

Schools Revenue Funding Arrangements 2022-23

To: Children and Young People Committee

Meeting Date: 30 November 2021

From: Jonathan Lewis – Service Director: Education
Martin Wade – Strategic Finance Business Partner

Electoral division(s): All

Key decision: No

Forward Plan ref: n/a

Outcome: To provide the Committee with an update on the Schools Revenue Budget arrangements for 2022/23 and Dedicated Schools Grant (DSG).

Recommendation: The Committee is asked to review and comment on the report.

Officer contact:

Name: Martin Wade
Post: Strategic Finance Business Partner
Email: martin.wade@cambridgeshire.gov.uk
Tel: 01223 699733

Member contacts:

Names: Cllr Bryony Goodliffe
Post: Chair
Email: bryony.goodliffe@cambridgeshire.gov.uk
Tel: 01223 706398

1. Background

- 1.1 This report aims to provide an update in respect of both the national changes to schools' funding and the proposed local approach for 2022-23. In previous years, the underlying principle has been to move as closely as possible to implementing the Department for Education's (DfE) national funding formula (NFF). Although good progress has been made towards achieving this, the level of Dedicated Schools Grant (DSG) received continues to place limitations on overall affordability.
- 1.2 This document includes:
- a) An overview of the national changes to the schools' funding formula for 2022-23;
 - b) The proposed local approach to be applied in 2022-23 including the outcomes of the recent consultation with schools.

2. National Funding Formula

- 2.1. The DfE made announcements relating to the DSG in July 2021 which included indicative funding allocations for 2022-23. The main headlines are:
- a) Sparsity Funding now based on road distances instead of straight-line (as the crow flies) distances. Alongside the introduction of a distance "taper" significantly increases the number of small schools attracting sparsity funding.
 - b) Deprivation funding for FSM6 (any pupil who has qualified for free school meals within the last 6 years) will now use the most recent October census for measuring eligibility rather than the previous January.
 - c) In calculating low prior attainment proportions, data from the 2019 early years foundation stage profile (EYFSP) and Key Stage 2 (KS2) tests is used as a proxy for the 2020 tests, following the cancellation of assessments due to the pandemic.
 - d) Pupils who joined a school between January and May 2020 attract funding for mobility on the basis of their entry date, rather than by virtue of the May school census being their first census at the current school (the May 2020 census did not take place due to the pandemic).
 - e) From April 2022, the business rates payment system for schools will be centralised. This will involve ESFA paying billing authorities directly on behalf of state funded schools, removing schools from the payment process. The first business rates payments made directly from ESFA to billing authorities will be paid in June 2022.
- 2.2 These technical changes are likely to have a varying impact on schools dependent on their individual circumstances.
- 2.3 The indicative national allocations also reflect further increases to the funding blocks in 2022 to 2023:
- a) School funding is increasing by 3.2% overall, and by 2.8% per pupil, compared with 2021 to 2022. The DfE have also increased total funding through the sparsity factor from £42m to £95m.

- b) High Needs funding is increasing by £780m, or 9.6%, in 2022 to 2023. This brings the total High Needs budget to £8.9bn. The High Needs NFF will ensure that every Local Authority receives at least an 8% increase per head of population.
- c) Central schools' services funding for historic commitments will decrease by a further 20% for those Local Authorities in receipt of this funding.

2.4 For Cambridgeshire the indicative allocations equate to:

- a) An approximate illustrative uplift of £11.8m / 2.9% in the Schools Block compared to the amount expected to be received in 2021/22.
- b) An illustrative uplift of £6.5m / 8% in the High Needs Block when compared to the amount expected to be received in 2021/22.
- c) An approximate illustrative reduction of £0.6m to the Central Schools' Services Block (CSSB) which includes a further 20% reduction for historic commitments. The CSSB funds a number of ongoing functions and responsibilities which benefit all schools.

2.5 The table below shows the breakdown of the 4 funding blocks which currently form the overall DSG:

DEDICATED SCHOOLS GRANT		
Funding Block	Illustrative 22/23 £m	Functions funded:
Schools Block	£416.9m*	This Block funds: <ul style="list-style-type: none"> - Individual school budgets; - Services de-delegated from maintained school budgets and; - The Growth fund
Central Schools Services Block (CSSB)	£5.9m	This Block funds: <ul style="list-style-type: none"> - Historical commitments previously agreed with Schools Forum such as Contribution to Combined Budget, schools' broadband contract; and - Ongoing responsibilities of the Authority such as Admissions, the servicing of the Schools Forum, copyright licenses and services to meet statutory responsibilities
High Needs Block	£90.1m	This Block funds: <ul style="list-style-type: none"> - Special school budgets; - Special schools outreach; - Top up funding for pupils with High Needs in mainstream and FE provision; - Out of County Special Educational Needs (SEN) placements; - Special Educational Needs and Disabilities (SEND) specialist services; - Early Help District Delivery services; - Alternative provision such as Pupil Referral Units (PRUs), High Needs Units;

		<ul style="list-style-type: none"> - Behaviour, Attendance & Inclusion Partnership funding; and - Commissioning services
Early Years Block	£38.1m*	<p>This Block funds:</p> <ul style="list-style-type: none"> - The 2 year old Early Years single funding formula; - The 3 and 4 year old Early Years single funding formula (universal and extended entitlement); - The Disability Access Fund; - Maintained Nursery school supplementary funding; and - Any central expenditure by the Authority to support early years services
Total Illustrative DSG	£551.1m	

*Final Schools Block DSG will be reduced to reflect centralisation of business rates – current cost circa £4.84m. Initial Early Years Block allocations for 2022/23 are yet to be announced.

2.6 Other changes to the national funding arrangements for 2022-23 are as follows:

- a) The NFF unit rates have been uplifted as shown in Table 1. These are shown alongside the funding rates applied to Cambridgeshire schools in 2021-22 for comparison.
- b) The mandatory minimum per pupil levels (MPPL) have been increased to £4,265 in primary and £5,525 in secondary.
- c) Local Authorities have the freedom to set the Minimum Funding Guarantee (MFG) in local formulae between +0.5% and +2% per pupil. This is a way of ensuring that there is a minimum funding increase per pupil for each school.
- d) Local Authorities continue to be able to transfer up to 0.5% of their schools' block to other blocks of the DSG, with Schools Forum approval. A disapplication is required for transfers above 0.5%, or any amount without Schools Forum approval; this applies to any transfers even if the Minister agreed the same amount in previous years.

2.7 **Table 1 – 2022-23 NFF factors and rates compared to current Cambridgeshire factors and rates**

NFF Factor		Cambridgeshire/N FF Unit Rates 2021-22 £	National Funding Formula (NFF) Unit Rates 2022-23 £
Basic per pupil entitlement (Age Weighted Pupil Unit)	AWPU: Primary	3,123	3,217
	AWPU: Secondary KS3	4,404	4,536
	AWPU: Secondary KS4	4,963	5,112
	Minimum per pupil funding Primary	4,180	4,265
	Minimum per pupil funding Secondary (KS3 and KS4 combined)	5,415	5,525
Deprivation (based on Ever 6 free school meal numbers)	FSM current - Primary	460	470
	FSM current – Secondary	460	470
	Ever6 FSM – Primary	575	590
	Ever6 FSM – Secondary	840	865
	IDACI Band F: Primary	215	220
	IDACI Band F: Secondary	310	320
	IDACI Band E: Primary	260	270
	IDACI Band E: Secondary	415	425
	IDACI Band D: Primary	410	420
	IDACI Band D: Secondary	580	595
	IDACI Band C: Primary	445	460
	IDACI Band C: Secondary	630	650
	IDACI Band B: Primary	475	490
	IDACI Band B: Secondary	680	700
	IDACI Band A: Primary	620	640
IDACI Band A: Secondary	865	890	
Low Prior Attainment	Primary	1,095	1,130
	Secondary	1,660	1,710
English as an Additional Language	Primary	550	565
	Secondary	1,485	1,530
Pupil Mobility	Primary	900	925
	Secondary	1,290	1,330
Lump Sum	Primary	117,800	121,300
	Secondary	117,800	121,300

Notes to the Table:

1. The values for sparsity are not included in the table above as these are variable up to a new maximum of £55,000 for primary schools and £80,000 for secondary schools.
2. Equally, the DfE recognises that some factors, such as premises, cannot easily be allocated on a formulaic basis and under the NFF continue to be funded at historical or actual funding levels.

3. Local Proposals and Consultation with Schools

- 3.1 Due to the minimal changes at a national level the requirement for consultation is limited. The DfE have stated that the changes which mirror technical changes in the NFF, should not require consultation with schools on their own, and the Department plans to reflect this in the school funding regulations.
- 3.2 Therefore, the main areas for consultation focused on the principles of the main funding formula in the context of some of the local issues being faced, and some additional questions in respect of arrangements for the funding of specific functions.
- 3.3 The consultation with schools was open from 29th September to 22nd October 2021 and two virtual budget briefing sessions, attended by over 120 school representatives were held in early October. 47 responses were received to the consultation, with 38 from individual maintained schools, 3 from individual academy schools and 8 representing academy trusts.
- 3.4 Further discussions were then held with Schools Forum on the 5th November where they were asked for their views on the proposals and asked for approval on those areas for which they have decision making powers (block transfers, de-delegations for maintained schools, general duties and growth funding). The decision on the main funding formula remains the decision of the Local Authority in consultation with Schools Forum.
- 3.5 The table below shows the main decision making powers and responsibilities for items relevant to the schools budget setting process (other powers such as decisions in respect of deficits, contracts and changes to the Scheme of Financial Management do not apply at this stage).

Function	Local education authority	Schools forum	DfE role
Formula change (including redistributions)	Proposes and decides	Must be consulted	Checks for compliance with regulations
Movement of up to 0.5% from the schools block to other blocks	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal
Minimum funding guarantee (MFG)	Proposes any exclusions from MFG for application to DfE	Gives a view	Approval to application for exclusions
De-delegation for mainstream maintained schools	Proposes	Maintained primary and	Will adjudicate where schools forum does not

Function	Local education authority	Schools forum	DfE role
		secondary school member representatives	agree local authority proposal
General Duties for maintained schools - Contribution to responsibilities that local authorities hold for maintained schools	Proposes	Would be decided by the relevant maintained school members (primary, secondary, special and PRU).	Adjudicates where schools forum does not agree local authority proposal
Central spend on and the criteria for allocating funding from: <ul style="list-style-type: none"> Growth and Falling Rolls 	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal
Central spend on: <ul style="list-style-type: none"> high needs block provision central licences negotiated by the Secretary of State 	Decides	None, but good practice to inform forum	None

3.6 The following paragraphs provide a summary of key areas which were subject to consultation and the responses received, alongside any further relevant information following the Schools Forum meeting held on the 5th November.

3.6.1 **Formula Values** - The views of schools were sought in respect of the unit values to be applied in the 2022-23 Cambridgeshire funding formula. In previous years the Authority, through discussions with the Schools Forum, have adopted the principle of mirroring the NFF as closely as possible to prepare the county's schools for when the hard NFF is introduced in future.

3.6.2 On this basis the proposal was to apply the updated NFF unit values as set out in Table 1 above. Dependent on overall affordability the NFF unit values will scaled up by applying a weighting (see 3.6.10 below).

3.6.3 43 (91.5%) of the consultation responses received supported the proposal to align the local Cambridgeshire funding formula unit values with the national funding formula rates. The remaining 4 (8.5%) responses were not sure.

- 3.6.4 Members of Schools Forum voted unanimously to support the proposed LA approach to align the Cambridgeshire Schools Funding Formula Factors with the National Funding Formula rates for 2022/23. This will be subject to final approval at CYP Committee in January.
- 3.6.5 **Sparsity Factor** - The views of schools were sought in respect of the revised sparsity factor and whether the distance “taper” should be applied. The application of the distance “taper” would mean that where schools’ sparsity distances are marginally below the main distance thresholds for sparsity funding, they will still attract some allocation through the NFF. The distance threshold taper has been set at 20% below the main distance thresholds.
- 3.6.6 Based on the 2021-22 data by applying the distance “taper” a further 13 small Cambridgeshire schools would qualify for the sparsity factor taking the total number of schools in receipt of additional funding to 46. The total estimated cost of applying the taper would be £1.4m, compared to an estimated cost of £1.1m for the non-tapered approach.
- 3.6.7 37 (78.7%) of the consultation responses received supported the proposal to apply the distance taper to maximise the number of schools who qualify for sparsity funding. Of the remaining 10 (21.3%) responses, 5 did not support the proposals and 5 were not sure.
- 3.6.8 Members of Schools Forum voted unanimously to support the proposed LA approach to apply the distance taper to the sparsity factor to maximise the number of schools who qualify for additional funding in 22/23. This will be subject to final approval at CYP Committee in January.
- 3.6.9 **Block Transfer** - Schools were asked for their views on whether they support a transfer of 0.5% / circa £2.1m from the Schools’ Block to the High Needs Block for 2022-23 to support a range of targeted invest to save workstreams. Any transfer between the Schools’ Block and High Needs Block would be for 2022-23 only. The Authority is required to consult with schools for transfers between blocks on an annual basis and Forum are required to support the transfer.
- 3.6.10 24 (51%) of the consultation responses received supported the proposal to transfer 0.5% / circa £2.1m from the Schools Block to the High needs Block to support a range of invest to save / invest to transform projects. 17 (36.2%) responses did not support the proposal and a further 6 (12.8%) were not sure.
- 3.6.11 Members of Schools Forum resolved by majority to approve a block transfer between the Schools Block and High Needs Block of 0.5% (circa £2.1m) subject to the LA returning to Schools Forum, having undertaken further discussion with relevant representative bodies, with a more detailed, fully costed plan, and, furthermore, the impact of which is reviewed, monitored, and evaluated on a regular basis by Schools Forum.
- 3.6.12 **Affordability** - Despite the additional funding to be received in the Schools Block, the cost of growth (for new and growing schools), changes in factors and any transfer between blocks will reduce funding available for distribution for school budgets. Equally, the overall cost of meeting the minimum per pupil levels (MPPLs) and the Minimum Funding Guarantee (MFG) sometimes result in the total cost of the formula exceeding the available funding. In addition, due to the area cost adjustment in the national formula there is the

potential to scale up the NFF unit values by applying a weighting of between 1 and 1.01284. To ensure overall affordability it is proposed to apply a combination of the following:

- a) Adjust the weighting applied to the NFF formula factors. (minimum 1.0000 – maximum 1.01284 to reflect the Area Cost Adjustment (ACA)
- b) Apply a funding cap so that schools gaining the most funding above the Minimum per Pupil Funding Level (MPPL) are limited in the amount of the funding gain that they would be able to keep;
- c) A reduction to the Minimum Funding Guarantee (MFG) which can be set between +0.5% and +2% for 2022-23.

3.6.13 In respect of the affordability proposals 27 (57.5%) of responses to the consultation supported the proposal to apply a weighting to the formula factors should overall resources allow. The remaining 20 (42.5%) responses were unsure. 21 (44.7%) of the responses supported the use of a funding cap / MFG to balance within overall resources as required, with 9 (19.1%) not in favour and the remaining 17 (36.2%) not sure.

3.6.14 Members of Schools Forum requested additional information prior to endorsing the approach to managing overall affordability. Therefore, further modelling on the affordability options will be undertaken and shared on receipt of the final datasets and DSG allocations from the DfE in December. This will then be subject to final approval at CYP Committee in January.

4. Next Steps

4.1 The DfE are expected to publish the final DSG allocations and datasets based on the October 2021 census in mid-December. On receipt of this information individual school budgets will be remodelled to show the impact of the different scenarios being considered.

4.2 Final proposals and school level budgets will be shared with Schools Forum prior to their meeting on the 14th January 2022 for review and to make any outstanding decisions within their remit.

4.3 Children and Young People Committee will be asked to approve the final budget proposals on the 21st January 2022 prior to submission of the Authority Proforma Tool (APT) to the Education & Skills Funding Agency (ESFA) and publication of final budgets to Primary and Secondary schools.

5. Source documents guidance

5.1 [National funding formula tables for schools and high needs: 2022 to 2023](#)

[Schools operational guide: 2022 to 2023](#)