

Committee:	Cabinet
Date of meeting:	15 December 2022
Title of Report:	School Funding Formula 2023-24
Report by:	John Readman, Executive Director - People
Cabinet Member:	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. In July 2022 the government announced additional funding of £1.5bn nationally in 2023/24 for the core schools budget including funding for high needs. A provisional allocation for Cumbria County Council has been published however this is subject to later adjustments. When the final allocations are confirmed later in December 2022 there will be separate allocations for Cumberland and Westmorland & Furness authorities.
3. 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 2023/24 giving local authorities flexibility in applying the NFF.
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 0.32% equating to £1.067m 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, including prospective members of the respective Schools Fora for Cumberland and Westmorland & Furness, the Cumbria Schools Forum at their meeting on 23 November 2022, has recommended to Cabinet that the National Funding Formula is implemented in full from April 2023 for the 2023/24 financial year and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% of funding is 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% to 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 in Cumberland and Westmorland & Furness using the National Funding Formula in 2023/24 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

National Funding Formula

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. The government continues to be committed to moving towards a 'hard' NFF where individual school budgets will be set directly by the Education Skills and Funding Agency (ESFA) rather than independently through a locally agreed funding formula which is expected to be fully implemented no later than 2027/28.
9. The government announced in July 2022 that core schools funding is to increase by £1.5bn nationally in 2023/24 compared to 2022/23 of which £570m will be directed to the High Needs block to support children and young people with special educational needs. The funding is allocated through the Dedicated Schools Grant which comprises of four blocks: Schools, High Needs, Early Years and Central School Services.
10. The NFF will include at least a +0.5% increase in funding per pupil against the 2022/23 baselines and a minimum per pupil funding amount of £4,405 for primary and £5,715 for secondary schools.
11. The other key factors of the NFF for 2023/24 are:
 - A 5.5% increase in the basic per pupil amount (Age Weighted Pupil Unit);
 - An average 6% increase in the Deprivation factors;
 - A 5.5% increase in the lump sum to £128,000;
 - Increases across all other formula factors averaging 2.3%;
12. Local authorities will continue to set a minimum funding guarantee (MFG) in local formulae, which must be between +0% and +0.5%. 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.

13. 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 ESFA using the NFF.

Schools Block Funding

14. The ESFA has published provisional school funding allocations for 2023/24, subject to change following updated pupil numbers and other later adjustments. As shown in the table below the Schools Block is expected to increase from £336.066m to £352.909m, a gain of £16.843m, however, this includes the roll in of the Schools Supplementary Grant which for 2022/23 was £9.647m.

	Schools Block
	£m
2022/23 (as at Jul 22)	336.066
2023/24	352.909
Increase/Decrease	16.843
% Increase/Decrease	5.01%

15. The provisional allocation excludes funding for growth as this has not yet been announced however it is estimated to be £1.660m. After taking this into account the estimated split of funding between Cumberland and Westmorland & Furness authorities is £198.945m (56%) and £155.624m (44%) respectively.
16. The funding regulations for 2023/24 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.

High Needs Block Funding

17. The provisional High Needs Block settlement for Cumbria is £63.412m, an increase of £2.469m compared to the 2022/23 funding of £60.943m. It should be noted, however, that these figures are before deductions for direct funding of High Needs places by the ESFA, which amounted to £4.438m in 2022/23. The increase includes a minimum 5% increase in funding per head of 2 to 18 year old population capped at 7%. For Cumbria the per head gain is estimated to be £2.658m (5%) subject to changes in pupil numbers and other later adjustments.
18. 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 September 2022 the total number of children and young people with an EHCP has increased by a total of 1,574 to 4,503 which represents an increase of 54%. However, the 2 to 18 year old population numbers have remained relatively static over the same period.

19. In addition to this, a significant proportion (31%) of the High Needs Block funding in 2022/23 is based on historic spend in 2017/18 and therefore does not fully recognise the significant growth in the number of children and young people with SEND. For 2023/24 the provisional allocations indicate that £19.141m (30%) of the funding available will be based on the historic factor.
20. Pressure on High Needs budgets is a national issue. The Department for Education (DfE) have invested £300m through the Safety Valve Programme and are supporting 14 authorities with the largest deficits and working with a further 20 this year. It has also committed £85m in the Delivering Better Value in SEND programme, working with 55 authorities, including Cumbria. However, the outcomes from this will take a while to unwind. The aim is to reach an in-year balanced position, although this will not be achieved in the first year of the programme.
21. The government published its SEND review in March 2022 in which it proposes greater national consistency in the support available to children and young people with SEND, how it is accessed and funded through a new national SEND and alternative provision system. A consultation on High needs funding and subsequent changes are expected to follow publication of the SEND review.

DSG Reserves

22. The main pressure on the Council's DSG reserves relates to the deficit on the High Needs Block. As at 31 March 2022 there was a deficit on the High Needs Block earmarked reserve of £20.442m and as at Q2 budget monitoring the deficit on High Needs is projected to be £29.138m by 31 March 2023. As previously reported, 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.

Consultation with Schools

23. Indicative NFF 2023/24 funding allocations were presented to Cumbria Schools Forum at its meeting on 19 October 2022 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 for both Cumberland and Westmorland & Furness authorities 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.
24. 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. However, it is estimated that the maximum transfer will be in the region of £0.995m for Cumberland and £0.778m for Westmorland & Furness.

25. A copy of the consultation document is found at Appendix 1 with a breakdown of the responses at Appendix 2. In total 15 schools responded to the consultation with 12 (80%) agreeing with the Schools Forum recommendation that the NFF should be used to allocate funding to schools in 2023/24. This was split between 9 (90%) Cumberland and 3 (60%) Westmorland respondents. A total of 12 (80%) respondents agreed that a transfer from the Schools Block to the High Needs Block should be actioned. This was split between 8 (80%) Cumberland and 4 (80%) Westmorland & Furness.
26. Following analysis of the results of the consultation at its meeting on 23 November 2022 the Cumbria Schools Forum recommend to Cabinet that the NFF should be used to allocate funding to schools in Cumberland and Westmorland & Furness authorities 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.
27. 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.
28. The funding formula decided upon by Cabinet will apply to both maintained schools and academies in Cumberland and Westmorland & Furness. The formula will apply to maintained schools from April 2023 and academies from September 2023 as a result of the academic year funding regime in this sector. Funding for academies does not pass through the local authority it is paid directly to those institutions by the ESFA.

Options Considered and Risks Identified

Option (a)

- Approve the recommendation of the Cumbria Schools Forum that the National Funding Formula is implemented in Cumberland and Westmorland & Furness authorities from April 2023, impacting maintained schools from April 2023 and academies from September 2023, 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 Cumberland and Westmorland & Furness authorities from April 2023, impacting maintained schools from April 2023 and academies from September 2023

and, after taking into account the growth fund,

- Overturn the recommendation of Cumbria Schools Forum to transfer up to 0.5% of 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 –

29. 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.

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?

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

Legal Aspects – What needs to be considered?

31. The School and Early Years Finance Regulations ('the Regulations') 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.
32. The County Council has now undertaken this consultation in respect of the funding formula for Cumbria (i.e. both Cumberland and Westmorland and Furness) that will apply from 01/04/23. As paragraph 25 of this report demonstrates Schools Forum has carefully considered the consultation responses and noted the split of consultation responses in light of upcoming LGR.
33. Cabinet can 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.
34. It is noted that the decision made by Cabinet will determine the funding formula for both Cumberland and Westmorland and Furness local authorities for 2023/24. Given the statutory requirement (regulation 10 of the Regulations) that the formula is determined prior to the start of the funding period (01/04/23), the decision in respect of the funding formula needs to be made prior vesting day.

35. As per regulation 4(3) of the Local Government (Structural Changes) (Transitional Arrangements) (No2) Regulations 2008 “anything done by... a predecessor council... in connection with, a function that is to be exercised on and after the reorganisation date by the related single tier council shall have effect as if done by, or in relation to, that council.”

LGR Implications

36. LGR implications are considered throughout this report.

Health and Safety Aspects – What needs to be considered?

37. The County 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.
38. 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.
39. 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 July 2022.

Council Plan Priority – How do the Proposals Contribute to the Delivery of the Council’s Stated Outcomes? (Outcomes - People in Cumbria are Healthy and Safe, Places in Cumbria are well connected and thriving, the Economy in Cumbria is growing and benefits everyone)

40. The proposal links to the Council Plan outcome that ‘People in Cumbria are healthy and safe’.

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

41. 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

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

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

Approved by the relevant Cabinet Member/s on 1 December 2022

Previous relevant Council or Executive decisions

None

Consideration by Overview & Scrutiny

None

Background Papers

None

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