

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: Schools Funding Settlement 2021/22

Report of: Directorate Finance Lead – Children’s and Education

Summary

Included in this report is a summary of the recently announced provisional school funding settlement for 2021/22, it outlines the potential impact on Manchester. The settlement includes funding for pupil growth, inflation, and high needs funding.

Recommendations

School Forum members are asked to:

- Note school funding settlement headlines.
- Note that Manchester has yet not received the confirmed settlement, and at this stage the estimates of grant increases are based on interpretation of recent announcements.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

- 1.1 In July 2020 the Department for Education (DfE) announced the provisional school funding settlement for 2021/22, most of the announcement relates to the second year of the £14.4bn schools' funding settlement over three years. It is expected that later this year the DfE will put forward its proposals to move to a "hard" National Funding Formula (NFF).
- 1.2 This report outlines the key headlines and potential impact of the provisional settlement for Manchester.

2. SCHOOL FUNDING SETTLEMENT (ENGLAND)

- 2.1 The three year school funding settlement totals £14.5bn nationally, table one below sets out the core funding settlement and the Teachers' Pay and Pension grant settlement. Most of the announcement relates to the second year of the £14.4bn school funding settlement over three years, an additional £2.6bn has been allocated this year. Additionally, £1.5bn towards Teachers' Pay (TPG) and Teachers' Pension (TPECG) grant funding, which will be rolled into core schools funding from 2021/22, as opposed to separate grants as in previous years.

Table one: School Funding Increase

	2020/21	2021/22	2022/23	Total
	£bn Cumulative			
Schools and High Needs Block	2.6	4.8	7.1	14.5
Teachers' Pay & Pension Grant	1.5	1.5	1.5	4.5

National key headlines - Schools Block 2021/22

- Pupil-led formula factors have been increased by on average 4% since 2020/21 NFF, except IDACI and basic entitlement, which have seen bigger increases.
- Teachers' Pay (TPG) and Teachers' Pension (TPECG) Grant funding has been rolled into core NFF funding, as opposed to separate grants as in previous years.
- Basic entitlement factors have been increased by 3%, as well as by a further £180 to the primary unit rate and £265 to each of the KS3 and KS4 unit rates, representing the per pupil increases for TPG and TPECG.

- Minimum funding levels in 2021/22 will increase to be £4,180 per primary pupil; £5,215 per KS3 pupil; and £5,715 per KS4. These MFLs have been inflated to account for TPG & TPECG being rolled into core unit funding.
- 2% funding floor (protection) on a per pupil basis to ensure schools attract at least a 2% increase compared to their 2020/21 baseline pupil-led funding per pupil. (The baseline funding will be uplifted to include TPG and TPECG paid out in 2020/21 in order to provide a meaningful comparison.)
- IDACI factors have been updated using new IDACI data published in 2019.
- Lump sum amount increased to £117,800. This is still below MCC's lump sum of £155,000.
- Local authorities will continue to set a minimum funding guarantee in local formulae.
- DfE will publish final funding allocations in December 2020, including local authorities' final primary and secondary units of funding for the schools block.
- The government will, later this year, put forward its proposals to move to a 'hard' NFF in future.

National key headlines - High Needs Block (HNB)

- HNB funding is increasing by a further £0.73bn, or 10%, in 2021/22, bringing the total high needs budget to over £8bn. This is in addition to the £0.7bn provided in financial year 2020/21.
- Every local authority receives an increase of at least 8% per head of population, compared to this year. Above this minimum increase, the formula will allow local authorities to see increases of up to a cap of 12%.
- Funding from Teachers' Pay (TPG) and Teachers' Pension (TPECG) Grant, including the supplementary pension grant, is to be added to the formulae from 2021 to 2022.

National key headlines - Early Years Block (EYB)

- EYB allocations 2021/22 are expected to be published in December 2020 on the initial estimate of the January 2020 census.

Other Grants

- From 2021/22 the TPG and TPECG will be added to the formulae from 2021 to 2022, and paid through the schools and high needs funding formulae, instead of separate grants.
- Pupil Premium and the PE and Sports grants are part of current school baseline budget. The recent announcements focus on increase to current baseline and therefore at this stage it is assumed that these grants will continue, and will not be rolled into the NFF, pending confirmation from the

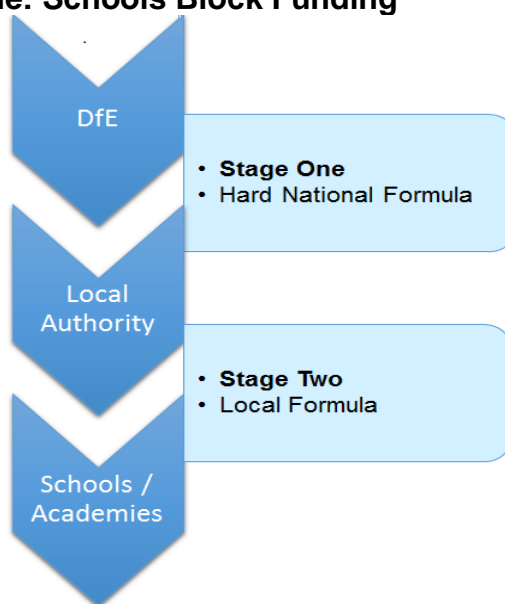
DfE to be provided at a later date.

3. POTENTIAL IMPACT FOR MANCHESTER

Primary and Secondary Schools Core Funding

- 3.1 DSG funding is provided in two stages. First stage is the government's grant to a local authority area, and then the local authority determines the grant distribution to the local educational establishments. There is a national funding formula (NFF) at local authority level, which was introduced in 2018/19.

Illustration one: Schools Block Funding



- 3.2 Stage one - funding allocated to local authority areas from DfE. Funding is based on pupil characteristics, premises characteristics and pupil numbers. Alongside funding as per national formula, funding floor protection is provided if a minimum increase on a per pupil basis is not allocated through the funding formula.
- 3.3 In 2021/22 Manchester will see an increase in total cash terms due to changes in individual schools' pupil characteristics (Ever 6 Free School Meals, IDACI, Prior Attainment) **or** as a result of funding floor protection to ensure all schools' NFF allocations see a 2% increase compared to their 2020/21 baseline pupil-led funding per pupil. The NFF formula rates: 2020/21 and 2021/22 are provided in Appendix one of this report.
- 3.4 Stage two - The school formula allocation is the distribution of the grant received from the DfE across educational establishments in the local authority area. Manchester local formula factors are different to the national funding formula rates, please see Appendix one, showing the local formula factors compared to the NFF. At this stage, the per pupil increase to Manchester schools under the local formula is not known, and it is expected that rates will be increased

depending on affordability once settlement information is received from the DfE in December.

High Needs

- 3.5 Local Authorities will receive an increase of at least 8% per head for 2 to 18 year old population through the funding floor. This minimum increase in 2021/22 allocations will be based on local authorities' high needs allocations in 2020/21, including the additional £0.7 billion announced in December 2019. Above this minimum increase, the formula will allow local authorities to see increases of up to a limit of 12%, again calculated on the basis of per head of population. Based on this, it is estimated that Manchester's additional allocation will be in the range of £10m-£11m.
- 3.6 The high needs block forecast overspend is estimated to be £1.7m in 2020/21 based on current trends and taking account of the additional funding provided in the December 2019 settlement. Demographic growth for special school places, EHCP and post 16 SEND growth is estimated to total £4m in both 2020/21 and 2021/22 respectively. Special schools heads had requested consideration be given to recognise inflationary pressures as their top-up values had not been uplifted for a number of years. The special schools formula has been reviewed in consultation with special school, and top-up values have been re-classified based on all the needs of the child, instead of the child's primary diagnosed need. This has allowed the Council to equalise funding rates across all of the special schools and provide significant financial support for inflationary pressures as each special school received a minimum of 1.7% increase in their top-up values.
- 3.7 Local authorities will continue to be able to transfer up to 0.5% from their schools block funding, with agreement from their Schools Forum and schools to the high needs block. Local authorities are expected to demonstrate to Schools Forum that they have consulted locally with all maintained schools and academies when seeking approval to transfer funds from the schools block. The Council would want to avoid any reduction from school budgets and based on the estimated position at this stage does not propose to consult on a request a transfer 0.5% from the schools block funding to the high needs block next year in 2021/22.
- 3.8 However if actual additional allocations are lower than estimated to be and the projected deficit increases during the autumn term, the Council may need to consider a proposal transfer from the schools to high needs blocks. A further detailed report reviewing the HNB will be brought to Schools Forum in November 2020.

Early Years

- 3.9 The early years allocations 2021/22 are expected to be published in December 2020, on the initial estimate of the January 2020 census. Details will be reported to School Forum once information is released from DfE.

- 3.10 Funding of the maintained nursery school (MNS) supplementary grant beyond March 2021 is not yet confirmed, however updates on the grant are expected to be announced December 2020. In 2020/21, Manchester's MNS supplementary grant totalled £311k, this was a reduction of £27k from the previous financial year.

Teachers' Pay (TPG) and Teachers' Pension Grants (TPECG)

- 3.11 Both the TPG and TPECG will be rolled in to schools core funding and be part of the NFF from 2021/22. DfE have ensured that the additional funding schools will attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants.

4. CONCLUSIONS AND RECOMMENDATIONS

- 4.1 The estimated allocations provided in the report are based on an interpretation of the detail provided in the schools' settlement announcements. Further information is expected to be provided by the Government in December 2020. Dedicated School grant (DSG) allocations for next year will also be provided in December 2020.
- 4.2 Where actual DSG additional allocations are lower than forecast and the projected deficit 2020/21 increases in this term, the Council may need to seek a 0.5% transfer from the schools to high needs block.
- 4.3 Further updates on the budget settlement will be reported to Schools Forum over the forthcoming months.

All School Forum members are asked to:

- Note school funding settlement headlines.
- Note that Manchester has yet not received the confirmed settlement, and at this stage, the estimates of grant increases are based on interpretation of recent announcements.

Appendix One - Schools Block National and Local Formula Funding

		Manchester's Local Funding Formula	National Funding Formula	National Funding Formula	NFF Increase
		2020/21	2020/21	2021/22	20/21 to 21/22
Per Pupil Factors		£	£	£	£
Basic Entitlement	Primary	3,209	2,857	3,123	9.32%
	KS3	4,248	4,018	4,404	9.61%
	KS4	4,881	4,561	4,963	8.81%
FSM	Primary		450	460	2.22%
	Secondary		450	460	2.22%
FSM Ever 6	Primary	507	560	575	2.68%
	Secondary	487	815	840	3.07%
IDACI Primary	Band A	586	600	620	3.33%
	Band B	502	435	475	9.20%
	Band C	447	405	445	9.88%
	Band D	394	375	410	9.33%
	Band E	363	250	260	4.00%
	Band F	304	210	215	2.38%
IDACI Secondary	Band A	513	840	865	2.98%
	Band B	452	625	680	8.80%
	Band C	386	580	630	8.62%
	Band D	242	535	580	8.41%
	Band E	205	405	415	2.47%
	Band F	146	300	310	3.33%
EAL	Primary	391	535	550	2.80%
	Secondary	2,123	1,440	1,485	3.13%
Mobility	Primary	538	875	900	2.86%
	Secondary	1,535	1,250	1,290	3.20%
Prior Attainment	Primary	673	1,065	1,095	2.82%
	Secondary	2,881	1,610	1,660	3.11%
Minimum Funding Level	Primary		3,750	4,180	11.47%
	Secondary		5,000	5,415	8.30%
School-led factors		£	£	£	£
Lump Sum	Pri & Sec	155,000	114,400	117,800	2.97%
Funding Floor (per pupil)	Pri & Sec		1.84%	2.00%	0.16%