



Basic need allocations 2021-22: Explanatory note

Overview of Methodology

The basic need allocations announced in April 2020 are paid to local authorities (LAs) to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and by establishing new schools. This is un-ringfenced capital funding that is not time-bound, so that local authorities can make the best decisions for their local area.

Local authorities are required to verify this funding has been spent on capital projects through the section 151 officer's return. The methodology used for 2021-22 is largely unchanged from that previously used in making allocations for 2020-21.

Mainstream allocations for 2021-22

£746 million has been provided by the Department for Education for basic need allocations to create the places needed for September 2022. The basic need allocations are based principally on data collected from LAs in the 2019 School Capacity Survey (SCAP). This survey collects information on the capacities of schools in each planning area¹ of each LA, as at May 2019, and LAs' forecasts of pupil numbers for several years ahead.

Basic need funding is allocated on the basis of a comparison of school capacity (not pupil admission numbers) against forecast mainstream pupil numbers from reception year to year 11 uplifted to provide a 2 per cent operating margin. Where capacity is lower than forecasts, we fund the gap. The allocations for financial year 2021-22 are based upon the projected need for new places by September 2022. Those figures were published on 26th March 2020 at:

<https://www.gov.uk/government/statistics/school-capacity-academic-year-2018-to-2019>

Calculating school capacity

The raw figures for school capacity that existed in 2019 do not represent everything we know about what capacity will exist in 2022. So adjustments are made to account for school places for which central government funding (other than basic need) has already been provided, but which are not yet reflected by the data collected through SCAP because they were not yet operating in May 2019. This avoids double-funding these places. Specifically the department:

- adds to school capacities the full number of additional school places we expect to be delivered by September 2022 through the Targeted Basic Need and Priority School Building programme, Selective Schools Expansion Fund, and the Condition Improvement Fund;
- adjusts the capacity recorded in SCAP for those free schools that opened after September 2017, to reflect the places anticipated to be in use by September 2022, as we know not all year groups will be operating in those schools by 2021;

¹ Planning Areas (PAs) are groups of schools, often (but not exclusively) in a similar geographic area, reflecting patterns of provision. The PAs for primary are different from the PAs for secondary.

- includes the places expected to be in use by September 2022 for those free schools that opened in September 2019 (and so were not captured in the May 2019 survey);
- includes the places expected to be in use by September 2022 for those free schools that are due to open in September 2020 (and so were not captured in the May 2019 survey); and
- Where appropriate, removes capacity to account for anticipated school closures.

Calculating how many places are needed

The number of places to fund is calculated by comparing:

- the capacity in each school year group in each planning area (adjusted as described above); with
- the number of pupils local authorities expect to have in each school year group in each planning area, uplifted by 2 per cent.

The 2 per cent uplift in pupil forecasts is designed to provide an operating margin for local authorities. This helps to support parental choice, pupil population movement, and general manageability of the system. Where pupil forecasts exceed available capacity this is considered to be a 'shortfall'. Conversely any surplus in capacity beyond those uplifted forecasts is counted as 'zero', meaning we do not use any spare places to offset shortfalls elsewhere (such as in another planning area or another year group). We then aggregate any shortfalls for each year group, in each planning area, to give an overall total of additional places needed by September 2022 for each LA. This produces a 'raw shortfall', a total figure that measures the gap in places between what we knew about capacity at May 2019, and forecasts of pupil numbers for September 2022. We then adjust this figure to account for previous funding.

Adjusting for previous basic need funding, including methodological change for these allocations

Because allocations are announced several years before places are needed, we need to account for previously announced allocations (otherwise we would risk funding the same places twice). To do this we take the raw shortfall figure and subtract the number of places funded in the previous three years of allocations – for 2021-22 allocations this is the 2018-19, 2019-20 and 2020-21 allocations – as we expect LAs will still be in the process of delivering those places. We call this process 'abatement'. The assumption is that LAs will use that previously announced funding to deliver the number of places for which it was allocated. So each year we fund only places needed in addition to those previously funded.

There is a degree of inherent uncertainty in forecasting three years ahead: pupil growth can materialise more quickly or more slowly than expected. Where the gap between capacity and a local authority's forecasts goes up, we provide the additional funding in the next year's allocations. Where the gap between capacity and forecasts goes down, instead of reducing an announced allocation the mechanism described above means that we offset the excess against future allocations.

For the 2020-21 allocations, our methodology also offsets any primary over-funding (i.e. where past places funded exceeds the need for new places for AY 2022/23) against both primary and secondary allocations. The same applies to any secondary over-funding. We call this 'mixed abatements', and only places funded in 2020-21 are eligible to be offset in this fashion. This means past overfunding will be 'paid off' more quickly and efficiently, and it therefore enables us to target

available resources more effectively to address the need for places. This feature of the methodology was introduced for the 2020-21 allocations and has been retained for the 2021-22 allocations.

Calculating how much money to allocate for those places

The resulting figures, after the adjustments above, represent the number of additional places that we estimate LAs will need to provide for the academic year 2022/23 – that is the places over and above those that we have either already funded or are being provided by centrally-delivered programmes such as the free schools programmes. These figures are multiplied by a rate per place that is weighted for primary and secondary (so that funding for secondary places is 30 per cent higher than primary) and to take account of regional differences to reflect the relative costs of building across the country. In addition, we ensure that no LA receives less per place for these allocations than for previous allocations. The basic need funding to be allocated is distributed according to the resulting figures.

Figure 1: Summary of the methodology for 2021-22 basic need allocations

