

Mainstream School Funding 2021/22

Report to the Schools Forum 1 October 2020

- 1.1 Last year the government announced that over the period 2020/21 to 2022/23 the national schools budget would rise from £45.1bn to £52.2bn. 2021/22 is therefore the second year of this period and the July 2020 funding announcement confirmed that the previously announced increase is to be implemented in 2021/22.
- 1.2 The amount in the school funding formula has also been increased by a further £2bn by adding the teachers' pay grant and teachers' pension employer contribution grant amounts – the separate grants for these will therefore cease. The funds will be applied to the basic per pupil factors, to the minimum per pupil funding levels and to schools baselines.
- 1.3 It is notable that none of this money is applied to the lump sum, deprivation or low prior attainment factors, which are the other main elements of the funding formula. The unexpressed logic of this is presumably an assumption that these elements of the formula predominantly fund non-teaching staff costs.
- 1.4 As a result of this additional funding:
 - the key factors in the DfE's National Funding Formula (NFF) will increase by 3%. As T&W moved in 2020/21 to mirror the NFF, this means that these factors will also increase for T&W schools by 3%.
 - the minimum per pupil funding levels increase from £3,750 to £4,000 for primary schools and from £5,000 to £5,150 for secondary schools. No rationale is provided for the increase in the primary level being greater than the secondary level and the most obvious reason is that last year the DfE 'headlines' were a minimum amount of £4,000 for primary schools (albeit in 2021/22 rather than 2020/21) and £5,000 for secondary schools. Delivering on this pledge presumably limited the available funds to apply to the secondary figure.
 - The minimum funding levels also increase by £180 for primary schools and £265 for secondary schools, to reflect the application of some of the teachers pay and pension grants to this factor. The differential between phases has been determined "on the basis of the grant rates schools currently receive" and presumably reflects that a greater proportion of secondary school budgets is spent on teaching staff. As the 2021/22 formula will take effect for academies in September 2021, compared to April 2021 for maintained schools, separate teachers pay and pension grants will continue for academies for a further 5 months.
 - the amount of additional funding for small rural schools will increase in 2021/22 "as a first step towards expanding the support the NFF provides for such schools from 2022/23".
 - "the government will shortly put forward proposals to move to a 'hard' NFF in future, which will determine schools' budgets directly". The transition to this should be relatively smooth for T&W schools, as the local funding formula now mirrors the NFF.
- 1.5 As noted last year, the selection of a minimum funding levels approach to distribute the funding, rather than just allowing the additional funding to flow through the overall funding formula, has significant distributional impacts. The greatest influences upon a school's level of funding per pupil are the levels of deprivation and low prior attainment in the school. Schools with a high proportion of pupils attracting funding due to either or both of these

factors have higher funding per pupil. Such schools therefore stand to gain little or nothing from higher minimum funding levels. The increases arising from minimum funding levels are concentrated in schools with lower than average levels of deprivation and low prior attainment.

- 1.6 As the DfE is using a 'current inflation forecast' for 2021/22 of 2%, this means that in their view, the 3% increase in the formula factors means that 2021/22 funding will represent a real terms increase for schools. However, it is difficult to assess the accuracy of DfE inflation forecasts for schools as it appears that they are using a general inflation measure, whereas the more relevant measure for schools would be one that incorporates estimated pay awards, as staffing represents the large majority of schools' expenditure.
- 1.7 The IDACI data used for that element of deprivation funding has been updated to 2019. Funding will only be allocated to pupils with postcodes in areas A to F which cover the most deprived 37.5% of the 'lower super output' areas. More funding is allocated to more deprived areas in this 37.5%, i.e. pupils in A areas get the most, pupils in F areas the least.
- 1.8 The amount of growth funding to be allocated to each authority is not specified as it will be based on October 2020 census data.

High Needs

- 1.9 There is a further significant increase in the national amount of high needs funding and on provisional figures this will result in an increase in T&W's high needs block of around £3m, to around £28m. The like-for-like increase is somewhat less than this, at around £2.5m, because as with the Schools Block, teachers' pay and pension grants have been rolled into the main DSG block.

Summary

- 1.10 For mainstream schools, the additional funding should enable inflationary pressures to be broadly matched. For schools topped up to the minimum funding level, the increase could be result in a real terms rise. The renewed commitment to a 'hard' national funding formula will have little impact on T&W schools as we are already mirroring the shadow formula.
- 1.11 For high needs, the further increase in funding will help to absorb the continuing pressures in this area. Given the demand led nature of at least some of the pressure, it remains to be seen whether it will sufficient to cover the provision required, but T&W will continue to work with schools and other providers to deliver the right support for children and young people with high needs, as cost effectively as possible.

Tim Davis
Group Accountant
September 2020

Sources:

1. DfE 'The national funding formulae for schools and high needs, 2021 – 2022' July 2020.

