

**Committee: Cabinet**

**Date of meeting: 17 December 2020**

**Title of Report: School Funding Formula 2021-22**

**Report by: John Readman, Executive Director – People**

**Cabinet Member: Councillor Sue Sanderson, Cabinet Member for  
Schools and Learning**

### **What is the Report About? (Executive Summary)**

1. This report sets out the current arrangements for school funding and updates Members on the outcome of a recent consultation with schools.
2. A National Funding Formula (NFF) was introduced for schools from 2018-19 and as in previous years it will continue to be 'soft' year in 2021-22 giving local authorities flexibility in applying the NFF.
3. Last year, the Chancellor of the Exchequer announced a three year school funding settlement for 2020-21 to 2022-23. This outlined a national increase in school budgets of £14.5bn over 3 years compared to 2019-20 levels resulting in increases of £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23. With £2.6bn 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.
4. Local Authorities are obliged to consult their local schools and Schools Forum on an annual basis regarding changes to school funding arrangements and whether to continue to adopt the NFF. Cumbria has adopted the NFF each year since 2018-19.
5. In addition to deciding whether to adopt the NFF for schools or to apply a locally determined formula, 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. Last year, after allocating the NFF in full a transfer of 0.5% equating to £1.511m was agreed. Cabinet is statutorily responsible for deciding on a formula through which funding is allocated to schools.
6. Following a consultation with all Cumbrian schools affected by these proposals, Cumbria Schools Forum at its meeting on 27<sup>th</sup> November 2020, has recommended to Cabinet that the National Funding Formula is implemented in full from April 2021 for the 2021-22 financial year and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block into the High Needs block with any balance remaining in the Schools block after the transfer of a maximum of 0.5% should be allocated to schools through the school funding formula.

## **Recommendation of the Executive Director**

7. The Executive Director recommends that Cabinet approve the recommendation of the Cumbria Schools Forum to allocate funding to schools using the National Funding Formula in 2021-22 and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block into the High Needs block and any balance remaining in the Schools block after transfer of a maximum of 0.5% should be allocated to schools through the school funding formula.

## **Background to the Proposals**

8. 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.
9. 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.
10. 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.
11. The funding available in each local authority's Schools Block of the Dedicated Schools Grant is determined by aggregating the total of all school budgets calculated by the Education and Skills Funding Agency using the NFF.
12. 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. The increase is explained in the table overleaf:

	£m
Roll in of TPG and TPECG	14.588
NFF Formula Increases	9.704
Increase in premises factor based on actual 2020-21 costs	0.603
<b>Total</b>	<b>24.895</b>

13. The 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 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.
14. 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.
15. 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.
16. 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.
17. 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 31<sup>st</sup> 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 31<sup>st</sup> 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%.

18. 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%. It is expected that COVID19 also will have a negative impact on the High Needs budget, in particular, families with children and young people with SEND may not be able to access the level of face to face support or specialist therapies which were available to them before COVID19 due to the organisations providing these services, many of which are charities, being in financial difficulties or unable to provide the service under COVID19 restrictions. This could result in increased demand for additional SEN support in schools funded from the High Needs Block.
19. The DfE require all local authorities with a cumulative Dedicated Schools Grant (DSG) deficit to engage with them and set out their progress towards balancing the DSG budget in-year. Local authority officers met with the DfE in September to discuss the progress against the DSG recovery plan who were supportive of the invest to save initiatives that are being taken to address the deficit. The 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 the consultation with schools, School Forum endorsement and Cabinet agreement.
20. 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 allocating on this basis to transfer it to the High Needs Block up to a maximum of 0.5% in order to assist with the ongoing pressures. 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 the region of a maximum of £1.5m.
21. A surplus following allocation of the NFF in full can occur because funding is allocated to the Local Authority on the basis of Primary Units of Funding (PUFs) and Secondary Units of Funding (SUFs) multiplied by the relevant pupil numbers in each phase, whereas funding is allocated to schools on the basis of NFF factors. The actual value of any potential transfer cannot be confirmed until final funding figures are received.
22. A copy of the consultation document is found at Appendix 1 with a breakdown of the responses at Appendix 2. In total 41 schools responded to the consultation with **100%** agreeing with the Schools Forum recommendation that the NFF should be used to allocate funding to schools in Cumbria from April 2021. A total of **30 (73%)** respondents agreed that a transfer from the Schools Block to the High Needs Block should be actioned.

23. Following analysis of the results of the consultation, Schools Forum at its meeting on 27 November 2020 recommend to Cabinet that the NFF should be used to allocate funding to schools and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block into the High Needs block and any balance remaining in the Schools block after a transfer of a maximum of 0.5% should be allocated to schools through the school funding formula.
24. The proposals do not impact on the budgets of special schools, nursery schools, nursery classes within primary schools, or pupil referral units which are all funded through different formulae and different blocks of the DSG.
25. The funding formula decided upon by Cabinet will apply to both maintained schools and academies, although from different dates. Whereas, the formula will apply to maintained schools from April 2021, it will apply to academies from September 2021 as a result of the academic year funding regime in this sector. Funding for academies does not pass through the local authority and is paid directly to those institutions by the Education and Skills Funding Agency.

### **Options Considered and Risks Identified**

#### **Option (a)**

- Approve the recommendation of the Cumbria Schools Forum that the National Funding Formula is implemented in Cumbria from April 2021, impacting maintained schools from April 2021 and academies from September 2021, and after taking into account the growth fund, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block to the High Needs Block with any balance remaining in the Schools Block after transferring a maximum of 0.5% to be allocated to schools through the school funding formula.

#### **Option (b)**

- Approve the recommendation of the Cumbria Schools Forum that the National Funding Formula is implemented in Cumbria from April 2021, impacting maintained schools from April 2021 and academies from September 2021

and after taking into the growth fund

- Overturn the recommendation of Cumbria Schools Forum to transfer 0.5% Schools Block funding to the High Needs Block with any balance remaining in the Schools Block after transferring a maximum of 0.5% being allocated to schools through the school funding formula.

#### **Risks –**

The Cumbria Schools Forum recommendation follows a consultation with all schools impacted by the funding changes. Deciding upon an alternative option

to the recommendation of the Cumbria Schools Forum may damage relationships between the Council and stakeholders namely primary and secondary schools and academies, and the Cumbria Schools Forum.

### **Reasons for the recommendation/Key benefits**

- The recommendation has been made by the Cumbria Schools Forum following a consultation with all affected Cumbrian schools and academies.

### **Financial – What Resources will be needed and how will it be Funded?**

26. The Department for Education has announced changes to school funding from 2021-22 including a national increase in school funding of £2.2bn and updates to the NFF factors. 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.
27. The DfE has published provisional block allocations to local authorities for 2021-22 which will be updated in December 2020 based on pupil numbers and data from the October 2020 census.
28. Local Authorities with a deficit on their DSG reserves are required to engage in discussion with the Department for Education on their plans to bring the DSG back to a balanced in-year position. The deficit relates mainly to the High Needs Block and therefore, the recovery plan identifies a number of savings and invest to save initiatives that are being implemented to try to reduce the deficit on the High Needs Block.
29. Nationally an additional £730m has been made available for SEN in 2020-22. Although Cumbria's provisional High Needs Block allocation is £5.363m higher than 2020-21 there is still considerable pressure on the High Needs Block due to increasing numbers of pupils with EHCPs and increasing complexity of needs requiring specialist placements. Consequently, Schools Forum consulted on transferring funding from the Schools Block to the High Needs Block.
30. Local authorities are able to transfer up to 0.5% of their Schools Block funding into other blocks with the agreement of their Schools Forum. Schools Forum recommend to Cabinet proposals around adoption of NFF and transfers but Cabinet can decide to overrule the decision of the Schools Forum. Where Schools Forum does not agree a transfer of up to 0.5% which is reversed by Cabinet the local authority must seek Secretary of State approval for such a transfer up to 0.5% of funding which may or may not be granted.

### **Legal Aspects – What needs to be considered?**

30. The School and Early Years Finance Regulations 2020 provide that Local Authorities must consult their Schools Forum and schools maintained by them about any proposed changes in relation to factors and criteria taken into account, and the methods, principles and rules adopted when determining the school funding formula.

31. The County Council has now undertaken a process of consultation with all Cumbrian primary and secondary schools and academies; the Cumbria Alliance of System Leaders (CASL) and the Cumbria Schools Forum on the appropriate funding formula for Cumbria from April 2021. The results of the consultation are contained in this report and the attached Appendices
32. Cabinet is the decision making body for the schools funding formula and must now consider the outcome of the consultation and take that into consideration when making a decision on whether to adopt the NFF, as per Schools Forum's recommendation. Although not duty bound to follow the recommendation of Schools Forum following the consultation, if Cabinet departs from the recommendation clear reasons must be given. Schools Forum is the decision maker with regards to whether to allocate (up to) 0.5% of the School block funding into the High Needs block. The Schools Forum has agreed to the transfer in line with the recommendation of the Executive Director.
33. The proposal links to the Council Plan outcome that 'People in Cumbria are healthy and safe'.

#### **Health and Safety Aspects – What needs to be considered?**

34. The Council has a responsibility under the Health & Safety at Work Act 1974 and associated legislation and regulations to ensure that, as far as is reasonably practicable, that adequate health and safety management arrangements are in place to protect employees, members, customers, pupils, parents and visitors to County Council related services.
35. Whilst there are no direct health and safety implications from the School Funding Formula report itself, health and safety implications must be considered for both capital and revenue expenditure in schools that are within County Council governance arrangements, with appropriate investment in health and safety related controls where required.
36. Any health and safety implications resultant from the school funding formula should be assessed with associated controls implemented if and when required. All activity should follow the commitments outlined in the Annual Corporate Health and Safety Policy Statement last agreed by Cabinet in September 2020.

#### **What is the Impact of the Decision on Health Inequalities and Equality and Diversity Issues?**

37. A funding formula is applied equally to all schools and academies using the parameters and factors within the formula and therefore the formula is not expected to impact on health inequalities or equality and diversity issues.

#### **Appendices and Background Documents**

Appendix 1 Cumbria Schools Forum Consultation Document – National Funding Formula

Appendix 2 Results of the consultation with affected schools and academies

**Key Facts**

**Electoral Division(s):** All

<b>Executive Decision</b>	<b>Key Decision Included in Forward Plan</b>	<b>Exempt from call-in</b>	<b>Exemption agreed by scrutiny chair</b>	<b>Considered by scrutiny, if so detail below</b>	<b>Environmental or sustainability assessment undertaken?</b>	<b>Equality impact assessment undertaken?</b>
<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>No</b>	<b>N/A</b>	<b>Yes</b>

**Approved by the relevant Cabinet Member/s on 3<sup>rd</sup> December 2020**

**Previous relevant Council or Executive decisions**

**19<sup>th</sup> December 2019 - School Funding Formula 2020-21**

**Consideration by Overview & Scrutiny**

**Background Papers**

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