

**2021/22**

**Peterborough**

**Schools Funding**

**Formula Proposals**

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## Introduction

1. On 20<sup>th</sup> July 2020 the Department for Education (DfE) confirmed the funding arrangement for 2021-22. Funding for schools will continue to be allocated to local authorities based on the National Funding Formula (NFF).
2. Subsequently, on 17th December 2020 the DfE published the Dedicated Schools Grant (DSG) allocations for 2021-22. Full details can be found on the DfE website at the following link:  
  
<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2021-to-2022>
3. The DfE requires all local authorities to consult on local funding arrangements with the Schools Forum and with all mainstream schools.
4. This document sets out the plans for Peterborough's 2021-22 local funding formula and seeks the views of schools on the proposals.

## National Context & Local Context

5. In 2018-19 the government implemented national funding formulae to allocate the Dedicated Schools Grants (DSG) funding across three blocks:
  - Schools Block,
  - High Needs,
  - Central Schools Services Block (CSSB).
6. The introduction of the schools National Funding Formula (NFF) in 2018-19 meant that for the first time, school funding was distributed to local authorities (via the schools block) according to the individual needs and characteristics of every school in the country. Local authorities will continue to be responsible for distributing money between schools for 2021-22.
7. It is still anticipated that later this year, the DfE will be consulting on plans to move to a 'hard' NFF in the future, which will determine school funding allocations directly, rather than local funding formulae.
8. The Schools Block is a ring-fenced grant which must be allocated to schools through a local funding formula. A proportion of the grant can be held back to support schools with growth in pupil numbers arising from basic need. Peterborough's 2021-22 Schools Block allocation is determined by following the steps below:
  - **Step 1** - The NFF is used to calculate a budget allocation for each school (using the October 2019 census data).
  - **Step 2** - The individual schools allocations (excluding premises factors) are then consolidated at local authority level and split between primary and secondary allocations.

- **Step 3** - The primary and secondary allocations are divided by the respective October 2019 pupil numbers to arrive at a primary unit of funding and a secondary unit of funding for each local authority.
- **Step 4** - The primary and secondary units of funding are multiplied by the primary and secondary pupil numbers from the October 2020 schools census to make up the first element of the schools block funding.
- **Step 5** – Split site, business rates and PFI are funded at the level used in the 2020/21 schools budget allocations (PFI allocation is increased by RPIX). These allocations are added to the schools block funding calculated in Steps 1 to 4.
- **Step 6** – There is an additional allocation for growth which identifies the increases in primary and secondary pupils (at Middle Layer Super Output Area (MSOA)) between October 2020 and October 2019 census points. Positive increases in numbers are funded at primary and secondary unit values set nationally.

The table below details the schools block allocations for 2020-21, and the revised 2021-22 figure based on the October 2020 census information. Whilst there is a large increase in the schools block, a significant proportion of this relates to the teachers' pay grant and teachers' pension grant transferring into the schools block. In 2020-21 approximately £8M of funding was allocated to Peterborough mainstream schools for the teachers' pay and pension grant which is now included in the baseline DSG.

	2020/21			2021/22			Change	% Change
	Units	Unit Value	Total	Units	Unit Value	Total		
Primary	21,665.00	4,241.22	91,886,015	21,438.00	4,549.15	97,524,678	5,638,663	6.1%
Secondary	13,391.00	5,561.57	74,474,922	13,863.00	5,998.27	83,154,017	8,679,095	11.7%
Split Sites			400,000			400,000	0	0.0%
Rates			1,613,756			1,722,271	108,515	6.7%
PFI			1,043,572			1,059,838	16,266	1.6%
<b>Schools Block Sub-Total</b>			<b>169,418,265</b>			<b>183,860,804</b>	<b>14,442,538</b>	<b>8.5%</b>

9. As referenced above, further to the main schools block an additional amount is allocated to reflect growth. Based on changes between the October 2019 and October 2020 census points the final growth allocation for 2021-22 totals £1.506m compared to the £1.765m received in 2020-21. This results in a total available schools block (prior to adjustments for growth) of **£185.367m**.
10. There have been a few key changes to the NFF for 2021/22 which are summarised below:
- Two significant changes have been made to the deprivation factor.
    - The IDACI allocations have now been updated to use the 2019 index (previously the 2015 index).
    - The IDACI bandings will now be based on groups of rankings rather than groups of scores.
  - Funding previously received through the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grants (TPECG), will be allocated through the schools NFF by adding to schools' baselines; by increasing the basic per pupil funding; and by increasing the minimum per pupil funding (MPPLs). This will streamline the way in which the funding through the grants is delivered, as well as recognise the fact that these grants are part of schools' core funding.

- 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.
- 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.

11. The table below shows the 2020/21 and 2021/22 schools block primary/secondary units of funding (derived from the NFF) for Peterborough's statistical and regional neighbours.

		Primary						Secondary			
Local	Local Authority (Statistical Neighbours)	2020/21	2021/22	Change	% Change	Local	Local Authority (Statistical Neighbours)	2020/21	2021/22	Change	% Change
350	Bolton	4,266.18	4,595.00	328.82	7.7%	350	Bolton	5,455.72	5,959.32	503.60	9.2%
831	Derby	4,251.28	4,570.63	319.34	7.5%	879	Plymouth	5,476.69	5,833.90	357.20	6.5%
894	Telford and Wrekin	4,146.64	4,469.18	322.54	7.8%	831	Derby	5,401.58	5,895.57	493.98	9.1%
879	Plymouth	4,140.00	4,501.17	361.17	8.7%	373	Sheffield	5,401.78	5,927.01	525.23	9.7%
874	<b>Peterborough</b>	<b>4,241.22</b>	<b>4,549.15</b>	<b>307.93</b>	<b>7.3%</b>	874	<b>Peterborough</b>	<b>5,613.85</b>	<b>5,998.27</b>	<b>384.42</b>	<b>6.8%</b>
373	Sheffield	4,220.04	4,571.09	351.05	8.3%	335	Walsall	5,561.57	6,066.06	504.49	9.1%
852	Southampton	4,209.37	4,520.26	310.88	7.4%	331	Coventry	5,596.37	6,041.58	445.20	8.0%
851	Portsmouth	4,227.46	4,539.77	312.31	7.4%	851	Portsmouth	5,592.32	6,061.06	468.74	8.4%
335	Walsall	4,380.17	4,705.90	325.73	7.4%	894	Telford and Wrekin	5,515.68	5,831.33	315.64	5.7%
882	Southend on Sea	4,062.70	4,383.76	321.06	7.9%	882	Southend on Sea	5,380.73	5,782.65	401.92	7.5%
331	Coventry	4,290.33	4,584.67	294.34	6.9%	852	Southampton	5,644.52	6,029.65	385.13	6.8%
		Primary						Secondary			
Local	Local Authority	2020/21	2021/22	Change	%	Local	Local Authority	2020/21	2021/22	Change	%
925	Lincolnshire	4,184.21	4,570.27	386.06	9.2%	855	Leicestershire	5,098.54	5,510.11	411.58	8.1%
928	Northamptonshire	4,071.34	4,402.63	331.30	8.1%	856	Leicester	5,671.96	6,081.65	409.69	7.2%
873	Cambridgeshire	4,039.38	4,392.42	353.04	8.7%	925	Lincolnshire	5,158.31	5,724.00	565.69	11.0%
856	Leicester	4,314.49	4,602.58	288.09	6.7%	926	Norfolk	5,278.70	5,683.89	405.19	7.7%
874	<b>Peterborough</b>	<b>4,241.22</b>	<b>4,549.15</b>	<b>307.93</b>	<b>7.3%</b>	891	Nottinghamshire	5,217.62	5,650.35	432.73	8.3%
891	Nottinghamshire	4,124.53	4,467.08	342.55	8.3%	874	<b>Peterborough</b>	<b>5,256.99</b>	<b>5,998.27</b>	<b>741.28</b>	<b>14.1%</b>
855	Leicestershire	3,996.66	4,350.59	353.94	8.9%	928	Northamptonshire	5,561.57	5,657.22	95.66	1.7%
926	Norfolk	4,285.34	4,623.71	338.37	7.9%	873	Cambridgeshire	5,232.34	5,579.11	346.77	6.6%
892	Nottingham	4,593.86	4,878.35	284.49	6.2%	892	Nottingham	6,055.98	6,466.61	410.63	6.8%

## Peterborough Local Funding Formula

12. The DfE requires local authorities to consult on the local funding formula arrangements, even where the principles for future years have been previously agreed. This section of the document provides proposals for the 2021/22 Peterborough's Funding Formula (PFF) and highlights the areas where there has been a significant change.

### Mirroring the NFF

13. The funding reforms of 2018/19 set the building blocks for schools funding. A national framework was introduced which set parameters for how schools are funded by their local authority which included a prescribed set of funding factors. Local authorities were given certain freedoms within their local funding formulas with some funding factors being optional and discretion allowed in the unit values

used for each of the funding factors.

14. There was a clear underlying message that local authorities need to move towards the NFF which will be the basis of a hard funding formula in future years. The DfE have confirmed that they will be consulting on a hard funding formula this year.
15. In Peterborough we have previously agreed to mirror the NFF (as closely as possible within the overall funding envelope available) in our local funding arrangement. We are **not** proposing to change this approach for 2021/22 and will aim to mirror both the factors and unit values used in the NFF (as closely as possible within the overall funding envelope available). A summary of the proposed formula factors are detailed in **Appendix A**.

### Deprivation Funding - IDACI

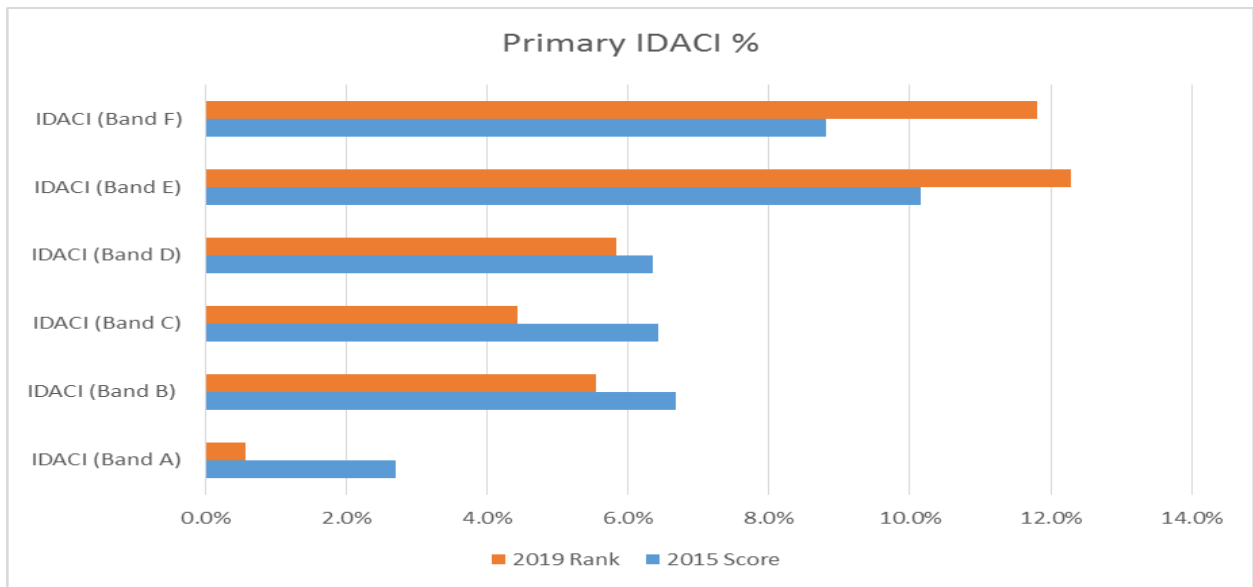
16. There have been two significant changes to the IDACI element of the deprivation funding factor.
  - The IDACI allocations have now been updated to use the 2019 index (previously the 2015 index). Both the 2019 and 2015 IDACI Tool is available from the following link:  
<http://imd-by-postcode.opendatacommunities.org/imd/2019>
  - The IDACI bandings used in the funding formula will now be based on groups of rankings rather than groups of scores.

The tables below show how the IDACI bandings have changed between years.

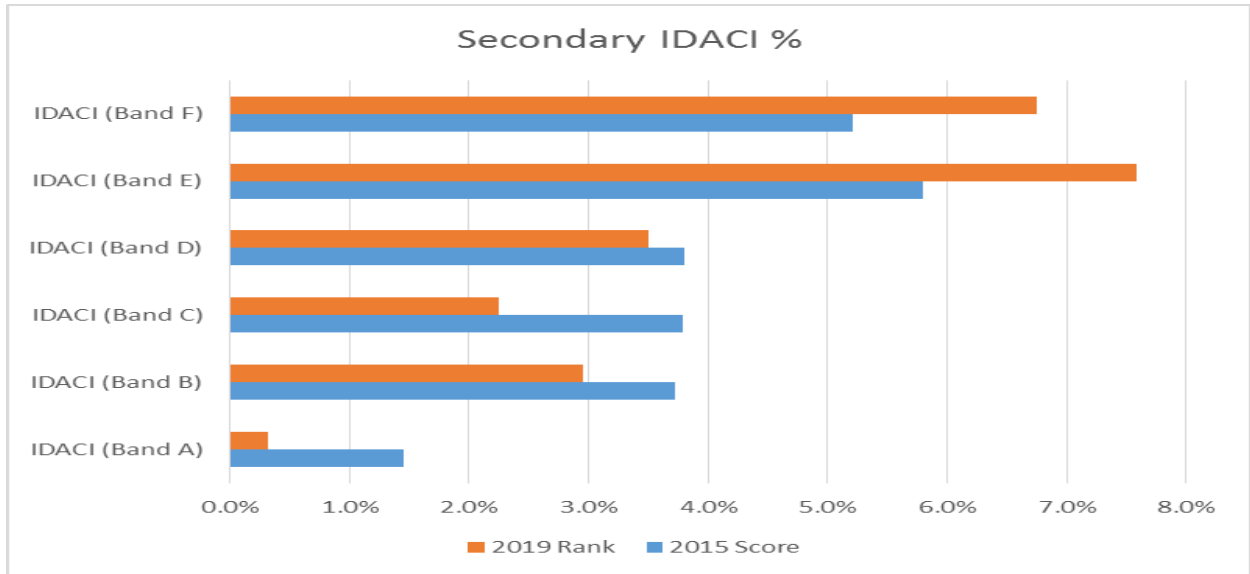
2020/21 IDACI Bandings		2021/22 IDACI Bandings	
Band	2015 IDACI Scores	Band	2019 IDACI Ranks
Band A	0.50 to 1	Band A	1 to 821
Band B	0.40 to 0.50	Band B	822 to 2,463
Band C	0.35 to 0.4	Band C	2,464 to 4,105
Band D	0.30 to 0.35	Band D	4,106 to 5,747
Band E	0.25 to 0.30	Band E	5,748 to 9,032
Band F	0.20 to 0.25	Band F	9,033 to 12,316
Band G	Less than 0.20	Band G	12,317+

The graphs on the following page (based on October 2019 census data) show how the percentage of pupils in each IDACI band has changed as a result of changes to the IDACI banding. There has been a significant reduction in the number of children in the most deprived bandings and an increase in the number of pupils in the least deprived bandings. See **Appendix C** for the illustrative impact at individual school level.

2021 Funding	Phase	IDACI Bands	2015 Score	2019 Rank
Most Deprived	Primary	IDACI (Band A)	2.7%	0.6%
		IDACI (Band B)	6.7%	5.6%
		IDACI (Band C)	6.4%	4.4%
		IDACI (Band D)	6.3%	5.8%
		IDACI (Band E)	10.2%	12.3%
Least Deprived		IDACI (Band F)	8.8%	11.8%



2021 Funding	Phase	IDACI Bands	2015 Score	2019 Rank
Most Deprived	Secondary	IDACI (Band A)	1.5%	0.3%
		IDACI (Band B)	3.7%	3.0%
		IDACI (Band C)	3.8%	2.3%
		IDACI (Band D)	3.8%	3.5%
		IDACI (Band E)	5.8%	7.6%
Least Deprived		IDACI (Band F)	5.2%	6.7%



## Sparsity Funding

Schools that are eligible for sparsity funding must meet two criteria:

- The average distance a pupil would travel to their second nearest school is more than three miles (for secondary schools) or two miles (for all other schools), and
- the average year group size is below 21.4 for primary schools, 69.2 for middle schools, 120 for secondary schools and 62.5 for all-through schools.

Funding is allocated via a lump sum which is tapered based on the average year group size of the school. The lump sums are £42,000 for Primary and £70,000 for Secondary. The tapering is applied as follows:

$$S = \left( 1 - \frac{A - T/2}{T/2} \right), \text{ where } T/2 \leq A < T$$

Where

*S* is the sparsity weighting

*A* is the average year group size of the school

*T* is the year group threshold

In the past we have excluded sparsity funding from the funding formula as no school in Peterborough has met the qualifying criteria. This year there is currently one school that meets the qualifying criteria and as such we are proposing to include the sparsity factor in Peterborough's local funding formula for 2021/22 at a minimal cost of £7,690



## Minimum Funding Guarantee (MFG)

17. MFG is a compulsory factor which must be included in the local funding formula. It protects schools from excessive year-on-year changes at a per pupil level and ensures all schools receive a guaranteed percentage increase, at a per pupil level, based on their prior year budget. Local authorities have the freedom to set the MFG percentage in their local funding formulae between +0.5% and +2.00% per pupil.

Peterborough proposes to set the MFG percentage at +2.00%. This will ensure all schools pupil-led per-pupil funding is protected in real terms.

Based on revised modelling **38** schools have triggered MFG funding in 2021-22 when setting the MFG percentage at 2%. In the vast majority of instances where schools trigger MFG it is due to the turbulence caused by the change in the IDACI bandings and indices.

## Balancing Allocations to the Schools Block

18. Whilst Peterborough proposes to mirror the NFF as closely as possible the funding available through the schools block of the DSG is unlikely to match the resources required through the local funding arrangements. This issue arises for two reasons:
  - **Pupil Characteristics** - The schools block allocations are derived from the pupil characteristics recorded in the October 2019 census data. If, for example, the percentage of pupils entitled to a free school meal have increased between the October 2019 and October 2020 census this will create a cost pressure as schools are funded based on their October 2020 census data.
  - **Growth Funding** – The growth funding allocated to local authorities is based on the change in pupil numbers between October 2019 and October 2020. The growth funding allocated to schools is based on the projected change in pupil numbers between October 2020 and October 2021. Fluctuations in numbers can cause a cost pressure.
19. To address any potential over/under allocation of the schools block we are proposing to vary each of the unit values used in the local funding formula by a percentage required to balance the schools block. The only exception to this would be the FSM allocation as they are intended to broadly reflect actual costs and the lump sum which would be set at the base NFF rates. Likewise the split site factor will remain at £100,000 as in previous years.
20. Based on initial modelling the basic NFF unit values (other than those highlighted in 19 above) have been scaled to allow the total cost to equal the total schools

block available for distribution (total schools block DSG less centrally retained growth fund) - **£182.247m**. The proposed Peterborough unit rates in **Appendix A** show the scaled values of the basic NFF rates to be applied to balance to the overall available funding based on the latest modelling.

## **Growth Funding**

21. We are not proposing to make any amendments to the way that we currently fund growth. The proposed criteria and methodology are detailed below:

Growth funding will be available to meet additional revenue costs associated with significant growth between October 2020 and October 2021. Schools will receive growth funding where they meet the following criteria:

- There has been a structural change to the school where the increased PAN is working its way through the school. Or;
- There is a future planned structural change to the school. Or;
- The projected increase in pupil numbers exceed 5% of the roll.

And:

- In every case the growth is resulting from basic need and has been agreed by the local authority.

Funding will be allocated by applying the increase in pupil numbers between October 2020 and October 2021 to Peterborough's funding formula. The unit rates of funding will be reduced to 75% of those used in the funding formula to manage the cost of growth within the agreed resource available. Initial estimates will be provided when budgets are published but these will be revised in March 2021 for up to date admissions data. There will be no clawback of funding once allocations have been finalised in March 2021. This is to allow schools plan for the projected increase in pupil numbers.

The steps below provides an example of the growth funding calculation.

- Step 1: deduct the Oct-20 census numbers from the agreed estimated Oct-21 census numbers to arrive at the growth in pupil numbers.
- Step 2: (B) Apply the pupil characteristics (A) used in the 2021/22 funding formula to the growth in pupil numbers to arrive at the total number of pupils allocated to each factor. Example: FSM pupils = Growth in pupils (30) x FSM % (9%) = 3 pupils funded for FSM.
- Step 3: (D) Multiply the unit values used in Peterborough's funding formula by 0.75 ((C) x 0.75) to arrive at the growth unit values.
- Step 4: (E) Multiply the growth unit values by the number of pupils (B x D) to arrive at a full academic years growth funding.
- Step 5: (F) Multiply the full academic years growth funding by 7/12th to arrive at the growth funding for the financial year 2021/22 (September 2021 to March 2022) if you are a maintained school.

Based on current calculations **£1.120m** of the total schools block will be required to be retained centrally to meet the cost of growth.

22. **Appendix B** (excel spreadsheet) contains the draft 2021/22 schools allocations based on the proposals and unit values highlighted in this document.

**Final allocations will be confirmed on approval of the local funding formula. Actual amounts to be received by academies will be notified directly by the ESFA and may differ due to pupil numbers, protections and business rates applied.**

23. As the changes to the local funding formula are minimal this year we asking for overall comments on the proposals rather than asking individual questions. Responses should be made by **5pm Wednesday 20<sup>th</sup> January** using the following link:

<https://www.smartsurvey.co.uk/s/HDIAKH/>

### **Timetable**

Date	Task
21 <sup>st</sup> January 2021	Final Schools Funding model presented to Schools Forum
21 <sup>st</sup> January 2021	Deadline to submit APT (formula) to DfE
28 <sup>th</sup> February 2021	Deadline for confirmation of schools budget shares to mainstream maintained schools

If you have any questions regarding the figures in this document or accompanying appendices please email: [Margaret.courtman@peterborough.gov.uk](mailto:Margaret.courtman@peterborough.gov.uk)

## Appendix A – NFF and Proposed Local Funding Factors

NFF Factor		Peterborough Unit Rates 2020-21 (£)	NFF Unit Rates (Excluding ACA) 2021-22 (£)	Proposed Peterborough Unit Rates 2021-22 (£)
Basic per pupil entitlement (AWPU)	AWPU: Primary	2,901.40	3,123	3,150.04
	AWPU: Secondary KS3	4,080.45	4,404	4,442.13
	AWPU: Secondary KS4	4,631.89	4,963	5,005.97
	Minimum per pupil funding Primary	3,750	4,180	4,180
	Minimum per pupil funding Secondary (KS3 and KS4 combined)	5,000	5,415	5,415
Deprivation (based on ever 6 free school meal numbers)	Primary - FSM	456.99	460	460.00
	Primary - FSM6	568.70	575	575.00
	Primary - IDACI Band F	213.26	215	216.86
	Primary - IDACI Band E	253.89	260	262.25
	Primary - IDACI Band D	380.83	410	413.55
	Primary - IDACI Band C	411.29	445	448.85
	Primary - IDACI Band B	441.76	475	479.11
	Primary - IDACI Band A	609.33	620	625.37
	Secondary - FSM	456.99	460	460.00
	Secondary - FSM6	827.67	840	840.00
	Secondary - IDACI Band F	304.66	310	312.68
	Secondary - IDACI Band E	411.29	415	418.59
	Secondary - IDACI Band D	543.31	580	585.02
	Secondary - IDACI Band C	589.01	630	635.45
	Secondary - IDACI Band B	634.71	680	685.89
Secondary - IDACI Band A	853.06	865	872.49	
Low Prior Attainment	Primary	1,081.55	1,095	1,104.48
	Secondary	1,635.02	1,660	1,674.37
English as an Additional Language	Primary	543.31	550	554.76
	Secondary	1,462.38	1,485	1,497.86
Pupil Mobility	Primary	888.60	900	907.79
	Secondary	1,269.43	1,290	1,301.17
Lump Sum	Primary	115,867	117,800	117,800
	Secondary	115,867	117,800	117,800

### Notes to the Table:

- a) The values for sparsity are not included in the table above as are variable up to a new maximum of £45,000 for primary schools and £70,000 for secondary schools.
- b) Equally the DfE recognises that some factors cannot easily be allocated on a formulaic basis and under the NFF continue to be funded at historical or actual funding levels. This covers the premises factors which includes split site (£100k) PFI (variable) and business rates (variable) for those schools affected.