

Cheshire West and Chester Council

Consultation with Schools on School Funding for the Financial Year 2021-2022

Description of Proposals

October 2020

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Additional documents published separately:

- Consultation questionnaire
- Illustrative financial models

Introduction

This consultation concerns the Schools Block formula funding for 2021-2022 and is relevant to all primary and secondary local authority maintained schools, academies and free schools.

The document outlines the requirements set by the Department for Education (DfE) for factors that may be used by the Local Authority in determining the local schools funding formula in 2021-2022.

Approach to the consultation

In 2021-2022 local authorities will continue to receive Dedicated Schools Grant (DSG) funding through the national funding formulae (NFF) for schools for allocation to primary and secondary schools and academies. It remains the government's intention to move to a hard NFF for schools under which school allocations would be determined nationally without any local authority involvement. However, some elements are still yet to be addressed and consulted on and a 'soft' approach will continue to be in place for the next financial year. Under a soft formula, local authorities will continue to determine, in conjunction with their schools and Schools Forum, the formula which will distribute the total funding to maintained schools and academies.

In October 2017, a consultation was held with schools on the proposal to move the local funding formula in line with the NFF to be consistent with the direction of travel of central government. This has continued to be the main principle of decisions taken each year since 2017.

There are no proposals to reverse this decision and therefore the consultation with schools and Schools Forum for the next financial year will be limited to consulting on the changes and recurring annual decisions only.

Following consideration by the Schools Forum Finance Sub Group (which includes officer and schools representatives), the consultation is proposed to cover three aspects of funding for schools for 2021-2022; Minimum Funding Guarantee protection, proposed transfer to the high needs block and de-delegation (pooled funding) options. The consultation will only consist of questions in relation to those proposals and will therefore be a brief consultation.

The consultation with all schools on these proposals will be open from 2 October 2020 to noon 16 October 2020.

NFF allocations for 2021-2022

The NFF announcement in July 2020 confirmed that there would be a higher level of funding in each local authority area in 2021-2022 compared to 2020-2021. This is the second year of the government's Spending Review commitment to a £7.1 billion increase in funding for schools by 2022-2023, compared to 2019-2020 funding levels.

In 2021-2022, the government will include the following in the NFF.

- To increase Schools Block funding overall nationally by 4% and ensure that per pupil funding for all schools can increase by 2%.
- Funding from the teachers' pay grant (TPG) and the teachers' pension employer contribution grant (TPECG) has been added to the NFF from 2021-2022 to streamline the grants into schools' core funding at a rate of £180 for primary and £265 for secondary. This is in addition to increasing basic per pupil funding rates by 3%.
- The minimum per pupil amounts for 2021-2022 will continue to be mandatory and increase to £4,180 for primary schools and £5,415 for secondary schools to include the grants above in school baselines.
- Increased support for small and remote schools by increasing the maximum sparsity value from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools.
- Allow local authorities the freedom to set the Minimum Funding Guarantee (MFG) in the local formulae between +0.5% and +2% per pupil
- Enable local authorities to continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with Schools Forum approval. In 2021-2022, the total schools block available for such transfers must exclude the additional funding local authorities have been allocated for the TPG and TPECG, thereby guaranteeing that all of this funding remains with schools.
- Following the cancellation of assessments in summer 2020 due to COVID-19, local authorities will use 2019 assessment data as a proxy in funding formulae for the 2020 reception and year 6 cohort.
- The 2019 update to the Income Deprivation Affecting Children Index (IDACI) has been incorporated so that deprivation funding allocated through the formulae is based on the latest data. NFF values have been adjusted to reflect changes in the proportion of pupils in each IDACI band.

Table 1 below shows the 2020-2021 NFF values against the indicative NFF values for 2021-2022 based on the above announcement. Additional Premises factors (which include rates, Private Finance Initiative (PFI) affordability gap, split sites and exceptional premises factors) are not prescribed by the NFF. Funding will continue to be allocated to local authorities based on planned spend on these factors in 2020-2021 with an inflationary increase to the PFI factor to allow these factors to continue in 2021-2022.

Table 1 also shows the current CW&C local funding formula for 2020-2021 which mirrors the NFF funding rates with an additional area cost adjustment of 0.3% applied to all factors. Unused protection and growth allocations have enabled a further increase to the basic entitlement factor of £83 per pupil in primary and £69 per pupil in secondary in 2020-2021.

Table 1 2020-2021 NFF values against the indicative NFF values for 2021-2022

Funding Factors	2020-2021 CW&C formula values £	2020-2021 NFF values £	2021-2022 indicative NFF values £	Change in NFF 2020- 2021 to 2021-2022 %
Basic per-pupil funding				
Age Weighted Pupil Unit (AWPU): Primary	2,951	2,857	3,123	3% increase from 2020- 2021 plus mainstreami ng of TPG/ TPECG of £180 primary and £265 secondary
Age Weighted Pupil Unit (AWPU): Secondary - KS3	4,102	4,018	4,404	
Age Weighted Pupil Unit (AWPU): Secondary - KS4	4,647	4,561	4,963	
Minimum per pupil funding level	Primary £3,750 Secondary £5,000	Primary £3,750 Secondary £5,000	Primary £4,180 Secondary £5,415	
Additional needs funding				
Current FSM top up (Pupils currently claiming FSM at the last census): Primary	452	450	460	2.2%
Current FSM top up (Pupils currently claiming FSM at the last census): Secondary	452	450	460	2.2%
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary	562	560	575	2.7%

Funding Factors	2020-2021 CW&C formula values £	2020-2021 NFF values £	2021-2022 indicative NFF values £	Change in NFF 2020- 2021 to 2021-2022 %
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary	818	815	840	3.1%
IDACI band F: Primary	211	210	215	2.4%
IDACI band F: Secondary	301	300	310	3.3%
IDACI band E: Primary	251	250	260	4.0%
IDACI band E: Secondary	406	405	415	2.5%
IDACI band D: Primary	376	375	410	9.3%
IDACI band D: Secondary	537	535	580	8.4%
IDACI band C: Primary	406	405	445	9.9%
IDACI band C: Secondary	582	580	630	8.6%
IDACI band B: Primary	437	435	475	9.2%
IDACI band B: Secondary	627	625	680	8.8%
IDACI band A: Primary	602	600	620	3.3%
IDACI band A: Secondary	843	840	865	3%
Low prior attainment: Primary	1,069	1,065	1,095	2.8%
Low prior attainment: Secondary	1,616	1,610	1,660	3.1%
English as an additional language: Primary	537	535	550	2.8%
English as an additional language: Secondary	1,445	1,440	1,485	3.1%
Mobility: Primary	878	875	900	2.9%

Funding Factors	2020-2021 CW&C formula values £	2020-2021 NFF values £	2021-2022 indicative NFF values £	Change in NFF 2020- 2021 to 2021-2022 %
Mobility: Secondary	1,255	1,250	1,290	3.2%
School led funding				
Lump sum: Primary and secondary	114,814	114,400	117,800	3%
Sparsity: Primary	26,094	26,000	45,000	73.1%
Sparsity: Secondary	67,845	67,600	70,000	3.6%

Whilst the formula allocation to local authorities includes the national funding increases, there are a number of issues which currently prevent the nationally calculated allocations being passed on directly to schools.

- The aggregated per pupil level of funding that is available to the Local Authority is lagged to the demographics of pupils on the October 2019 census. Therefore any changes in eligibility in the October 2020 census (e.g. an increase in deprivation or low attainment proportions) have to be managed within the overall allocation.
- The premises elements of the formula are being funded on a historic basis. Therefore any increase from 2020-2021 to these elements of the formula need to be met from the cash increase in the funding allocation.
- The actual formula allocation for 2021-2022 will reflect the pupils on roll on the October 2020 census. The formula does not protect schools against a loss of pupil numbers and so schools may still receive an overall reduction in funding despite the increases in the formula values.
- Local authorities will have some flexibility in consultation with schools and Schools Forum to transfer limited Schools Block funding to other areas (such as high needs) where local needs require this.

The following sections outline the considerations and options for the operation of the formula in 2021-2022 to manage within the allocation to the Local Authority.

Minimum Funding Guarantee (MFG) protection

Local authorities will continue to set a minimum funding guarantee (MFG) in their local formulae to protect schools from excessive year on year changes. In 2021-2022 local authorities will be able to set a MFG between +0.5% and +2% per pupil ensuring that schools will receive a per pupil increase compared to 2020-2021 regardless of changes in pupil characteristics and formula values. There is an increase to the permitted limit from 1.84% in 2020-2021 and local authorities are required to consult on the level of the MFG, as with the rest of the formula.

It has been a priority for CW&C to reduce the amount of MFG protection in funding allocations to limit the turbulence for any school in moving to the NFF and to maximise the fair distribution of funding to all schools. Therefore in 2020-2021, the Local Authority adopted the minimum protection of 0.5% per pupil to enable school allocations to move towards the NFF and historic protections be reallocated to all schools. Over recent years, the amount of protected funding has reduced significantly and there is currently £0.562m MFG in the 2020-2021 formula, protecting 8 schools from a greater than 0.5% per pupil per year reduction from their historic funding levels.

Whilst MFG protects schools against excessive changes in per pupil levels of funding, it does not protect against loss of funding where pupil numbers fall from the previous October census. There is no mechanism to protect schools from loss of funding from falling pupil numbers.

In 2021-2022, the Local Authority has the following options to set the MFG:

- At a minimum of 0.5%
 - Individual schools would receive a guaranteed 0.5% increase on their 2020-2021 funding per pupil.
 - This increase would apply to all schools regardless of any reduction in the percentage of pupils attracting additional per pupil funding for deprivation, low attainment and EAL.
 - The 8 schools being funded at a higher level than the NFF due to historic protections in 2020-2021 would also receive a per pupil increase of 0.5%.
 - Setting the MFG at the minimum level allows changes in pupil demographics to flow through and more funding be available to distribute to all schools.

- Between 0.5% and up to the maximum of 2%
 - The DfE are allowing local authorities to implement a positive MFG up to 2% per pupil allowing individual schools to receive a guaranteed increase up to that percentage. The same principles apply as described above for the minimum 0.5% increase.

- However, the affordability of the maximum option would need to be considered in view of:
 - the wider formula and funding, not all of which is keeping pace with current pupil demographics, growth and premises factors
 - the already higher Basic Entitlement value implemented by CW&C in 2020-2021 which was based on the release of funding from a negative 1.5% MFG in previous years.
 - The proposal to transfer up to 0.5% of schools block funding to high needs

- As such, the maximum of 2% may not be an affordable option for CW&C when the final allocations are received in December and the protection may need to be set between 0.5% and 2%.

Illustrative financial modelling of the minimum 0.5% and maximum of 2% options is available in a separate document. Values in between would have impacts in between these outside ranges.

Please refer to the consultation questionnaire **Question 1**.

Transfer to the High Needs block

In the past, local authorities have had discretion on the movement of funding within the funding blocks of the Dedicated Schools Grant (DSG) in order to meet demands and pressures across the school system. To prepare for the future introduction of a hard formula, and to ensure the vast majority of funding allocated through the national formula reaches schools directly, 99.5% of the schools block allocation is ring-fenced to primary and secondary school allocations.

The DfE recognise that a degree of flexibility is needed however to ensure that local authorities are able to manage other budgets funded through the DSG i.e. the high needs budget. Therefore, with the agreement of the Schools Forum, up to 0.5% of the schools block can be transferred to the high needs block. Based on the illustrative NFF Schools Block value for 2021-2022 (excluding the transferred in grants) of £210m, 0.5% equates to £1.050m.

In CW&C, as with a large number of other local authorities, the increasing demand for specialist provision and additional support in mainstream is creating a year on year pressure on high needs funding. In spite of an additional £1.2m high needs allocation and using £1m of reserves, in 2019-2020 expenditure on high needs provision and services overspent by £0.6m. This pressure has not reduced in 2020-2021 and although high needs funding increased by £3m, expenditure is forecast to overspend by a further £1.2m. In view of the cumulative deficit and continuing increase in demand, the Local Authority are seeking agreement from Schools Forum to transfer

up to the permitted 0.5% from the schools block to support unavoidable cost increases in high needs – all of which will be used to fund growth in demand for additional support within mainstream settings.

The Local Authority will consider with Schools Forum how the increasing costs can be mitigated as the transfer from the schools block will be only part of a package of measures necessary to balance the budget. The recommendations from the Strategic Review of SEN, the use of underspends arising from other areas of the DSG and further reviews of top up funding will all be considered alongside this transfer.

Illustrative financial modelling of the maximum transfer of 0.5% at individual school level in 2021-2022 is available in a separate document.

Please refer to the consultation questionnaire **Question 2**.

Illustrative financial models

As part of the consultation documentation, a number of illustrative financial models are provided to help demonstrate the potential impact of the principles being consulted on. These models are illustrative and are based on a comparison of the proposed changes to the 2020-2021 actual funding using the same dataset from the October 2019 census. School allocations when finalised for 2021-2022 will be based on an updated dataset from the October 2020 census.

The models that have been included are as follows:

2020-2021 baseline funding – this shows the actual schools block formula funding submitted to the ESFA in January 2020 for the current financial year as a baseline to compare 2021-2022 scenarios to. For academies, actual funding may differ from these values if their funding agreement is different to October 2019 census data.

Mainstreaming of TPG/TPECG – this shows the additional funding based on October 2019 pupil numbers that will be included in the Schools Block funding formula in 2021-2022 and replaces the separate grant allocation. This shows the reallocation of £9.7m for each CW&C school into the formula and is included in subsequent models.

All 2021-2022 models include transfer in of TPG/TPECG, the NFF values for 2021-2022, the updated IDACI dataset and the mandatory minimum per pupil funding levels.

Model 1 – shows the application of NFF values to all schools for 2021-2022. MFG is set at 0.5% so that all schools receive at least that percentage increase from 2020-2021 per pupil funding. £2.3m of the indicative funding allocation (mainly for growth) is available for redistribution through the formula.

Model 2 – shows the application of NFF values to all schools for 2021-2022. MFG is set at 2% so that all schools receive at least that percentage increase from 2020-2021 per pupil funding. £1.4m of the indicative funding allocation (mainly for growth) is available for redistribution through the formula.

Model 3 – MFG is set at 0.5% which allows the £2.3m in model 1 to be allocated to schools at £107 per pupil.

Model 4 - MFG is set at 2% which allows the £1.4m in model 2 to be allocated to schools at £102 per pupil.

Model 5 - MFG is set at 0.5%, the maximum of £1.050m is transferred to high needs which allows the remaining funding to be allocated to schools at £67 per pupil.

Model 6 - MFG is set at 2% the maximum of £1.050m is transferred to high needs which allows remaining funding to be allocated to schools at £54 per pupil.

Please note that in all models, schools in receipt of historic MFG protection (i.e. those funded higher than the NFF historically) and those below the Minimum Per Pupil Funding Levels will be protected at those levels. The impact of some options may therefore not affect those schools if the proposals took their funding below the protected levels.

De-delegation of funding

The Department of Education permits the pooling of funding for maintained schools to meet expenditure collectively for a limited number of items of school expenditure. Schools in each phase will need to agree collectively, through the Schools Forum, whether to de-delegate the funding to the Local Authority to meet the expenditure centrally.

Local Authority de-delegation

As in 2020-2021, de-delegation will be an option for maintained primary and secondary schools for the following allocations.

- Contingencies to cover suspensions
- Free school meals eligibility assessment
- Licences (SIMS and CLEAPPS)
- Staff costs for maternity/paternity/adoption leave
- Staff costs for trade union facilities time

Schools will need to consider whether the amount delegated to them on a per pupil basis allows them to meet the costs or buy in the services they need individually. The

rationale for de-delegation is to achieve economies of scale and to pool risk across schools for these costs.

Schools should therefore consider whether they may find difficulty in securing services from providers other than the Local Authority on an individual basis with the funding that has been delegated.

Current pooled funding for 2020-2021 and the basis for de-delegation for primary and secondary is summarised in tables 2 and 3 below. Actual de-delegation for 2021-2022 however will be amended to reflect underspends or overspends within each sector in 2020-2021 so may vary from the figures below.

Table 2 Indicative primary de-delegation

	Primary per pupil delegation £	Primary lump sum delegation £	Total funding de-delegated £
Contingencies	3.26		76,349
Free school meal eligibility assessment	4.90		21,252
Licences	3.64		85,249
Staff costs - maternity	12.83	2,057	506,127
Staff costs – trade unions	1.83		41,091

Table 3 Indicative secondary de-delegation

	Secondary per pupil delegation £	Total funding de-delegated £
Contingencies	0.27	2,590
Free school meal eligibility assessment	4.14	8,086
Licences	5.33	51,125
Staff costs – trade unions	3.50	33,572

Please refer to the consultation questionnaire **Question 3a**.

De-delegation to the ESFA for Risk Protection Arrangements

For 2021-2022 there is also a new option for de-delegation for primary and secondary schools to opt collectively into the ESFA's Risk Protection Arrangement (RPA). This

would be agreed by Schools Forum representatives for those sectors should there be a preference expressed through consultation.

The RPA scheme is a government scheme and has been running since 2014 for academy schools. It was extended to include maintained schools from 1st April 2020. Schools have the option to stay with the Local Authority arranged cover or move to the RPA scheme either individually or collectively.

The RPA is not an insurance policy, instead it is a scheme funded by contributions from schools, with any shortfalls met by the government. RPA covers all the insurances schools can currently purchase from the Local Authority apart from the following, which schools will still need to arrange separately if required:

- Motor insurance
- Engineering insurance (including statutory inspections of lifting equipment)
- Contract works above £250k (e.g. school building extensions)
- Long Term Sickness cover

For schools signing up with the RPA scheme, risk and insurance advice would be provided by the schemes appointed advisors, currently Willis Towers Watson. Claims are handled by TopMark claims management.

For schools remaining with the Local Authority arranged insurance, this can offer peace of mind to schools knowing that claims and queries are dealt with by the Council's dedicated insurance team who have many years of experience working with Cheshire West schools.

The Local Authority's prices are competitive with the RPA. The RPA is currently £18 per pupil whether schools opt in individually or collectively.

The Councils existing pricing for the 2020-2021 academic year is as follows:

Buildings & Contents Insurance	£7.73 per pupil
Employers Liability Insurance	£6.04 per pupil
Public Liability Insurance	£4.98 per pupil
School Travel	
- Primary schools	£0.47 per pupil
- Secondary schools	£0.90 per pupil
EARS Scheme (additional cover for contents)	
- Primary schools	£48 + £1.25 per pupil
- Secondary schools	£977 + £1.59 per pupil

Total Primary - £48 + £20.47 per pupil

Total Secondary - £977 + £21.24 per pupil

Prices for the 2020-2021 academic year remained the same as for 2019-2020 despite insurance cost increases incurred by the Local Authority. Prices for future years will be determined once premiums are known.

Please refer to the consultation questionnaire **Question 3b**.