

## Document LW Appendix 1

### National Funding Formula and DSG 2021/22 – Briefing Note

*This briefing note is written following the DfE's announcements made on 20 July 2020 on National Funding Formula and 2021/22 DSG arrangements. Please read this briefing note alongside Appendix 2 (the DfE's summary).*

1. 2021/22 will be the fourth year of National Funding Formula (NFF). The DfE has recorded that 'further progress' has been made by local authorities towards the NFF within the Schools Block in the current 2020/21 financial year:
  - a. 99 (out of 151) authorities in the last three years have moved closer to NFF and / or are now within 1% of NFF variable values.
  - b. 64 authorities are directly mirroring the NFF within the Schools Block. We are one of these.
  - c. All authorities use a lump sum. The trend is for the lump sum value to be decreasing. 92 authorities have set a lump value within 1% of the NFF value. 135 authorities use the same value of lump sum for both primary and secondary phases.
  - d. 110 authorities in 2020/21 set a Minimum Funding Guarantee (MFG) within the Schools Block at least at positive 1.84% in 2020/21. We set an MFG of positive 2.34%.
  - e. 119 authorities set their notional SEND values at between 5% and 15% of Schools Block funding but there remains significant variation in how notional SEND is defined.
  - f. 27 authorities declared some form of SEND Funding Floor arrangement in 2020/21. We are one of these.
  - g. 23 authorities declared a Falling Rolls Fund in 2020/21. We are one of these.
2. Regarding the timeline for the movement towards the DfE's stated commitment of a 'hard' NFF within the Schools Block, the guidance now says, "The government will shortly put forward proposals to move to a 'hard' NFF in future, which will determine schools' budgets directly, rather than through local formulae set independently by each local authority. This will level up the school funding system so that all schools across the country are funded on a comparable basis. We will consult wider with local authorities, schools and others to make this transition carefully." Further announcements are expected in the autumn but, at this time, the timing of further movement to the hard NFF 'end product' is uncertain.
3. The Dedicated Schools Grant (DSG) allocation and decision making processes and timetable for 2021/22 are expected to operate as they normally would.
  - a. The October 2020 and January 2021 Censuses will be completed as normal.
  - b. The ESFA's high needs places setting exercise for academies and FE providers will be conducted as normal in the first part of the autumn term.
  - c. The Authority expects the Forum to agree its recommendations on the 2021/22 DSG allocation and formula funding arrangements at its meeting to be held on 13 January 2021.
4. In the context of COVID-19, the DfE does state that it has implemented only minimal changes to the DSG and NFF arrangements for 2021/22. The core technical basis of the DSG and the NFF within the Schools, High Needs and Central Schools Services Blocks continues. The guiding restrictions and flexibilities regarding cross-block movements and proportions of delegated vs. central spending remain as 2020/21. The framework for de-delegation within the Schools Block is unchanged. The scope of the NFF within these three blocks also remains as 2020/21, with the exception of the transfer of the Teacher Pension Grant and Teacher Pay Grant into the DSG.

This means that the non-NFF basis of funding premises factors and BSF (PFI) within the Schools Block remains the same as in 2020/21. This is specifically highlighted because BSF (PFI) funding has been identified by the Schools Forum as an area to monitor.

This also means that there is no change (uplift) in support for smaller urban schools. Despite the DfE stating that this an area of review there are no changes for 2021/22. However, the DfE is uplifting the NFF support for small rural (remote) schools through the sparsity factor.

There may be some changes still to announce within the High Needs Block and the national place-plus system (as the operational guidance is still to be published in September). These changes might extend, for example, to amendments to the place-plus thresholds and notional SEND arrangements, following the DfE's call for evidence and national EHCP / SEND / AP review. However, the DfE clearly is acting cautiously in the changes it is making to arrangements for 2021/22 in the light of COVID-19. We might expect the bigger changes that might come from wider review to be pushed back to 2022/23.

**At the time of writing this briefing note the Early Years Block formal arrangements for 2021/22, including the position of the funding of maintained nursery schools, are still to be announced.** However, The DfE did announce on 24 August that, "the Department has also confirmed supplementary funding of more than £23 million for Maintained Nursery Schools for the summer term 2021 to enable local authorities to provide them with stability while the Department confirms a long-term solution...Confirmation of funding for the summer term will provide clarity for the full academic year ahead of longer-term arrangements being set out in the Government's Spending Review."

5. There are two main amendments to the DSG / NFF announced so far that are applicable to Bradford for 2021/22. These are:
  - a. The transfer of the Teacher Pay and Teacher Pension Grants into the DSG. This means that formula funding arrangements within the Schools Block, High Needs Block and Early Years Block will need to respond to continue to allocate this funding.
  - b. The update of the IDACI data for 2019. This affects Schools Block funding at both DSG and individual school level and the High Needs Block at DSG level. The deprivation supplement within the Early Years Block (within the individual provider setting deprivation rates) already in 2020/21 incorporates the 2019 IDACI data.

The DfE states that, on their own, these two changes do not require authorities to consult with schools and providers. However, these changes will form part of our overall arrangements and therefore, will come into our consultation discussion and modelling.

6. The overall national High Needs Block settlement for 2021/22 provides a 10% increase on 2020/21. Authorities will receive minimum growth of 8% per pupil and maximum 12% per pupil. Bradford's increase is capped at 12%.

**On current estimates, our High Needs Block allocation is £91.89m, which is £10.65m higher than in 2020/21 (an increase of 13.1% in cash terms) but with c. £1.18m of this related to the transfer of the Teacher Pay and Pensions Grants. Capping at 12% per pupil reduces our allocation by c. £3.6m.**

This growth in allocation, as in 2020/21, will be allocated to cover three main pressures a) growth in the cost of provision (from inflation and pay award) funded through the top-up, b) growth in the needs of pupils with EHCPs and in placement costs reflected by banding (and stacking) and c) continued expansion of high needs places capacity.

Authorities continue to be permitted to transfer up to 0.5% of the Schools Block to the High Needs Block in 2021/22 with the approval of the Schools Forum. The 0.5% now must exclude the Teacher Pay and Pensions Grants that have been transferred in. **We did not put forward a proposal for transfer in 2020/21 and, in the context of our High Needs Block settlement, we do not anticipate proposing a transfer in 2021/22.**

7. The overall national Central Schools Services Block settlement for 2021/22 provides a 4% increase on 2020/21, with a ceiling on gains through the on-going responsibilities element set at 6.45% per pupil. Bradford's increase is capped at 6.45%, prior to the transfer of the Teacher Pay and Pensions Grants for centrally employed teachers, which has still to be added into the DfE's published figures. Funding for historic commitments has reduced by a further 20% so our allocation has reduced by £0.07m.

**We estimate that our CSSB allocation in total will increase by 3.8% in cash terms (+ £0.1m) to £3.02m, prior to the transfer of the teacher grants.**

8. The overall national Schools Block settlement for 2021/22 provides a 4% increase on 2020/21. The NFF variable rates are broadly increasing by 3%, though there are different % increases in the IDACI factor due to how the new IDACI data is absorbed and the flat FSM variable is increasing by only 2%. The NFF variable values have also been rounded and this affects the % increases. Every school within the Schools Block is allocated a minimum 2% increase before their notional NFF allocations are then aggregated at DSG level.

**On current estimates, Bradford's Schools Block allocation is £471.60m, which is £34.29m higher than in 2020/21 (an increase of 7.8% in cash terms), but with £18.92m of this related to the transfer of the Teacher Pay and Pensions Grants. Excluding these grants, our increase is c. 3.5% in cash terms on 2020/21. Within this, we estimate that there will be c. 500 more children recorded in primary and secondary mainstream schools and academies in the October 2020 Census.**

9. The Government's commitment to increasing the minimum levels of funding per pupil for mainstream primary and secondary schools and academies is confirmed by the 2021/22 settlement. The values of the minimums have also been uplifted for the transfer of the Teacher Pay and Pensions Grants. The minimums are now:
  - a. **Primary £4,180** (increased from £3,750 in 2020/21, with £180 of the £4,180 related to the Teacher Pay and Pensions Grants).
  - b. **Secondary £5,415** (increased from £5,000 in 2020/21, with £265 of the £5,415 related to the Teacher Pay and Pensions Grants).

These minimums continue to be mandatory and are therefore, not subject to local consultation.

10. **Authorities are permitted to set the Minimum Funding Guarantee (MFG) for primary and secondary mainstream formula funding in the Schools Block between positive 0.5% and positive 2.0%. On current indicative modelling, we anticipate being able to propose a 2.0% MFG.**

Forum members will recall how important the level of the MFG is, in particular, to the primary phase. In 2020/21, 121 out of 156 primary schools and academies are supported by this protection. We enhanced the value of the MFG in 2020/21, uplifting this from 1.84% to 2.34%, with the DfE's permission. This was specifically related to the 'reversal' of the 0.5% transfer to the High Needs Block that took place in the previous year. It is not clear that an enhancement to the MFG above 2.0% is affordable in 2021/22 and we should progress at this time on the basis that it isn't.

However, Forum members will also recall that a sum of £0.540m is carried over from the primary phase £GUF funding not spent in 2020/21. This should be allocated, on a one off basis, within the 2021/22 DSG decisions round. The Forum will be asked to consider how it wishes to use this balance.