

SCHOOLS FUNDING FORMULA 2019-20 UPDATE

To: **Children and Young People Committee**

Meeting Date: **4 December 2018**

From: **Jon Lee, Head of Integrated Finance Services**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **The report provides an update on the schools funding arrangements for 2019-20 following the publication of the Department for Education's indicative national funding formula allocations for schools and high needs.**

Recommendation: **The Committee is asked to:**

a) note the content of this report and the requirement to approve the Cambridgeshire schools funding formula at its meeting in January 2019.

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1. BACKGROUND

- 1.1** In July 2018 the Department for Education (DfE) announced the funding arrangements for 2019-20 alongside indicative allocations. This announcement continues the DfE's implementation of the National Funding Formula (NFF) for schools and high needs introduced in 2018-19. The source documents relating to these announcements are included at the end of the end of this report.
- 1.2** The report provides an overview of the dedicated schools grant (DSG) and DfE announcements for 2019-20, outlines the implications for the Cambridgeshire funding arrangements for schools and academies through the school funding formula and outlines the high needs funding position.
- 1.3** Work has already started with the Schools Forum to assess the funding position for Cambridgeshire schools and academies, this work will continue over the autumn. In addition a consultation was issued on 26 October 2018 which seeks to obtain school and academy views on whether a transfer from the schools block to the high needs block of £1.7m should be recommended to the Schools Forum. Further information is provided in this report.

2. THE 2019-20 SCHOOLS FUNDING ARRANGEMENTS

SCHOOLS BLOCK FUNDING

- 2.1** In September 2017 the DfE concluded on its NFF for Schools and High Needs. The DfE released details and indicative amounts for local authorities and individual schools showing the impact of moving to the NFF from April 2018. Following consultation with schools and academies Cambridgeshire implemented the NFF in the 2018-19 financial year in readiness for the hard NFF whereby all schools and academies will be funded directly by the Education and Skills Funding Agency (ESFA) of the DfE.
- 2.2** In July 2018 the DfE published updated but indicative figures for the 2019-20 allocations to local authorities and schools. It is important to note that the figures published by the DfE are indicative because they will be updated for pupil numbers from the October 2018 pupil census.
- 2.3** The National Funding Formula (NFF) for Schools is again positive for Cambridgeshire in the sense that a further increase in the DSG allocations is expected against the 2017-18 baseline position and compared to 2018-19 funding levels. For 2019-20 indicative funding allocations are set out in the table below, which shows that Cambridgeshire's indicative funding has increased compared to 2018-19 as follows:
 - Schools Block £5.06m increase;
 - High Needs Block £0.94m increase; and
 - Central Services Schools Block £0.05m increase.

DSG Block	2017-18 Baseline	2018-19 Actual Allocation	2019-20 Indicative Allocation	2019-20 Increase v 2017-18 Baseline	2019-20 Increase v 2018-19 Allocation
	£m	£m	£m	£m	£m
Schools Block	329.21	341.47	346.53	17.32	5.06
High Needs Block	64.78	65.73	66.67	1.91	0.94
Central Services Schools Block	7.95	8.03	8.08	0.13	0.05

2.4 There will continue to be varying gains on funding per pupil for individual schools resulting from the NFF which are driven by each individual school's circumstances. Consequently some schools may not see significant increases in funding on a per pupil basis in 2019-20 compared to their 2018-19 funding levels. However some schools may see reductions in funding as a result of decreasing pupil numbers. Again individual school allocations will be updated once the DfE release the datasets updated with the October 2018 census information and the final allocations for each authority in December.

2.5 The changes to the funding system for 2019-20 are relatively limited providing a large amount of consistency in relation to the NFF arrangements introduced for 2018-19. The key points to note for 2019/20 are summarised below:

- a) A **soft schools formula** continues in 2019/20 and also 2020/21 enabling some flexibility for local authority formulae.
- b) Funding allocated through **pupil led factors in the NFF remains at 90.7%**, local authorities are required to allocate at least 80% of Schools Block funding through pupil led factors.
- c) Schools Block to provide for **minimum 1.0% per pupil increase compared to the 2017/18 baseline** - a new formula factor has been included which can be used at local authority discretion.
- d) Per pupil funding of **£4,800 for secondary school pupils** as a minimum will be included in the national formula with an equivalent figure of **£3,500 for primary school pupils**. Changes to the minimum per pupil funding level are also being introduced as follows:
 - Middle schools (increase the minimum for Key Stage 3 year groups to £4,600 per pupil);
 - Key Stage 3 only schools (£4,600 per pupil); and
 - Key Stage 4 only schools (£5,100 per pupil).
- e) A further **gains cap of 3% per pupil** will be applied in 2019/20 – this is on top of the 3% gains cap applied by the DfE in 2018/19 meaning a 6% gains cap

per pupil against the 2017/18 baseline.

- f) **Flexibility to the Minimum Funding Guarantee (MFG)** continues for 2019/20 so that the MFG (the per pupil funding protection) can be set between 0.5% and minus 1.5% per pupil. If the MFG was set at 0.5% this would mean per pupil funding would be guaranteed at this level which would need to be funded within the overall Schools Block.
- g) The **Schools Block continues to be ring-fenced**, with the ability to transfer 0.5% of the Schools Block to other Blocks if required and subject to consultation with schools and then with the Schools Forum approval. Again for 2019/20 given the High Needs pressures being experienced this is something that will need to be considered.
- h) The **Primary low prior attainment factor value** has been reduced from £1,050 per eligible pupil to £1,022 in 2019/20 to reflect increases in the cohort of pupils eligible due to the changes made to the Early Years Foundation Stage Profile (changes to assessment rather than underlying need). The overall proportion of spend has been maintained in the NFF arrangement for 2019/20.

GROWTH FUNDING CHANGE

- 2.6 Growth Funding is an area where there is more change being implemented in 2019-20. Growth funding is being moved to a formulaic approach within the Schools Block allocations for each authority. This will be based on pupil data from one October to the following October at what is called middle layer super output area (MSOA), which are small geographic areas with the intention of identifying pockets of growth within a local authority area.
- 2.7 Rates of funding for the Growth Fund will then be applied to each primary 'growth' pupil at £1,370 and secondary 'growth' pupil at £2,050. In addition each brand new school opened in the previous year will receive £65,000. The DfE do not expect these rates to be used to fund growth locally, which will still be done based on the criteria agreed locally. Any growth funding gains at local authority level will be provided to authorities in full up to 50% of the 2018/19 growth allocation. Any growth funding above 50% of the 2018/19 funding level will be scaled back by 50%. More details are to be provided by the DfE on growth allocations.
- 2.8 The indicative Growth Fund allocation that Cambridgeshire has received for 2019-20 represents a reduction in funding of £1.7m and the indicative allocation is £3.3m compared to £5.0m that Cambridgeshire received in 2018-19. As with the main DSG funding allocations the Growth Fund will be finalised in December 2019. However the authority needs to begin planning for a reduction in funding. The Growth Fund up until 2018-19 has been used to fund:
- £2.5m for new and growing schools through the Growth Fund; and
 - £2.5m for guaranteed numbers in the schools funding formula for schools filling to capacity.

Initial analysis indicates that the Growth Fund for new and growing schools will need to remain at £2.5m meaning that there is only £0.8m available (based on current figures) to fund guaranteed numbers in the formula leaving a shortfall of £1.7m based on 2018-19 figures.

2.9 Further analysis on the value of the guaranteed numbers will be undertaken however if a shortfall remains after the final allocations are received then the shortfall will have to be met within the Schools Block by, for example, a reduction to AWPU rates or limiting further the gains that schools receive through the funding cap.

HIGH NEEDS FUNDING

2.10 Cambridgeshire also continues to experience pressures on its High Needs budgets, a trend that is being experienced nationally. The High Needs Block for Cambridgeshire funds the following services with the planned 2018-19 budget figures:

- £22.1m Special school budgets including Special Schools outreach;
- £15.5m Top up funding for pupils with High Needs;
- £9.9m Out of County SEN placements;
- £7.2m SEND specialist services;
- £0.4m Early Help District Delivery Services;
- £3.7m Alternative provision such as High Needs Units and Hospital PRU;
- £5.7m EOTAS devolution; and
- £2.6m Commissioning Services, Out of School Tuition, Personal Transport and support to parents.

2.11 Cambridgeshire's indicative allocation for High Needs is an increase of £0.9m to a total High Needs allocation of £66.7m before recoupment. This is a welcome increase however it needs to be assessed in the context of the spending pressures being experienced in relation to High Needs budgets and the demographic growth / increase in high needs pupils that occurs each year.

2.12 The current forecast overspend on the DSG High Needs Block for 2018-19 is £6.7m of which £0.6m relates to the deficit brought forward from 2017-18 with the remaining £6.1m being the result of:

- A forecast pressure against the High Needs top-up budget of £2.5m as a result of increasing numbers of young people with Education Health and Care Plans (EHCP) in Secondary and Post-16 Further Education;
- An estimated SEN Placements budget pressure of £0.5m;
- An estimated Out of School Tuition Budget pressure of £0.3m;
- A forecast pressure of £2.4m against the budget allocations to Special Schools, primarily as a result of an overall increase in commissioned places and actual pupils; and
- Based on current commitments there is a remaining overspend of £0.45m forecast relating to High Needs Units, Outreach and SEMH support.

2.13 The key reasons why Cambridgeshire is experiencing high needs budget pressures are due to an increasing number of Education Health and Care Plans since 2015, increased high needs costs in the post 16 sector following the extension of the age

range to 25 years where high needs support must be provided, special school numbers increasing annually as more children need specialist support and out of county placements.

- 2.14 In addition to the in year pressure on high needs, for 2019-20 there will be additional high need pupil growth that will need to be funded. The increased funding allocations from the DfE in recent years have been used to help manage the growth in pupil numbers and increasing demand for top up funding. However the increases in funding have not been sufficient to meet all demands and costs being incurred by the High Needs Block. The estimated 2019-20 budget pressure on the High Needs Block is £8.4m set out in **Appendix 1**. It should be noted that this is subject to change and based on information currently available.
- 2.15 Given the forecast High Needs budget pressure of £8.4m for 2019-20 a consultation is currently underway with schools and academies as to whether 0.5% (£1.7m) of the DSG Schools Block should be transferred to the High Needs Block to help manage this pressure. The consultation was released on the 25 October 2018 and will be open until the 30 November 2018, following which the outcome will be reported to the Schools Forum. The consultation document is provided at **Appendix 2**. Under the school funding regulations the Schools Forum makes the final decision whether to agree a transfer between the Blocks and only after schools and academies have been consulted. The decision on this transfer will be presented to the 14 December Schools Forum meeting.
- 2.16 If the Schools Forum do agree a transfer of £1.7m to the High Needs Block this will only have the impact of reducing the forecast pressure in 2019-20 from £8.4m to £6.7m. Therefore a more fundamental review of the High Needs services and funding arrangements is currently underway.
- 2.17 Finally the Committee is asked to note that any overspend on the High Needs Block would effectively force the DSG overall into an overspend position, which must be recovered. From 2019-20 the DfE are tightening the rules in respect of authorities going into deficit on their DSG funding. This is likely to require an authority to submit plans to the DfE where a deficit in excess of 1% of the DSG is incurred. It is not yet clear on what basis the 1% will be calculated but based on the total DSG for 2018-19 this would equate to £4.5m before academy recoupment and £2.3m after academy recoupment. Further information is expected during the autumn on the arrangements.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

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

- Ensuring that the best possible use of the Dedicated Schools Grant funding in

the schools funding formula arrangements is vital in enabling schools to provide the education for our children in turn giving them the skills to live healthy and independent lives.

3.3 Supporting and protecting vulnerable people

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

- Ensuring the funding for the High Needs Block of the DSG is key to ensuring that the education of high needs pupils is supported within the county, this is important in respect of the requirement to transfer 0.5% (£1.7m) from the Schools Block to support the High Needs Block.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

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

- There are no immediate resource implications for the authority from this report.
- The ongoing demand for services in the High Needs Block is likely to result in further financial pressures in 2019-20 that will need to be funded from the DSG High Needs Block.
- This could result in the need to review the local high needs arrangements and the services / offer provided, which would be the subject of a separate paper.
- If following consultation with schools the Schools Forum approves the transfer of £1.7m from the Schools Block to the High Needs Block this will mean £1.7m of high needs reductions that do need to be made in 2019-20.
- Any transfer that is ultimately agreed by the Schools Forum would be for 2019-20 only. Approval of a similar transfer would be required in future years if the DfE continue to allow the flexibility to transfer of funds between blocks.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

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

- The need to set the schools funding formula in line with the DfE requirements.
- The need to submit the final 2019-20 Authority Pro-forma Tool (the schools budget data) to the ESFA by mid January.
- The requirement to publish school budgets by the statutory deadline of 28 February 2019.

4.4 Equality and Diversity Implications

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

- The NFF for schools will continue to redistribute funding between schools, which in theory could impact on the equality and diversity of certain pupils. However the increase in funding for the schools formula by the DfE in 2019-20 plus the operation of the minimum funding guarantee protection should enable any impacts arising from such a redistribution to be managed.
- If a transfer of £1.7m from the Schools Block to the High Needs Block is not approved by the Schools Forum this will mean that there will be further mitigating actions required to reduce costs by £1.7m to manage the High Needs Block within the funding available. This could lead to service changes and / or reductions for settings that support high needs pupils.

4.5 Engagement and Communications Implications

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

- During November schools will be consulted on the Cambridgeshire schools funding formula proposals for 2018-19.
- Discussions will take place with the Schools Forum, which will include the outcome of the consultation with schools.
- The final schools formula arrangements for 2018-19 will be presented to the Committee for approval at the January 2018 meeting.

4.6 Localism and Local Member Involvement

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

- Members of the Committee are also local authority representatives on the Schools Forum where the subject of this report are discussed in detail.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Martin Wade
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Shahin Ishmail

Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Jon Lewis
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Jo Dickson
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Jon Lewis
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

Source Documents	Location
<p>DfE Publication – The National Funding Formulae for Schools and High Needs 2019 to 2020</p> <p>DfE Publication covering the following:</p> <ul style="list-style-type: none"> • NFF: summary table 2019 to 2020 • Impact of the schools NFF 2019 to 2020 • Impact of the high needs NFF 2019 to 2020 • Impact of the Central Services Schools Block 2019 to 2020 • DfE technical Guidance 	<p>2019-20 NFF for Schools and High Needs</p> <p>NFF Tables for Schools and High Needs 2019-20</p>