

Title of meeting: Cabinet Member, Children, Families and Education

Date of meeting: 1 October 2020

Subject: Schools Funding Arrangements 2021-22

Report by: Alison Jeffery, Director Children, Families and Education

Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1 Purpose of report

- 1.1 The purpose of this report is to provide the Cabinet Member with an update on the latest developments in respect of the future school revenue funding arrangements for the financial year 2021-22 onwards.

2 Recommendations

- 2.1 It is recommended that the Cabinet Member:
- 2.1.1 Note the Department for Education's proposed changes to school revenue funding arrangements for 2021-22 as set out in this report.
- 2.1.2 Approve the proposals for implementing the local funding formula arrangements as set out in this report; in particular to:
- Implement the National Funding Formula rates for both primary and secondary schools in in 2021-22, as set out in Appendix 1;
 - Implement a minimum funding guarantee (MFG) of at least +0.5% and up to +2.0% subject to affordability, for 2021-22 as set out in paragraphs 5.16
 - The method of managing affordability as set out in paragraph 5.17.
 - Implement the disapplication request as set out in section 6.

3 Background

- 3.1 In July 2020 the Government published the Policy Document "The national funding formula for Schools and High Needs 2021-2022", and the "Schools Revenue funding 2021-2022 operational guide" along with local authority indicative funding allocations.

3.2 The publications contain further detail regarding the second year of the three year plan to provide additional funding for schools and high needs announced in September 2019, providing nationally £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23.

3.3 This report is intended to provide the Cabinet Member with an overview of the main changes to school funding highlighted in the Policy Document and Operational Guide and the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2021-22.

4 Dedicated School Grant (DGS) Funding

4.1 The DfE Policy Document and Operational Guide for 2021-22, set out how the authority will be funded through the National Funding Formula and the changes for 2021-22 along with any changes to the Schools Block and funding for mainstream schools and the Central Schools Services Block.

4.2 Further information in respect of High Needs is expected to be published in September 2020.

4.3 The DfE has advised that local authorities will continue to have flexibility to set a local formula in consultation with Schools Forum for 2021-22, but that later this year the Government will put forward plans to move to a "hard" NFF in the future and that further consultation with local authorities and other stakeholders will happen in due course.

4.4 There have been two technical changes to the Local Authority National Funding formula this year:

- The inclusion of the Teachers Pay Grant (TPG), Teachers Pension Employers Contribution Grant (TPECG) and any supplementary grants in to the school core funding (further details in Section 5.6)
- Updating of the Income Deprivation Affecting Children Indices (IDACI) to utilise the 2019 data set.

4.5 Indicative funding allocations for 2021-22 were published to local authorities in July 2020. Portsmouth's indicative allocations (inclusive of academies' funding) for 2021-22, together with current allocations for 2020-21 are shown in the table below:

Table 1 - Indicative Funding 2021-22				
	2020-21¹ £'000	2021/22 £'000	Change £'000	Change %
Schools Block	122,437	131,476	9,039	7.4%
High Needs Block	24,477	27,595	3,118	12.7%
CSSB	856	912	55	6.4%
Early Years Block	14,110	14,110	0	0.0%
Total	161,880	174,093	12,212	8.3%

- 4.6 Local authorities may again request a one off transfer of the Schools Block funding to the High Needs Block to support pressures. Up to 0.5% of the Schools Block can be agreed by Schools Forum, and any transfer above this requires Secretary of State Approval. There are no restrictions for transferring funding from the Central Schools Support Block, the Early Years Block or the High Needs Block to other funding blocks. There are no proposals to transfer additional funding to the High Needs block for 2021-22.
- 4.7 The following sections provide an update on the main changes to the block funding and the impact on Portsmouth.

5 Schools Block

- 5.1 The Schools Block covers the mainstream (maintained and academy) schools individual budgets and the growth fund.
- 5.2 The 2021-22 policy document on the Schools Block funding to the local authority will allow for:
- An increase of 3% on all NFF funding factors, with the exception of the Free schools meals factor which will increase by 2%
 - Increase in the Minimum per pupil funding levels (MPPFL) to £4,000 for primary and £5,150 for Secondary
 - A further increase in the MPPFL of £180 for primary and £265 for secondary to account for the inclusion of the TPG and TPECG into the core funding.
 - The inclusion of TPG and TPECG in the 2020-21 baseline for schools
 - A minimum increase of 2% on the per pupil funding when compared to the 2020-21 baseline
 - An increase to the PFI factor in line with the retail price index (1.56%).
 - Where the national assessment data is not available following the cancellation of assessments in summer 2020 due to Covid-19, the 2019 data will be used in setting the low prior attainment pupil numbers.

¹ As per July 2020 DSG allocation.

Funding for Schools

- 5.3 In 2020-21 Portsmouth schools moved to the national funding formula factor values as published by the DfE with the addition of the Portsmouth area cost adjustment of 1.42%. It was agreed by Schools Forum and approved by the Cabinet Member in January 2020 to increase the lump school for one year only in order to maximise the funding to schools during 2020-21 and that the value would revert to the NFF value in 2021-22. Appendix 1 sets out the factor values used to calculate the 2020-21 school budgets and the 2021-22 NFF factor values published by the DfE in the Policy Document.
- 5.4 The Policy Document and operational guidance state that if schools are funded on the NFF factor values there is no need to consult with schools regarding the 2021-22 mainstream funding formula. To update schools of the 2021-22 funding arrangements a briefing will be included in the consultation regarding the carry forward of Growth fund balances which is due to go to schools in September.
- 5.5 This section sets out the changes that have been made in relation to the:
- Incorporation of the TPG and TPECG to the core budget through the use of the minimum per pupil funding levels
 - Update on the IDACI data set from 2015 to 2019
 - Minimum funding guarantee (MFG) and
 - Sets out proposals as to how the authority will manage affordability following receipt of the 2021-22 Allocation in December 2020.

Incorporation of the TPG and TPECG into core funding for schools

- 5.6 Locally Portsmouth mainstream schools are expected to receive approximately £5.5m for TPG, TPECG and related supplementary grants in 2020-21. These grants cover the teacher's pay award from September 2018 and September 2019 and increase in employer pension contribution from September 2019. These grants will be incorporated into the 2021-22 mainstream funding formula in the following way.
- The 2020-21 baseline (against which the MFG is calculated) has been increased to include the grants paid to schools in 2020-21.
 - The basic per pupil entitlement has been increased by £180 for primary pupils and £265 for secondary pupils (key stage 3 and Key stage 4) on top of the 3% increase to the factor values, to reflect the amount paid per primary and secondary pupil via the grants.
 - The minimum per pupil funding level has been increased to include £180 per primary pupil and £265 per secondary pupil as set out below.
- 5.7 The rolling of the grants into the core budget will impact on the funding received by maintained schools from April 2021 and for academies from September

2021. To ensure that academies are treated fairly they will continue to receive the TPG and TPECG for the period April to August 2021.

Minimum per pupil funding (MPPF)

- 5.8 This is now a compulsory formula factor. To account for the inclusion of the TPG and TPECG into schools budgets these values have been increased to reflect the change. Table 2 below sets out the changes

Phase	MFL 2020-21	Original MFL 2021-22	TPG and TPECG adj.	MFL 2021-22	Change
	£	£	£	£	£
Primary	3,750	4,000	180	4,180	430
Secondary	5,000	5,150	265	5,415	415
All-through	4,271	4,581	161	4,741	470
KS3 only schools	4,800	5,056	159	5,215	415
KS4 only schools	5,300	5,609	106	5,715	415

- 5.9 The operational guidance clarifies the calculation for middle schools, all through schools and schools with non-standard year group structure (e.g. all through schools) which provides greater consistency. The final calculation will be based on the number of year groups as set out in the Authority Proforma tool in December 2020.
- 5.10 The MPPF is applied to school budgets after the other funding factors but before the MFG.

Income Deprivation Affecting Children Indices (IDACI)

- 5.11 IDACI is an area based index measuring the relative deprivation of different areas and ascribes a score as well as a rank to each Lower Layer Super Output Area (LSOA)². The 2019 update provides a more up to date measure of the relative deprivation of different areas to the current data set which is based on 2015.
- 5.12 For both the schools funding and the local authority high needs funding the IDACI scores are divided into seven bands A to G with A being the most deprived and G being the least deprived. Funding is allocated on Bands A to F, with a higher amount per pupil paid to those pupils on a band A compared to those on a band F.
- 5.13 For 2021-22 the DfE are changing the banding structure to reflect the new data and to ensure that the amount of funding that is allocated through the IDACI factor does not decrease.

² LSOA are small areas designed to be of a similar population size, of approximately 1,500 residents or 650 households.

- 5.14 The new band boundaries will be defined by rank rather than by score as set out in the table below.

Table 3 comparison of IDACI bands 2020-21 to 2021-22					
2020-21 IDACI Scores			2021-22 IDACI Scores		
IDACI band	IDACI Score	National % of pupils	IDACI band	IDACI Rank	National % of pupils
G	$x < 0.2$	55%	G	12,317-32,844	62.5%
F	$0.2 \leq x < 0.25$	10%	F	9,033-12,316	10%
E	$0.25 \leq x < 0.3$	9%	E	5,748-9,032	10%
D	$0.3 \leq x < 0.35$	8%	D	4,106-5,747	5%
C	$0.35 \leq x < 0.4$	7%	C	2,464-4,105	5%
B	$0.4 \leq x < 0.5$	8%	B	822-2,463	5%
A	$0.5 \leq x \leq 1$	3%	A	1-821	2.5%

- 5.15 At the time of writing this report the DfE has not released the detailed indicative school data to enable a comparison between the IDACI funding in 2020-21 compared to 2021-22. Therefore it is not possible at this stage to identify any potential impacts this change will have on schools.

Minimum Funding Guarantee (MFG)

- 5.16 Local authorities will have the freedom to set a Minimum Funding Guarantee in their local formula of between +0.5% to +2.0% per pupil, without application to the Secretary of State. The MFG is applied to the individual school funding formula after the minimum per pupil funding.

Proposals for managing affordability

- 5.17 The authority normally receive the initial funding allocation in mid to late December, which is too late to come back to Schools Forum and Cabinet Member to obtain any further approval before presenting the final budget for approval in mid-January. To ensure that Officers are able to propose an affordable budget to Schools Forum and the Cabinet Member it is proposed that the following factors would be adjusted:

- The area cost adjustment of 1.42% would **not** be added to the NFF formula factor values.
- The level of MFG would be reduced to a level lower than plus 2% but higher than plus 0.5% per pupil.

6 Disapplication requests

- 6.1 Each year, local authorities can submit disapplication requests to the ESFA, where strict adherence to the legislation as set out in the School and Early Years Finance (England) regulations (as amended each year), would generate perverse results for specific schools. The authority will be submitting a

disapplication request by the deadline of 11 October 2020 in respect of the operation of the minimum funding guarantee (MFG), as set out in the following paragraphs.

- 6.2 **Ark Charter Academy:** has historically enjoyed a high level of MFG protection, which dates back many years and was caused by a sudden and significant drop in pupils. The local formula at that time, in common with most other local formulae, provided "real term protection", which ensured that a school would receive at least 95% of the previous year's funding in cash terms. This funding was subsequently locked in by the MFG, which provides protection on a per pupil basis. As the pupil numbers at Ark Charter have increased, so the MFG protection has grown.
- 6.3 Capital investment for Ark Charter was needed to increase the capacity of the school to meet basic need; however the local authority could not sanction the capital investment if the increase in capacity would also increase the level of MFG support. The local authority has agreed a compromise with Ark, whereby only 600 pupils (2018-19 capacity) would continue to receive MFG protection and any new pupils above that level will receive appropriate pupil-led funding for that school, i.e. basic entitlement, deprivation, prior attainment funding etc. Official approval to this agreement was received from the DfE, but needs to be applied for annually.

7 High Needs Block Funding

- 7.1 Nationally the Government have increased High Needs funding by a further £730m on top of the £780m provided in 2020-21. The DfE has advised that each local authority should see an increase in their High Needs Block funding of 8%, using the 2020-21 high needs allocations as a baseline, with adjustments for population changes. The DfE has also set a gains cap of 12%.
- 7.2 Indicative funding published by the DfE on 20 July provides Portsmouth with an increase in funding of 12.7%³ when compared to 2020-21.
- 7.3 The allocation incorporates funding for the TPG, TPECG by increasing the basic entitlement factor from £4,087 to £4,660 per pupil attending special schools and academies. The allocation also includes the changes to the IDACI data set as with mainstream schools.
- 7.4 The actual funding allocation for 2021-22 will not be known until December 2020 and will be adjusted for the latest pupil census information and the up to date Teachers Pay/Pension Grant information.

Funding for Schools

³ The funding floor and cap on gains calculation excludes funding for basic entitlement, import/export adjustment, hospital education and the AP settings TPG and TPECG funding. Portsmouth City Council receives the full 12% on the other formula factors.

7.5 The DfE has not issued any detailed guidance regarding how the additional DSG funding relating to the TPG and TPECG should be passed on to Special Schools, therefore we are not clear if this will be included as part of the place funding or part of the Element 3 Top-up funding. Additional information is expected from the DfE in September and will be shared with schools when received.

8 Central Schools Services Block

8.1 The Central Schools Services Block (CSSB) supports the following budgets:

- Admissions
- Central licences provided by the DfE
- Schools Forum
- Education support grant retained duties for all schools.

8.2 The authority is expected to receive an increase of £55,000 due to an increase in the per pupil funding rate to £33.48, an increase of 6.4%. The authority will utilise the increase to fund an inflationary increase in central licences and to support the Admissions service.

9 Early Years Block Funding

9.1 To date the DfE has not issued any guidance yet in relation to the Early Years Block for 2021-22, following publication later this year an update will be brought to Schools Forum and the Cabinet Member for Children Families and Education.

10 Engagement with schools

10.1 As there is no longer a requirement to consult with schools on the formula factors a formal consultation relating to the 2021-22 funding formula has not gone to schools. Instead to ensure that all schools are kept informed an update on the funding arrangements as set out in this report will be circulated to schools in the autumn term.

11 Strategic direction

11.1 The strategic direction, as set out in the SEND Strategy, remains a commitment to promote inclusion and improve the outcomes for children and young people aged 0-25 with SEND. In order to do this, we aim to ensure that there are in place a continuum of high quality support services that contribute towards removing barriers to achievement and that children and young people's special educational needs are identified early so that a high quality and co-ordinated offer of support can be put in place.

- 11.2 The SEND Strategy states that we aim to ensure a continuum of high quality educational provision is in place so that children and young people with SEND can attend a local mainstream nursery, school or college wherever possible.
- 11.3 This means that we need to ensure mainstream providers have the resources, skills and competence to meet the needs of a wide range of children and young people with SEND. In addition, we want to commission high quality specialist provision so that children and young people can be successfully educated within the city.
- 11.4 In 2017/18 Portsmouth and Southampton City Councils undertook a joint SEND Strategic Review. A summary of the key findings that are pertinent to this paper are set out below: :
- The number of EHCPs will increase, at a minimum, in line with population increases and increases in prevalence, but potentially also as a result of increased expectations and demand.
 - This increase is expected to be **most significant in the numbers of children with severe learning difficulties and complex** needs which has already put pressure on special school places.
 - The **need and demand for Special School places is predicted to increase** year on year due to increasing numbers of children and young people with severe and complex needs and autism and the increase in age of statutory protection
 - The review identified that there are children currently in special schools whose needs could be met in an inclusion centre or mainstream school, but additional support and resources for mainstream schools would be needed to achieve this.
- 11.5 These predictions have been further refined and confirmed by the SEN Place Planning Strategy 2018-2024. In the light of this, an SEND accommodation review was commissioned in 2019 to: review existing accommodation; consider how to physically organise the SEND provision on a city wide basis; and identify the need for additional accommodation and / or reconfiguration of existing accommodation.
- 11.6 Key recommendations from the review included:
- **Inclusion centres** - additional places should be created by extending the capacity of existing facilities subject to feasibility work; and that new inclusion provision is considered if future opportunities become available
 - **Alternative / SEMH provision (AP)** - capacity at Flying Bull Inclusion Centre is increased to meet the growing need (and to consider an extension to Year 6 on the Flying Bull site); and consideration be given to supporting internal AP provision in secondary mainstream schools

- **Complex and Complex Plus** - additional specialist school places are created for children and young people with complex and complex plus needs.

11.7 A second phase of work is now being undertaken building on these recommendations. This includes a review of existing accommodation in the City in order to identify recommendations for how to create up to 140 additional specialist places in total across a number of sites/settings in the most cost effective way. The second phase of work is due to be completed by October 2020 and will inform future capital works to support SEND places in the city.

12 Mainstream Education Health and Care plans

12.1 In October 2019 Schools Forum agreed to the introduction of a banded funding system for pupils with Education Health and Care Plans attending mainstream schools from April 2021. Since then the Education Department has been working with schools to agree the criteria for each of the bands and allocating a band to the individual pupils based on their needs.

12.2 Following this work financial modelling has been undertaken to allocate a value to each of the bands which attempts to ensure that the schools receive the funding to enable them to support pupils effectively but does not build in undue growth to the budget. The resulting potential funding to schools (based on the implementation of band values) was then compared to the current EHCP funding being received by schools for the pupils that would fall into each band. The initial band values and the variance to the current EHCP funding provided to schools are set out in the table below.

Table 4 - Proposed band values for EHCP mainstream April 2021		
Band	Proposed value	Variance to current funding (July 2020)
	£	£
Core	400	(2,632)
Enhanced	2,000	(11,524)
Exceptional	4,300	27,188
Exceptional plus	6,050	5,527
Highly Exceptional	8,000	1,926
Total		20,485

12.3 The financial modelling has been based on the pupils as at July 2020, if these values are implemented 19 schools (18 Primary, 1 Secondary) would see a reduction in the funding. The minimum reduction in funding would be £332 (5.7% of current EHCP funding) with the maximum reduction would be £3,595 (11% of current EHCP funding). Of the 39 schools that gain under the banding proposals (29 primary, 10 Secondary and 1 All through) the maximum gain will be £6,150 (8% of current EHCP funding) and the minimum gain £49 (0.01% of current EHCP funding). Further modelling will be carried out in the autumn term to include the new cohort of pupils and identify the impact on schools.

12.4 Introduction of the banding will increase the cost to the DSG by £20,500.

- 12.5 The funding briefing to be sent to Schools early in the autumn term will include a school by school breakdown of the impact of the proposed banding on their July EHCP funding. The actual banding values will be set in January 2021 following the receipt of the initial 2021-22 funding allocation in December 2020 and clarification of the methodology for passing the Teachers pay and pension grants to special schools. It is proposed that the rates set out in Table 4 will be not be reduced when finalising the budget, but may be increased according to overall affordability.

13 Reason for recommendations

- 13.1 The purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2021-22 onwards. The report also seeks endorsement to the proposals for implementing these arrangements locally, in order to ensure that they comply with the requirements of both the DfE's operational guidance and the School and Early Years Finance (England) Regulations.

14 Equality impact assessment (EIA)

- 14.1 This report and the proposals within form part of, and are consistent with, the national implementation of the schools and high needs National Funding Formula as directed by the Department of Education and set out in the School and Early Years Finance (England) Regulations 2020.
- 14.2 The DfE has conducted a full Equality Impact Assessment which is attached to the Policy document and can be found on their website⁴. The funding system does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.

15 Legal Implications

- 15.1 The Government is reforming the current school funding system from 2018-2019 and an update on the progress of that reform is provided in the body of this report.
- 15.2 The recommendations in this report are consistent with the requirements of the Schools Revenue Funding Operational Guide published by the Education & Skills Funding Agency and the national funding formula for schools and high needs 2021 to 2022 published by the Department for Education.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901889/FINAL_2021-22_NFF_Policy_Document_MB.pdf

15.3 It is anticipated that the School and Early Years Finance (England) Regulations 2020 will be updated in due course by central government to confirm the specific provisions in relation to schools funding in the 2021/22 financial year.

16 Finance Comments

16.1 Financial comments and implications are included in the body of this report.

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Signed by: Alison Jeffery, Director of Children, Families and Education

Appendices:

Appendix 1: Portsmouth Rates to National Funding Rates Comparison Table 2020/21 to 2021/22

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
The national funding formula for schools and high needs 2021 to 2022 (published 20/07/2020)	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901889/FINAL_2021-22_NFF_Policy_Document_MB.pdf
Schools revenue funding 2021 to 2022: Operational guide (published 20/07/20)	https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2021-to-2022
School and Early Years Finance (England) Regulations 2020	The School and Early Years Finance (England) Regulations 2020

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Appendix 1 - Portsmouth Rates to National Funding Rates Comparison Table 2020/21 to 2021-22

Funding Factors	Payable for:	Unit rate 2020-21*		Unit Rate 2020/21	
		Primary £	Secondary £	Primary £	Secondary £
Basic Entitlement Number on Roll (NOR) NOR Key Stage 3 NOR Key Stage 4	Primary including reception Key stage 3 pupils Key stage 4 pupils	2,897.46	4,074.89 4,625.58	3,123	4,404 4,963
Deprivation Free School Meals Free School Meals Ever 6	Free School Meals (FSM) Free School Meals Ever 6	456.37 567.93	456.37 826.54	460 575	460 840
IDACI F	2020-21 Pupils with an IDACI score 0.20 to 0.25 2021-22 Pupils ranked between 9,033 and 12,316	212.97	304.25	215	310
IDACI E	2020-21 Pupils with an IDACI score 0.25 to 0.30 2021-22 Pupils ranked between 5,748 and 9,032	253.54	410.73	260	415
IDACI D	2020-21 Pupils with an IDACI score 0.30 to 0.35 2021-22 Pupils ranked between 4,106 and 5,747	380.31	542.58	410	580
IDACI C	2020-21 Pupils with an IDACI score 0.35 to 0.40 2021-22 Pupils ranked between 2,464 and 4,105	410.73	588.21	445	630
IDACI B	2020-21 Pupils with an IDACI score 0.40 to 0.50 2021-22 Pupils ranked between 822 and 2,463	441.16	633.85	475	680
IDACI A	2020-21 Pupils with an IDACI score 0.50 to 1.0 2021-22 Pupils ranked between 1 and 821	608.50	851.89	620	865
Prior attainment Primary	Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP)	1,080.08		1,095	
Secondary	Pupils not achieving the expected standard in Key Stage 2 at either reading, writing or maths		1,632.80		1,660
English as an additional Language	EAL eligible pupils who started school within the last 3 years	542.58	1,460.39	550	1,485
Mobility		887.39	1,267.70	900	1,290
Lump Sum	Flat rate per school	136,770	136,770	117,800	117,800

*Note: the 2020-21 rates represent the values for Portsmouth schools based on the national NFF rates plus the area cost adjustment of 1.01416.