

**CAMBRIDGESHIRE 2018/19 FUNDING FORMULA**

*To:* Cambridgeshire Schools Forum  
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**1.0 INTRODUCTION**

- 1.1 In December 2016 the Department for Education (DfE) consulted on the National Funding Formulae (NFF) both High Needs and the Schools funding arrangements. The local authority and the Schools Forum submitted responses in respect of these consultations by the 22 March 2017 deadline.
- 1.2 To recap, the High Needs NFF was a proposal to generate the High Needs funding allocations to local authorities based on a more explicit and transparent formula. However, with High Needs there would still be local discretion as to how the High Needs arrangements within Cambridgeshire would operate under its local offer. In other words, this was a NFF to generate funding at a more macro (Local Authority) level than being based at an individual institutional level. Cambridgeshire in effect 'loses' funding under these proposals. However the DfE have stated no Local Authority (LA) will see a reduction in its high needs block funding meaning protection will be applied to maintain Cambridgeshire high needs block funding at existing levels. This does leave high needs budgets to absorb cost pressures in this area. Forum should be aware that the Department for Education (DfE) have stated they will increase the Dedicated Schools Grant (DSG) high needs block for annual demography changes, but have not stated either the basis or funding to be allocated.
- 1.3 In contrast the Schools NFF sought to allocate funding to individual schools based on the formula factors and weightings proposed. The impact if the proposals go ahead without amendment is a redistribution of funding at two levels: i) between different parts of the country; and ii) between schools within local authority areas. The result for Cambridgeshire schools is therefore mixed with roughly 2/3 of schools gaining and 1/3 of schools losing funding. The implementation of the NFF would be on a soft basis in 2018/19 (meaning there would still be local discretion the formula to use in that year) with the hard formula being implemented in 2019/20 where the NFF would apply directly to all schools; that is, there would probably be no local discretion with the formula.
- 1.4 The rest of this paper focuses exclusively on the Schools funding formula.

**2.0 WHAT DO WE CURRENTLY KNOW?**

- 2.1 Since the DfE NFF proposals were published in December 2016 little has moved on. There has been significant media attention on the matter nationally as well as various lobby groups making cases for and against the proposals.
- 2.2 "Spending on schools rose steadily from the late 1990s and, even in this past decade of austerity, has largely been protected. According to the Institute for Fiscal Studies (IFS), £6,200 is being spent on every secondary school pupil (excluding sixth formers) in 2017/18, roughly the same as in 2010 but double what was spent in 1997. Spending on primary schools continued to rise after 2010 and stands at £4,800 per pupil" (Merrick, CIPFA's Public Finance publication June 2017).

- 2.3 However Merrick goes on to discuss the efficiency agenda with the DfE expecting £3B of efficiencies from schools in procurement and the workforce, which “is equivalent to a reduction of in education spending of 8% since 2014/15”. So the conclusion from this as schools will know is that whilst there has been some protection of schools funding through the cash flat Dedicated Schools Grant (DSG) settlements, there are significant pressures that schools are facing in managing their budgets on a day-to-day basis. This is exacerbated in Cambridgeshire as one of the lowest funded authorities per pupil. There has been some research nationally which also indicates that 18% of schools had deficit budgets and that 72% of schools were concerned that their budgets would be unsustainable in the next 2 years. For Cambridgeshire maintained schools at the end of 2016/17 there were 8 schools (4.8%) in deficit: seven Primary and one Special school. However it should be noted that the majority of these schools are either below the 1% Individual Schools Budget (ISB) threshold to trigger the licensed deficit requirement or are planning to recover these deficits during the 2017/18 year.
- 2.4 As we continue to wait for the DfE’s response to the NFF consultation there is some insight into the current thinking of the government from the Queen’s Speech. The key points are:
- No new grammar schools;
  - Plans to stop free lunches for all infants have been dropped;
  - Technical education to be upgraded;
  - School funding plans to be put forward at a later date;
  - Changes to how individual school budgets are allocated will go ahead; and
  - No legislation was announced for education.
- 2.5 So the indication based on information that is currently available indicate a similar path to that which the DfE embarked upon with their NFF proposals. However, the lack of government confirmation of the details at this stage does warrant consideration by Schools Forum as to the approach we should begin to consider for the 2018/19 Cambridgeshire funding formula and school budgets.

### **3.0 THE CURRENT 2017/18 CAMBRIDGESHIRE FUNDING FORMULA**

- 3.1 The DfE have published information on local authorities funding formulae for 2017/18. The table at 3.2 provides an analysis of the three LGSS Partner Authorities in terms of the percentage of funding allocated through different factors compared to the national averages for 2017/18 as well as the proposed 2018/19 NFF percentages.

### 3.2

National averages (%)	NCC (%)	CCC (%)	MK (%)	18-19 NFF (%)	Formula Component
76.9	76.1	79.35	78.67	72.5	Basic Pupil Entitlement (AWPU)
7.7	11.7	3.48	5.95	9.3	Deprivation
0.9	0.4	1.28	1.5	1.2	English as Additional Language
4.3	1.2	2.77	3.65	7.5	Prior Attainment
0.07	0	0.07		0	LAC
0.1	0	0	0.06	0.1	Mobility
8.1	8.7	11.11	8.26	7.1	Lump sum
0.05	0	0	0	0.08	sparsity
	0.1	0.03	0.33	}	Split Sites
	0.9	1.39	1.58	} 1.8	Rates
	0.5	0.06	0	}	Private Finance Initiative (PFI) Funding
		0.03	0	}	Exceptional Premises Factor
		0.02	0		Additional lump sum for amalgamated schools
	0.4	0.42	@		Minimum Funding Guarantee (MFG) Requirement
	<b>100</b>	<b>100</b>	<b>100</b>	<b>99.58*</b>	Total note - * excludes MFG and 0.5% allocated to pupil growth fund, @ £4.938m but not incl in calc schs block %

3.3 The table demonstrates the differences that exist between the authorities which emphasises the local decision making that has existed to date. Any local discretion is likely to be removed from the system under the NFF unless the DfE alter their proposals following the consultation. For Cambridgeshire the following areas should be noted by Schools Forum where the current formula differs to the national averages and the NFF percentages for 2018/19:

- Basic Pupil Entitlement (AWPU) is 79.35% compared to the 2017/18 average of 76.9% and the 72.5% 2018/19 NFF;
- Lump Sum is greater at 11.11% versus 8.1% for the national average and 7.1% for the 2018/19 NFF;
- Deprivation is 3.48% compared to the 7.7% average nationally and the 9.3% in the 2018/19 NFF proposals; and
- Prior Attainment is 2.77% versus the national average of 4.3% and the 2018/19 NFF figure of 7.5%

3.4 If the NFF proposals remain largely unchanged from those consulted on the formula factors set out in 3.3 will be those which would be subject to most change.

## 4.0 ACTION AND RECOMMENDATIONS

4.1 As there is limited information currently available in respect of the government's response to the Stage 2 NFF consultation on either the final content or timing:

a) **Schools Forum view is sought on the principle that should be adopted for Cambridgeshire's 2018/19 schools funding formula. Should the principle of:**

- continuing largely as is with the existing formula be adopted, or
- a transition to the proposed NFF be consulted on and phased in?

- b) It is recommended that when the DfE do publish their response that an additional Schools Forum meeting be called in order to assess the position for Cambridgeshire schools and the local formula for 2018/19 ahead of the October 2017 meeting.**