

## **SCHOOLS FORUM**

**Meeting date: 21<sup>st</sup> October 2020**

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## **SCHOOLS FUNDING ARRANGEMENTS 2021-22**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 *On 20<sup>th</sup> July the Education & Skills Funding Agency (ESFA) announced details of the dedicated schools grant (DSG) funding for 2021-22 and this paper provides information on the provisional allocations.*
- 1.2 *Local authorities continue to have flexibility to set a local formula in 2021-22 and it is proposed, as in previous years, that the National Funding Formula is applied in full for 2021-22 and any balance remaining within the Schools Block after taking into account the Growth Fund up to a maximum of 0.5% is transferred to the High Needs (HN) block to support the budget pressures.*
- 1.3 *The paper sets out the rationale behind this proposal which has received the support of the Schools Forum Budget Working and High Needs sub-groups and includes a draft consultation document showing illustrative impact on school budget shares with a view to the consultation being launched on 22<sup>nd</sup> October for a period of 3 weeks.*
- 1.4 *Once the outcome of the consultation is known a report will be presented at the next Schools Forum meeting on 27<sup>th</sup> November ahead of Cabinet who will make the final decision on the school funding formula for 2021-22 at its meeting on 17<sup>th</sup> December.*

### **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATION**

- 2.1 *Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.*

### **3.0 RECOMMENDATION**

#### **3.1 The Schools Forum is asked to:**

- ***note the provisional school funding settlement;***
- ***support the recommendation to consult all schools on the proposal to apply the National Funding Formula in full in 2021-22 with any remaining balance up to 0.5% transferring to the HN Block after taking into account the growth fund budget;***
- ***note the draft schools consultation document at Appendix 1 and 2 and feedback ahead of the consultation launch.***

### **4.0 BACKGROUND**

4.1 A national funding formula was introduced for schools from 2018-19 and in 2021-22 local authorities will continue to decide, following consultation with their schools and Schools Forum, whether this formula is applied or a locally determined formula is used.

4.2 In 2020-21, as in previous years, Cabinet members decided on 19<sup>th</sup> December 2019 that the National Funding Formula would be used to allocate funding to schools following consultation with all local schools and recommendation from the Schools Forum. The National Funding Formula was applied in full and after taking into account the Growth Fund budget of £0.714m a total of £1.511m (equating to 0.5%) was transferred to the High Needs Block to support the forecast budget pressures.

4.3 Last year the government announced that nationally the schools budget would rise by £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23, compared to 2019-20 levels.

### **5.0 PROVISIONAL DSG ALLOCATIONS 2021-22**

5.1 On 20<sup>th</sup> July 2020, the Education & Skills Funding Agency announced details of the dedicated schools grant (DSG) funding arrangements and provisional funding allocations for 2021-22. These figures are subject to change following updated pupil numbers and other later adjustments.

5.2 The DSG funding is allocated in four blocks: Schools, High Needs, Early Years and Central Schools Services. As in previous years the ESFA has also published notional school-level allocations. Final allocations will be published in December 2020 and will include Early Years funding which has not yet been announced.

5.3 Last year government announced nationally that in 2021-22 the schools and high needs block funding would rise by £4.8bn compared to the 2019-20 baseline. With £2.6bn of this already having been allocated in 2020-21 an additional £2.2bn has been allocated in 2021-22. Of this, £730m is being directed to the High Needs Block.

5.4 The table below compares the 2021-22 funding allocations to 2020-21. These figures are provisional and have been based on October 2019 census data and are before recoupment for academies and high needs places. Final allocations will be based on October 2020 census data and other later adjustments.

	Schools Block	High Needs Block	Central Services Block	Total
	£m	£m	£m	£m
20/21	300.015	48.339	4.419	352.773
21/22	324.910	53.702	3.994	382.606
Increase/Decrease	24.895	5.363	-0.425	29.833
% Increase/Decrease	8.30%	11.09%	-9.62%	8.46%

### Schools Block

5.5 The increase in the Schools Block (which excludes the Growth fund allocation which will be announced at a later date) represents at least 2% per pupil increase for each school compared to the 2020-21 baselines and includes the roll in of the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG). The increase in the Schools Block is explained as follows:

	£m
Roll in of TPG and TPECG	14.588
NFF Formula Factor increases	9.704
Increase in premises factor based on actual 2020-21 costs	0.603
	24.895

5.6 The schools block settlement for 2021-22 includes the following changes:

- A 3% increase in the basic per pupil amount plus a further £180 to the primary amount and £265 to each KS3 and Ks4 amount which represents the roll in of the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Pension Contribution Grant (TPECG) into the formulae;
- The maximum values for the sparsity factor, which supports small and remote schools, have increased from £26,000 to £45,000 for primary schools and from £67,600 to £70,000 for secondary schools;
- The deprivation factor has been updated to incorporate the 2019 updated IDACI data;
- An increase in minimum per-pupil funding level to £5,415 for secondary schools and £4,180 for primary schools (this includes the roll in of the TPG and TPECG grants);
- Increases across all other formula factors averaging 4.5%;

- An increase to the funding floor so that all schools will attract at least 2% per pupil gain against their 2020-21 baselines;
- The Minimum Funding Guarantee (MFG) in local formulae can be set between +0.5% and +2%.

5.7 The draft schools consultation document at Appendix 1 shows a comparison between the 2021-22 and 2020-21 NFF factor unit values.

5.8 As in 2020-21 the national funding formula for 2021-22 will constitute a 'soft year'. This means that the DfE will set notional budgets for each school using the national funding formula and October 2019 pupil data and this is then aggregated and used to calculate the total schools block received by each local authority.

5.9 The allocation consists of 3 elements: per pupil unit of funding, premises and growth funding. The per pupil unit of funding is split between primary (PUF) and secondary (SUF). These unit amounts, as published in the provisional allocations for 2021-22 will be the actual unit values used for the final 2021-22 schools block allocations multiplied by the October 2020 pupil numbers. The table below shows a comparison between the 2020-21 and 2021-22 per pupil unit values:

	Primary (PUF)	Secondary (SUF)
2020/21	£4,452	£5,231
2021/22	£4,818	£5,661
Increase	8.2%	8.2%

5.10 The premises element will be based on actual 2020-21 premises costs. The growth fund element is based on growth in pupil numbers between the October 2019 and October 2020 censuses and will be published at a later date. LAs will continue to set a local formula in 2021-22 to distribute the funding and to determine individual schools' budgets in consultation with schools and their Schools Forum. There is no guarantee that the notional school-level figures in the allocation tables will be the amounts that schools will actually receive as they assume that pupil numbers are unchanged from 2020-21; the baselines used in the notional allocations can be different to the baselines used by LAs; LAs can transfer up to 0.5% of schools block funding with Schools Forum approval and continue to have local flexibility to set an MFG between +0.5% and +2%. In previous years, the Cumbrian local formula has mirrored the national funding formula however each year this is subject to affordability.

5.11 In 2021-22 the total schools block available for any such transfers must exclude the additional funding local authorities have been allocated for the TPG and TPECG. A disapplication request is required for movements above 0.5% or any amount without Schools Forum approval. The way in which the funding increases (detailed at paragraph 5.8) impact individual schools in 2021-22, are dependent on the local decision made about the type of formula to adopt and movement of funding between blocks.

## High Needs Block

- 5.12 Cumbria is estimated to gain £5.363m (11.09%) compared to 2020-21, subject to changes in pupil numbers and other later adjustments as per the operational guidance. The estimated increase is explained as follows:

	£m	£m
2020-21 allocation as at July 2020		48.339
Age 2 to 18 population per head increase	4.426	
Roll in TPG and TPECG	0.583	
Hospital Education factor increase	0.070	
New and growing free schools	0.239	
Import/export adjustment for pupils in other LAs	0.045	
		5.363
<b>Provisional 2021-22 allocation</b>		<b>53.702</b>

- 5.13 The High Needs Block funding formula update includes a minimum 8% increase per head of 2 to 18 population capped at 12% however this only applies to the historic spend and proxy factors it doesn't cover the basic entitlement driven by special school pupil numbers. For Cumbria this is estimated to be £4.426m (9.75%) subject to changes in pupil numbers and other later adjustments as per the operational guidance.
- 5.14 The TPG and TPECG has been rolled into the basic entitlement factor for special schools and PRUs. The ESFA have confirmed that there is a requirement that the additional HN funding relating to the roll in of TPG and TPECG is allocated to special and PRU schools on a per place basis at no less that the amounts of TPG, TPECG and supplementary fund paid in 2020 to 2021. Also, included in the formula is the historic spend factor which is based on 50% of each LA's planned spend on high needs in 2017-18. The amount through this factor is £19.720m and equates to 37% of the total funding estimated to be available in 2021-22.

## Central School Services Block

- 5.15 Cumbria is estimated to lose £0.425m (9.62%) compared to last year. The block consists of 2 elements: ongoing responsibilities and historic commitments. The maximum per-pupil reduction for ongoing responsibilities for each LA is 2.5% and gains are capped at 6.45%. The table below explains the reduction:

	Ongoing Responsibilities	Historic Commitments	Total
	£m	£m	£m
2020/21	1.916	2.503	4.419
2021/22	1.991	2.002	3.994
	0.075	-0.501	-0.426
%	3.9%	-20.0%	-9.6%

- 5.16 The funding for ongoing responsibilities is estimated to increase by £0.075m (4%) subject to changes in pupil numbers and other later adjustments. However, the historic commitments funding which was reduced by £0.626m (20%) last year, will reduce by £0.501m, a further 20%. It is expected that the historic commitments element will continue to reduce on this basis in future years as there is an expectation that these commitments will eventually unwind. The impact of this reduction is being carefully considered and budgets supported by this funding are currently being reviewed to ensure that the impact on schools is kept to a minimum.
- 5.17 The DfE also plan to roll in the TPECG for centrally employed teachers into this block and this will be announced at a later date.

## 6.0 **SCHOOL FUNDING FORMULA 2021-22**

- 6.1 It is a requirement that all maintained and academy schools are consulted on any changes to the local funding formula each year. Even if it is proposed to continue to follow the National Funding Formula if the formula factors and/or the minimum funding guarantee (MFG) is different to that of the preceding year then we must consult with all schools on the changes. Following this consultation, Schools Forum is then asked to make a recommendation to Cabinet on a proposed approach. Cabinet will then decide on the final formula for 2021-22.
- 6.2 A timeline for this process is set out below:

<b>Date</b>	<b>Task</b>
30 <sup>th</sup> September 2020	Schools Forum Budget Working Group consulted on the proposed basis for modelling the school funding formula for 2021-22 and the format of the consultation
21 <sup>st</sup> October 2020	Schools Forum approve final consultation document for issue to schools
22 <sup>nd</sup> October 2020	Launch consultation with schools on arrangements for 2021-22 (incorporating any changes following the schools forum meeting)
13 <sup>th</sup> November 2020	Consultation ends
27 <sup>th</sup> November 2020	Schools Forum meeting to allow recommendation to Cabinet, and to meet Cabinet reporting deadlines
17 <sup>th</sup> December 2020	Cabinet - report on School Funding 2021-22 presented and Cabinet decision to be made
Early January 2021	Following call-in period, notify schools of Cabinet decision on School Funding 2021-22
13 <sup>th</sup> January 2021	Schools Forum Meeting to agree 2021-22 DSG budget
21 <sup>st</sup> January 2021	Deadline for submitting School Funding 2021-22 Proforma to ESFA

- 6.3 It is proposed that schools are consulted on adopting the National Funding Formula in 2021-22 as in previous years. The DfE announced in July that

later this year they will put forward its 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. The timing of this is not yet known but indications are that 2022-23 is likely to continue to be 'soft' year. In Cumbria, since the NFF was first introduced in 2018-19 Cabinet have decided, following Schools Forum recommendation, to adopt the NFF. Nationally, the majority of local authorities have either adopted or moved their own local formula closer towards the NFF.

- 6.4 Last year, through the consultation process we were able to adopt the NFF in full with enough budget leftover to transfer 0.5% to support the High Needs Block without having a negative impact on school budget shares. This arose due to the way that the Schools Block is allocated to local authorities described in paragraphs 5.8 to 5.10. For 2021-22 it is recommended that the same principle is applied, in other words apply the NFF in full and after taking into account the Growth Fund budget transfer any remaining funding up to a maximum of 0.5% to the HN Block.
- 6.5 This proposed method of allocating the Schools Block would be the most prudent given the uncertainties of the impact of the 'hard' NFF as it provides schools with the full funding due to them under the NFF including the mandatory minimum per pupil funding levels which is protected in future years.
- 6.6 The alternative option would be not to transfer any funding to the HN Block and allocate any surplus budget, after taking into account the Growth Fund budget, to schools through increasing the basic per pupil AWPU factor. There is a risk however that this option would, in future years make applying the NFF in full unaffordable as the increase in funding would be built into the schools budget share baselines and may result in a requirement to reduce the level of MFG protection in future years below the level of that used in the NFF.
- 6.7 In previous years transfers from the Schools Block to the HN Block have contributed to the Invest to Save fund which to date is projected to achieved savings £3.173m over three years. Any proposed surplus budget transferred to the HN block in 2020-21 would support the high needs recovery plan. The pressures against the HN block which are separately presented in the HN Block Budget Monitoring Q1 paper projects an in-year overspend against the HN block of £4.169m in 2020-21 increasing the cumulative deficit to £15.190m and the latest version of the High Needs Recovery plan predicts that the deficit will increase by a further £2.242m in 2021-22 after the impact of the invest to save initiatives agreed to date and before any transfer from the Schools Block has been taken into account.
- 6.8 The DfE requires the LA to work towards at least balancing its HN budget in-year. If there was no transfer to the HN block the local authority would need to consider other measures to address the predicted in-year overspend against the HN budget in 2021-22 which could be counterintuitive and potentially impact on the most inclusive schools.
- 6.9 It is not expected, due to the way that the Schools Block funding is allocated at local authority level, for the NFF to be unaffordable in 2020-21. However, in the unlikely event that this is the case, this will be managed through

lowering the MFG level set at +2% in the NFF to between +2% and +0.5% to balance the budget.

- 6.10 At the Budget Working and High Needs sub-group meeting held on 30<sup>th</sup> September the members supported the recommendation to use the NFF to allocate the school budget shares in 2021-22, with any leftover budget remaining up to a maximum of 0.5% to be transferred to the High Needs block.
- 6.11 The sub-group members requested that the consultation highlights the impact of the roll in of the TPG, TPECG and TPECG supplementary funds on individual school budget shares and includes a supporting explanation of why not all schools would benefit if any potential surplus budget after applying the NFF was allocated to schools through the formula.
- 6.12 The draft schools consultation document is available at Appendix 1 and the illustrative impact on school budget shares is available at Appendix 2.

## **7.0 OPTIONS**

6.1 Schools Forum are asked to:

- note the announced changes to the 2021-22 school funding and the timeline for finalising and approving the funding formula for school budget shares;
- support the recommendation in principle to adopt the National Funding Formula in full in 2021-22 with any remaining balance up to a maximum of 0.5%, after taking into account the Growth Fund budget, transferring to the HN block;
- note the draft consultation with schools and feedback ahead of the launch planned for 22<sup>nd</sup> October 2020.

## **7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

7.1 Resource and value for money implications are considered throughout this report.

7.2 The Department for Education has announced changes to school funding from 2020-21 and as in previous years it is a requirement that the LA consults all schools and School Forum on any proposed changes to the local funding formula as LAs continue to have local flexibility in setting the funding formula for Cumbrian schools in 2021-22. Local authorities also to have flexibility to transfer up to 0.5% of Schools Block funding to other blocks. Transfers above 0.5% require Secretary of State approval.

7.3 The Dedicated Schools Grant central reserve closed the 2019-20 financial year with a deficit of £6.991m. The HN budget monitoring as at Q1 predicts that the deficit on the HN Block will increase to £15.190m and this, taking into consideration the predicted surplus on the other DSG budgets of (£0.096m), will increase the projected overall DSG deficit to £11.064m.

## **8.0 CONCLUSION**

- 8.1 This paper presents to the Schools Forum a summary of the provisional DSG allocations and a timeline for agreeing the local funding formula to be adopted in 2021-22. It asks the Schools Forum for views on the proposal to use the National Funding Formula as the basis for allocating school budget shares in 2021-22 with any remaining balance, up to a maximum of 0.5% after taking into account the Growth Fund budget, to be transferring to the HN Block.

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*Appendix 1 – Draft School Consultation Document*  
*Appendix 2 – Illustrative impact of 2021-22 NFF*