

SCHOOLS FORUM

Meeting date: 27th November 2020

From: Dan Barton, Assistant Director – Education & Skills

SCHOOLS FUNDING CONSULTATION OUTCOME 2021-22

1.0 EXECUTIVE SUMMARY

- 1.1 *On 20th July the Education & Skills Funding Agency (ESFA) announced details of the provisional dedicated schools grant (DSG) funding for 2021-22.*
- 1.2 *A national funding formula (NFF) was introduced in 2018-19 and, as in previous years since the NFF was first introduced, local authorities continue to have flexibility to either adopt the NFF or set a locally determined schools funding formula in 2021-22. Local authorities also have discretion over whether to transfer up to 0.5% of funding from the Schools Block into other blocks with the agreement of Schools Forum. Local authorities are also permitted to retain a growth fund to support growth in pre-16 pupil numbers to meet basic need with the agreement of Schools Forum.*
- 1.3 *Cumbria has adopted the NFF each year since 2018-19. Last year, after allocating the NFF in full a transfer to the HN Block of 0.5% equating to £1.511m was agreed. This left a remaining balance of in the Schools Block of £0.713m which was retained as a growth fund.*
- 1.4 *Local authorities must consult with their Schools Forum and local schools on an annual basis in respect of changes to the school funding arrangements and whether to continue to adopt the NFF.*
- 1.5 *Following the practice of previous changes to school funding, a consultation has taken place between the Cumbria Schools Forum and primary and secondary schools and academies in Cumbria.*
- 1.6 *The Cumbria Schools Forum is asked to review the results of the consultation and to make a recommendation to Cabinet as to the formula that should be used in 2021-22 to allocate funding to Cumbrian schools.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 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

The Schools Forum is asked to recommend to Cabinet that either:

- 3.1 the national funding formula is implemented in full in Cumbria in 2021-22, impacting maintained schools from April 2021 and academies from September 2021, and after taking into account the growth fund budget, any residual surplus remaining in the Schools Block up to a maximum 0.5% transferring to High Needs Block to support the Recovery Plan;

or

- 3.2 the national funding formula is implemented in full in Cumbria in 2021-22, impacting maintained schools from April 2021 and academies from September 2021 with any residual surplus remaining in the Schools Block, after taking into account the growth fund budget, to be allocated through the school funding formula by increasing the Age Weighted Pupil Unit (AWPU) factor;

- 3.3 Schools Forum is also asked to agree the principles that the LA will apply if there is a surplus Schools Block balance after applying the NFF in full and transferring 0.5% to HN block under Option 1 or if it arises that there is a shortfall in Schools Block balance after applying the NFF in full under options 1 and 2 once the final Schools Block allocations for 2021-22 are confirmed.

- 3.4 In the case of a surplus, either

- 3.4.1 To allocate the excess to school budget shares by increasing the AWPU;

or

- 3.4.2 To allocate all of the excess to the growth fund.

- 3.5 In the case of a deficit following full application of the NFF to reduce the growth fund budget to a level that makes the NFF affordable and then to reduce the MFG protection below +2% if it is still unaffordable.

4.0 BACKGROUND

- 4.1 A National Funding Formula (NFF) was introduced for schools from 2018-19. The formula is still 'soft' as it allows local flexibility in applying the NFF. In compliance with DfE guidance the County Council has consulted all schools and Schools Forum on whether the NFF should be adopted for 2021-22.

- 4.2 An additional £2.2bn of funding nationally for schools was announced in July 2020 of which £730m will be directed to the High Needs block to support children and young people with special educational needs. The announcement also confirmed that the Department for Education will put forward its proposals later this year to move to a 'hard' formula in future which will mean that schools' budgets will be determined directly rather than through local authority formulae set independently by each local authority. The NFF will include at least a +2% increase in funding per pupil against the 2020-21 baselines and a minimum per pupil funding amount of £4,180 for primary and £5,415 for secondary schools.
- 4.3 The other key factors of the NFF for 2021-22 are:
- The basic per pupil amount will increase by 3% 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' 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 £67,700 to £70,000 for secondary schools;
 - The deprivation factor has been updated to incorporate the 2019 updated IDACI data;
 - All other factors within the formula will increase by an average of 4.5%;
 - There will be no gains cap so all schools will attract their full core funding allocations under the NFF, although local authorities can continue to set a gains cap in their local formula.
- 4.4 The funding available in each local authority's Schools Block of the Dedicated Schools Grant is determined by aggregating the total of all primary and secondary school budgets calculated by the Education and Skills Funding Agency using the NFF based on October 2019 census data to arrive at a primary and secondary unit of funding (PUF and SUF). The PUFs and SUFs are used to allocate funding in 2021-22 at local authority level based on the October 2020 census data and then funding for actual growth between successive October censuses is applied. Local authorities may, with the agreement of their Schools Forum, transfer up to 0.5% of the Schools Block into other blocks. The National Funding Formula is not mandatory for 2021-22 and the Council can decide on a formula to allocate its Schools Block funding to individual schools although there are a number of parameters that must be applied at a local level including the mandatory minimum per pupil funding levels.
- 4.5 The Department for Education has published provisional school funding allocations for 2021-22, subject to change following updated pupil numbers and other later adjustments. For Cumbria, the Schools Block is expected to increase from £300.015m to £324.910m, a gain of £24.895m. These figures exclude Growth Fund funding which at the time of writing has not been announced. The increase includes the former TPG and TPECG grants totalling £14.588m which have been rolled into the Schools Block.
- 4.6 The Schools Block is ring-fenced however funding regulations for 2021-22 allow a transfer of a maximum of 0.5% from the Schools Block to other

blocks with Schools Forum approval. As in last year, transfers above 0.5% would require Secretary of State approval. However, following the announcement of an additional £730m nationally for High Needs, DfE have made it clear that transfers above 0.5% are unlikely to receive approval. Also, as in previous years local authorities are allowed to retain growth fund to support growth in pre-16 pupil numbers to meet basic need with the agreement of Schools Forum.

- 4.7 The provisional High Needs Block settlement for Cumbria is £53.703m, an increase of £5.364m compared to the 2020-21 funding of £48.339m. It should be noted, however, that these figures are before deductions for direct funding of High Needs places by the ESFA, which amounted to £4.119m in 2020-21, as that information has not yet been made available by DfE. The increase includes a minimum 8% increase in funding per head of 2 to 18 year old population capped at 12%. For Cumbria the increase is estimated to be £4.426m (9.75%) subject to changes in pupil numbers and other later adjustments.
- 4.8 Despite the provisional increase in High Needs funding, there continues to be significant pressure on the High Needs Block budget, largely related to the increasing numbers of pupils with Education and Health Care Plans (EHCPs), the increasing number of pupils in specialist placements and the increasing costs of those settings. Between the period April 2018 and June 2020 the total number of children and young people with an EHCP has increased by a total of 840 to 3,769 which represents an increase of 28%. However, the 2 to 18 year old population numbers have remained relatively static over the same period.
- 4.9 The DfE required all local authorities with a cumulative Dedicated Schools Grant (DSG) deficit of 1% or more as at 31 March 2019 to submit a recovery plan setting out how the DSG reserves would be brought back into balance within a maximum of 3 years. As Cumbria had a cumulative deficit of 1.08% a plan was submitted to DfE on 30 June 2019 setting out the savings and invest to save initiatives to reduce but not eliminate the deficit.
- 4.10 In addition to this, a significant proportion (40%) of the High Needs Block funding is based on historic planned spend in 2017-18. For 2021-22 the provisional allocations indicate that £19.720m (37%) of the funding available will be based on the historic spend factor meaning that the formula does not fully recognise the continued growth in the number of children and young people with SEND requiring additional support.
- 4.11 The main pressure on the Council's DSG reserves relates to the deficit on the High Needs Block and many other local authorities are in a similar position to Cumbria. As at 31st March 2020 there was a deficit on the High Needs Block earmarked reserve of £11.022m and as at Q1 budget monitoring the deficit on High Needs is projected to be £15.190m by 31st March 2021. This increase is in part due to the increasing levels of need but also due to some of the invest to save initiatives which need upfront investment to deliver savings in future years. In a recent survey of North West local authorities of the 16 that took part 9 local authorities made transfers from the Schools Block to High Needs Block in 2020-21 and 13 local authorities are predicting an in-year overspend. The average

predicted in-year overspend as a percentage of the High Needs Block funding is 5% with the highest being 19% and Cumbria at 9%. In terms of the predicted cumulative deficit against the HN Block as a percentage of the HN Block funding for 2020-21 the average is 23% with the highest being 74% and Cumbria at 31%.

- 4.12 The DSG recovery plan, which is a work in progress, projects that for 2021-22 the High Needs deficit will rise by a further £2.242m. It does not, at this stage include a potential transfer from Schools Block to High Needs Block in 2021-22 which is subject to the outcome of a consultation with schools, School Forum endorsement and Cabinet agreement.
- 4.13 Indicative NFF 2021-22 funding allocations were presented to Schools Forum at its meeting on 21 October 2020 and Schools Forum agreed to consult all Cumbria primary and secondary maintained schools and academies on the same principle that was applied last year. Namely, to allocate the school budget shares using the NFF and if there is any surplus balance remaining, after taking into account the growth fund budget, to transfer it to the High Needs Block up to a maximum of 0.5% in order to assist with the ongoing pressures.
- 4.14 The actual value of the transfer cannot be confirmed until final funding figures are received which will be based on the October 2020 census data and pupil characteristics. However, it is estimated that the transfer would be at a similar level to last year in region of a maximum of £1.5m as the 0.5% calculation cannot be applied against the additional funding for the roll in of the teachers' pay and pension grants thereby ensuring that all of this funding remains with schools.
- 4.15 As approved by the Schools Forum on 21st October 2020, a consultation between the Forum and all Cumbrian primary and secondary schools and academies was launched on 22nd October with a closing date of 13th November. The consultation included a comparison between the actual Cumbria school funding formula in 2020-21 against the proposed school funding formula for 2021-22 which mirrored the NFF as applied by the DfE and included the mandatory MPL of £4,180 per primary and £5,415 per secondary pupil and a MFG of +2% per pupil increase against 2020-21 baselines. A copy of the consultation is found at Appendix 1.

5.0 SCHOOL FUNDING OUTCOME

- 5.1 As at the closing date of 13th November 2020, a total of 41 responses were received from mainstream schools, academies and special schools. This represents a 52% reduction in the number of respondents compared to last year and is most likely due to schools prioritising their response to the COVID19 outbreak.
- 5.2 Of the 41 respondents 100% agreed with the recommendation of the Cumbria Schools Forum that the national funding formula should be used to allocate funding to schools in Cumbria in 2021-22.
- 5.3 When asked if a transfer of up to 0.5% should be made from the Schools Block to the HN Needs Block after allocating the NFF in full 30 (73%) respondents were in favour and 11 (27%) respondents were not in favour.

- 5.4 A summary of the results and comments made by respondents are at Appendix 2. A number of questions were raised in response to Question 2 including, with reference to a School block transfer, whether academies would contribute a similar amount? As all mainstream schools and academies are funded from the Schools Block using the same formula basis any decision to transfer funding to High Need block would impact maintained schools and academies in the same way. As the proposal in the consultation is to allocate funding using the NFF in full with any residual surplus up to 0.5% to be transferred to the HN Block, after taking into account the growth fund, the proposal will not have a negative impact on either maintained schools or academy budgets.
- 5.5 A number of questions were also raised about the HN deficit and whether it was reducing or increasing, what actions were being taken to address the HN deficit and why the HN deficit has been allowed to increase? Information about the HN deficit balance and recovery plan was included in the consultation, however, 2 respondents felt that there was not enough information provided about this in the consultation. In response to this, for future consultations on school funding formula, a link will be included in the consultation document to the Schools Forum HN block budget monitoring and recovery plan papers which are publicly available on the CCC Schools Forum webpage. We also ask that Schools Forum representatives make sure that the schools in their peer group are briefed on schools forum business and make their views known about decisions affecting schools' finance.

6.0 OPTIONS

- 6.1 Schools Forum are asked to consider the results of the consultation and to recommend to Cabinet one of the following options for the 2021-22 financial year:
- 6.1.1 that the national funding formula is implemented in Cumbria in full in 2021-22, impacting maintained schools from April 2021 and academies from September 2021 with any residual balance remaining, after taking into account the growth fund budget, to transfer to the HN Block up to a maximum of 0.5%;
- or
- 6.1.2 that the national funding formula is implemented in Cumbria in 2021-22, impacting maintained schools from April 2021 and academies from September 2021 with any residual surplus remaining in the Schools Block after taking into account the growth fund budget, to be allocated through the school funding formula by increasing the Age Weighted Pupil Unit (AWPU) factor.
- 6.2 It should be noted if Schools Forum recommend Option 2 the increase in school budget shares will be locked in for the calculation of the MFG and may make the NFF unaffordable in future years.
- 6.3 Depending on which option above that the Schools Forum agree to recommend to Cabinet an in principle agreement also needs to be reached with

School Forum members of the treatment that the LA will apply if it arises that there is a surplus Schools Block balance after applying the NFF in full and transferring 0.5% to HN block under Option 1 or if it arises that there is a shortfall in Schools Block balance after applying the NFF in full under Options 1 and 2 once the final Schools Block allocations for 2021-22 are confirmed.

- 6.4 The recommended principle to apply under Option 1 is that if there is an excess remaining after applying the NFF in full, accounting for the growth funding budget of £0.200m, and transferring 0.5% to the HN block, that excess should be allocated to school budget shares through the school funding formula by increasing the AWPU factor. There is a risk that doing this would make the NFF unaffordable in future years as the increase is locked into the calculation of MFG. However, as reported to Cabinet on 12 November on the Development of the Medium Term Financial Plan (paragraph 33) budget planning assumes funding is maintained at the same levels as 2020/21. On this basis it is assumed that the risk of the NFF being unaffordable in future years is minimal.
- 6.5 Alternatively, the full excess balance above 0.5% could be retained as a growth fund. It should be noted that this scenario arose last year which meant that after allocation the NFF in full and transferring 0.5% Schools Block (equating to £1.511m) to HN Block there was a balance of £0.713m remaining and it was agreed by Schools Forum members that this balance would be used to increase the growth fund budget from £0.200m to £0.713m. However, year to date only £0.119m has been allocated from this fund and any remaining balance at year end will transfer to the DSG reserves to support basic need growth in future years.
- 6.6 A shortfall against the Schools Block is not expected after applying the NFF in full, however, because the final Schools Block funding is not expected to be announced until mid-December we need to plan for this eventuality. Therefore, under Options 1 and 2 in the unlikely event that after applying the NFF in full there is a shortfall of Schools Block funding then we would first look to reduce the growth fund budget to a level which means that the NFF is affordable so that school budgets are not negatively impacted and, if after that there is still a shortfall, reduce the MFG protection below +2% to balance the Schools Block.
- 6.5 Schools Forum is asked to agree the relevant principle following their recommendation to Cabinet of whether to apply the funding formula under Option 1 or Option 2.

7 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 2021-22 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 recovery plan Quarter 1 budget monitoring 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 will increase the projected overall DSG deficit to £11.064m.
- 7.4 Option 1 will reduce the budget pressure against the HN Block without having a negative impact on school budget shares as they will receive the full funding due to them under the NFF. It is not expected that the NFF will be unaffordable in 2021-22 however, in the unlikely event that this is the case, the proposed principles to apply would minimise the impact on school budget shares.

8.0 CONCLUSION

- 8.1 This paper presents to the Schools Forum the outcome of the consultation with maintained and academy primary and secondary schools on the funding formula that should be used to allocate funding to schools in the 2021-22 financial year.
- 8.2 The Schools Forum is asked to make a recommendation to Cabinet on the funding formula that should be used to allocate funding to schools in 2021-22 financial year.

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Accompanying Documents:

Appendix 1 - Consultation – School Funding Formula 2021-22

Appendix 2 – Consultation Results

REPORT AUTHOR

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