

CAMBRIDGESHIRE SCHOOL FUNDING FORMULA 2018/19

To: Cambridgeshire Schools Forum
Date: 13 December 2017
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1.0 INTRODUCTION

- 1.1 This report presents to the Schools Forum the next stage in the process for setting the Cambridgeshire schools funding formula for 2018/19. Schools Forum are reminded that for 2018/19 the funding formula continues to be a local authority decision in consultation with the Schools Forum. Following this meeting the Authority's Children and Young People (CYP) Committee will meet to formally approve the final 2018/19 funding formula for Cambridgeshire, which must be submitted to the Education and Skills Funding Agency (ESFA) by the 19 January 2018.
- 1.2 Reports have previously been presented to Schools Forum on the Department for Education's (DfE) national funding formula (NFF) and the considerations and implications for the local Cambridgeshire formula in 2018/19. One of the requirements on the Authority is the need to consult with all schools on any changes to the local formula as well as any proposed transfer of funding out of the Schools Block for 2018/19. Since the last Schools Forum meeting this consultation has been undertaken.
- 1.3 The purpose of this report is to:
- a) Feedback on the outcome of the consultation process;
 - b) Seek the Schools Forum approval to transfer £0.7m of the Schools Block to the High Needs Block; and
 - c) Present to Schools Forum the proposed Cambridgeshire schools funding formula for 2018-19 following the consultation with schools.
- Schools Forum are required to vote on items (b) and (c).
- 1.4 As reported at the 3 November 2017 Forum meeting the Growth Fund will be maintained at the 2017/18 value of £2.5m.

2.0 CONSULTATION RESPONSE

- 2.1 Consultation with all schools was undertaken from 7 November to 28 November 2017. Officers also attended Primary Heads and Secondary Heads to discuss the school funding arrangements for 2018/19. The Authority consulted on the following two proposals, both of which contained a number of specific questions:
- 1) To move to the NFF arrangements for the Cambridgeshire funding formula in 2018-19, as closely as possible; and
 - 2) To transfer up to 0.5% (£1.7m) from the Schools Block to the High Needs Block in 2018-19, subject to the final position being confirmed at the December meeting in respect of the estimated High Needs pressure for 2018-19.
- The consultation document can be found at Appendix 1.
- 2.2 In total 60 responses were received from a possible 232 schools and academies providing a 25.8% response rate. The schools represented from the responses will be slightly higher also where multi academy trusts have responded for all of their schools. Appendix 2 provides an analysis of the responses to each question, which are summarised below.

- 2.3 83.3% of respondents agreed that the Authority should move towards the NFF factors in 2018/19 and 85.0% similarly agreed that the NFF unit values should be matched as closely as possible in the local Cambridgeshire formula. For those that did not agree the main reasons given were that a more staggered approach over two years should be considered and the impact of the change in the lump sum, for small schools or those with high needs costs, was identified as a concern for schools that did not agree with moving towards the NFF in 2018/19.
- 2.4 In terms of sparsity 71.7% agreed that the NFF sparsity rates of £25k for Primary and £65k for Secondary should be used in 2018/19. Of the 28.3% that did not agree some commented that this funding should remain within the lump sum, some felt that the factor should not be used since it does not appear to benefit small schools and also the fact that small schools in the city centre would not benefit from this factor despite seeing reductions in the lump sum. Responses were also received to this question that suggested if a transfer was made from the Schools Block to the High Needs Block that all factors should be reduced rather than just the AWPU. If the sparsity factor is used 83.3% of respondents agreed that it should be applied on a tapered basis.
- 2.5 The proposal not to continue with the Looked After Children (LAC) factor in the local Cambridgeshire formula was supported by 96.7% of respondents.
- 2.6 The minimum funding guarantee (MFG) offers protection by limiting any loss of funding to minus 1.5% per pupil year on year. The consultation proposal was to maintain the MFG at minus 1.5% for Cambridgeshire, which was supported by 75% of respondents. Of the 25% that did not support this proposal were in favour of a higher level of protection with figures of 0% and 1% MFG being quoted in order to reflect the significant pressure that schools have had to face in recent years. Respondents also commented that this should be considered in the context of the minimum per pupil levels of funding.
- 2.7 71.7% of respondents agreed that the cost of the MFG should be funded from the application of a funding cap in 2018/19. Of the 28.3% that did not agree with this proposal comments fed back were predominantly due to the fact that schools gaining under the formula would be those that have been historically under funded and therefore should not be penalised by applying a cap. A number of respondents also commented that further information to inform their responses in this area would have been helpful, which is acknowledged.
- 2.8 If a funding cap is required to meet the cost of the MFG but the funding generated from the cap is insufficient 53.3% felt that the AWPU should be reduced to meet any remaining MFG cost. This proposal therefore received a much more mixed response with those not agreement commenting that this could be a double hit if a transfer to the High Needs Block is also made, that all factors should be reduced and that schools need their per pupil funding in order to be able to plan their budgets. Again a number of respondents also commented that further information to inform their responses in this area would have been helpful, which is acknowledged.
- 2.9 The Authority's proposal to transfer up to £1.7m (0.5%) from the Schools Block to the High Needs Block was supported by 54.2% of respondents therefore with 45.8% not in support. Some of the comments received from those not agreement were of the opinion that the Authority was seeking to transfer the full £1.7m regardless of the actual transfer required. This is not the case and is explained further in Section 3. In addition other comments from those not in support were that additional information on High Needs spend would have helped to inform responses further to this question.
- 2.10 If a transfer was to be made from the Schools Block to the High Needs Block the responses in support of funding this through the AWPU were 67.8% in support with 32.2% not supporting the proposal. Those not in support commented that it seemed unfair to reduce all children's allocations and that all factors should be reduced rather than just the AWPU or that other elements of the Schools Block such as the Growth Fund should fund any transfer.

3.0 TRANSFER FROM THE SCHOOLS BLOCK

3.1 Under the NFF the Schools Block is ring-fenced although in 2018-19 the authority is allowed to transfer up to 0.5% on a one off basis from the Schools Block to other blocks. For Cambridgeshire this equates to £1.7m. Schools Forum should note that this would be a one off transfer only in 2018-19. As per the DfE Operational Guidance all schools were consulted on the proposal to transfer up to 0.5% (refer to paragraphs 2.9 and 2.10), however the decision remains with the Schools Forum to agree any final transfer from the Schools Block for 2018/19.

3.2 It was reported to the Forum at the 3 November 2017 meeting that there is an estimated High Needs pressure being carried forward into 2018/19 of £2.5m, which is the estimated full year impact of the 2017/18 in year pressure of £1.3m reported to the Forum in November. The pressure being experienced in the High Needs Block is the result of increased SEN placement costs due to the increase in pupil numbers, but also an increase in the complexity of need. Currently the funding identified to manage this pressure is set out below.

	£M
2018/19 Estimated Full Year Pressure	2.5
Funded by:	
Increase in 2018/19 High Needs Block funding #	(0.8)
Review of High Needs costs	(0.5)
Transfer from the Central Services Schools Block (agreed at the November Forum meeting)	(0.5)
Remaining Shortfall	0.7

Note this assumes that there is no increase between the indicative and final High Needs Block allocation, which is still to be announced by the ESFA.

3.3 After taking account of these actions there is a remaining shortfall of £0.7m. It is recommended to Schools Forum that a transfer from the Schools Block to the High Needs Block be approved to cover the shortfall of £0.7m in 2018/19, which also reflects the consultation responses from schools in this area.

3.4 As the transfer between the blocks is only one off there will need to be ongoing management actions in order to balance the High Needs budget beyond 2018/19. Schools Forum should also refer to the High Needs strategic plan being separately covered on the meeting agenda.

4.0 THE NFF FOR SCHOOLS AND THE CAMBRIDGESHIRE FORMULA 2018-19

4.1 As set out in Section 2, the Authority's proposals regarding the Cambridgeshire funding formula for 2018/19 were in the main supported by respondents. The Authority is therefore proposing to:

- Move to the NFF as closely as possible, applying the NFF unit values where possible taking into account affordability of the funding formula against the overall Schools Block funding;
- Introduce the sparsity factor on a tapered basis using the prescribed NFF rates of £25k for Primary and £65kk for Secondary;
- Remove the Looked After Children Factor on the basis the Pupil Premium Plus grant is being increased to reflect this change;
- Maintain the minimum funding guarantee (MFG) at minus 1.5% for 2018/19; and
- Apply a cap of 3% on increases in funding for any schools that gain from the changes.

4.2 During the consultation the Authority has been undertaking work to replicate the NFF within the Authority Pro-forma Tool (APT). This work has progressed although the Schools Forum are asked

to note that the ongoing review and due diligence of the APT will continue until it is submitted in January. As part of the modelling work the Authority has applied the NFF factors and unit rates. The outcome of this modelling is that there is headroom of £1.0m in the currently modelled 2018/19 Cambridgeshire funding formula after taking account of the Growth Fund. This headroom is calculated based on the indicative Schools Block allocation as shown below.

Cost v Funding of Full NFF Factors and Rates	£M
Pupil Led Factors (basic entitlement, deprivation, EAL, mobility, prior attainment)	302.1
Other Factors (rates, PFI, lump sum, area cost adjustment, sparsity, split sites, exceptional funding and minimum pupil levels)	35.9
Minimum Funding Guarantee	0.5
Funding Cap	(5.4)
Pupil Growth Fund	2.5
High Needs pupils adjustment	0.5
TOTAL COST	336.1
FUNDING AVAILABLE (INDICATIVE)	(337.1)
HEADROOM	(1.0)

4.3 From the initial APT modelling the Schools Forum should note that:

- a) The indicative MFG cost of the formula has decreased from £1.4m in 2017/18 to £0.5m in 2018/19 reflecting the funding uplift from the DfE from their indicative allocations; and
- b) In applying the NFF, as expected, there is a redistribution of the available funding between the formula factors as follows:
 - A £17.5m increase in the funding allocated through Prior Attainment predominantly resulting from the significant increase in the unit values compared to the current Cambridgeshire formula rates and the NFF factor increasing the number of eligible pupils attracting this funding;
 - A £6.1m increase in deprivation funding using all the proxy measures (FSM, Ever6 FSM and IDACI);
 - A reduction in funding of £9.7m through the Lump Sum as expected from the change in the unit rate from £150k to £110k; and
 - A decrease in the funding allocated through the basic entitlement of £4.2m.

4.4 Since the Authority's local consultation with Schools the DfE have also confirmed that in the 2018/19 local funding formula Authority's can apply a cap in excess of the cost of the MFG. A cap of 3% on increases in funding for any schools that gain through the formula change is applied in the Authority's current modelling which equates to a total cap of £5.4m. Schools Forum should note that if this cap is not applied then the Schools Block would be over allocated. The funding cap will be kept under review as the final DfE Schools Block allocations are announced and the funding cap increased where appropriate to allow schools to benefit from as much of their gains as possible.

4.5 Further still in applying the NFF factors and unit values the illustrative DfE uplift in funding between 2018/19 and 2019/20 for Cambridgeshire is £5.6m. In theory this additional funding will be sufficient to remove the funding cap, provided everything else remains equal. This will form part of the modelling and analysis in later years.

4.6 Appendix 3 provides a more detailed analysis of the modelling for 2018/19.

4.7 The headroom of £1.0m in the current modelling will enable the Authority's proposed transfer of £0.7m to be undertaken without adjusting the NFF unit rates. Alternatively if the transfer from the

Schools Block to the High Needs Block is not approved then the headroom would be available to increase the level at which the funding cap is set.

- 4.8 As mentioned above the modelling work associated with the 2018/19 budgets continues and will undergo further due diligence and quality assurance. It will also need to be refreshed to take account of the DfE final allocations and confirmation of actual pupil numbers, which are due to be announced later in December. Any resulting changes will be reported to Schools Forum in January.

5.0 ACTIONS AND RECOMMENDATIONS

5.1 Schools Forum are asked to:

- 1) Vote to approve the transfer of £0.7m from the Schools Block to the High Needs Block in 2018/19;**
- 2) Discuss the responses to the consultation with schools and the Authority's funding formula proposals for 2018/19; and**
- 3) Vote on the Authority's funding formula proposals for 2018/19.**