



Department  
for Education

# **The national funding formulae for schools and high needs**

**2021 - 2022**

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## Background

1. As the country moves through the coronavirus (COVID-19) pandemic, never has the essential role that schools play in our communities been more apparent. As a result, the government is more committed than ever to its mission to level up opportunity and transform the lives and prospects of a generation. Every child deserves to benefit from a great education, and the success of our country depends on a world-class schools system.

2. We are backing that commitment with the largest cash increase for schools in a decade. Core school funding is increasing by £2.6bn in 2020-21, and will increase by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2019-20, including significant additional funding for children with special educational needs and disabilities. In addition to this, we continue to fund additional pension costs for teachers, worth £1.5bn a year.

3. Now, by publishing provisional school and high needs funding allocations for 2021-22, through the schools, high needs and central school services national funding formulae (NFF), we are delivering the second year of that three year funding increase. These allocations will give schools and local authorities certainty of future funding levels.

4. The funding factors used in the formulae remain the same, but we are making two technical changes:

- Funding from the teachers' pay grant and the teachers' pension employer contribution grant, including the supplementary fund, has been added to schools' NFF allocations from 2021-22. The funding has been added to basic per pupil entitlement, to the minimum per pupil funding levels, and to schools' baselines so that it is protected through the funding floor. This will simplify the allocation of this funding – worth almost £2bn a year – recognising the fact that these grants are part of schools' core budgets and providing reassurance to schools and local authorities that this funding will continue to be provided.
- The 2019 update to the Income Deprivation Affecting Children Index has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

5. School funding through the NFF is increasing by 4% overall in 2021-22. The NFF will distribute this funding based on schools' and pupils' needs and characteristics. The main features in 2021-22 are:

- The key factors in the NFF will increase by 3%, providing a significant increase to those schools already attracting their NFF allocations.
- The minimum per pupil funding levels will ensure that every primary school receives at least £4,000 per pupil, and every secondary school at least £5,150 per pupil, delivering on the government's pledge to level up the lowest funded schools

– on top of that, these schools will receive an additional £180 and £265 per pupil respectively to cover additional teachers' pay and pension costs previously funded through the separate grants.

- Every school will be allocated at least 2% more pupil-led funding per pupil compared to its 2020-21 NFF baseline.
- Additional funding for small and remote schools will increase in 2021-22, with primary schools attracting up to £45,000, compared to £26,000 previously, as a first step towards expanding the support the NFF provides for such schools from 2022-23.

6. High needs funding is increasing by a further £730m, or 10%, in 2021-22 – that follows the £780m increase this year and brings the total high needs budget to over £8bn. The high needs NFF will ensure that every local authority receives an increase of at least 8% per head of population, with some authorities receiving up to 12% more than this year. This vital extra resource will help local authorities to manage their cost pressures in this area. In addition, the government is continuing to pursue a cross-departmental review of the SEND system to see what further improvements are necessary to ensure that it supports children and young people with SEND as effectively as possible.

7. Central schools services funding in 2021-22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools. In line with the process introduced for 2020-21 to withdraw funding over time based on the commitments local authorities entered into before 2013-14, funding for historic commitments will decrease by 20%, for those local authorities in receipt of this funding.

8. These provisional NFF allocations will be updated, based on the latest pupil data, to produce final allocations that local authorities will receive through the Dedicated Schools Grant (DSG). Local authorities will continue to use that funding to determine final allocations for all local mainstream schools.

9. In light of the need to focus efforts on meeting the challenges of COVID-19, we are not changing local authorities' flexibility over the distribution of school funding in 2021-22. The government will shortly put forward proposals to move to a 'hard' NFF in future, which will determine schools' budgets directly, rather than through local formulae set independently by each local authority. This will level up the school funding system so that all schools across the country are funded on a comparable basis. We will consult wider with local authorities, schools and others to make this transition carefully.

## The national funding formula for schools

10. The basic structure of the schools national funding formula (NFF) is not changing for 2021-22. It remains as set out in Figure 1. However, we are changing some existing features of the formula, alongside making some technical changes. These are outlined below.

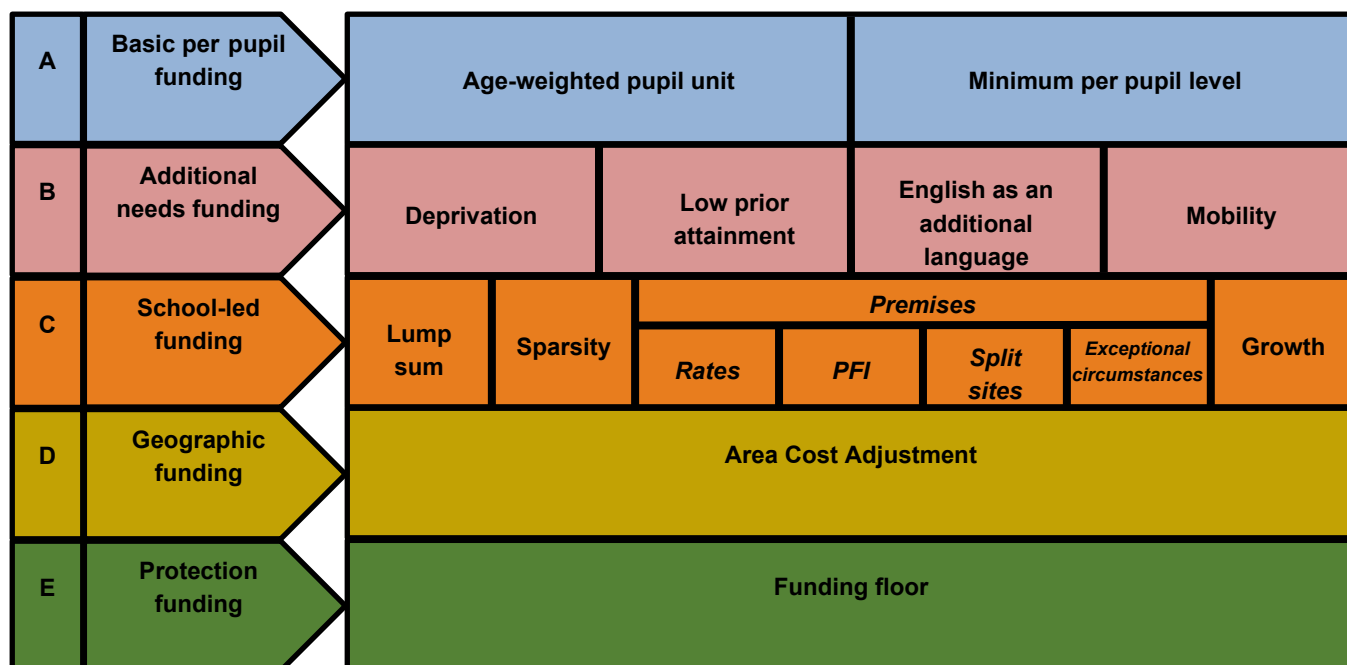


Figure 1: This illustrates the factors that will be taken into account when calculating schools block DSG funding allocations through the national funding formula. It is not to scale. Funding for factors in italics will be allocated to local authorities on the basis of historic spend.

11. This document sets out the main changes to the National Funding Formulae in 2021-22. For a more detailed overview of the National Funding Formulae as a whole, and changes made in previous years, please see the [2018-19](#), [2019-20](#) and [2020-21](#) policy documents. For more detail on the how the NFF works, and on operational arrangements for 2021-22, please see the technical note and operational guide.

## Increasing funding factor values

12. The additional money we have invested in schools for 2021-22 means that we can increase the key factors in the NFF by 3.0%.<sup>1</sup> This means that schools which are already attracting their NFF allocations will attract a significant increase in both cash and real terms. On top of this 3.0% uplift, we have added a further £180 for primary pupils and £265 for secondary pupils the age-weighted pupil unit, to reflect the rolling

<sup>1</sup> The key factor values have been uplifted by 3% and then rounded.

in of the teachers' pay and pension grants into the NFF, as set out in paragraphs 20-27 below.

13. The minimum per pupil levels in 2021-22 will be set at £4,180 for primary schools. This delivers on the Prime Minister's commitment to ensure that every primary school will receive a minimum of £4,000 per pupil, with a further addition of £180 per pupil from the rolling in of grants. The minimum per pupil levels will be £5,215 for KS3 and £5,715 for KS4 – ensuring that standard secondary schools with 5 year groups receive at least £5,415 per pupil. This includes £265 per secondary pupil for the rolling in of grants.

14. The 2021-22 NFF funding floor is set at 2.0%, broadly in line with current inflation forecasts.<sup>2</sup> This means that every school will attract an increase in their pupil-led funding of at least 2.0% per pupil, compared to their funding floor baseline.<sup>3</sup> The free school meals factor will also increase by 2.0%, as the factor value is based on an estimate of the actual cost of providing school meals.

15. Premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2020-21 APT, with the PFI factor increasing in line with the RPIX measure of inflation (1.56%) to reflect PFI contracts.<sup>4</sup>

## Supporting small and remote schools

16. The Government is committed to supporting small and remote schools which are at the heart of the rural communities they serve. We recognise the particular financial challenges these schools can face due to their location and size, such as fewer opportunities to find efficiencies. Such schools, particularly primaries, are often necessarily small because of their location and without them, pupils could face long travel distances to attend school.

17. The schools NFF accounts for these challenges by providing support to small primary and secondary schools in remote areas through the lump sum and the sparsity factor. In response to evidence we have heard of the financial pressure such schools find themselves under compared to others, particularly small and remote primary schools, we are extending this support further.

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<sup>2</sup> Unlike previous years, we have set the floor at a round number in line with forecast inflation. In light of the uncertainty created by COVID-19, inflation levels in 2021-21 are particularly difficult to predict with accuracy.

<sup>3</sup> Funding floor baselines will be increased to take account of the rolling in of the teachers' pay and pension grants.

<sup>4</sup> [Office for National Statistics RPIX](#)

18. In 2021-22, we will increase the support we are providing for these schools through the sparsity factor. The maximum sparsity value will increase from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools. This will increase the amount that the formula allocates to remote schools through the sparsity factor to £42 million – an increase of over 60% in comparison to 2020-21.

19. This will be a first step to expanding and improving the support the NFF provides for small and remote schools, with further changes planned from 2022-23. We will consult publicly on these changes in due course.

## Rolling grant funding into the schools NFF

20. The Teachers' Pay Grant (TPG) and the Teachers' Pension Employer Contribution Grant (TPECG) and pension supplementary fund provide schools and local authorities with almost £2bn of funding a year. The TPG was introduced in September 2018 to support schools to implement the 2018 teachers' pay award.<sup>5</sup> In September 2019 the grant was increased to help schools implement the 2019 teachers' pay award, as well as the ongoing cost of the 2018 award. The TPECG and supplementary fund funds schools and LAs for the increase in teacher pension employer contribution costs from September 2019.<sup>6</sup>

21. Rolling these grants into the NFF will simplify their administration, improving the efficiency of the operation of the funding system, and will provide schools and local authorities with greater reassurance that this funding will continue to be considered part of their core funding.

22. The aim of our approach for rolling the grants into the school NFF is to make sure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants in 2021-22, without adding significant additional complexity to the formula. We have rolled in the grants in three ways, to reflect the three different ways in which schools attract funding through the NFF:

- Adding an amount to reflect the current grant funding (£180 per pupil for primary schools and £265 per pupil for secondary schools) onto the age-weighted pupil

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<sup>5</sup> Further information about the teachers' pay grant can be found at <https://www.gov.uk/government/publications/teachers-pay-grant-methodology/teachers-pay-grant-methodology>

<sup>6</sup> Further information about the the teachers' pension employer contribution grant can be found at <https://www.gov.uk/government/publications/teachers-pension-employer-contribution-grant-tpecg/pension-grant-methodology>

unit (AWPU). This increases the amount that schools already on their NFF allocations will attract.

- Adding the same per pupil amounts to the minimum per pupil (MPP) funding levels. This increases the amount that schools on the minimum per pupil funding levels will attract through the NFF.
- Adding an amount representing the funding schools receive through the TPG, TPECG and supplementary fund in respect of their reception to Year 11 pupils onto their baselines, which is used to calculate any funding protection for the schools through the funding floor. This increases the amount that schools whose allocations are determined by the funding floor will attract.

23. The £180 and £265 per pupil rates have been calculated on the basis of the grant rates schools currently receive. The existing Area Cost Adjustment (ACA) calculation within the NFF ensures that the per pupil rates added to the AWPU are uplifted to reflect geographical variation in labour market costs. We are therefore not using the separate grant rates that currently apply for inner London, outer London or the London fringe areas.

24. The rolling in of these grants into the schools' notional NFF allocations will affect the core budgets that maintained schools will receive from April 2021, and that academies will receive from September 2021. To avoid an unfair gap in the support provided to academies, academies will therefore continue to receive separate grant payments up until the end of August 2021.

25. In 2021-22, local authorities will remain responsible for determining final allocations to schools, in consultation with the Schools Forum. It is our expectation that, as far as possible, individual schools' additional funding from the previous pay and pension grants should be passed on to them by local authorities in 2021-22. We will provide clear guidance for local authorities on how the calculations have been made, allowing them to mirror the calculations in the local formulae.

26. Schools receiving the minimum per pupil funding levels will have the additional funding protected in local formulae as these will continue to be compulsory in 2021-22. We would also require local authorities to mirror the additional funding added to schools' NFF baselines in their baselines for the minimum funding guarantee, so that schools on the minimum funding guarantee can also have their pay and pension grant funding protected.

27. Further details about methodology for rolling in grants are available in the technical note. Grant funding for early years and 16-19 pupils will be distributed through the early years and 16-19 funding arrangements. We will provide details of how that will be done in due course.



## Updating the Income Deprivation Affecting Children Index (IDACI)

28. IDACI is an area-based index measuring the relative deprivation of different areas, and ascribes a score as well as a rank to each Lower-layer Super Output Area (LSOA). The 2019 update provides a more up-to-date measure of the relative deprivation of different areas.

29. For both the schools and high needs NFF, the IDACI scores are divided into seven bands, A to G, with band A representing the most deprived areas. Additional funding is directed by reference to the number of pupils in each of bands A-F, with higher per pupil amounts directed to pupils in the more deprived bands.

30. As we move to using the 2019 data, we will also be changing the banding structure to reflect the new data. This change is necessary to ensure that the amount of deprivation funding allocated through IDACI does not decrease.

31. The new band boundaries will be based on the proportion of LSOAs in each band. In line with MHCLG recommendations, this means that the banding boundaries will be defined by rank<sup>7</sup> rather than by score. The new IDACI bands are set out in the table below. These apply to both the schools and high needs NFF.

**Figure 2: New NFF IDACI bands**

Band	A	B	C	D	E	F	G
% of LSOAs in each band	2.5%	5%	5%	5%	10%	10%	62.5%
Ranks covered by each band	1 -	822 -	2464 -	4106 -	5748 -	9033 -	12317 -
	821	2463	4105	5747	9032	12316	32844

32. The table shows that 2.5% of LSOAs (those ranked between 1 and 821) will be placed in the highest IDACI band, band A; 5.0% of LSOAs (those ranked between 822 and 2463) will be placed in band B; and so forth. 62.5% of LSOAs will be placed in band G, which does not attract additional funding.

33. The new banding methodology will ensure that the proportion of pupils attracting funding through each band will remain broadly unchanged from 2020-21. Where there have been small changes in the proportions, we have increased the factor values of some bands by more than 3.0% in the schools NFF to ensure that the average funding, per eligible pupil, allocated through IDACI increases by 3.0%.

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<sup>7</sup> The ranks of each LSOA can be found in file 3 on <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>.

## Moving towards a hard national funding formula

34. The schools NFF has, since it was introduced in 2018-19, replaced the postcode lottery of the past to ensure that funding is distributed on the basis of schools' and pupils' characteristics, not accidents of history or geography. The government is committed to completing these reforms by moving to a 'hard' NFF in future, whereby individual schools receive what they attract through the national formula, rather than through independently-set local authority funding formulae. This will ensure that schools across the country are funded on a comparable basis, as well as create a simpler, more transparent and more predictable funding system.

35. While local authorities currently retain flexibility over how they distribute the funding they receive through the NFF, in consultation with schools, we have seen continued significant progress towards following the national formula. As of this year (2020-21), two-thirds of local authorities have moved all aspects of their funding formulae towards the NFF since its introduction – of these, 64 local authorities are now mirroring the national formulae almost exactly.<sup>8</sup> Furthermore, 110 local authorities at least matched the funding floor protection in the NFF, while every single local authority implemented the mandatory minimum per pupil levels in 2020-21.

36. In light of this continued progress towards the NFF, and due to the need to focus efforts on meeting the challenges of COVID-19, we are not changing local authorities' flexibility over the distribution of school funding in 2021-22. The minimum per pupil levels, at the values provided in the NFF, will remain mandatory in 2021-22. The government will shortly put forward proposals to move to a 'hard' NFF in future. In making this important change, we want to consult widely with local authorities, schools and others to consider carefully the issues that remain to be resolved, and how we can ensure a smooth transition for all schools and local areas.

## Other changes to local funding formulae

37. We have made minimal changes to the rules governing how local authorities set their local funding formulae in 2021-22, to provide stability while local authorities and schools are meeting the challenges posed by the COVID-19 pandemic.

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<sup>8</sup> Of 151 local authorities in England, 99 have moved every one of their factor values in their local formulae closer to the NFF over the past 3 years or remained within 1% of NFF values – the equivalent figure was 89 in 2019-20. The comparison excludes the mobility factor as this was only included in the NFF from 2020-21.

38. Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2021-22 must be between +0.5% and +2.0%. This allows them to match the protection in the NFF, which we expect local authorities to continue to do where possible.

39. The changes to the NFF to roll in teachers' pay and pension grants and to incorporate the 2019 Income Deprivation Affecting Children Index (IDACI) will also be reflected in local funding formulae. We have provided guidance on this for local authorities in the school funding operational guide. We do not expect the incorporation of these changes alone to require consultation with schools.

40. Following the cancellation of assessments in summer 2020 due to COVID-19, local authorities will not be able to use this data as part of setting a low prior attainment factor in local funding formulae. Instead, local authorities will use 2019 assessment data as a proxy for the 2020 reception and year 6 cohort, which will be reflected in the data they receive from the department.

41. Finally, local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the Dedicated Schools Grant (DSG), with schools forum approval. In 2021-22, the total schools block available for such transfers must exclude the additional funding local authorities have been allocated for the teachers' pay and pension grant, thereby guaranteeing that all of this funding remains with schools. A disapplication will be required for transfers above 0.5%, or for any amount without schools forum approval. The criteria the department applies when considering such requests is available to local authorities in the school funding operational guide.

## Factor values and total spend in 2021-22

Factors	Unit Values	Total Funding (including ACA)	Proportion of core total
<b>Basic per pupil Funding</b>		<b>£28,905m</b>	<b>76.5%</b>
<b>AWPU</b>		<b>£28,450m</b>	<b>75.3%</b>
Primary AWPU	£3,123	£14,482m	38.3%
KS3 AWPU	£4,404	£8,236m	21.8%
KS4 AWPU	£4,963	£5,731m	15.2%
<b>Minimum per pupil</b>		<b>£455m</b>	<b>1.2%</b>
Primary Minimum Per Pupil funding	£4,180	£319m	0.8%
Secondary Minimum Per Pupil funding	£5,415	£136m	0.4%
<b>Additional Needs Funding</b>		<b>£6,426m</b>	<b>17.0%</b>
<b>Deprivation</b>		<b>£3,341m</b>	<b>8.8%</b>
Primary FSM	£460	£372m	1.0%
Secondary FSM	£460	£230m	0.6%
Primary FSM6	£575	£613m	1.6%
Secondary FSM6	£840	£712m	1.9%
Primary IDACI A	£620	£97m	0.3%
Primary IDACI B	£475	£145m	0.4%
Primary IDACI C	£445	£133m	0.4%
Primary IDACI D	£410	£117m	0.3%
Primary IDACI E	£260	£139m	0.4%
Primary IDACI F	£215	£108m	0.3%
Secondary IDACI A	£865	£81m	0.2%
Secondary IDACI B	£680	£129m	0.3%
Secondary IDACI C	£630	£120m	0.3%
Secondary IDACI D	£580	£106m	0.3%
Secondary IDACI E	£415	£141m	0.4%
Secondary IDACI F	£310	£99m	0.3%
<b>Low Prior Attainment</b>		<b>£2,613m</b>	<b>6.9%</b>
Primary LPA	£1,095	£1,557m	4.1%
Secondary LPA	£1,660	£1,055m	2.8%
<b>English as an Additional Language</b>		<b>£420m</b>	<b>1.1%</b>
Primary EAL	£550	£311m	0.8%
Secondary EAL	£1,485	£108m	0.3%
<b>Mobility</b>		<b>£52m</b>	<b>0.1%</b>
Primary Mobility	£900	£42m	0.1%
Secondary Mobility	£1,290	£10m	0.0%
<b>School Led Funding</b>		<b>£2,473m</b>	<b>6.5%</b>
<b>Lump Sum</b>		<b>£2,430m</b>	<b>6.4%</b>
Primary lump sum	£117,800	£2,032m	5.4%
Secondary lump sum	£117,800	£398m	1.1%
<b>Sparsity</b>		<b>£42m</b>	<b>0.1%</b>
Primary sparsity	£45,000	£38m	0.1%
Secondary sparsity	£70,000	£4m	0.0%
<b>Premises</b>		<b>£531m</b>	<b>1.4%</b>
<b>Area Cost Adjustment:</b> Multiplier applied to basic per pupil, additional needs and school led funding. (It is already included in the factor subtotals.)		£949m	
<b>Core total (excluding funding floor)</b>		<b>£37,804m</b>	
<b>Protections</b>			
<b>Floor</b>		<b>£581m</b>	
Primary floor funding		£334m	
Secondary floor funding		£247m	
<b>Total</b>		<b>£38,916m</b>	

**Figure 3:** This shows the unit values, total funding and proportion of funding for each factor in the formula. Total funding is rounded to the nearest £1m. Proportion of core total is rounded to the nearest 0.1%. The secondary minimum per pupil factor value is based on a standard secondary schools with 5 year groups. We have excluded growth funding from this table as this funding will be calculated using October census data.

# The national funding formula for high needs

## Updates to the high needs national funding formula in 2020-21

42. The national increase in high needs funding, from 2020-21 to 2021-22, will amount to £730 million. This will allow local authorities to see further increases in their share of high needs funding for 2021-22, using the 2020-21 allocations as a baseline<sup>9</sup> with a minimum per head increase of 8.0%. The additional funding is distributed through the formula, which includes:

42.1. **The funding floor** – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2021-22 we are continuing to keep the funding floor at 8.0%.<sup>10</sup>

42.2. **The limit on gains** – the limit on gains will be 12.0% per head of population compared to the baseline, so that authorities due to gain under the formula see an increase of up to 12.0% before their gains are capped.

43. The remainder of the additional funding will be distributed through an increase to the proxy factors in the formula, keeping their relative weightings the same as previously. The historic spend factor will remain at the same cash value as in 2020-21.

44. For 2021-22, we have also incorporated the teachers' pay grant and the teachers' pension employer contribution grant amounts within the formula by increasing the basic entitlement factor value to £4,660 for special schools, and through an additional factor in the formula that will enable local authorities to receive funding equivalent to the teachers' pay and pension grant they will receive in 2020-21 for AP settings, and to the teachers' pension supplementary fund they will receive. The basic entitlement factor numbers will be updated for the December DSG allocations using the latest school census data, as in previous years. The additional factor amounts will also be updated, in line with the relevant grant amounts paid in 2020-21.

45. The basic structure of the high needs national funding formula is not changing for 2021-22. Figure 4 below sets out the factors and adjustments that comprise the

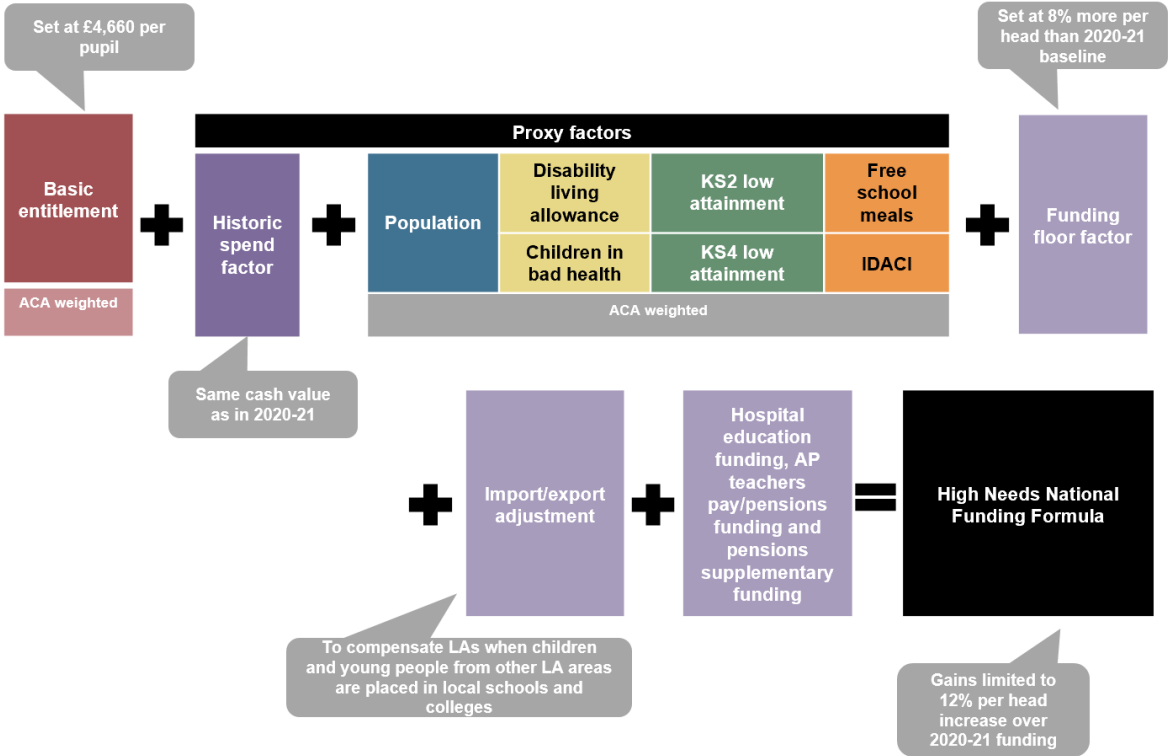
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<sup>9</sup> The basic entitlement factor and import/export adjustment will continue be excluded from the funding floor and gains cap baselines as previously. Further detail can be found in the technical note. In addition, the baseline will be updated with additional sums for those special free schools that are no longer new and growing so authorities can continue receiving this funding in future years through the formula.

<sup>10</sup> And similarly to the previous year, the hospital education element will also be uplifted by 8%, in line with the funding floor.

formula, including an area cost adjustment applied to the basic entitlement and proxy factors.

**Figure 4: basic building blocks of the formula**



46. In addition to regular data updates in the high needs NFF, we have also updated the Income Deprivation Affecting Children Index (IDACI) factor in the 2021-22 formula to use the latest available 2019 data. Similar to the schools NFF, the high needs NFF uses IDACI as a proxy factor for deprivation funding. Updating this to use the latest available data will ensure that funding through this proxy factor continues to be targeted towards areas most likely to need additional funding. The new banding structure outlined in paragraphs 31-32 above will also apply to the high needs NFF. The band boundaries are based on set proportions of the IDACI areas to minimise change for the majority of local authorities.

47. For further details on the methodology used for the high needs formula, please refer to the 2021-22 high needs technical note once published. The technical note will also include information on the data updates and adjustments used within the high needs formula.

**Local distribution of high needs funding**

48. We will be requiring local authorities to allocate to special schools (maintained and academies), pupil referral units and AP academies additional high needs funding for 2021-22, on a similar basis as their allocations of the separate teachers' pay and pensions grants in 2020-21, using similar conditions of grant that will instead apply to authorities' allocations of DSG. We will provide more guidance on this in the high needs operational guide to be published in September 2020.

49. We are continuing the maintained special schools and special academies protection arrangements in 2021-22, using the 2020-21 allocations of place and top-up funding as the basis for the year-on-year calculation, and including the teachers' pay and pensions grant they will have received in 2020-21.

50. The minimum funding guarantee (MFG) for mainstream schools – at least +0.5% per pupil – covers their core budget, but does not cover the high needs top-up funding they receive. That element is not protected, because it can change significantly when a single pupil with high needs leaves the school.

51. For special schools, however, the top-up funding they receive is a much higher proportion of their overall funding, and so it is covered by the equivalent of the MFG for special schools. Because it protects more of their total budget, we are continuing to set the level of that broader protection slightly lower – at 0% per pupil. This means that no special school will receive from their local authority less per pupil next year on a like-for-like comparison with their pupil cohort this year. Again further guidance on this protection will be available in the high needs operational guide to be published in September.

# The national funding formula for central schools services

## The central schools services block in 2020-21

52. The central school services block (CSSB) within the DSG provides funding for local authorities to carry out central functions on behalf of maintained schools and academies. The block will continue to comprise two distinct elements: ongoing responsibilities and historic commitments.

### Ongoing responsibilities

53. The CSSB will continue to fund local authorities for the ongoing responsibilities they have a statutory duty to deliver for all pupils in maintained schools and academies. The total funding for ongoing responsibilities is £257m in 2021-22 – a 3.8% increase compared to 2020-21 to keep up with inflation and pupil numbers.<sup>11</sup>

54. This element of the CSSB is calculated using a simple per-pupil formula, the structure of which is unchanged. 90% of the funding will be distributed through a basic per-pupil factor, and 10% of funding through a deprivation factor based on the proportion of pupils eligible for free school meals within the past six years (FSM6) in mainstream schools. Both elements will be adjusted for area costs.

55. Local authorities will continue to be protected so that the maximum per-pupil year-on-year reduction in funding for ongoing responsibilities is of 2.5%, while the year-on-year gains cap will be set at the highest affordable rate of 6.45%.

56. Additional pension funding that local authorities have claimed for centrally employed teachers will be rolled into the ongoing responsibilities element of the CSSB. We will add this funding as a per-pupil amount to the relevant local authority's per-pupil rate. As this funding is based on local authority claims received in May and June, we will make this adjustment through the DSG later in the year, rather than the NFF in July.

57. Further details on the methodology used for the CSSB formula is set out in the 2021-22 NFF technical note.

### Historic commitments

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<sup>11</sup> This is based on increasing total funding for national copyright licenses by real terms overall, and increasing the remaining funding for ongoing responsibilities by real terms per pupil. As with the schools NFF floor, we have used 2% as a rounded figure broadly in line with current inflation forecasts.



58. From 2020-21 we began to reduce the element of funding within the CSSB that some local authorities receive for historic commitments made prior to 2013-14, and which have been unwinding since. This was in line with our reforms to move to a fairer funding system, and to avoid maintaining significant differences in funding indefinitely between local authorities which reflect historic decisions.

59. In 2021-22, for those local authorities that receive it, historic commitments funding will continue to reduce by 20.0% on 2020-21 allocations, the same rate as the reduction in 2020-21. Also as last year, we will protect any local authority from having a reduction that takes their total historic commitments funding below the total value of their ongoing prudential borrowing and termination of employment costs, in recognition of the long lead-in times required for such costs to unwind. We will consider the evidence local authorities submitted for 2020-21 allocations, and invite any other local authority in this position to contact the department. We will make these exceptional adjustments for 2021-22 in the DSG allocations.

60. We will provide further detail in due course on how we will continue to reduce this funding in future years. Our expectation remains that commitments will also continue to unwind over time as contracts reach their end points. However, in 2021-22 we are not changing the requirement in regulations that authorities spend no more on these commitments than they did in the previous year; therefore, with the approval of the schools forum, an authority can maintain spending in this area using other funding sources if they wish to.

## Equalities Impact Assessment

61. The Public Sector Equality Duty (PSED) in section 149 of the Equality Act 2010 requires the Secretary of State to give due regard to achieving the following objectives in exercising their functions:

- 61.1. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- 61.2. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- 61.3. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

62. We have considered the impact on persons who share any of the protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. We have focused on those protected characteristics for which the impact is largest, and which are most closely tied to the distributional policy choices we are making. We use incidence of SEND as a proxy for disability in this analysis, as the two are highly correlated, and ethnicity as a proxy for race.

63. We introduced the NFF in 2018-19 after significant consultation and published a full equalities impact assessment.<sup>12</sup> We are broadly continuing the implementation of this version of the NFF. Therefore, we have focused this assessment primarily on the key policy changes that are being made in 2021-22.

## Schools NFF

### Increasing the minimum per pupil levels

64. Increasing the minimum per pupil levels for primary schools to £4,180 and secondary schools to £5,415 will benefit the lowest funded schools that do not otherwise attract these levels of funding through the other formula factors (i.e. for additional needs). As a result, the schools with the highest proportions of pupils with SEND will typically gain less as a result of this element of the formula, because these schools are likely to attract additional funding through other factors in the formula, and will therefore not be among the lowest-funded schools. Schools with the highest proportions of pupils from low-performing ethnicities and ethnic minorities will also

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<sup>12</sup> [https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting\\_documents/NFF\\_EqualityImpactAssessment.pdf](https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting_documents/NFF_EqualityImpactAssessment.pdf)

typically gain less than other schools, because these characteristics in general correlate with higher overall funding at school-level.

65. However, there are individual pupils with both these characteristics who are currently in the lowest-funded schools and they will benefit from this policy. Furthermore, the overall policy for the NFF continues to allocate the greatest share of resources to pupils with additional needs, and therefore those most likely to have these protected characteristics. This specific element of the formula is also set alongside a very significant increase to high needs funding – channeling resources specifically towards pupils with SEND.

### **Increasing the funding floor**

66. The increase to the funding floor in line with inflation will disproportionately benefit schools that have been more highly funded historically. These tend to be in urban areas, and have a higher proportion of children from low-performing ethnicities and ethnic minorities because these areas are more ethnically diverse. They also have a higher occurrence of non-Christian faith schools. We assess that this will have a positive impact on these pupils.

### **Supporting small schools**

67. We are directing more funding to small remote schools. These schools tend to have lower proportions of pupils with additional needs than average. As additional needs funding contains proxies to direct funding towards pupils with special educational needs and disabilities (SEND), support for small remote schools will generally benefit schools with lower proportions of pupils with disabilities more than average. Likewise, small remote schools have a lower proportion of pupils with ethnic minorities than average.

68. However, the overall distribution of funding in the schools and high needs NFF still significantly favours schools with high levels of additional needs, and therefore with higher incidence of pupils with certain protected characteristics, notably disability and ethnicity. Furthermore, analysis has shown that small schools face higher per pupil costs than larger schools, which is compounded in remote areas by an inability to achieve efficiencies such as shared senior leadership teams with other small schools. The increased funding will help meet those costs, which can include the costs of supporting pupils with more complex SEN, and those who are disabled.

### **Increasing the remaining NFF factors by 3%**

69. We are increasing the remaining core NFF factors by 3%, which affects the majority of schools. As the same 3% uplift would cover both the basic per pupil amount (AWPU) and the factors for additional needs, the balance between the factors remains broadly unchanged from before. There would therefore not be any disproportionate impact (either positive or negative) on pupils with protected characteristics.

## Rolling in the teachers' pay and pension grants

70. We are rolling in the teachers' pay grant (TPG) and teachers' pension employer contribution grant (TPECG) to the schools and the central school services NFF in such a way that the additional NFF funding schools and LAs receive is as similar as possible to the funding they would receive if the grants were not rolled in. We recognise that the rolling in will never perfectly reflect the current allocations, but do not believe that the schools affected by the discrepancies have a higher proportion of pupils with protected characteristics than average. There would therefore not be any disproportionate impact (either positive or negative) on pupils with protected characteristics from the rolling in of grants.

## Moving from using IDACI 2015 to IDACI 2019

71. We will (i) switch from using IDACI 2015 to IDACI 2019, and in conjunction with that (ii) update the IDACI banding methodology used in the schools and high needs NFFs:

- 71.1. Switching to using the updated IDACI 2019 data will ensure that deprivation funding is directed more accurately at those areas which are most deprived – as opposed to those areas which *were* most deprived in 2015. This shift would not be expected to have any significant impact on groups with protected characteristics.
- 71.2. The change in the banding methodology aims to ensure that the proportion of deprivation funding allocated through the NFF remains broadly unchanged. Without this change, the total amount of deprivation funding would decrease significantly. As there is a significant overlap between areas of high deprivation and the proportion of pupils from an ethnic minority background, the change in banding methodology would be expected to have a positive impact on equalities.

## High needs NFF

72. We have considered the impact of the high needs distribution on people who share any of the protected characteristics. We have focused particularly on people with SEND given the high level of correlation between pupils with SEND and pupils with disabilities.

73. We introduced the high needs NFF in 2018-19 after significant consultation and a full equalities impact assessment. We are distributing the funding for high needs through the high needs NFF, and are not proposing any changes to the overall structure of the formula for 2021-22. Therefore, we have focused this assessment primarily on the aspects of the formula that have changed for 2021-22.

74. In recognition of the fact that all LAs are facing some pressures on their high needs budgets, we are allocating increased funding through the high needs NFF. We are distributing this increase in the following ways:

74.1. **A higher funding floor set at 8%.** This means that at a minimum, LAs will see at least a 8% per head increase in funding compared to what they received in 2020-21.

74.2. **A limit on formula gains set at 12%.** This will allow LAs on the gains cap limit to receive greater increases in funding before their gains are capped.

74.3. **Increased funding through the remaining proxy factors.** We have distributed the remaining funding through the proxy factors. This is in line with how the formula has worked previously and means that LAs will receive their share of this remaining funding based on the proxy factors of need. These include health and disability factors reflecting any changes in the proportion of the local population of 2-18 year olds whose families receive disability living allowance because they are disabled. The proxy factors also include an amount of funding based on each local authority's previous spending, so that funding can reflect patterns of provision and spending not otherwise captured through the formula, and making sure that funding levels do not drive changes in the placement of disabled children to the detriment of the provision they need.

75. We expect this distribution of funding to provide both reasonable increases to all LAs as well as ensure stability through use of the formula. As a result, and subject to local decisions on how the funding is spent in making special provision, our assessment is that the additional funding will have a positive impact for those pupils identified as having SEND (which includes those with disabilities), by improving their ability to access the right educational provision and thereby addressing educational inequalities for children with SEND.

## Central School Services Block NFF

76. The formula that allocates this funding is broadly unchanged; we do not expect this to have an impact on different groups of pupils, including those with protected characteristics.

77. The reduction to funding for historic commitments will affect some local authorities' ability to continue to deliver certain central functions as they have previously – this is a continuation of our established policy to unwind these commitments. The nature of this expenditure, relating to a wide range of individual decisions by different local authorities, means the impact of the reduction is very variable. Where authorities combine this funding with other sources to support services – for example, related to early intervention, programmes for vulnerable

children or those with high needs – these are likely to disproportionately benefit pupils with protected characteristics, such as those from ethnic minority backgrounds or with disabilities. If the reductions mean a local authority can no longer fund such services in the same way, this represents a negative impact.

78. However, reducing this funding will address funding disparities to make the wider system fairer, so that educational provision for these pupils is based on need rather than historic decisions. Ultimately, prioritising funding for schools and high needs, which has significantly increased, benefits all areas and will respond to pupils' characteristics and needs. The impact on pupils with disabilities, in particular, will be offset by the additional high needs funding that all authorities will receive in 2021-22.

79. Finally, we are not making any changes to the regulations that local authorities can spend the same amount on historic commitments that they did in the previous year, nor are we changing the flexibility to transfer funding between blocks, with local agreement. A local authority can therefore maintain spending on historic commitments at current levels using other funding where appropriate.

## Overall impact

80. As noted above, each change has a specific impact and in some cases these work in different directions. For example, in relation to the schools NFF, the increase to the minimum per pupil level is less likely to benefit pupils with protected characteristics, while the increase to the NFF funding floor is more likely to. The overall policy of the NFF continues to allocate the greatest share of resources to pupils with additional needs, and therefore those most likely to have these protected characteristics. We do not think these individual changes significantly shift the conclusions of the equalities impact assessment published at the point of introducing the NFF in September 2017.

81. The exception to this is the increase to high needs funding that all local authorities are seeing, which will have a positive impact on pupils with SEND in particular, and therefore on pupils with disabilities. This is a significant additional positive impact on these pupils beyond our previous assessment.



Department  
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