

SCHOOLS FORUM

Meeting date: 20 October 2021

**From: Daniel Barton
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SCHOOLS FUNDING ARRANGEMENTS 2022/23

1.0 EXECUTIVE SUMMARY

- 1.1 *In July 2021 the Education & Skills Funding Agency (ESFA) announced details of the dedicated schools grant (DSG) funding for 2022/23 and this paper provides information on the provisional allocations.*
- 1.2 *The DfE have made limited changes to the schools funding formula in 2022/23 and local authorities continue to have flexibility to set a local formula in 2022/23. From 2023/24 the DfE are proposing to place further restrictions on local flexibility as it moves closer towards bringing in a ‘hard’ national funding formula whereby individual school budgets will be set directly through one single NFF.*
- 1.3 *In 2022/23 it is proposed, as in previous years, that the NFF is applied in full for 2022/23 and any balance remaining within the Schools Block, after taking into account the Growth Fund budget, up to a maximum of 0.5% is transferred to the High Needs (HN) block to support the budget pressures.*
- 1.4 *The paper sets out the rationale behind this proposal which has received the support of the Schools Forum Budget Working and SEN sub-groups and includes a draft consultation document showing illustrative impact on school budget shares with a view to the consultation being launched on 21 October for a period of 3 weeks.*
- 1.5 *Once the outcome of the consultation is known a report will be presented at the next Schools Forum meeting on 22 November ahead of Cabinet who will make the final decision on the school funding formula for 2022/23 at its meeting on 16 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 2022/23 with any remaining balance up to 0.5% transferring to the HN Block after taking into account the growth fund budget;***
- ***support the recommendation to allocate any leftover balance if available, after transferring up to 0.5% to the HN Block and taking into account the growth fund, to schools by increasing the APWU factor values;***
- ***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 2022/23 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 2019/20 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. With £4.8bn of this already having been allocated in 2021/22 an additional £2.3bn has been allocated in 2022/23. Of this, £780m is being directed to the High Needs Block.
- 4.3 On 17 December 2020 Cabinet members decided that the NFF would be used to allocate funding to schools/academies in 2021/22 following consultation with all local schools, academies and recommendation from the Schools Forum. The NFF was applied in full and after taking into account the Growth Fund budget of £0.200m a total of £1.558m (equating to 0.5%) was transferred to the High Needs Block to support the forecast budget pressures. After allocating the funding on this basis £0.553m was leftover which was allocated to schools through increasing the AWPU factor values in the NFF.

5.0 PROVISIONAL DSG ALLOCATIONS 2021-22

- 5.1 On 19 July 2021, the ESFA announced details of the dedicated schools grant (DSG) funding arrangements and provisional funding allocations for

2022/23. 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 2021 and will include Early Years funding which has not yet been announced.

5.3 The table below compares the 2022/23 funding allocations to 2021/22. These figures are provisional and have been based on October 2020 census data and are before recoupment for academies and high needs places. Final allocations will be based on October 2021 census data and other later adjustments.

	Schools Block	High Needs Block	Central Services Block	Total
	£m	£m	£m	£m
21/22 (as at Jul 21)	324.649	53.914	4.184	382.748
22/23	334.743	57.989	3.797	396.529
Increase/Decrease	10.094	4.074	-0.387	13.781
% Increase/Decrease	3.11%	7.56%	-9.25%	3.60%

Schools Block

5.4 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 2021/22 baselines. The increase in the Schools Block is explained as follows:

	£m
NFF Formula Factor increases	10.988
Reduction in premises factor based on actual 2021/22	-0.894
	10.094

5.5 The schools block settlement for 2022/23 includes the following changes:

- A 3% increase in the basic per pupil amount (Age Weighted Pupil Unit);
- A 2% increase in minimum per-pupil funding levels to £5,525 for secondary schools and £4,265 for primary schools;
- The maximum values for the sparsity factor have increased from £45,000 to £55,000 for primary schools and from £70,000 to £80,000 for secondary schools and the distances will now be measured using road journeys rather than crow flies. There will also a distance threshold taper meaning that those schools that are marginally below

the main distance thresholds of 2 or 3 miles (dependent on phase) will now attract some funding through the factor;

- Increases across all other formula factors averaging 2.9%;

5.6 The settlement also allows for an increase to the funding floor so that all schools will attract at least 2% per pupil gain against their 2021/22 pupil-led factor baselines. Local authorities will continue to set a minimum funding guarantee (MFG) in local formulae, which must be between +0.5% and +2%. Although there is no gains cap in the NFF local authorities are still allowed to apply a gains cap in their local formula to ensure that their formula is affordable.

5.7 Other changes due to the COVID19 pandemic include:

- Free School Meals Ever 6 (FSM6) factor will be based on the October census data instead of the preceding January census;
- The low prior attainment (LPA) factor will use the 2019 early years foundation stage profile and KS2 assessments data as a proxy for the 2020 assessments;
- The mobility factor will be based on entry date rather than by virtue of the May school census.

5.8 The draft schools' consultation document at Appendix 1 shows a comparison between the 2022/23 and 2021/22 NFF factor unit values.

5.9 The government continues to be committed to moving towards a 'hard' NFF where individual school budgets will be set directly by the ESFA rather than independently through a locally agreed funding formula and have launched a consultation setting out how they propose to bring about the transition. The consultation closed on 30 September and the LA's response was circulated to the Schools Forum working group members. From 2023/24 it is proposed in the consultation that further restrictions on local formulae will be introduced. In the meantime, no new restrictions on local authority formulae have been introduced for 2022/23 with the only change being that the business rates payment system for schools will be centralised.

5.10 Therefore, in 2022/23 as in previous years, the DfE have set notional budgets for each school using the national funding formula and October 2020 pupil data which is then aggregated and used to calculate the total schools block received by each local authority.

5.11 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 2022/23 will be the actual unit values used for the final 2022/23 schools block allocations multiplied by the October 2021 pupil numbers. The table below shows a comparison between the 2021/22 and 2022/23 per pupil unit values:

	Primary (PUF)	Secondary (SUF)
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2021/22	£4,818	£5,661
2022/23	£5,009	£5,882
Increase	4%	4%

5.12 The premises element will be based on actual 2021/22 premises costs. However, the payment of business rates will be centralised with ESFA paying rates directly to billing authorities on behalf of schools. Local authorities will no longer be allocated funding for business rates to meet the real costs of schools. However, notional rates funding allocations are to continue to feature in NFF allocation publications for local accounting purposes. The growth fund element is based on growth in pupil numbers between the October 2020 and October 2021 censuses and will be published at a later date.

5.13 LAs will continue to set a local formula in 2022/23 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 2021/22; 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 NFF. Last year, after distributing the funding on the basis of the NFF, and after taking into account a 0.5% transfer to the High Needs Block and the £0.200m budget required for growth, an additional £0.553m was allocated through the funding formula by increasing the AWPU factor values.

5.14 The way in which the funding increases (detailed at paragraph 5.5) impact individual schools in 2022/23, are dependent on affordability, the local decision made about the type of formula to adopt and movement of funding between blocks.

High Needs Block

5.15 Cumbria is estimated to gain £4.074m (7.6%) compared to 2021/22, subject to changes in pupil numbers and other later adjustments as per the operational guidance. The estimated increase is explained as follows:

	£m	£m
2021-22 allocation as at July 2021		53.914
Historic Spend Factor (now based on actual 2017-18 spend)	-0.580	
Age 2 to 18 population per head increase	1.928	
Age 2 to 18 Population headcount reduction	-0.003	
Other Proxy Factors	1.727	
Funding Floor	1.166	
Hospital Education and AP factor increase	0.076	
New and growing free schools	-0.240	
		4.074
Provisional 2022/23 allocation		57.989

- 5.16 The High Needs Block funding formula update includes a minimum 8% increase per head of 2 to 18 population capped at 11% however this only applies to the historic spend and proxy factors and doesn't cover the basic entitlement driven by special school pupil numbers as follows:

	2021/22	2022/23
Total HN Block allocation	53,914,399	57,988,741
Less:		
Basic Factor	-3,380,830	-3,380,830
Funding Floor	0	-1,166,429
Hospital Education Factor	-1,139,652	-1,215,295
Additional funding Free Special schools	-4,000	-4,000
Add:		
Import/Export deduction	687,000	687,000
Baseline used to calculate funding floor	50,076,917	52,909,187

- 5.17 For Cumbria the per head gain is estimated to be £3.999m (8%) which includes £1.166m through the funding floor factor as follows:

	per head £	2 - 18 population	Funding £	% change
2021/22 baseline	564.67	88,683	50,076,917	
2022/23 funding formula	596.70	88,670	52,909,187	
Gain	32.02	-13	2,832,270	5.7%
Plus Funding floor per head	13.15		1,166,429	
Gain after funding floor applied	609.85		3,998,699	8.0%

- 5.18 The historic spend factor within the formula, which was previously based on 50% of each LA's planned spend on high needs in 2017-18, has been updated to reflect actual 2017-18 spend as consulted on earlier in the year. The amount through this factor is £19.141m which equates to 31% of the total funding estimated to be available in 2022/23 and represents a reduction in funding of £0.580m compared to 2021/22.

Central School Services Block

- 5.19 Cumbria is estimated to lose £0.387m (9.25%) compared to last year. The block consists of 2 elements: ongoing responsibilities and historic commitments. For 2022/23 maximum per-pupil reduction for ongoing responsibilities for each LA is -2.5% and gains are capped at 5.56%. The table below explains the reduction:

	Ongoing Responsibilities	Historic Commitments	Total
	£m	£m	£m
2021/22	2.181	2.002	4.184
2022/23	2.195	1.602	3.797
	0.013	-0.400	-0.387
%	1%	-20%	-9%

5.20 The funding for ongoing responsibilities is estimated to increase by £0.013m (1%) subject to changes in pupil numbers and other later adjustments. However, the historic commitments funding which the ESFA have been winding down since 2019/20 has reduced by £0.400m (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 completely. However, the historic commitments funding will be protected from dropping below the total value of ongoing prudential borrowing costs which for Cumbria is £0.596m.

6.0 SCHOOL FUNDING FORMULA 2022/23

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 NFF, 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 2022/23.

6.2 A timeline for this process is set out below:

Date	Task
20 September 2021	Schools Forum Budget Working Group consulted on the proposed basis for modelling the school funding formula for 2022/23 and the format of the consultation
20 October 2021	Schools Forum approve final consultation document for issue to schools
21 October 2021	Launch consultation with schools on arrangements for 2022/23 (incorporating any changes following the Schools Forum meeting)
10 November 2021	Consultation ends
22 November 2021	Schools Forum meeting to allow recommendation to Cabinet, and to meet Cabinet reporting deadlines
16 December 2021	Cabinet - report on School Funding 2022/23 presented and Cabinet decision to be made

Early January 2022	Following call-in period, notify schools of Cabinet decision on School Funding 2022/23
12 January 2022	Schools Forum Meeting to agree 2022/23 DSG budget
21 January 2022	Deadline for submitting School Funding 2022/23 Proforma to ESFA

- 6.3 It is proposed that schools are consulted on adopting the NFF in 2022/23 as in previous years given that the DfE's direction is to move away from locally set school funding formulae.
- 6.4 Last year, through the consultation process we were able to adopt the NFF in full and transfer 0.5% to support the High Needs Block with budget leftover which was allocated to schools by increasing the AWPU value factors above the level in the NFF. This arose due to the way that the Schools Block is allocated to local authorities described in paragraphs 5.10 to 5.13. For 2022/23 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. It should be noted here that it is proposed that the growth fund budget which was £0.200m last year will need to be increased for 2022/23. There will be a consultation this term with parents and carers on the closure of St Joseph's Catholic Primary School in Cockermouth. Children will transfer to other local schools and some financial support is likely to be needed for the admitting schools. There are also likely to be further calls on the growth fund for 2022/23 to manage basic need. A more detailed report on next year's growth fund requirements will be provided when the proposed centrally retained budgets are presented to Schools Forum in January 2022.
- 6.5 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. This would also be subject to any further restrictions imposed during the DfE's planned transition to a 'hard' NFF. For example, one of the proposals in the DfE's Fair Funding for All Schools consultation is seeking views on requiring local authorities in 2023/24 to move 10% closer to the NFF factor values compared with their distance from the NFF in 2022/23.
- 6.6 Any proposed budget transferred to the HN block in 2022/23 would continue to 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 £5.266m in 2022/23 increasing the cumulative deficit to £19.186m.
- 6.7 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 pressure against the HN budget of £6.075m in 2022/23.

- 6.8 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 2022/23. 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. If, after lowering the level of MFG the funding formula is still not affordable, a cap would need to be applied to those schools gaining through the formula.
- 6.9 At the Budget Working and High Needs sub-group meeting held on 20 September the members supported the recommendation to use the NFF to allocate the school budget shares in 2022/23, with any leftover budget remaining up to a maximum of 0.5% to be transferred to the High Needs block.
- 6.10 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 2022/23 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 2022/23 with any remaining balance up to a maximum of 0.5%, after taking into account the Growth Fund budget, transferring to the HN block;
 - support the recommendation to allocate any leftover balance if available, after transferring up to 0.5% to the HN Block and taking into account the growth fund, to schools by increasing the APWU factor values;
 - note the draft consultation with schools and feedback ahead of the launch planned for 21 October 2021.

7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

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

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 2022/23. 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 2022/23 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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Appendices:

- 1. Draft School Consultation Document*
- 2. Illustrative impact of 2022/23 NFF*

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