Summary

- 1.1 This consultation paper sets out the latest position from the DfE and the North Yorkshire Local Authority with regard to school funding for 2021/2022. The consultation seeks the views of schools in order to inform the following key decisions:
 - The level of the minimum funding guarantee (MFG) protection. This determines the minimum funding uplift which a school will receive in terms of funding per pupil between the 2020/21 financial year and the 2021/22 financial year.
 - The methodology to be used for the allocation to school budgets of any surplus funding available after the calculation of school budgets for 2021/22 using National Funding Formula (NFF) rates.
- 1.2 A separate consultation will be undertaken specifically with special school establishments (LA maintained schools and academies) in relation to the MFG protection level associated with the formula used to calculate their funding allocations.
- 1.3 The DfE issued their 2021/22 funding announcement and the associated detailed funding information required to model funding formula options for the next financial year in mid July 2020. This consultation document provides an overview of the school funding position for the next financial year and considers the local decisions which are required.
- 1.4 Whilst the commitment by the Government to provide additional funding in the period 2020/21 through to 2022/23 is welcome, the local authority continues to lobby DfE and MPs on the issue of the overall quantum of schools and high needs funding and the additional cost pressures associated with sparsity and rurality.
- 1.5 The views of schools and academies provided through this consultation will be fed back to the Schools Forum on 12th November 2020. This consultation will begin on 23rd September 2020 and will close on 23rd October 2020

2 Background

- 2.1 In September 2019, Government announced that the overall national education funding quantum would increase by £7.1bn by 2022/23 compared to 2019/20. In 2020/21, the initial year of the 3-year funding period, North Yorkshire received a 4.6% (£15.6m) increase in school funding from Government. 2021/22 will be the second year in the period of the announced funding increase.
- 2.2 Government have provided additional, separate grant funding to support the costs associated with the teachers' pay awards in the 2018/19 and 2019/20 financial years and the increase in the teachers' pension employers contribution rate from September 2019. The Government have previously indicated their intention to incorporate this separate grant funding into the funding formula in the 2021/22 financial year.
- 2.3 Local authorities, in consultation with Schools Forum, currently have some discretion over the schools funding formulae used to determine school funding allocations within their area; this is known as a 'soft' formula approach. However, the government have confirmed that it is their intention to implement a 'hard' formula where in the future schools will receive the

funding generated through the National Funding Formula (NFF) rather than a local authority funding formula.

3. 2021/2022 Schools Funding Policy

- 3.1 In July 2020, the DfE announced the school funding arrangements for the 2021/22 financial year, indicating nationally a 3.13% increase in funding per pupil between the 2020/21 and 2021/22 financial years.
- 3.2 The main updates to the NFF for 2021/22 are as follows:
- The key formula factors in the NFF will increase by 3%;
 - The minimum per pupil funding levels (MPPL) 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 2021/22;
 - 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;
 - 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 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. Government have indicated that there will be further expansion of the support the NFF provides for small remote schools from 2022-23. No further details are available at this stage;
 - The 2019 updated data for the Income Deprivation Affecting Children Index (IDACI) 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;
 - 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 is required for transfers above 0.5%, or for any amount without school's forum approval.

- 3.3 The approach adopted by Government for incorporating 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. 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, TPECG 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 grant funding level based on 100 pupils, will see their funding protected at this level in the NFF.
- 3.4 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. Final 2021/22 funding allocations, updated to the October 2020 census pupil number and other data changes, will not be available until December 2020.**
- 3.5 Further detail on the Government schools funding announcement for 2021/22 can be found at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901889/FINAL_2021-22_NFF_Policy_Document_MB.pdf

4. 2021/22 North Yorkshire School Funding – Indicative Position

- 4.1 The provisional figures* for North Yorkshire indicate a £10.78m increase in schools funding equating to an overall cash increase of 2.91% and a 3.14% increase in funding per pupil compared to 2020/21.
(*the provisional figures are based on October 2019 pupil census data. Final funding allocations for 2021/22 will be updated for the October 2020 pupil census data)
- 4.2 The Government are allowing local authorities to be able to locally set the Minimum Funding Guarantee (MFG) level between +0.5% and +2.0% per pupil. This is one of the mechanisms which determine the change in per pupil funding levels which a school can experience from

year to year. The level of the MFG ensures a guaranteed level of gain in per pupil funding levels at individual school level when compared to the previous financial year. In this respect, a higher MFG supports those schools where the NFF provides a lower percentage increase in funding per pupil than the guaranteed minimum when compared to funding levels in the previous financial year. This is particularly relevant in 2021/22 for smaller primary schools with the mainstreaming of the teachers' pay and pension grants where previous separate grant funding levels may not be fully reflected in the funding generated by the NFF factor values.

- 4.3 Extensive financial modelling has been undertaken on the notional NFF 2021/22 funding allocations and options for the setting of the MFG level for 2021/22. This modelling, based on the 2021/22 funding information received to date from the DfE, indicates that based on the application of the NFF factor values and dependent on the level of MFG operated there is a possibility of surplus funding being available for allocation to school budgets. In addition to considering the level of the MFG, modelling has also been undertaken on the options for the allocation of any surplus funding available. Different methodologies have been considered for the allocation of any surplus funding using Age Weighted Pupil Units (AWPU), Pupil Led Formula Factors, Lump Sum and all Formula Factors. The methodologies modelled increase the 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.
- 4.4 Based on the like-for-like comparison between the 2020/21 actual funding level and the indicative 2021/22 funding level, a significant number of schools appear to have a funding increase of less 1%. This results from the additional funding of £5,485 which was added to the 2020/21 NFF lump sum formula factor as result of additional funding associated with unused pupil growth being available to allocate to school budgets locally within North Yorkshire. This was always considered a one-off allocation and impacts on the results of the comparison in funding growth between the two years. If the additional funding allocation to the lump sum for 2020/21 is discounted, the majority of schools receive a funding increase of at least 2% under all of the options modelled.
- 4.5 **Appendix 1a-d** of this document provides a schedule of the indicative implications at individual school level of the MFG protection levels of +0.5% and +2.0% and options for the methodology to be used in the event of surplus funding being available to allocate to school budgets. It needs to be noted that the modelling is based on the 2020/21 funded pupil numbers and data and the actual 2021/22 funding allocations will be based on the October 2020 pupil census information.

The options considered are detailed in the table below:

Option	MFG %	Methodology for the Allocation of Any Surplus Funding
1	0.5%	Age Weighted Pupil Unit (AWPU) values increased
3	0.5%	Pupil Led Formula Factor values increased
5	0.5%	Lump Sum Formula Factor value increased
7	0.5%	All Formula Factor values increased
2	2%	Age Weighted Pupil Unit (AWPU) values increased
4	2%	Pupil Led Formula Factor values increased
6	2%	Lump Sum Formula Factor Value increased
8	2%	All Formula Factor values increased

The financial modelling undertaken identifies the following:

- i. Options 2 best reflects the DfE 'direction of travel' providing formula factor values closest to the national NFF values and a 2% increase guarantee through the MFG.
- ii. There is a significant increase in the numbers of primary schools of less than 100 pupils forecast to move to being funded on the MFG in 2021/22 (5 schools in 2020/21). Numbers are forecast to increase to between 52 and 83 schools (dependent on MFG option used) in 2021/22. This is a result of the mainstreaming of teachers pay and pension grants, with the 2020/21 grant funding levels built into the MFG funding mechanism providing protection for small schools who received grant funding based on a minimum of 100 pupils.
- iii. The numbers of primary schools forecast to move to be funded on the Minimum Level of Funding is forecast to increase from 18 schools in 2020/21 to approx. 50 schools in 2021/22. This results from the increase in the Minimum Funding Level for primary schools increasing from £3,750 per pupil in 2020/21 to £4,000 per pupil (excluding pay & pension grant funding) in 2021/22. The number of secondary schools forecast to be funded on the Minimum Level of Funding is broadly the same as the 2020/21 level (19 schools)

Schools are requested to provide their views on:

- i. **The level of MFG protection to be used for the calculation of school budgets for 2021/22: +0.5% or +2.0%?**
- ii. **The methodology to be used for the allocation to school budgets of any surplus funding available after the calculation of school budgets for 2021/22 using NFF rates?**
 - Age Weighted Pupil Unit (AWPU)
 - Pupil Led Formula Factors
 - Lump Sum
 - All Formula Factors

- 4.6 The 2021/22 minimum per pupil funding level amounts of £4,180 for primary schools and £5,415 for secondary schools take precedence over the MFG calculation so irrespective of the MFG level, schools will receive at least the minimum per pupil funding level amount. (Please note the minimum per pupil funding level is not the Age Weighted Pupil Unit (AWPU) value used in the funding formula).
- 4.7 The Equalities Impact Assessment related to the proposals contained within this consultation is provided in **Appendix 2** to this document.

5. High Needs Funding

- 5.1 The High Needs Block provisional allocation for 2021-22 amounts to £57.13m for North Yorkshire; an indicative increase of £5.2m compared to the 2020-21 financial year. Whilst the increase in High Needs funding is welcome, the funding increase needs to be considered against the position of an underlying financial pressure of £4m on the High Needs budget for the 2020/21 financial year, with an estimated cumulative budget deficit of £10.1m by 31st March 2021. Demand predictions for High Needs indicate that, other things being equal, the

underlying financial pressure of £4m will grow by approximately £1.5m - £2.5m in each of the next few years.

- 5.2 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. The local authority recognises the financial pressure within schools and following the announcement of additional allocations, a transfer is not being proposed. However, the additional allocations are unlikely to be sufficient to fully address the unfunded demand pressures and the local authority will review the situation again in relation to 2022/23.

6. Next Steps

- 6.1 The proposals detailed in section 4 above are included in the on-line response to this consultation which can be found at:
<https://consult.northyorks.gov.uk/snapwebhost/s.asp?k=160077933910>

Your response needs to be submitted by: 5.00pm on Friday, 23rd October 2020.

- 6.2 The results of this consultation will be presented to members of the North Yorkshire Schools Forum for recommendations to be considered at its meeting on 12th November 2020. Schools will be notified of the outcome of this before the end of November. The final decision will be made by the County Council's Executive in January 2021; any decision will take into account recommendations from Schools Forum.
- 6.3 The DfE release the data needed to calculate next year's budget in mid-December. We aim to publish primary and secondary school budgets by mid-February.

Accompanying Appendices

Appendix 1a-d: Schedule of the indicative implications at individual school level of MFG protection level options and methodologies for the allocation of any surplus funding with associated analysis

Appendix 2: Equalities Impact Assessment