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26 February 2021

To Head Teachers and Chairs of Governing Bodies of Sheffield Nursery, Primary, Secondary and Special Schools

Dear Colleague

### **School Budget Shares and Spending Plans 2021/22**

#### **For Action**

This letter sets out the schools budget settlement for the financial year 2021/22, including early estimates of funding being made available by the Government through its Pupil Premium grant. Teacher Pay Grant and Teacher Pension Grant for maintained schools is now included in the main funding formula and are now no longer stand alone grants

This information will assist you in preparing for your budget setting process or interview with Finance Business Partner staff (where you subscribe to this service), and for the final production of your school's spending plan for the financial year 2021/22.

The financial year 2021/22 is the fourth year of the transition towards the National Funding Formula (NFF). The attached budgets have been prepared using the local Sheffield funding formula. At the current time there is not any clear indication of when the NFF will be fully implemented – 'hard' NFF. Like many other local authorities, our Schools Forum has approved a local formula, which moves towards the current proposed national formula. For more details of the decisions please see the Sheffield School Forum Site.

<https://www.sheffield.gov.uk/home/schools-childcare/sheffield-schools-forum>

The following principles have been used to prepare these budgets. These were approved at the December 2020 Schools Forum:

1. Increase AWPU so all schools benefit from the increase in funding.
2. Maintain 1:1.29 primary : secondary sector balances as per NFF.
3. Align Social Deprivation to the national %age proportion of 8.59%.
4. Maintain the 50 : 50 split between free school meals and IDACI.
5. Alignment with NFF values and proportions.
6. Maintain Lump Sum at £120k.
7. Use the new 2019 IDACI data set in line with Government expectation.
8. Demonstrate the newly rolled-in grants figure has been included in AWPU.

In line with the outcome of the consultation, the Schools Forum agreed to a redirection of £1.5m from the Schools Block to the High Needs Block to contribute towards the costs of remodelling provision for pupils at risk of exclusion and those permanently excluded.

The table below shows the School Block allocated to Sheffield. While the overall funding has increased, funding for growth has reduced. As a result of the spending review, and the decision nationally to move closer to the National Funding Formula the allocation to Sheffield has increased. It has been then increased further to include the Teacher Pay and Pension Grants which were stand alone grants in previous years. The funding available for the Schools through the ISB (Individual Schools Block) has increased by £31.48m

	<b>20/21 School Budgets £m</b>	<b>20/21 School Budgets £m</b>
<b>School Block - Income</b>	354.68	385.76
<b>Growth</b>	-2.28	-2.18
<b>Transfer from Growth to School Block</b>		0.3
<b>Transfer to High Needs Block</b>	-1.5	-1.5
	<b>350.9</b>	<b>382.38</b>
<b>Increase in funding through the ISB</b>		<b>31.48</b>
<b>Increase</b>		<b>8.97%</b>

#### Impacts of the Funding Formula on Mainstream Schools

- The £ per pupil funding increased 3.7% for all schools, to include rolled-in grants.
- Cash increased by £12.7m, excluding grants and pupil number increases.
- Pupil numbers overall increased by 429 (primary loss of 179, secondary increase of 608).
- 75% of all funding runs through AWPU (Government expectation is 70%).
- 91% of all funding runs through pupil-led factors (Government expectation is 80%).
- PFI Affordability Gap £6.53m - reduced from £6.93m

#### Funding Formula 2021/22

The Department for Education (DfE) has issued revised guidance for the 2021/22 Revenue Funding Arrangements and we have used this framework for resource allocation.

One of the main changes this year is the rolling in of the Teachers Pay and Pension Grants at an amount of £15.7m, over and above the uplift.

The Teachers Pay and Pension Grants have been rolled in in 3 ways:

- AWPU - £180 per primary pupil, and £265 per secondary pupil
- MFL - £180 per primary pupil, and £265 per secondary pupil
- MFG Baseline – by adding in 2020-21 level of funding plus any supplementary funding

Maintained schools will see the uplift from April 2021, but academies will not see it until September 2021. They will continue to receive a separate Teachers Pay and Pension Grant funding from the ESFA from April to August.

Grant funding for early years and 16-19 will be distributed through the early years and 16-19 funding arrangements.

Pupil-led Factors must be at least 80% of the delegated Schools Block with funding allocated through an appropriate and locally determined combination of the pupil-led factors. These factors include Age Weighted Pupil Unit (AWPU), Minimum Funding Level, Deprivation, Prior Attainment, English as an Additional Language and Pupil Mobility. In 2021/22 Sheffield has delegated at least 91.4% through pupil-led factors.

**Minimum Funding Level (Compulsory Factor)** - from 2020/21 the DfE has changed the methodology for this factor in a move towards introducing a 'hard' NFF.

Previously the Local Authority could have the flexibility to either include or exclude premises factors (PFI, Rates, Split Site), dependant on affordability, when calculating the Minimum Funding Level.

The DfE has now made it mandatory to exclude the premises factors, meaning, all premises factors must be removed prior to calculating the Minimum Funding Level a school should receive, Sheffield had previously included them.

The Minimum Funding Level applies to both primary and secondary schools and levels have increased from 2020/21. This ensures that all primary schools receive a minimum of £4,180 per pupil and secondary schools, with all year groups present, receive a minimum of £5,215 per pupil, for all pupils. Eighteen primary and seven secondary schools now gain from this factor.

### **Minimum Funding Guarantee**

The DfE has increased the threshold meaning that local authorities can set a local MFG of between +0.5% and upto +2%, again this funding will be based on the previous years comparable per pupil amount. The MFG for 2020/21 in Sheffield is +2%.

### **Additional Grants**

#### **National Pupil Premium Grant**

The Pupil Premium is calculated by the ESFA and is notified to local authorities for maintained schools and paid directly to academies.

It is calculated using pupils on the October 2020 School Census, known to have been eligible for Free School Meals (FSM) in any of the previous six years, as well as those first known to be eligible at January 2020. These are known as, "Ever 6 FSM" pupils. Pupils receiving protected free school meals will continue to generate Pupil Premium funding. In previous years the funding was based on the January count. The DfE have now confirmed that they will continue to use the October census in future years.

This means those pupils recorded on the October 2020 School Census who were recorded as known to be eligible for Free School Meals (FSM) on any termly Census since summer 2014.

Provisional budget figures for the national Pupil Premium Grant have been calculated. **This information will be updated in June 2020 and revised funding figures will be issued after the release of this information.**

**The PPG rates for 2020/21 are:**

- £1,345 per Primary FSM 'Ever 6' pupils
- £955 for Secondary FSM 'Ever 6' pupils
- £2,345 for looked after children
- £310 for service children
- £302 for Early Years

**Free School Meals Supplementary Grant**

The roll-out of Universal Credit has generated changes to free school meal eligibility, resulting in an increase in the number of pupils eligible for free school meals (FSM). Part of this increase will be because of the transitional protections that have been put in place, which mean that pupils who were eligible for free school meals on 1 April 2018, and those who become eligible during the Universal Credit rollout period, will retain eligibility until the end of this rollout period. For those still in education at this point, protections will continue until the end of their current phase of education; this covers until at least summer 2023. This means that you should not remove FSM eligibility for pupils over this period; unless the pupil's parent requests that you do so.

Funding for free school meals is included in your school budget, however due to the lagged nature of school funding, the ESFA have introduced this additional grant for the financial years 2018/19, 2019/20 and 2020/21. At the current time we don't know if this grant is to continue.

**Pupil Numbers**

Pupil numbers are based on the October 2020 Census. Sheffield's population is still growing. However, the peak of pupil number increases is now moving from primary into secondary and 2021/22 is the second year we see a decrease in primary pupil numbers. Our pupil numbers overall at mainstream schools have increased from 73,007 to 73,436 an increase of 429 (0.6%) pupils. Primary numbers have fallen by 179 (-0.4%) and secondary increased by 608 (+2.1%).

**Significant Growth in Mainstream Pupil Numbers**

The national growth funding methodology uses a formulaic approach to calculating growth funding in 2020/21. Local authorities are still expected to apply local policy. Our is to be reviewed and considered by the School Forum, in June. Funding arrangements for planned growth will continue but please note that AWPU rates have increased to reflect the 2021/22 rates:

1. All planned growth will be funded at the relevant key stage AWPU:
  - Primary = £3,413 x pupil numbers x 7/12
  - KS3 = £4,404 x pupil numbers x 7/12
  - KS4 = £5,012 x pupil numbers x 7/12
  - Where appropriate ie. Academies, the funding will continue for the remaining 5/12ths of the academic year.

2. All other in-year growth will be based on an incremental cost model as appropriate and calculations will be based upon:
  - 1 x teacher at main scale 5; and
  - 1 x teaching assistant at spinal point 18
3. Additional growth funding will be applied on an incremental cost basis for English as a second language (EAL).
  - If required, we will fund for an additional language support assistant over and above the growth in pupil numbers.

*All of the above are based on multiples of 30 or proportionately funded.*

### **Nursery Age Funding**

The funding that comes into the Authority for 2, 3 and 4 years olds is still calculated using a combination of the two January Census' over two years, (January 2021 \* 7/12) and (January 202 \* 5/12) and it is not until July in the following financial year when the Education and Skills Funding Agency (ESFA) finally determines the actual total pupil numbers used to be funded on and issue the actual budget allocation to LAs. We do anticipate however, that schools early year budget shares will be determined on actual participation headcount, without any protection of funding as was given in Autumn term 2020.

As a result of national changes, Sheffield's hourly rate we receive from the ESFA increased by 6p per hour for both 3 and 4 year olds and 8p per hour for 2 year olds.

The Sheffield Schools Forum approved the following recommendation that the full increase should be passed directly to providers. With effect from April 2021:

- The base hourly rate for 3 and 4 year olds increases from £4.20 to £4.26. This rate applies to both the first 15 hours of provision and the additional 15 hours for working parents.
- To continue using the mandatory deprivation factor for 3 and 4 year olds and to maintain the funding level at 44p.
- Early Years Pupil Premium (EYPP) will be funded at 53p per pupil hour to all eligible 3 & 4 year old pupils.
- To passport income received for Disability Living Allowance (£615 per year) to eligible providers.
- The hourly rate for 2 year old providers shall increase from £5.02 per pupil hour to £5.10.

### **Dedicated Schools Grant and Cost Pressures**

Overall 2020/21 DSG settlement has increased in £ per pupil funding. However, schools will still have to absorb cost increases including:

- Equal pay liabilities – these will vary in line with individual claims, primary schools have been allocated £400k and secondary £500k, in delegated budgets since 2008/09 to assist with building up a provision to meet these costs (this funding is now incorporated in the basic £ per pupil entitlement).
- Living Wage – these are costs that will need to be absorbed, to ensure that the Living Wage new grading structure continues for all employees.
- Utility contracts price inflation, Gas -6%, Electricity +2%, Water +5%
- Rates bills – these are variable but are funded in delegated budgets at 100% of the estimated cost for 2021-22 plus any applicable adjustment for the previous financial

year. This could be positive or negative, due to the adjustment of the Rateable Value for 2020/21.

- Teacher Pay and Pension cost not wholly covered by the grants

## **Schools Catering Contract**

All the projections point to a rise in FSM because of the protection period, and these will be reflected in the forthcoming School Catering Contract charges. Work is underway to minimise any charge to the Council by the contractor to help offset rises in food inflation (CPI) and the Foundation Living Wage.

A new School Catering Contract is being prepared, commencing on 1 August 2021, following consultation with school colleagues. It will seek to offer a high quality, flexible service so that Heads and Governors can discharge their statutory duty regarding meals, with the minimum exposure to financial risk and minimal hands-on school management time. The procurement process has started and school-based colleagues are amongst the evaluation panels. The outcome of the tender process will be known by mid-May so at this stage it is not possible to tell how this will affect schools' subscription charges.

## **Universal Infant Free School Meals (UIFSM)**

All primary schools with infant age pupils will receive their 2021/22 academic year funding based on an average of meal uptake on their October 2021 and January 2022 Census. The final allocations will be adjusted in June 2022. In order to generate sufficient funding to pay for these meals, it is essential that schools take steps to maximise the number of pupils taking these meals on the two Census dates.

## **Services to Schools**

Please note that the sign-up for the integrated Services to Schools Offer, which includes Finance Support, is currently open. You can view the range of high quality and value for money services available to your school via <https://learn365.sharepoint.com/sites/S2SMaintained> . If you have any queries please contact Diane Favell or Ian Ashforth on 0114 2736395 or [servicestoschools@sheffield.gov.uk](mailto:servicestoschools@sheffield.gov.uk)

## **Sixth Form Funding**

We are awaiting notification from the ESFA for the budget information for sixth forms for the 2021/22 academic year.

## **High Needs Pupils and Students**

High Needs funding is intended to support the most appropriate provision for each individual, taking account of parental and student choices, providing appropriate provision in a range of settings, and avoiding perverse incentives. It is also intended to fund good quality, alternative provision for pupils who cannot receive their education in school.

## **Funding Arrangements for High Needs**

High Needs funding is to be based upon a "place plus" basis with three elements making up the funding for each High Needs pupil.

1. Core funding per pupil which will be approximately £4,000 per pupil.
2. Additional support which is funded from the schools' notional delegated SEN budget. The DfE used a national study of schools budgets to define the additional support as

£6,000 per pupil. It should be noted that not every pupil who needs additional support will require £6,000, but differing amounts between the level of £4,000 and £10,000.

3. The 'Top-Up' element is provided through the localities budget. A total allocation of £2.1m was made available to provide top-up funding for mainstream schools in 2016/17. It was agreed at the December 2020 meeting of the Schools Forum that this would increase year-on-year until it reaches £4.5m by 2023/24. For 2020/21 the increase was £1.3m, making the mainstream top-up budget £3.4m. For the academic year 2021/22 a budget provision has been made for £1.1m. Further details and an allocation process will be considered by the Schools Forum Funding Working Group and the proposals will be brought to the June Schools Forum meeting.

It was agreed at the Schools Forum that for the financial year 2020/21, the method for schools to provide support for high needs will continue to come from their localities.

### **Special Schools**

For 2021/22 we will continue to use the historical funding arrangements for special school and integrated resource places. There has been an increase in funding of £380 per place for both special schools and integrated resources. This is in addition to an additional £660 per place replacing the previously separate grants for Teachers' Pay and Pension Grants.

The number of places in special schools has followed the trend in the previous years and continued to rise in-year. A provision of £3m has been identified to fund additional specialist provision. Some provision is funded from April, while the majority of the funding is for provision from September 2021.

### **Integrated Resources**

There are 15 mainstream schools with integrated resources in addition to those who serve children with hearing or visual impairments. These 15 schools have received £380 increase for each place they have been funded for.

When the ESFA reviewed the High Needs funding formula they changed the way devolved integrated resources are to be funded. Previously, the pupils in the resource were deducted from the pupil number count and were funded from the High Needs Block. From 2018/19 the pupils were no longer deducted, and only element 2 and 3 are funded from the High Needs Block.

### **Schools having Difficulty Setting a Balanced Spending Plan**

Despite the acknowledged financial challenges schools will face in 2021/22, School Financial Regulations preclude schools from setting a deficit budget and require all schools to set a balanced in-year budget. In exceptional circumstances, maintained schools may be allowed to plan for a deficit budget and apply for a licenced deficit. The cash flow to allow such deficit budgets are provided from the collective surplus of maintained schools' balances. The authority would require a recovery plan showing how the school would recover the deficit over a two-year period before the cash flow loan can be authorised.

As in previous years, a number of schools may initially encounter difficulties in setting a balanced spending plan. Schools should ensure that all available sources of funding have been included in their spending plan. If you require assistance in updating your spending plan please contact the Finance Business Partner Schools Helpline on 2736270.

### **Budget Plan**

Schools are requested to submit their governor approved spending plans to the Finance Business Partner at the earliest opportunity, **but no later than 1 May 2020**.

As ever, a great deal of complex work and discussion between representative head teachers, localities, governors and officers has taken place during the year to achieve this agreed budget position. We are meeting the challenges of operating with, in effect, flat cash settlements in recent years, and even with the increase in this year's funding, funding is not keeping up with rising costs.

The fourth year of transition towards the National Funding Formula has provided additional DSG to the Schools Block which is very welcome. However, we continue to be underfunded as a local authority, by the government's own figures, and will continue to raise this issue with the ESFA and request an increase the pace of implementation of the new funding levels.

We will continue to work together to ensure that we have a focus on getting the best from our resources available, and achieve value for money and the best outcomes for children. Planning for 2021/22 and beyond will continue during the year through the Schools Forum and the working groups it has commissioned.

I would like to thank you all for the continued positive and constructive approach, and I would like to thank members of the Schools Forum and various Schools Forum working groups for their particular contributions.

If you have any queries, please feel free to contact Jacky Beatson [jacky.beatson@sheffield.gov.uk](mailto:jacky.beatson@sheffield.gov.uk) , Helen Mansfield [helen.mansfield@sheffield.gov.uk](mailto:helen.mansfield@sheffield.gov.uk) or Lorraine Fox for FEL queries – [lorraine.fox@sheffield.gov.uk](mailto:lorraine.fox@sheffield.gov.uk)

Yours sincerely



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