

2019/20 BUDGET

To: **Cambridgeshire Schools Forum**

Date: **29th March 2019**

From: **Jonathan Lewis – Service Director - Education**

Purpose: **To provide Schools Forum with an overview of:**

- **concerns about the 19/20 budget setting process and the consultation process,**
- **areas for development moving forward**
- **a strategy to collectively challenge the lack of funding in Cambridgeshire.**

Recommendation:

- a) **Schools Forum is asked to consider the action points in section 2 and section 3 and support officers in taking forward proposals.**

1.0 INTRODUCTION AND CONTEXT

- 1.1 Following the finalisation and publication of the Cambridgeshire school budgets for 2019/20, a number of schools have queried why the budget they are receiving is significantly different to their indicative National Funding Formula (NFF) allocation. This paper seeks to:
- review the reasons for this difference,
 - reflect on the communication / understanding of these issues
 - outline proposals for taking forward to ministers the argument that Cambridgeshire continues to be under funded.
- The final school allocations show a clear divergence between the actual level of funding and the NFF and the new arrangements have not been successful in allocating funding to those schools and Local Authorities who have been historically underfunded. Ministerial statements about schools being able to “absorb pressures” fail to take this situation into account and are placing an unbearable strain on schools, staff and the young people of Cambridgeshire.
- 1.2 In 2018/19, schools in England began to be funded under a new national funding formula. This created a new national approach to funding using a standard data set and for the first time a single approach to funding schools. In 2017/18, the funding provided enabled schools in Cambridgeshire to broadly receive the funding levels indicated. The NFF continues to be a soft funding formula where schools’ forum and the local authority retain some decision making locally as to how the funding is allocated. As part of the budget process, the government publishes illustrative NFF funding as if the NFF had been implemented in full, without any transitional costs (minimum funding guarantee, ceilings or minimum funding levels) or changes made by Local Authorities in conjunction with the Schools’ Forum such as transfers from the Schools Block. Further still, specifically for Cambridgeshire the illustrative NFF funding by the DfE does not take account of the impact of the reduction in growth funding in the authority’s Schools Block that had to be absorbed.
- 1.3 This is a helpful early tool to aid understanding of the potential level of funding a school could receive but it comes with a warning that these will differ to final funding unless there is sufficient funding locally. The reality is that this level of funding will not be achieved, or even nearly achieved, in any local authority area with historic underfunding for a number of years whilst protection and local pressures exist.
- 1.4 During the budget process, Cambridgeshire was also notified that following a review of growth funding nationally that there would be a £1.7m funding reduction from the 2018-19 allocation because of a change in the Growth Funding formula. For 2019 to 2020, growth funding has been allocated to local authorities using a new formulaic method based on lagged growth data. Cambridgeshire has a number of new schools which require funding along with existing commitments around expansions / increase in pupil admission numbers and therefore the school budget had to be topsliced to meet these commitments. This is an estimated number based upon demographic demands and the level of funding requirement may be higher depending on whether children arrive and at what number. As the topslice remains within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks and not be subject to consultation. The schools forum would still need to agree the total growth fund and this will impact on the level of which schools are funded at the NFF.
- 1.5 In the case of Cambridgeshire, the following local decisions have led to schools being

funded at a different level compared to the NFF calculation -

- High Needs Block Funding – a 0.5% transfer of the school block (£1.7m) was agreed by the consultation. AWPU rates for KS2, KS3 and KS4 were all reduced in line with the consultation to transfer.
- Increase in Minimum Funding Levels - The funding consultation committed to maintaining all formula factors from the previous year aside the DfE reduction in the primary prior attainment value. The consultation did suggest that we would also uplift the the national primary and secondary minimum per pupil funding amounts which have increased as previously announced between 2018-19 and 2019-20 i.e. (£3,500 for Primary and £4,800 for Secondary). It was however outlined in the consultation that it was possible that the unit rates applied in the formula for 2019-20 will need to be reduced and / or a reduction to the funding cap on gainers will be required to balance the DSG Schools Block. Due to the need to balance the overall schools budget, these were held at the 2018/19 rates and not increased.

1.6 In addition, where the final allocations are made allowances are required to be made for two 'floors and ceiling' factors.

- The Minimum Funding Guarantee was set at minus 1.5% as has typically been the case in previous years (2018/19 being the exception where a greater level of protection could be afforded).
- The funding cap being held at 1.9% instead of the 3% used by the DfE in the NFF.

This created an affordability gap of £3.6m after the transfer to High Needs. In theory, if Cambridgeshire was funded for this gap, all schools could be funded at or much more closely to their NFF levels.

1.7 It was not until the final DSG, growth funding and funding envelope was confirmed and the formula model ran that the gap outlined in 1.6 emerged and therefore had to be balanced after the consultation. Proposals were presented to the CYP Committee, which would normally have been discussed with the Forum beforehand but the timing of the CYP Committee and Schools Forum didn't allow that in January. The meetings process for budget setting for 2020/21 are being reviewed to try and allow adequate time for discussion.

1.7 A number of schools and trusts have identified material differences between their NFF calculations and the final allocation; 40 schools have seen some significant variances – in one case c.£300k. Schools were aware there would be a difference because of the reduction in AWPU to account for the £1.7m transfer to High Needs, as this was proposed in the schools' consultation document. However, no mitigation proposal was put forward in respect of the pressure on Growth Funding and so the significance of the areas outlined in 1.5 and 1.6 and the impact they would have at a school level could not have been envisaged by Head Teachers. This need to fund growth was however shared at Schools Forum on several occasions and at the budget consultation events and that the overall level of funding would be affected. The challenge has been raised that the consultation process did not adequately outline the impact of these changes or that at a school level it was difficult to follow. Schools Forum is also highly technical and getting messages clearly across to all stakeholders can be complicated. A paper to outline the impact of funding between years was considered but this did not reference back to the difference between the final allocation and NFF calculations.

2.0 THE BUDGET CONSULTATION PROCESS

2.1 The table below outlines the steps the Local Authority went through in setting the schools

budget.

05 Oct 2018	<p>Schools Forum Report on the school funding arrangements for 2019/20 and consultation requirements. Draft consultation document for 2019/20 budgets included for Schools Forum consideration.</p> <p>Report at the following links: October 2018 Forum Report on 19-20 Budgets</p>
17 th October	Director of Education attended Cambridgeshire Secondary Heads meeting to outline the pressures on funding including SEND and growth funding.
26 Oct 2018	Consultation with schools launched.
12 Nov 2018 20 Nov 2018	Consultation events held in Cambridge and March; presented by Director of Education and Head of Integrated Finance.
22 Nov 2018	The Director of Education attended Primary Heads Group to discuss the consultation
30 Nov 2018	Consultation with schools closed.
04 Dec 2018	<p>CYP Committee Update report to Committee on school funding arrangements for 2019/20 and consultation that was undertaken.</p> <p>Report at the following links: 4 Dec 2018 CYP Committee Update Report</p>
14 Dec 2018	<p>Schools Forum Reports on the Growth Fund including the funding reduction to Cambridgeshire's allocation for growth and the 2019/20 school funding arrangements report presenting the outcome from the consultation with schools and planned approach.</p> <p>Reports at the following links: December 2018 Forum Report on 2019-20 Budgets December 2018 Forum Report on Growth Funding for 2019-20</p>
17 Dec 2018	School Funding Announcements by Education Secretary Damien Hinds
17 Dec 2018 to 11 Jan 2019	Schools Finance team assess settlement and undertake modelling for the final 2019/20 school funding arrangements – CYP Committee report being released 11 Jan 2019
15 Jan 2019	<p>CYP Committee Report on the school funding announcements from the ESFA and proposed funding formula for Cambridgeshire schools reflecting the funding available.</p> <p>Report is at the following link: 15 January 2019 CYP Committee Report (refer to Agenda Item 8</p>

	and papers at the bottom of this link)
18 Jan 2019	<p>Schools Forum</p> <p>Report on final 2019/20 funding formula arrangements following CYP Committee (note usually this meeting would be held before the CYP Committee but the respective dates that were set did allow this for 2019/20 budgets). This includes the analysis of the impact on schools gaining or losing as a result of the final arrangements.</p> <p>Report is at the following link: January 2019 Forum Report on 2019-20 Budgets</p>
21 Jan 2019	CCC submits APT to ESFA

2.2 The budget setting process is challenging in terms of timescales often as a result of the late notification of information by the DfE. This has led to papers being tabled or special notice being used to share reports.

2.3 Following discussion of these concerns with some of the impacted schools, it is acknowledged that improvement should be made to the process for setting the budget. The suggested areas for consideration in future budget rounds are as follows -

- Despite undertaking more consultation than in previous years, there is a need to develop a communication plan for Schools Forum which outlines how we will communicate to all stakeholders, the level of detail shared and regularity of this communication. The Schools Forum best practice guidance outlines the potential of producing a summary of each forum meeting to allow stakeholders to access reports which are technical and need explanation.
- Forum Members need to consider how best to feed back to the groups they represent. The Schools Forum operational guidance outlines *'It is fundamental that each member of schools forum represents the views of the group or sub-group that they represent and that all those with an interest in funding work together to ensure that their views are taken into account. Therefore communications directly between members and those they represent is essential; professional associations and phase groups could be suitable channels. This will ensure that schools forum members have an ongoing dialogue with the constituents of their group or sub-group and are therefore well able to represent their views at schools forum meetings'*. This may require some mapping or agreement of the routes to undertake this.
- Cambridgeshire has chosen not to produce school level figures at each stage of the budget setting process to outline the impact of decision making. Any figures would have to be estimates, would be based on current year data sets (i.e. not the latest data sets from the October census) and will therefore be subject to change, which must be understood. However this analysis can be used to demonstrate the impact of changes to the formula based on current data sets and improve the tracking of decision making. It is proposed that this approach is undertaken in 2020/21. It is also recommended that a reconciliation is presented as part of the final budget figures at Forum to compare the NFF allocation to the final local allocation. It may be possible to produce this at individual school level e.g. a school loses £x as a result of adjusting AWPU for a transfer to another block.
- Greater clarity will be provided on the base line of the formula and the impact this might have. In 2019/20, not changing the formula factors from the previous year in relation to the rise in the minimum funding level impacted schools in a differential

way. Any consultation should include the opportunity to feedback on all elements of change, not just those where the LA is required to consult.

- When top slicing any funding, a range of decision is shared on how this might be taken i.e. is it a reduction to AWPU / other factor, an adjustment to floors / ceilings in the formula or another adjustment. Any changes to the main school budget should be included in the consultation even if directly decided by Schools Forum or the Local Authority.

- 2.4 Our capacity is limited to produce significant further analysis and a fuller consideration of these areas is needed across the year including potential timings. The formula is also incredibly complex and changing one factor may lead to other unintended consequences particularly in relation to minimum funding guarantees.
- 2.5 On April 5th, a panel has been convened to determine the outcome of applications for support from the growth fund. Once these have been agreed, we will work with a group of Forum members to review the growth requests and allocations to ensure funding is fairly applied. Should there be any underspend on the growth funding, options on how to distribute these funds will be brought to Forum in line with DfE guidance.
- 2.6 **Action – Schools Forum is asked to consider the actions outline in 2.3 and request for Officers to implement these in future budget rounds if appropriate.**

3.0 **DEVELOPING A FUNDING CAMPAIGN**

- 3.1 The issues outlined in previous sections show the many challenges we face in an Education system that is significantly underfunded. As a result, Cambridgeshire does not operate a true national funding formula due to the costs of protection and meeting other budget pressures including supporting high needs children. In addition, cost pressures have mitigated any of the funding increases we have received.
- 3.2 The Leader of the Council wrote to Cambridgeshire MP's on the 19th March to outline his concerns around the challenge with high needs funding. This is included in appendix 1. There have been positive responses to this request and support from MP's to work with the council and stakeholders to make this case. We also know that there are currently discussions under way to develop proposals for the next comprehensive spending reviews. Any approach to government for further funding must be based upon factual information but also contain the stark reality of what the current financial position holds for Cambridgeshire children.
- 3.3 The Director of Education wrote to schools in January to collate information and around 90 schools replied. This will provide a helpful baseline for building our case. The request covered the following areas –
- Can you please give your "best" example of how you have delivered an efficiency in your school that has led to a financial saving?
 - Can you give an example where as a result of the financial position of your school, you have had to make a cut or a saving which has significantly impacted upon children or staff?
 - The pressure on SEND funding remains challenging. There is an expectation on schools to fund the first £6,000 of an Education Health and Care Plan from within your notional SEND budget. What impact does funding the first £6k of each EHCP have on your overall budget and the decisions you make about support for all children (including SEND) in your school?
- 3.4 We now need to develop an effective strategy to ensure Cambridgeshire's voice is heard. We have supported many national initiatives but it is felt we now need to be refined in our

activities to represent Cambridgeshire's unique situation including how growth has an impact on the levels of funding we receive. Given the funding shortfall identified in section 2 to bring Cambridgeshire to the NFF funding level is **£3.6m**, this may be the starting point for a targeted campaign for further funding.

3.5 It is proposed we consider the following activities -

- Complete the collation of information on budget pressures outlined in 3.3.
- Support Cambridgeshire's MP in writing to the Secretary of State for Education to outline the acute financial challenges we face.
- Hold a Governor / Trust Forum with our MP's where details of our financial challenges can be shared and approaches agreed (this was successfully used by Gloucestershire in their recent submission to the ministerial debate at Westminster Hall).
- We have an agreed approach with parents to ensure co-ordination and consistency in message.
- We consider other activity which might support our case that Cambridgeshire is underfunded.

3.6 **Action – Schools Forum is asked to consider these proposals and set up a task and finish group to develop the 'Cambridgeshire' campaign for more education funding.**

Source Documents	Location
Schools Forum Papers – October	Cambridgeshire County Council Website