

## **School Funding: National Funding Formula (NFF) and Indicative Mainstream Budgets**

### **Key Messages**

Forum members are asked to:

- Note the changes to the indicative funding allocations.
- Note the work of the Funding Group to review transition to the National Funding Formula (NFF) and the subsequent consultation.
- Agree to revised principles and model for transition and note the indicative budgets, as per Appendix 2, based on the preferred model.
- Approve the request to transfer £1.5m of the Schools Block to the High Needs Block taking into consideration the consultation outcome.
- Note the changes to the indicative High Needs and CSSB allocations.
- Note the Government's additional national allocation of £44m to increase hourly rates paid to childcare providers in 2021/22, and that further work will be undertaken with the Early Years Working Group.

### **1. Dedicated Schools Grant (DSG) - Funding Allocation**

Preliminary information released in October by the Education and Skills Funding Agency (ESFA) indicates the following indicative changes to schools funding:

- £28m (inclusive of Teachers' Pay and Pension grant) increase for Schools Block
- £8.7m increase for High Needs Block and £0.8m reduction for Central Services Schools Block (CSSB) - net increase of £7.9m
- Early Years Block - impact of the recently announced uplift to hourly rate not yet known

Whilst the £28m is positive news for Sheffield, £15.6m of this is the rolled in Teachers Pay and Pension Grant, leaving a true increase of £12.7m. We still have a shortfall of £3.75m to enable us to fully implement the National Funding Formula (NFF) by unit value. The proposed model therefore moves us significantly towards the NFF, proportionately, as part of our transitional plan.

### **2. Schools Block**

#### **2.1. Review of transition to National Funding Formula - principles**

The Funding Working Group met in November to review Sheffield's transition towards the National Funding Formula (NFF). The following principles were proposed and adopted when considering the funding models for 2021/22:

- a. **Increase AWPU** so **all schools benefit** from the increase in funding.
- b. **Maintain 1:1.29** primary : secondary **sector balances** as per NFF.
- c. **Align Social Deprivation** to the national %age proportion of 8.59%.
- d. **Maintain the 50 : 50** split between free school meals and IDACI.
- e. **Alignment with NFF** values and proportions.
- f. **Maintain Lump Sum** at £120k.
- g. Models reflect the **new 2019 IDACI data set** in line with Government expectation.
- h. Demonstrate the newly **rolled-in grants** figure has been included **in AWPU**.

The Funding Group considered several models in detail and the preferred model continues transition towards NFF:

- Funding flows through AWPU, but will not drop below the AWPU level for 2020-21 to include the rolled-in grant funding of £180 for Primary Schools and £265 for Secondary Schools.
- The Primary AWPU must have a minimum level as at 2020-21 plus the £180 grant funding which would equate to £3,237. This model sees Primary AWPU at £3,372, still £249 higher than the NFF. An increase of 10.3% per pupil from 2020-21.
- Secondary AWPU increases by 13.7% per pupil from 2020-21 levels. The Secondary AWPU sets the minimum level of AWPU at the NFF levels then lets any additional funding, after safety nets have been applied, flow through AWPU KS3/4 levels at an equal proportionate level. This model ensures the AWPU Sheffield rate plus the £265 grant funding at a minimum level. This results in KS3 at £4,404 - the same as the NFF, and KS4 at £5,012 compared to an NFF level of £4,963. KS4 is an increase of £49 in KS4 above NFF levels.
- Aligning Social Deprivation to NFF %age proportions, as the NFF rates in £/pupil terms are not affordable to Sheffield.
- The remaining elements are aligned to NFF £/pupil rates, apart from the Lump Sum which has remained at £120k as in 2020-21.

Appendix 1 gives further detail on the consideration given to the factors for the preferred model.

## 2.2. Indicative Budgets

Appendix 2 gives an illustration of indicative school budgets for 2021/22 based on the preferred model. Please note that the indicative budgets:

- Are based on **October 2019 Census** data and the final allocations are subject to change based on the October 2020 Census.
- Assume that the transfer of £1.5m from the Schools Block to the High Needs Block will be agreed as per the recommendation below.

### 2.3. Consultation

In addition to the Funding Group meetings, we plan to share and consult via Locality meetings between January and February, prior to the final budget allocations being confirmed at the February Forum meeting.

## 3. Transfer to High Needs Block

### 3.1. Background

One of our key policy focuses is to support inclusion and increase access to local mainstream schools by reducing both the number of permanent exclusions and escalations to special schools. We plan to deliver this by building and sharing good practice within and across Sheffield schools and beyond the school; ensuring a clear and accessible continuum of support in schools and provision into schools under “early help” and then “targeted support”.

To deliver this objective, the Sheffield Schools Forum approved a transfer of 0.5% (£1.5m) from the Schools Block to the High Needs Block in 2018/19, 2019/20, and 2020/21.

More detail on progress to date is provided in Paper 3.

We are again proposing to redirect £1.5m of the Schools Block to the High Needs Block in 2021/22 to continue to support this piece of work and in recognition that the High Needs Block continues to be underfunded.

### 3.2. Consultation

We launched a consultation on 25 November giving schools the opportunity to let us know if they are in agreement to redirect £1.5m to the High Needs Block in 2021/22.

The outcome of this consultation to date<sup>1</sup> is that 70% of respondents have voted in favour of redirecting funds to the High Needs Block. However, the final decision sits with the Schools Forum.

## 4. High Needs Allocation

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<sup>1</sup> At the time of publishing this paper (consultation closes midnight 10 December)

Sheffield's indicative allocation has increased by £8.7m (including the combined amount of the teachers' pay and pensions grants of £827k) from £66.6m to £75.3m, but it should also be noted that the Central Services Schools Block (CSSB) has reduced by £0.8m, which results in a net increase of £7.9m.

Growth in the allocation to each authority has been capped at 12% against 2020/21 baselines which means that Sheffield will not receive the full £81m that we would be allocated if the NFF was fully implemented – we are therefore **£5.7m short of our full allocation.**

The full increase of £660 per place for Teachers' Pay Grant (TPG) and Teachers' Pension Employers Grant (TPEG) will be passed through to all settings that received the grant in 2020/21.

## **5. Central Services Schools Block (CSSB)**

The funding allocation for CSSB will be reduced by £0.8m in 2021/22.

## **6. Early Years Block**

It was announced by the Chancellor on 25th November that there will be an extra £44m in 2021/22 for local authorities to increase hourly rates paid to childcare providers for the government's free childcare entitlement offers. We are informed that further information on how this will be distributed will be made available as soon as possible.

Local Authority Officers are exploring the cost of the guaranteed funding paid to Funded Early Learning (FEL) providers in the autumn 2020 term.

The Early Years Block funding allocation for 2021/22 will not be finalised until July 2022. Post-Covid, if the national Government reverts back to the January 2021 Census there is a risk of a negative impact on early years allocation for 2021/22. This also needs to be considered in the context of falling birth rates. Further work will be undertaken to progress this and reported through the Early Years Working Group and to the Forum at the February 2021 meeting.

## **7. Recommendations**

Forum members are asked to:

- a) Agree to the recommendation of the Funding Working Group to continue to transition towards the NFF in 2021/22 by adopting the principles outlined above and the recommended model.
- b) Approve the request to transfer £1.5m of the Schools Block to the High Needs Block for 2021/22.

- c) Note the indicative budgets for 2021/2022 which are based on the recommended transitional approach and take into consideration the £1.5m transfer to the High Needs Block.
- d) Note the changes to the High Needs and CSSB allocations.
- e) Note the Government's additional national allocation of £44m to increase hourly rates paid to childcare providers in 2021/22, and that further work will be undertaken with the Early Years Working Group.