

SCHOOLS FUNDING FORMULA 2019-20

To: Children and Young People Committee

Meeting Date: 15 January 2019

From: Jonathan Lewis, Service Director – Education
Jon Lee, Head of Integrated Finance Services

Electoral division(s): All

Forward Plan ref: 2019/030 **Key decision: Yes**

Purpose:

- a) To advise the Committee of the 2019/20 Dedicated Schools Grant (DSG) allocation for Cambridgeshire published by the Department for Education (DfE) in December 2018.**
- b) To seek the Committee’s approval of the 2019/20 local Cambridgeshire schools funding formula.**

Recommendation: Members are asked to:

- a) note the £1.7m transfer of Dedicated Schools Grant funding from the Schools Block to the High Needs Block approved by the Schools Forum.**
- b) approve the Cambridgeshire schools funding formula, for primary and secondary mainstream schools as set out in Section 4 and Appendix 3 to enable submission to the Education and Skills Funding Agency (ESFA) by the deadline of 21 January 2019.**

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1. BACKGROUND

- 1.1 This report follows on from the school funding update presented to the Committee at its December 2018 meeting which provided an update on the school funding arrangements for 2019-20. The report only covers the Schools Block within the Dedicated Schools Grant (DSG) and the associated schools funding formula for Cambridgeshire. An overview of the DSG for Cambridgeshire is also provided.
- 1.2 A consultation was undertaken with schools to obtain the views of all schools and academies on the Authority's proposals to transfer 0.5% (£1.7m) in 2019-20 from the Schools Block to support financial pressures in the High Needs Block. The consultation began on 25 October 2018 and closed on 30 November 2018 (for reference the consultation document was previously shared with the Committee at the December 2018 meeting). Two consultation events were also held as part of the process for Governors, Headteachers and school finance staff to attend and have the opportunity to ask officers questions. The outcome of the consultation process was presented, discussed and voted on by the Schools Forum on the 14 December 2018. The key points and the outcome from the discussions with the Schools Forum meeting are summarised in Section 3.
- 1.3 On 17 December 2018 the Department for Education (DfE) published the DSG allocations for 2019-20. Full details can be found on the DfE website at the following link and a summary of the key highlights is provided in Section 2:

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2019-to-2020>
- 1.4 The combination of the consultation outcome, Schools Forum decision on the Schools Block transfer and the DSG announcement have been modelled through the Authority Pro-forma Tool (APT) to arrive at the local Cambridgeshire school funding formula for 2019-20. This formula is required to be approved by the Children and Young People (CYP) Committee to enable the authority to submit its formula to the Education and Skills Funding Agency (ESFA) by the 21 January 2019 deadline.

2. THE 2019-20 DEDICATED SCHOOLS GRANT

- 2.1 The DSG announcement made by the DfE in December 2018 included the Schools Block, the Central Services Schools Block and the High Needs Block. The Early Years Block has not yet been announced as this aspect of the DSG is announced separately therefore any reference to Early Years funding is currently indicative. The 2019-20 allocations for Cambridgeshire are set out in the following table, which also provides for comparison the 2018-19 allocations and the 2017-18 baseline level of funding prior to the national funding formula being implemented.

DSG Block	2017-18 Baseline	2018-19 Actual Allocation	2019-20 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	349.30	+20.09	+7.83
High Needs Block *	64.78	65.73	68.53	+3.75	+2.80
Central Services Schools Block	7.95	8.03	8.11	+0.16	+0.08
Early Years Block**	22.48	35.92	35.92	+13.44	0
Total	424.42	451.15	461.86	+37.44	+10.71

* The high needs figures shown in this table are prior to recoupment and deductions for direct funding of high needs places by the ESFA

** Early Years figures are currently indicative for 2018-19 and 2019-20

- 2.2 In overall terms Cambridgeshire will receive £10.71m additional DSG funding in 2019-20 compared to 2018-19. There is a small increase in the Central Services Schools Block of £0.08m which reflects the increase in pupil numbers across the county.
- 2.3 The High Needs Block has increased by £2.8m, which is more than anticipated from the indicative allocations provided by the DfE in July 2018. This is due to the additional £125m of High Needs funding that the DfE have allocated for 2019-20 with Cambridgeshire receiving an additional £1.43m. In addition the DfE has also made a further £125m available to local authorities in 2018-19 with Cambridgeshire receiving £1.43m for the 2018-19 financial year. This will help to manage the 2018-19 in year pressures down but will not resolve the overall deficit on High Needs for 2018-19 and the ongoing High Needs budget pressures for 2019-20.
- 2.4 The increase in the Schools Block for 2019-20 totals £7.8m. This consists of a number of different elements as follows:
- £5.07m increase being the second uplift to Cambridgeshire's Schools Block allocation from the additional DfE investment of £1.3 billion through the national funding formula;
 - £4.44m increase resulting from the increase in pupils between the two October census dates multiplied by Cambridgeshire's Guaranteed Unit of Funding (GUF) for Primary and Secondary pupils. Further detail on this increase is provided in paragraph 2.5; and
 - £1.71m reduction in funding resulting from the change in the allocation used by

the DfE for funding growth in 2019/20. Cambridgeshire's growth funding allocation in 2018/19 was £5.0m compared to £3.3m for 2019/20.

- 2.5 The funding level of the Schools Block is predominantly driven by pupil numbers with elements added for Premises and Mobility factors in the national funding formula and the growth funding allocations. The movement in Cambridgeshire's pupils shows a slight increase of 96 Primary age pupils and a more substantial increase of 823 Secondary age pupils. This increase in pupil numbers equates to an additional £4.44m of DSG Schools Block funding. The comparison to 2018/19 is set out in the table below.

		Primary	Secondary	Total
(a)	2018/19 Pupil Numbers	50,558	28,839	79,397
(b)	2019/20 Pupil Numbers	50,654	29,662	80,315
(c)	Change in Pupil Numbers	96	823	919
(d)	Guaranteed Unit of Funding	£3,832.89	£4,951.01	-
(c) x (d)	Total Additional Funding for 2019/20	£0.37m	£4.07m	£4.44m

3. CONSULTATION OUTCOME

- 3.1 Consultation with all schools was undertaken from 26 October to 30 November 2018. The Service Director also attended the Primary Heads and Secondary Heads meetings to discuss the school funding arrangements for 2019-20 and two consultation briefings were held on the 12 and 20 November, although there was limited attendance at these briefings.
- 3.2 As the Authority implemented the National Funding Formula factors in 2018-19 no changes were proposed to the actual funding formula and the factors to be 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.
- 3.3 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 1 provides an analysis and the detailed responses to each question, which are summarised below.
- 3.4 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.

3.5 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 by the Authority as to what potential options there are to manage the High Needs budget in 2019-20.

3.6 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 agreeing 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 education properly, which was consistent throughout all questions.

- 3.7 Following discussion of the consultation responses at its meeting on 14 December 2018 the Schools Forum approved the transfer of £1.7m from the Schools Block to the High Needs Block. It was also endorsed that the transfer be funded by way of reducing the AWPU values for Primary, Key Stage 3 and Key Stage 4 in the Cambridgeshire schools funding formula.

4. 2019-20 CAMBRIDGESHIRE SCHOOL FUNDING FORMULA

- 4.1 Taking the DSG settlement for the Schools Block (£349.3m) and the approval by the Schools Forum to transfer £1.7m from the Schools Block to the High Needs Block, this provides an overall amount £347.6m to fund mainstream schools in 2019/20. Of this amount £2.5m was approved by the Schools Forum to meet the 2019/20 Growth Fund commitments for new and growing schools. Therefore a total of £345.1m will be distributed to schools through the Cambridgeshire funding formula.
- 4.2 As mentioned in paragraph 3.2 there are no changes proposed to the factors that will be used in the Cambridgeshire funding formula. There are however some changes needed to the AWPU unit rates that are applied in order to fund the transfer from the Schools Block and to reflect the reduced Primary Low Prior Attainment unit rate that the DfE have amended in the 2019/20 national funding formula. The changes to these unit rates can be summarised in the following table.

	2018/19 Unit Value	2019/20 Unit Value	Change in Unit Value
AWPU – Primary	£2,781.58	£2,763.30	(£18.28)
AWPU – Key Stage 3	£3,911.64	£3,885.92	(£25.72)
AWPU – Key Stage 4	£4,441.22	£4,412.03	(£29.19)
Primary Low Prior Attainment	£1,063.22	£1,034.87	(£28.35)

- 4.3 As part of the Authority's modelling of the Authority Pro-forma Tool (APT) there are implications resulting from the change in the mix of eligible pupils within 2019/20 if the same unit rates are applied within the formula (apart from the reductions set out at paragraph 4.2 and the Minimum Funding Guarantee (MFG) being set at minus 1.5%). These are as follows:

- Additional costs relating to the:
 - AWPU of £2.2m
 - Deprivation £0.9m
 - Prior Attainment £0.6m
 - Business rates £0.1m
 - Minimum funding levels £2.4m; and
 - Maintaining the 3% funding cap £4.3m.
- Marginal reductions in costs totalling £0.05m relating to English as an Additional Language, Mobility, Sparsity, Exceptional Premises Factors, PFI, and the

Minimum Funding Guarantee.

Overall therefore additional costs of £10.5m would be incurred which would result in a total cost of £348.7m for the Cambridgeshire funding formula compared to the funding available for distribution of £345.1m. In other words the formula would be over allocated by £3.6m and therefore not affordable.

4.4 Therefore to ensure the funding formula remains within the £345.1m available for distribution different options have been considered. These all include a MFG of minus 1.5% and were to:

1. Set the Minimum Funding Levels to the National Funding Formula (NFF) rates which have increased for 2019/20 (£3,500 Primary and £4,800 Secondary) with the cap having to be set at 0% meaning that schools that genuinely gain under the formula will not receive any of that gain at all. For this reason this was not considered a viable option particularly as part of the funding uplift for Cambridgeshire includes the second tranche of the additional £1.3 billion of DfE funding;
2. Reduce the AWPU further to balance the funding shortfall. However given the AWPU is already reduced to accommodate the High Needs transfer this would move the Cambridgeshire formula further away from the NFF AWPU values. In addition this would create knock on impacts on the MFG, which limits reductions to minus 1.5% per pupil year on year, so it becomes a circular way of dealing with the shortfall that may necessitate changes to other additional needs factors. This option was therefore discounted; and
3. Hold the Minimum Funding Levels as they were in 2018/19 (£3,300 Primary and £4,600 Secondary instead of increasing these to £3,500 Primary and £4,800 Secondary for 2019/20) and to set the funding cap at 1.6%. This would mean that schools will see some gains although not as quickly as they or the authority would like due to the overall level of funding. However in this scenario schools would not be funded at the minimum funding level per the DfE values but they would be protected by the Minimum Funding Guarantee to a maximum reduction of on a per pupil basis of minus 1.5% between years.

There is no ideal solution to resolve the funding gap that exists and for the reasons set out above option 3 is considered to be the most appropriate in order to set the Cambridgeshire school funding formula for 2019/20 within the funding available. The APT will continue to be subject to final due diligence checks up to the submission date.

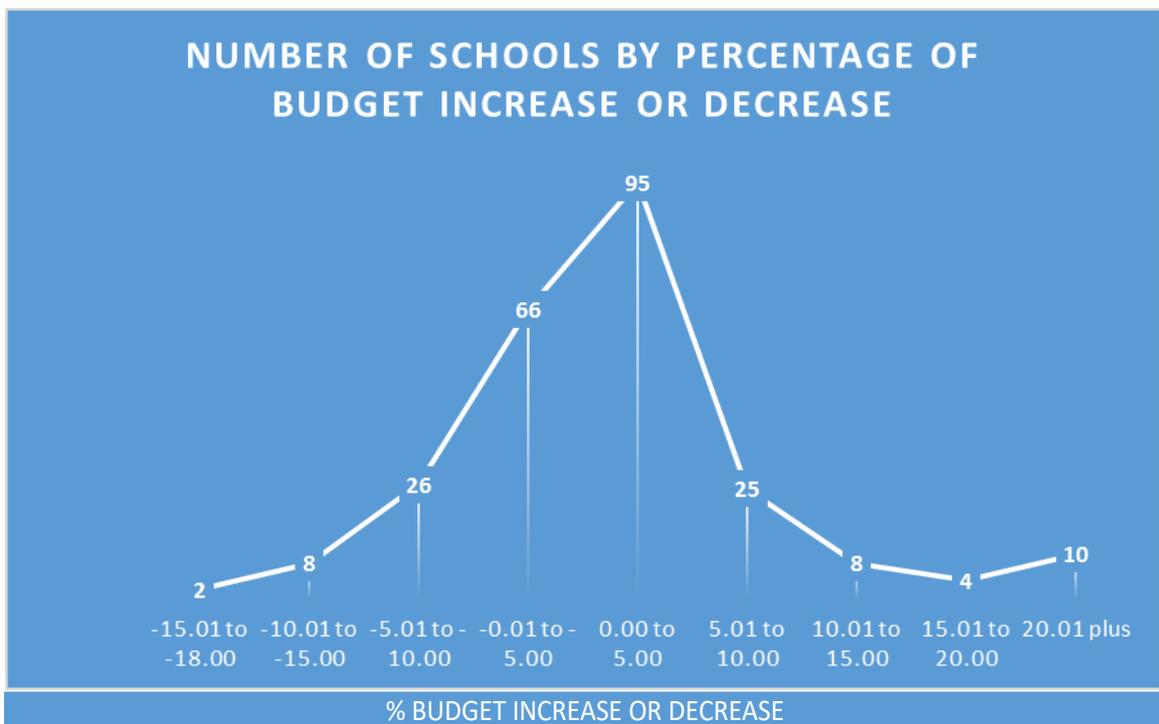
4.5 The detail of the recommended Cambridgeshire funding formula is provided in Appendix 2 and the impact on budgets from the APT modelling is presented in the graphs below. Using the recommended option:

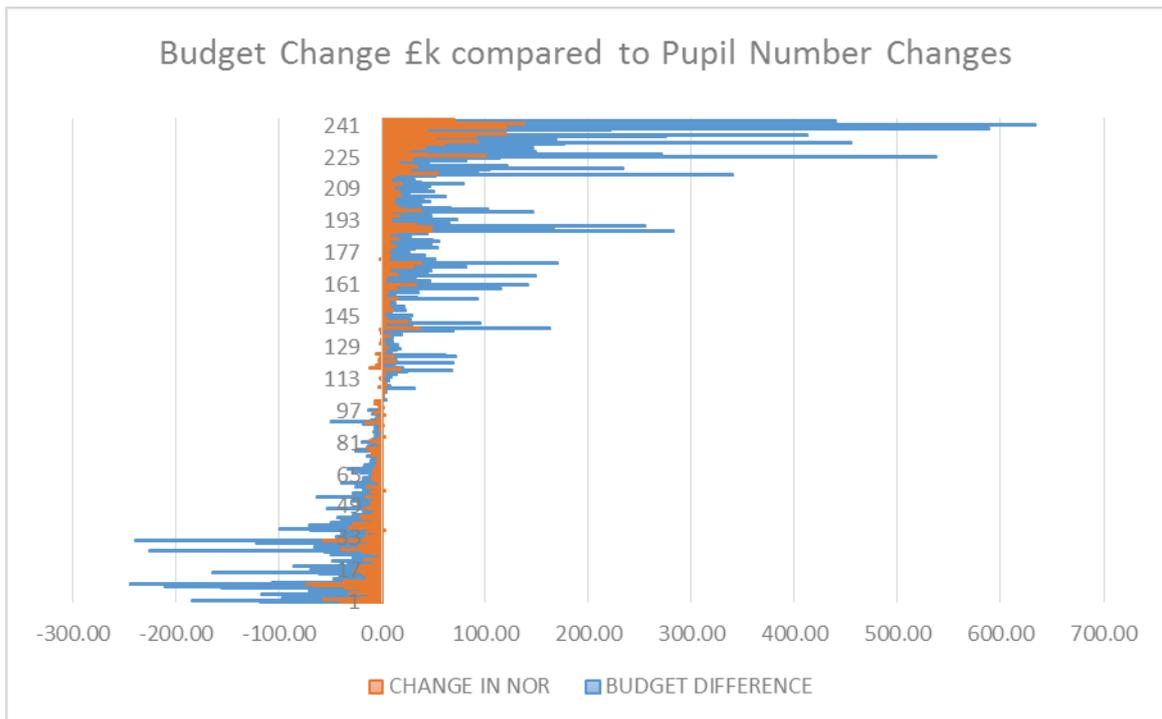
- A total of 142 (58%) schools, will see increases in their budgets compared to 2018/19.
- Of the schools receiving budget increases 95 (39%) will see an increase in their budgets of between 0 and 5% compared to 2018/19.
- There are however 102 (42%) schools that will see a reduction in their budget,

although 66 (27%) of these schools will be constrained to a reduction of between minus 0.1% and minus 5%.

- The remaining 36 schools will see funding reductions of minus 5.1% or more.

It is important to note that the schools that will receive larger percentage funding reductions compared to 2018/19 are typically due to the loss of pupils and falling numbers of pupils on roll. As the formula attaches funding to individual pupils, any loss in pupils results in a loss of funding. The MFG protection in the formula protects schools on a per pupil funding basis, not against falling rolls. The second graph below overlays the change in pupil numbers on roll with the change in the budget for each school. This shows that those schools receiving greater funding reductions also have the greatest reductions in pupil numbers.





4.6 The CYP Committee are recommended to approve the Cambridgeshire schools funding formula as contained in this report and based on the funding available to enable submission to the ESFA by the 21 January 2019.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 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.

5.3 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.

6. SIGNIFICANT IMPLICATIONS

6.1 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.
- The transfer to the High Needs Block is 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 DSG blocks.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

6.3 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 21 January 2019.
- The requirement to publish school budgets by the statutory deadline of 28 February 2019.

6.4 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 operation of the minimum funding guarantee protection should enable any impacts arising from such a redistribution to be managed by limiting any funding reductions for individual schools to minus 1.5% on a per pupil basis between 2018-19 and 2019-20.

6.5 Engagement and Communications Implications

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

- During November schools were consulted on the Cambridgeshire schools funding formula proposals for 2019-20.
- Discussions have been held with the Schools Forum, including the outcome of the consultation with schools.
- The final schools formula arrangements for 2019-20 are being presented to the

Committee for approval at the 15 January 2019 meeting and will be reported to the Schools Forum at its meeting of the 18 January 2019.

6.6 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 is also discussed in detail.

6.7 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: Debbie Carter-Hughes
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	N/A Name of Officer: N/A

Source Documents	Location
DfE Announcement for the 2019-20 Dedicated Schools Grant	2019-20 DSG Allocations and Guidance