

CAMBRIDGESHIRE 2019/20 SCHOOL FUNDING FORMULA

To: Cambridgeshire Schools Forum
Date: 14 December 2018
From: Jon Lee – Head of Integrated Finance Services
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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 2019-20. Schools Forum are reminded that for 2019-20 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 2019-20 funding formula for Cambridgeshire, which must be submitted to the Education and Skills Funding Agency (ESFA) by the 21 January 2019.
- 1.2 The Schools Forum received a report at the 5 October 2018 meeting on the Department for Education's (DfE) publication of the funding arrangements for 2019-20 and the proposals for consultation with schools and academies for the local Cambridgeshire formula in 2019-20. The Authority is required 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 2019-20. 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 £1.7m of the Schools Block to the High Needs Block in 2019-20; and
 - c) Present to Schools Forum the proposed Cambridgeshire schools funding formula for 2019-20.

Schools Forum is required to vote on item (b).

- 1.4 The report also sets out the implications of the change in the allocation of Growth Funding from the DfE and the impact this will have on the funding formula in 2019-20.

2.0 CONSULTATION RESPONSE

- 2.1 Consultation with all schools was undertaken from 26 October to 30 November 2018. The Director has also attended Primary Heads and Secondary Heads to discuss the school funding arrangements for 2019-20 and two consultation briefings were held on the 12 and 20 November although these briefings were not particularly well attended.
- 2.2 As the Authority has implemented the National Funding Formula factors in 2018-19 no changes were proposed to the actual funding formula and the factors used in 2019-20. Therefore the consultation with schools and academies focussed on the proposal to transfer 0.5% (£1.7m) from the Schools Block to the High Needs Block in 2019-20 due to the significant service demands and consequent financial pressure on the High Needs Block in 2018-19, which is forecast to continue into 2019-20. The consultation document can be found at Appendix 1.
- 2.2 In total 70 responses were received from a possible 232 schools and academies providing a 30% response rate, up slightly from the consultation response in the previous year. Appendix 2 provides an analysis and the detailed responses to each question, which are summarised below.

2.3 Of the 70 respondents 55% either strongly agreed or tended to agree that the £1.7m should be transferred from the Schools Block to the High Needs. In comparison 38% either strongly disagreed or tended to disagree with the remaining 7% not expressing a view one way or the other. The main themes as to why respondents disagreed with the proposal were as follows:

- The most consistent issue raised was the existing financial and budgetary pressures that schools are already faced with including the pay and inflation pressures on budgets;
- Any funding reduction will make it difficult for schools to maintain support for High Needs pupils within their budgets and some referred to difficulties accessing funding through the Education, Health and Care Plan (EHCP) route;
- More funding should be forthcoming from central government for High Needs and education generally;
- An adverse impact on staff morale due to not being able to reward them fully due to budget constraints; and
- Some felt the Authority should be doing more to manage the demand and the budget on High Needs with support to schools for High Needs pupils not being sufficient.

2.4 Where respondents did not agree with the transfer between blocks they were asked which areas of High Needs should be reduced instead. The main themes as to why respondents disagreed with the proposal were as follows:

- More funding should be forthcoming from central government and that they should be lobbied;
- To consider reductions and alternative approaches to high cost budget lines in the High Needs Block such as out of county, independent provision and home education;
- Some felt the Authority should be doing more to manage the demand and the budget on High Needs better; and
- Recognition that there is no easy answer or that sufficient information was contained in order to response fully to this question.

With regards the final point regarding insufficient information, high level information was contained within the consultation document with more detailed information being provided at the two briefing sessions. However it is recognised that this is a difficult issue and as such the question was seeking suggestions from the school community. Work has been progressing at the same time as the consultation with the Schools Forum as to what options the Authority has to manage the High Needs budget in 2019-20.

2.5 Of the 70 respondents the majority were in support of funding the transfer by reducing the Age Weighted Pupil Unit (AWPU) values with 76% either strongly agreed or tending to agree with this approach. In comparison 14% either strongly disagreed or tended to disagree with the reduction in the AWPU values with the remaining 10% not expressing a view one way or the other. For those that did not agree with the AWPU values being reduced there was no overriding theme that was consistent as to where the funding should come from instead of the AWPU. However there were again comments that there isn't enough funding and that the government should be funding properly, which was consistent throughout all questions. Schools Forum should note that the 2018-19 transfer of £0.7m from the Schools Block to the High Needs Block was funded not through the AWPU unit values but through adjusting the overall MFG and cap to remain within the DSG funding allocation. The benefit of this is that the AWPU unit values remain the same as the national funding formula for all schools. This would be an alternative approach that the Schools Forum may want to consider.

2.7 The High Needs budget continues to forecast a significant pressure in 2018-19 of c£6m, which will be carried forward as a deficit to recover into 2019-20. In addition the High Needs base budget needs to be adjusted for 2019-20 to bring the c£8.4m forecast overspend under control. Together this represents a funding pressure of c£14m taking the deficit and the savings required as one. At 21% it is unrealistic for the Authority to adjust its cost base by this amount in one go. Therefore the Authority will be seeking to utilise the DfE's deficit recovery suggested approach for overspends against the total DSG of 1% or more over a three year period (subject to the final DfE arrangements following their consultation with local authorities on this approach). Allowing for the 2018-19 deficit to be recovered over three years in equal amounts, this would leave an unfunded budget pressure in 2019-20 of £10.4m, made up as follows:

Value (negative figures represent funding / income)	High Needs Budget Area	Description
£6.1m	2019-20 High Needs expected overspend if no management action taken	The current forecast overspend on the High Needs block reported to the Schools Forum if no action is taken to reduce the overspend. This could be increase before 31 March 2019
£2.0m	One third of the 2018-19 deficit	Recovery of one third of estimated 2018-19 deficit with the remainder having to be in 2020-21 and 2021-22 subject to the DfE confirming the final deficit recovery arrangements
£1.0m	Special School places	Estimated growth in special school places based on 30 additional places and top up funding
£1.5m	Increased EHCP and post 16 costs	Based on recent years it is assumed there will be increasing High Needs costs that will need to be met regarding post 16 and EHCPs. This figure assumes an in year pressure similar to that experienced in 2018-19.
£1.2m	Transfers from other DSG Blocks	This represents the high needs costs currently being met from funding that was transferred from the Schools Block (£0.7m) and the Central Services Schools Block (£0.5m) as these are technical one off transfers each year.
(£0.5m)	Central Services Schools Block transfer	Schools Forum at it's meeting on 5 October 2018 agreed again a £0.5m transfer from the Central Services Schools Block to the High Needs Block.
(£0.9m)	2019-20 Increase in High Needs Block funding	Based on the DfE indicative allocations announced in July 2018 the High Needs Block will increase by £0.9m although this is still to be confirmed in the DfE's final allocations in December.
£10.4m	Total Estimated High Needs Budget Pressure for 2019-20	

2.8 Based on the forecast pressure of £10.4m if the Schools Forum approve the transfer of £1.7m from the Schools Block to the High Needs Block for 2019-20 this would bring the forecast pressure on High Needs in 2019-20 down to £8.7m.

2.9 **Recommendation**

Due to the extent of the High Needs pressures set out in paragraph 2.7 above and the fact that 55% of respondents supported a transfer of £1.7m from the Schools Block to the High Needs Block it is recommended to Schools Forum that this transfer be approved for 2019-20. Schools Forum should note that this would only be a one off transfer that is agreed for 2019-20.

Schools Forum are also asked to consider whether based on the 76% of respondents supporting the proposal that the transfer from the Schools Block be funded by way of a reduction to the AWPU unit values or that the transfer be managed through the funding cap. The estimated AWPU reductions for a transfer of £1.7m would be:

- £18.06 for Primary schools;
- £25.39 for Secondary Key Stage 3; and
- £28.83 for Secondary Key Stage 4.

Schools Forum are required to vote on the proposal to transfer £0.7m from the Schools Block and are asked to comment on the proposal to fund this by reducing the AWPU.

3.0 **2019-20 Growth Funding**

- 3.1 Funded for growth is included in the Schools Block and covers payments made to schools as part of the Growth Fund for schemes meeting the criteria approved by Schools Forum and weighted / guaranteed pupil numbers for new and growing schools. In 2018-19 the amount Cambridgeshire received was £5.0m based on the historical level of expenditure in the 2017-18 national funding formula baseline.
- 3.2 Agenda item 7 provides a specific report covering the funding for growth, the expected commitments against that funding and the details on how the funding is calculated. In summary funding for growth in 2019-20 is calculated on actual growth between two census years and will no longer be calculated on the historic basis. The basis of allocation for the Growth Fund to local authorities will therefore be on a formulaic basis. Growth funding allocations will be based on lagged growth at middle layer super output areas (MSOA) with primary and secondary unit rates (£1,370 and £2,050 per pupil respectively) attached to each 'growth' pupil. In addition new schools that have opened in the previous year will also attract £65,000. It should be noted that this is the basis on which the DfE will allocate funding to local authorities. It is not expected that local authorities will fund growth in the same way to individual schools, therefore growth funding will continue to be allocated to schools based on the local Growth Fund criteria for Cambridgeshire.
- 3.3 The following table illustrates the basis of the 2018-19 funding and the new formulaic approach. It should be noted that there is an element of protection in Cambridgeshire's allocations which will be removed in subsequent years, reducing further the allocation for growth subject to movement in pupil numbers. The overall impact of the indicative figures being a reduction in growth funding of £1.7m for Cambridgeshire.

2018-19	
Implicit growth - from weighted numbers in 17-18 APT	2,531,357
Explicit growth - pupil growth budget from 17-18 APT	2,500,000
TOTAL DSG funding for Growth 2018-19	5,031,357
2019-20 Indicative (using Oct 16 and Oct 17 pupil changes)	
Primary	1,539,147
Secondary	1,410,509
New schools	197,454
Sub total	3,147,110
Potential movement (without protection)	-1,884,247
DSG Growth protection to be applied in 2019-20*	176,909
Indicative 2019-20 funding (with protection)	3,324,019
Potential reduction between 18-19 and 19-20	-1,707,338
note * protection to be removed in subsequent years	

3.4 The Growth Fund for Cambridgeshire was funded at £2.5m in 2018-19, therefore if the value of the Growth Fund is unchanged in 2019-20 the impact of the £1.7m reduction in funding will reside in the Cambridgeshire funding formula due to the need to fund weighted / guaranteed numbers in the formula but with less funding available. In turn this will potentially impact on all schools through the formula in order to address this funding shortfall. The options available to manage this issue are:

- a) Reduce the value of the Growth Fund, which would mitigate to an extent the impact on the amount of funding available through the funding formula but would reduce funding available for the Authority to support new and growing schools. As set out in agenda item 7 the commitments against the Growth Fund are £2.5m and a planned increase of £0.5m to a total Growth Fund of £3.0m has subsequently been removed. This is therefore not considered a viable option;
- b) Reduce the AWPUR rates, which if the full £1.7m shortfall was met in this way would reduce the AWPUR rates as set out below which would be in addition to the reduction if the transfer from the Schools Block to the High Needs Block is approved.
 - £18.06 for Primary schools;
 - £25.39 for Secondary Key Stage 3; and
 - £28.83 for Secondary Key Stage 4.
- c) Restricting the funding increases for individual schools gaining under the national funding formula in 2019-20 by reducing the gains cap. In other words where the DfE national funding formula includes a further gains cap of 3% in 2019-20 meaning schools can keep up to 3% of any further gains through the formula, this would have to be reduced below 3% in order to fund the shortfall created from the growth funding allocation; or
- d) As there are no easy options and as the Growth Fund is already committed at £2.5m a combination of options b) and c) may be considered the most appropriate.

3.5 It is an Authority decision to decide how to reflect this in the funding formula however the Schools Forum are asked to discuss and comment on the options proposed at paragraph 3.4.

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

- 4.1 In 2018-19 the Authority introduced the national funding formula. No changes to the funding formula factors are proposed for 2019-20. However the unit rates that will be applied will be dependent on a number of factors including the final DSG settlement, the decisions associated with this paper, the basis on how the shortfall in the growth funding allocation is managed and other factors such as the cost of the minimum funding guarantee (MFG) and the final business rates bill.
- 4.2 The Authority will include the MFG at minus 1.5% which is the maximum amount that funding can reduce by on a per pupil basis from one year to the next. This compares to the MFG rate for 2018-19 which was set at minus 0.9%.
- 4.3 As previously reported to Schools Forum the Primary Low Prior Attainment unit rate has been reduced by the DfE. This will be reflected in the 2019-20 Cambridgeshire formula.
- 4.4 A funding cap will be applied, the aspiration will be to mirror the 3% funding cap that the DfE have published in their indicative calculations. However it is unlikely that this will be possible financially as set out in this report. Schools will therefore not see the full benefit in their funding allocations predominantly due to the transfer to the High Needs Block (if approved) and the impact of the change in the DSG growth funding formula.
- 4.5 The Authority Pro Forma (APT) tool with the latest data sets from the October 2018 census has not yet been released. Therefore modelling work associated with the 2019-20 budgets will be progressed on receipt of the APT and will undergo due diligence and quality assurance as it is completed. The APT will also need to take account of the DfE final allocations, which are due to be announced in December also. The outcome of the APT modelling and any resulting changes will be reported to Schools Forum at the January meeting.
- 4.6 The formula factors that will be used in 2019-20 are set out below, however Forum should note that the 2019-20 unit values will be adjusted for the reasons contained in this report and to ensure the overall Schools Block is not over allocated in 2019-20. This will be reported back to the January meeting.

NFF Factor		CCC Unit Rate 2018-19 (£)	NFF Unit Rates (£)	Difference CCC Rates to NFF Rates (£)
Basic per pupil entitlement (AWPU)	AWPU: Primary	2,747	2,747	0
	AWPU: Secondary KS3	3,863	3,863	0
	AWPU: Secondary KS4	4,386	4,386	0
	Minimum per pupil funding	As per NFF	As per NFF	-
Deprivation (based on ever 6 free school meal numbers)	FSM current - Primary	440	440	0
	FSM current – Secondary	440	440	0
	Ever6 FSM – Primary	540	540	0
	Ever6 FSM – Secondary	785	785	0
	IDACI Band F: Primary	200	200	0
	IDACI Band F: Secondary	290	290	0
	IDACI Band E: Primary	240	240	0
	IDACI Band E: Secondary	390	390	0
	IDACI Band D: Primary	360	360	0
	IDACI Band D: Secondary	515	515	0
	IDACI Band C: Primary	390	390	0
	IDACI Band C: Secondary	560	560	0
	IDACI Band B: Primary	420	420	0
	IDACI Band B: Secondary	600	600	0
	IDACI Band A: Primary	575	575	0
	IDACI Band A: Secondary	810	810	0
Low Prior Attainment	Primary	1,050	1,022	(28)
	Secondary	1,550	1,550	0
English as an Additional Language	Primary	515	515	0
	Secondary	1,385	1,385	0
Pupil Mobility	n/a	-	n/a	-
Lump Sum	Primary	110,000	110,000	0
	Secondary	110,000	110,000	0
Sparsity	Primary	25,000	25,000	0
	Secondary	65,000	65,000	0

5.0 ACTIONS AND RECOMMENDATIONS

5.1 Schools Forum are asked to:

- 1) Vote to approve the transfer of £1.7m from the Schools Block to the High Needs Block in 2019/20;**
- 2) Discuss the proposal to fund the transfer by reducing the AWPU unit values; and**
- 3) Discuss the implications and options in order to manage the £1.7m funding shortfall created from the revised Growth Funding formula.**

Background Documents None