

Report title: Schools and Early Years Funding Arrangements 2021-22

To: Children and Young People Committee

Meeting Date: 19 January 2021

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

Electoral division(s): All

Forward Plan ref: KD2021/004

Key decision: Yes

Outcome: To advise the Committee of the 2021/22 Dedicated Schools Grant (DSG) allocation for Cambridgeshire published by the Department for Education (DfE) in December 2020.

To seek the Committee's approval of the 2021/22 local Cambridgeshire schools funding formula and early years single funding formula.

Recommendation: The Committee is recommended to:

- a) Approve the formula factors and unit values to be applied in the local Cambridgeshire funding formula, for primary and secondary mainstream schools as set out in Appendix A.
- b) Approve the proposed hourly rates for Early Years settings as detailed in section 5.2.

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1. Background

- 1.1 This report follows on from the school funding update presented to the Committee at its November 2020 meeting which provided an update on the school funding arrangements for 2021-22. The report focuses on the Schools Block and Early Years Block within the Dedicated Schools Grant (DSG) and the associated funding formula to be applied for Cambridgeshire. An overview of the total DSG settlement for Cambridgeshire is also provided.
- 1.2 On 17th December 2020 the Department for Education (DfE) published the DSG allocations for 2021-22. Full details can be found on the DfE website at the following link and a summary of the key highlights is provided in Section 2:

[Government publications - Dedicated Schools Grant 2021-22](#)

2. The 2021-22 Dedicated Schools Grant (DSG)

- 2.1 The DSG announcement made by the DfE in December 2020 included the Schools Block, the Central Services Schools Block, the High Needs Block and Early Years Block (indicative). The actual amount to be received by the local authority during the 2021/22 financial years is subject to change, and will be amended to reflect recoupment for academies. The initial 2021-22 allocations for Cambridgeshire are set out in table on the following page, which also provides for comparison the 2020-21 allocations.

DSG Block	2020-21 Allocation £m	2021-22 Initial Allocation £m	Increase v 2020-20 Allocation £m
Schools Block (incl. growth and baseline grants)*	387.77	405.12	+17.35
High Needs Block (incl. baseline grants)*	76.37	83.42	+7.05
Central Services Schools Block	7.03	6.48	-0.55
Early Years Block	37.66	38.13	+0.47
Total	508.83	533.14	+24.31

*Please note: The 2020/21 figures above include estimates of the Teachers Pension Grant (TPG) and Teachers Pensions Employers Contribution Grant (TPECG) to be received to allow an overall comparison between years. (Approximately £17.6m in the Schools Block and £0.9m in the High Needs Block). As a result actual published DfE figures may differ.

- 2.2 The net increase in the Schools Block for 2021-22 totals approximately £17.3m or 4.5%.
- Approximately £13m is as a result of the uplift to Cambridgeshire's Schools Block allocation from the additional investment through the national funding formula.

- Approximately £4.3m increase resulting from the increase in pupils between October 2019 and October 2020.
- A slight reduction in funding for growth based on the revised DfE formula.

- 2.3 The High Needs Block has increased by £7m, which although slightly higher than the indicative allocations provided by the DfE earlier in the year, is still significantly lower than the required increase to meet current High Needs pressures. As previously reported it is estimated that there will be a cumulative deficit at the end of 2020/21 of £27m+ due to the increasing pressures within High Needs.
- 2.4 The change in the Central Services Schools Block (CSSB) is as expected and £0.5m has been included in the Business Planning proposals to reflect the reduction in available funding. At the Schools Forum meeting in November members voted to continue to allocate the remaining CSSB to support the contribution to combined budgets in 2021/22.

3. Consultation Outcome

- 3.1 As shared at the November meeting a consultation process with all schools was undertaken during October on a range of issues including:
- The alignment of the Cambridgeshire funding formula unit values with the national funding formula rates.
 - A proposed transfer of funding from the Schools Block to High Needs Block
 - The value at which the Minimum Funding Guarantee (MFG), a per pupil protection mechanism, should be set to ensure affordability of the overall formula. For 2020-21 this can be set between +0.5% and +2.0%
 - Whether a funding cap should be applied if required to ensure affordability of the overall formula.

The consultation also included several sector specific questions in respect of continuing delegations for maintained primary schools, and the continuation of existing historic funding arrangements which require annual approval by Schools Forum. These were all approved at the November/December meetings.

3.2.1 In respect of the main questions within the consultation:

- 91% of responses supported the alignment of the Cambridgeshire funding formula unit values with the national funding formula rates, with 7.5% of responses stating they were not sure.
- 62.5% of responses did not support a transfer from the Schools Block to the High Needs Block
- 41% of responses supported a lower rate of MFG being set if required to ensure overall affordability. (18.75% of responses stated they were not sure.)
- 52.5% of responses supported the use of a funding cap being applied if required to ensure overall affordability. (20% of responses stated they were not sure.)

- 3.2.2 Following CYP committee approval at the November meeting a disapplication request was submitted to the Secretary of State for Education for a transfer of funding of 1.0%, approximately £3.8m between the Schools Block and High Needs Block of the DSG. On Thursday 14th January, the Service Director: Education received confirmation from the

Education, Skills and Funding Agency (ESFA) that the disapplication request had **not** been approved. There were no further details provided at this time.

4. Proposed 2021-22 Cambridgeshire Schools Funding Formula

- 4.1 Allowing for the £2m centrally retained growth fund approved by Schools Forum the total Schools Block available for distribution (prior to any block transfers) is £403.12m. Based on revised modelling using the base National Funding Formula (NFF) rates as shown in Appendix A there is resulting “headroom” of approximately £634k, assuming no transfers between funding blocks. Effectively the total cost of the basic formula (excluding the area cost adjustment) is approximately £634k less than the total available £403.12m schools block.
- 4.2 At their meeting on the 15th January 2021 Schools Forum were asked if they would approve the transfer of this headroom to the High Needs Block. This would allow the LA to delay the proposed consultation on the reduction of high needs top-up funding until later in the year. This request was approved by Schools Forum and as such an amount of up to £634k will be transferred to the High Needs Block, subject to any other changes required to other formula factors during the ongoing data validation exercise.
- 4.3 Appendix A shows a comparison between the current funding formula rates and the base NFF rates to be used to allocate the total schools block to primary and secondary schools for 2021-22. These unit values reflect the national funding formula rates, including the revised minimum per pupil levels (MPPL) - £4,180 for primary and £5,415 for secondary.
- 4.4 As a result of the decisions taken by the Secretary of State and subsequently by Schools Forum there is now only one of the original proposed funding scenarios remaining for implementation:
 - 0.16% / £0.634m Headroom Block transfer – Minimum Funding Guarantee (MFG) set at 2% and no funding cap required
- 4.5 Financial modelling based on this scenario, applying the NFF funding rates and revised pupil data from the October 2020 census has been undertaken and can be seen at Appendix B.
- 4.6 All schools would receive at least the MPPL, but the impact will vary for individual schools dependent on their individual circumstances. Although most schools will receive some level of per pupil increase compared to 2020/21 funding levels there are a number of schools with falling rolls which is likely to result in an overall cash reduction when compared to previous years.
- 4.7 Likewise there are still a number of schools where increases in funding are lower than schools elsewhere within the sector. As highlighted previously these tend to be small schools or those schools serving more deprived areas where historical funding levels have been higher due to the way in which the national funding formula works.
- 4.8 Analysis undertaken by the Education Policy Institute notes that:

“..the link between funding and pupil need is being weakened by a system of levelling up which directs a proportion of additional funding towards schools with historically lower levels of funding – these schools will typically (though by no means exclusively) be serving schools in more affluent areas. “

4.6 Likewise a report from the Institute for Fiscal Studies (IFS) notes:

“Schools in disadvantaged areas of England will receive smaller funding increases than those in wealthier areas under the Government’s new schools funding formula.

The researchers added that the new national funding formula should ensure that the funding system responds to the geography of deprivation in the long term, however, schools in poorer areas will receive funding increases of 3-4 percentage points less than those in affluent areas up to 2021.

The IFS warned that the short-term funding disparity will create “additional challenges” in responding to the COVID-19 crisis, with headteachers already having to find additional funds to cover the costs of reopening, and would widen educational inequalities and hamper the Government’s “levelling up” plans.”

4.7 This issue has been discussed in detail with Schools Forum and it is recognised that the LA are working within the constraints of the resources available and the requirements of the national funding formula.

4.8 Please note: These figures are still subject to change and final budgets will be circulated to schools in late January or early February.

5. Early Years Funding

5.1 As part of the DSG settlement published in December the DfE announced an additional £44m nationally for early years in 2021-22, which translates into:

- 8p per hour increase for funded two-year-olds
- 6p per hour increase for all three- and four-year-olds

5.2 As a result of this increase and in light of the current uncertainty within the sector a minimal change approach is being proposed for the Cambridgeshire Early Years Single Funding Formula (EYSFF) for 2021-22. This would see the national increase passed on in full to providers resulting in:

- An increase in the hourly rate for funded two-year-olds from £5.49 to £5.57
- An increase in the hourly rate for three- and four-year-olds from £4.14 to £4.20

5.3 Alongside the increase in the hourly rates the DfE have announced that the maintained nursery school supplement will continue for the 2021/22 academic year, although final amounts are yet to be confirmed.

5.4 Officers will continue to use short-term targeted funding to sustain good quality provision where appropriate to support the local authority statutory duty for sufficiency.

6. Alignment with corporate priorities

6.1 A good quality of life for everyone

There are no significant implications for this priority.

6.2 Thriving places for people to live

There are no significant implications for this priority.

6.3 The best start for Cambridgeshire's children

The following bullet points set out details of implications identified by officers:

- The budget allocations will directly impact on the levels of funding to be received by early years providers and each school in Cambridgeshire.

6.4 Net zero carbon emissions for Cambridgeshire by 2050

There are no significant implications for this priority.

7. Significant Implications

7.1 Resource Implications

The following bullet points set out details of implications identified by officers:

- This report sets out details of the overall resources in respect of the DSG for 2021-22.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

7.3 Statutory, Legal and Risk Implications

The following bullet points set out details of implications identified by officers:

- The need to set the schools funding formula in line with the DfE requirements
- The need to submit the final 2021-22 Authority Pro-forma Tool (the schools budget data) to the ESFA by the 21 January 2021
- The requirement to publish school budgets by the statutory deadline of 28 February 2021

7.4 Equality and Diversity Implications

There are no significant implications within this category.

7.5 Engagement and Communications Implications

The following bullet point sets out details of significant implications identified by officers:

- During October 2020 schools were consulted on the Cambridgeshire schools funding formula proposals for 2021-22.
- Discussions have been held with the Schools Forum, including the outcome of the consultation with schools.

7.6 Localism and Local Member Involvement

There are no significant implications within this category.

7.7 Public Health Implications

There are no significant implications within this category.

8. Source documents

8.1 [Government publications - Dedicated Schools Grant 2021-22](#)

9. Appendices

9.1 Appendix A – Schools Funding Formula Unit Values

9.2 School by school illustrative budgets

9.3 Accessible versions of these appendices are available on request from Martin.Wade@cambridgeshire.gov.uk