**Overview**

The consultation concerns proposed changes to the Essex Formula for Financing Schools (the Essex local formula) for the financial / academic years 2021/22 – 2023/24.

The consultation is for all primary and secondary schools, both maintained and academies. The Essex local formula 2021/22 will calculate budget allocations for maintained schools between April 2021 and March 2022 and academies between September 2021 and August 2022.

Each individual schools’ allocation under the current formula and proposed changes is included in Annex A.

**Why We Are Consulting**

We are seeking views on the proposed phased move from the Essex local formula to the National Funding Formula (NFF) over two years (2021/22 to 2022/23), except for the primary lump sum which will move to the NFF over the next three years (2021/22 to 2023/24). This exception is proposed following discussions with the Essex Schools Forum to mitigate the full impact of the reduction in the lump sum for primary schools.

**Introduction**

2021/22 is the second year of the announced £7.1 billion increase to the Schools Budget between 2020/21 and 2022/23.

* £2.6 billion in 2020/21
* £2.2 billion in 2021/22
* £2.3 billion in 2022/23

The Schools Budget covers the Schools Block, High Needs Block, Early Years Block and Central School Services Block.

The minimum per pupil level increases to £4,180 for primary schools in 2021/22, to £5,415 for secondary schools, £5,215 for KS3 only schools and £5,715 for KS4 only schools. The minimum per pupil level are compulsory and will be implemented for 2021/22.

The minimum funding guarantee must be set between 0.5% and 2%.

The indicative Schools Block allocation is £980.7m, an increase of £71.8m. The indicative delegation to schools is £973.9m an increase of £72.2m. The reason that delegation is lower than the Schools Block allocation reflects the need to retain funding for the Growth Fund, which funds new and expanding schools.

The Authority is not requesting to transfer any funding from the Schools Block to any other block in 2021/22*.*

Essex County Council is consulting on the changes it is proposing to make to the Essex Formula for Financing Schools (Essex local formula) from 2021/22 through to 2023/24.

It is important for schools to understand that the proposals will create a fairer redistribution of funding between Essex schools which will vary depending on individual circumstances.

**About the Proposed Changes**

The Department for Education has confirmed that it plans to implement a ‘hard’ national funding formula as soon as possible, whereby schools will receive what they attract through the national funding formula, rather than through the Essex local formula.

As part of this confirmation a move towards hardening the national funding formula occurred in 2020/21 when each local authority had to implement the minimum per pupil levels.

The changes the Authority implemented in 2020/21 in reducing the lump sum and implementing the increase in the minimum per pupil level were the start of the movement to the NFF.

However, it is now necessary to make a bolder move to NFF to prevent some schools from being severely impacted when the ‘hard’ NFF is implemented, especially as this could occur in a period of no significant increase in funding.

The key differences between the Essex local formula and the NFF are:

* The NFF has a lower AWPU value
* The NFF will significantly increase per pupil funding for pupils with additional needs
* The NFF will significantly reduce the lump sum.

**Rationale for Moving to the National Funding Formula**

The attainment gap between disadvantaged pupils and their peers is not closing, which is the case for Essex and across the Country. The NFF targets funding towards deprivation and low prior attainment. Moving funding towards additional needs pupil-led factors will support early intervention for the schools that benefit from NFF as disadvantaged and vulnerable pupils can be targeted to reduce the attainment gap.

In the 2018/19 academic year there were 174 permanent exclusions of which 116 (67%) were pupils on SEN Support or pupils with an Education, Health and Care plan (EHCP). The impact of the increase in pupils excluded from schools and those who are anxious school refusers (ASR) increases expenditure in the High Needs Block. Targeting funding at disadvantaged and vulnerable pupils should reduce exclusions, which in turn will reduce the pressure placed on the High Needs Block and the need for the Local Authority to consider requesting a transfer from the Schools Block to the High Needs Block in the future.

The NFF will be implemented by the Government at some point during the current administration and therefore moving towards the NFF in a managed way will minimise turbulence in school funding when the ‘hard’ NFF is implemented.

Any changes to a schools funding formula will impact positively for some schools and negatively for others. By moving towards the NFF in a phased way and during a period of increased funding, this proposal will mitigate the impact on those schools for whom the move to the ‘hard’ NFF would result in a decrease in funding.

In 2020/21 there are 216 schools who would have received a higher allocation from the NFF than the Essex Local Formula. This has increased from 161 schools when the NFF was first introduced and the Authority cannot ignore that an increasing number of schools would benefit from being funded by NFF.

By introducing these changes for 2021/22 at a time when funding is increasing, all schools should see an increase on their previous years funding, even if under the NFF their funding would decrease; unless there are significant negative changes in pupil numbers or pupil characteristics within an individual school. There is one school that will provisionally receive a decrease in their 2021/22 funding. However, without the additional funding due to the inclusion of TPG / TPECG there are 14 primary schools that provisionally lose funding due to the proposed changes. One school is due to a correction of a rates error in 2020/21 that is not replicated in 2021/22. The school would have received an increase if there was no adjustment for rates.

**Who is this consultation for:**

This consultation welcomes views from maintained schools and academies. The consultation is relevant to headteachers, finance staff and governors. Please note that only **one consultation response is allowed from each schoo**l.

**Responding to this consultation**

The consultation is online at <https://consultations.essex.gov.uk/>

**Enquiries**

For all enquiries please contact [yannick.stupples-whyley@essex.gov.uk](mailto:yannick.stupples-whyley@essex.gov.uk) or by telephone 033 3013 8464.

**Deadline**

The consultation closes at 11.59pm on Friday 16th October 2020.

**The Response**

We will publish the response to Schools Forum on 10th November 2020.

**National Funding Formula in Detail**

The NFF currently calculates an allocation for each school which is used to determine the funding for each local authority. During the ‘soft’ NFF local authorities operate their local funding formula to calculate allocations for schools which account for local circumstances. When a ‘hard’ NFF is implemented the DfE will calculate allocations for all schools in England.

**Table 1 - Primary Schools** outlines the current Essex local formula and how this compares to the NFF and the changes to the Essex formula as proposed by this consultation and how they compare with NFF:

* **Column A** outlines the current value of the factors within the existing Essex local formula for **2020/21**.
* **Column B** outlines the current value of the factors under the NFF for comparison with the Essex local formula for **2020/21**.
* **Column C** outlines the same values under the NFF as Column B but for **2021/22**
* **Column D** outlines the proposed change to the Essex local formula values as outlined in this consultation for **2021/22**
* **Column E** outlines the indicative change to the Essex local formula for **2022/23**, which will be based on the NFF for 2022/23.
* **Column F** outlines the indicative changes in values outlined in this consultation for **2023/24** which brings the Essex local formula in line with the NFF

In **2023/24 onwards** Essex will be implementing the National Funding Formula in full for primary schools.

**Table 1[[1]](#footnote-1) – Primary**



**Table 2 Secondary Schools** outlines the current Essex local formula and how this compares to the NFF and the changes to the Essex formula as proposed by this consultation and how they compare with NFF:

* **Column A** outlines the current per pupil value[[2]](#footnote-2) of the factors within existing Essex local formula for **2020/21**.
* **Column B** outlines the current per pupil value of the factors under the NFF for comparison with the Essex local formula for **2020/21**.
* **Column C** outlines the same values under the NFF as Column B but for **2021/22**
* **Column D** outlines the proposed change in values outlined in this consultation to the Essex local formula for **2021/22**
* **Column E** outlines the proposed changes in values outlined in this consultation for **2022/23** which brings the Essex local formula in line with the NFF

In **2022/23** Essex will be implementing the National Funding Formula in full for secondary schools.



Please note that 2022/23 and 2023/24 figures are provisional and will depend on the NFF values set by the DfE for each year. The NFF values for each funding factor in 2021/22 have been uplifted from the 2020/21 values as shown above in Tables 1 and 2.

AWPU is a balancing figure with the value dependent upon the total cost of all other factors.

The NFF is weighted towards deprivation and additional pupil needs compared to the Essex Local Formula which is more weighted to AWPU.

**What Will Change**

**Pupil-led factors**

1. **Deprivation** funding currently consists of free school meals and IDACI. **A new factor of free school meals ever-6 will be added to the Essex Local Formula**. This funds pupils who are currently entitled to a free school meal or pupils that have been previously entitled to a free school meal over the last 6 years. **There will be a slight increase in funding for free school meals and some increases and decreases for individual IDACI band values**.
2. **Prior Attainment** will be funded at a **higher unit value for both primary and secondary schools** as the NFF targets funding towards disadvantaged pupils.
3. **English as an Additional Language** requires two changes.

a To move the value funded to the NFF value. There will be a small decrease in the unit value for primary schools and a substantial increase in the unit value for secondary schools; and

b To move eligibility from the current one year to three years. **For 2021/22 this will move to 2 years of funding and for 2022/23 this will move to 3 years of funding which means that when a pupil with English as an additional language joins the compulsory school system**, they will be funded for the first three years.

1. **Mobility** is a **new factor that will be added to the Essex Local Formula**. Mobility is funded by a new formula introduced by the DfE. Eligibility is based on each pupil’s school census record in the last 3 years. If the first census the pupil appears on was a spring or summer census, they are classified as a mobile pupil. This excludes reception pupils who start in January. Schools are eligible for funding if their total proportion of mobile pupils is greater than 6% of the school’s total pupil population.

**School-led factors**

1. **Lump sum** – **this will decrease to the NFF unit value over 2 years for secondary schools and 3 years for primary schools**. The NFF lump sum was inflated in 2020/21 and again in 2021/22, so if this continues the reduction required from the Essex Lump Sum will be less than illustrated in tables 1 and 2 above.
2. **Sparsity** is a **new factor that will be added to the Essex Local Formula**. Schools that are eligible for funding must meet two criteria:

* They are located in areas where pupils would have to travel a significant distance to an alternative school, should the school close; and
* They are small schools

Essentially it is a factor for small rural schools. The distance to the nearest compatible[[3]](#footnote-3) school is measured by as ‘the crow flies’ and the mean distance for all pupils is calculated.

Table 3 shows the qualifying criteria for schools to qualify for funding.

|  |  |  |
| --- | --- | --- |
|  | Maximum average number of pupils per year group | Minimum average distance to second nearest compatible school |
| Primary | 21.4 | 2 miles |
| Secondary | 120 | 3 miles |
| All Through | 62.5 | 2 miles |

Funding decreases on a sliding scale so as schools get closer to the maximum average year group size the amount of funding reduces. Schools with less than half of the average year group size, e.g. a primary school with an average year group of less than 10.7 pupils, will receive the maximum funding for their phase.

There are currently 19 schools that meet the sparsity eligibility ‘as the crow flies’

There are 59 schools that meet the sparsity eligibility under the road distance criteria.

The Authority has submitted a disapplication request for ‘as the crow flies’ to use road distance, which, if approved, will allow all 59 schools to receive funding under the sparsity factor.

1. **AWPU** will decrease once all other factors are funded at the NFF unit values. Should the cost of the minimum funding guarantee go up or down AWPU will be adjusted. AWPU will no longer be a measure for schools to assess whether funding is increasing.

**Premises factors that will change**

**Rates** are currently funded at estimated cost with an adjustment made for any differences between the amount funded and actual rates bill for the previous year. The DfE are considering funding rates bills directly to district councils which will remove the rates factor from the NFF. The current process will remain until there is a decision from the DfE on how they will be funded in the future.

Schools that currently receive **London weighting** will continue to have the local differential set by the DfE applied to pupil-led and school-led factors in 2021/22 but the area cost adjustment within the NFF will be applied in 2022/23.

**PFI** is the authority’s contribution to the annual unitary charge paid to the service provider. The current arrangements will remain for 2021/22, however the arrangements within NFF to update the previous year’s allocation by the retail price index will be implemented in 2022/23.

**Other Changes**

There is currently a local circumstance, **reception uplift**, within the Essex Formula where primary schools receive funding for the number of deferred pupils in the previous year. This is not part of the NFF and **will be removed in 2022/23**.

The **Minimum Funding Guarantee** (MFG) protects schools from excessive year-on-year changes and to allow changes in pupil characteristics to flow through. It is currently set at 1% but will be set at the value within the permissible range which best minimises turbulence in school funding in the move to NFF, **which for 2021/22 is 0.5%**

**Consultation Question**

Do you agree that the Essex local formula is moved to the National Funding Formula over 2 years (2021/22 – 2022/23), except for the primary lump sum which will move over 3 years (2021/22 – 2023/24)?

**Primary Schools**

By agreeing to the proposals in this document you are agreeing to change the current Essex Formula as outlined Column A of Table 1 to the factors outlined in Column D for 2021/22.

**Secondary Schools**

By agreeing to the proposals in this document you are agreeing to change the current Essex Formula as outlined Column A of Table 2 to the factors outlined in Column D for 2021/22

By not agreeing to the proposals in this consultation the current Essex Funding Formula will remain in place as outlined in Column A in Table 1 and Table 2 above. This will remain until the ‘hard’ National Funding Formula is implemented across the Country.

**Financial Model**

The financial model shows for each school their indicative allocations for 2021/22 and 2022/23 based on the proposals in this consultation.

* The indicative 2021/22 allocation is based on the October 2019 Census and the indicative Schools Block allocation for 2021/22.
* The indicative 2022/23 allocation is based on the October 2019 Census, a forecast increase in funding based on the same percentage share of the increase in funding received in 2020/21 and 2021/22 and an estimated uplift in NFF values based on 2021/22.

There are no indicative allocations for 2023/24 as the DfE has not announced any funding increases beyond 2022/23.

The allocation for each year is broken down into Pupil-led funding, the Essex Local Formula allocation, MFG top-up and total allocation.

All schools except for one, are seen to have an increase in funding in 2021/22. However, in adding the TPG and TPECG into the Schools Block for 2021/22, the impact of the proposals is masked. Therefore, the change between 2020/21 and 2021/22 has been broken down into further details to allow schools to see the indicative impact of the proposals. This shows there are 14 primary schools that provisionally lose funding due to the proposed changes. One school that will provisionally receive a decrease in their 2021/22 funding is due to a correction of a rates error in 2020/21 that is not replicated in 2021/22. The school would have received an increase if there was no adjustment for rates.

The DfE have announced that the updated 2019 Income Deprivation Affecting Children Index (IDACI) data will be used for 2021/22. This data has not yet been released by the DfE, so the finance models use 2015 data. With any change in data there is a danger that IDACI allocations could significantly change from 2020/21 to 2021/22.

Moving towards the NFF will create a fairer redistribution of funding between schools which will vary on each school’s individual circumstances.

The final 2021/22 allocations will be dependent on pupil numbers and pupil characteristics from the October 2020 Census and any significant change in data could result in a decrease in funding. The final DSG settlement will be announced before Christmas and the final budget will be presented to Schools Forum in January 2021.

The allocations for 2022/23 are indicative and will be based on the values of NFF factors for each relevant year, the relevant October census and the amount of funding within the Schools Block.

1. In Table 1 – 1,2,3,4 and 7 are pupil-led factors and 5 and 6 are school-led factors. [↑](#footnote-ref-1)
2. In Table 2 – 1,2,3,4 and 7 are pupil-led factors and 5 and 6 are school-led factors. [↑](#footnote-ref-2)
3. An example of the second nearest compatible school is that if the second nearest school for a year 6 pupil is an infant school, the second nearest compatible school will be the nearest junior or primary school. [↑](#footnote-ref-3)