

CAMBRIDGESHIRE 2019/20 SCHOOL FUNDING FORMULA

To: Cambridgeshire Schools Forum
Date: 18 January 2019
From: Jon Lee – Head of Integrated Finance Services

1.0 INTRODUCTION

- 1.1 This report updates the Schools Forum on the Cambridgeshire schools funding formula for 2019/20 following the publication of the Dedicated Schools Grant (DSG) allocations by the Department for Education (DfE). The final 2019/20 funding formula for Cambridgeshire will be submitted to the Education and Skills Funding Agency (ESFA) by the 21 January 2019 deadline.
- 1.2 The report also summarises the DSG allocation for Cambridgeshire compared to the indicative announcement from July 2018 as well as any other funding announcements made by the DfE.
- 1.3 The Schools Forum are asked to note this.

2.0 FINAL 2019/20 DSG ALLOCATION

- 2.1 The DfE published the DSG allocations for 2018/19 on the 17 December 2018. Full details can be found on the DfE website at the following link:

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2019-to-2020>

Schools Forum should note that all figures stated in this Section 2 are prior to DSG recoupment by the ESFA for funding academies directly.

- 2.2 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 £m	2018-19 Actual Allocation £m	2019-20 Allocation £m	2019-20 Increase v 2017-18 Baseline £m	2019-20 Increase v 2018-19 Allocation £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

- 2.3 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.

2.4 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.

2.5 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 2.6; 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.

2.6 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

2.7 The funding available for distribution to schools through the formula is adjusted to take account of the budget required for the Growth Fund and the transfer from the Schools Block to the High Needs Block in 2019/20 agreed at the 14 December 2018 Forum meeting. The amount for distribution to schools is provided below. Schools Forum should note that this is prior to the application of any de-delegated budgets, which are applied to individual maintained Primary school budgets.

	£M	£M
Total Schools Block Allocation (see above)		349.3
Adjustments:		
Budget for Growth Fund	(2.5)	
Transfer to High Needs Block	(1.7)	
Total Adjustments		(4.2)
Total Schools Block for Distribution		345.1

2.8 Also announced by the DfE was the continuation for schools (including local authority maintained nursery schools) of a Single National Copyright License for 2019/20. This is funded from the Central Services Schools Block and the cost of the single license in 2018/19 was £417k. The final cost for 2019/20 is awaited although this normally increases annually with inflation and increases in pupil numbers. The license covers:

- Copyright Licensing Agency (CLA)
- Schools Printed Music Licence (SPML)
- Newspaper Licensing Authority (NLA)
- Education Recording Agency (ERA)
- Motion Picture Licensing Company (MPLC)
- Filmbank Distributors Ltd (for the PVSL)
- Mechanical Copyright Protection Society (MCPS)
- Christian Copyright Licensing International (CCLI)
- Performing Rights Society (PRS)
- Phonographic performance Limited (PPL)

3.0 OTHER FUNDING ANNOUNCEMENTS

3.1 The DfE have also made announcements as follows:

- a) The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2019/20 academic year. The ESFA are due to publish further details;
- b) The Free School Meal Supplementary Grant will continue in 2019/20;
- c) The year 7 Catch-up Premium continues in 2019/20 with the ESFA still to release further details;
- d) Teacher's Pay Grant will continue in 2019/20;
- e) Teacher's Pension Scheme increases are to be fully funded by the DfE. The change in contribution rate is now expected from September 2019 and the DfE will issue further information in respect of the funding; and
- f) The Pupil Premium as set out in the table below. The pupil premium allocations for 2019/20 will be published by the ESFA in June 2019 following the receipt of pupil number data from the spring 2019 schools and alternative provision censuses.

Pupil Premium Category	2018/19 £
Primary (reception to year 6) – Ever 6 - Free School Meals (FSM)*	1,320
Secondary (years 7 to 11) – Ever 6 FSM*	935
Looked After Children (LAC) - Pupil Premium Plus (previously £1,900 in 2017/18)	2,300
Post LAC – Children who have ceased to be looked after by the LA due to adoption, special guardianship order, a child arrangements order or a residence order (reception to year 11)*	2,300
Service Child (reception to year 11) – Ever 6 FSM*	300
<p>*Note – these elements of pupil premium are allocated to schools based on the January 2019 census. The ESFA calculate as Ever 6 FSM excluding those eligible for LAC and post LAC premium. Refer to the following link for additional information: https://www.gov.uk/government/publications/pupil-premium-allocations-and-conditions-of-grant-2019-to-2020</p>	

4.0 THE NATIONAL FUNDING FORMULA (NFF) FOR SCHOOLS AND THE CAMBRIDGESHIRE FORMULA 2019-20

- 4.1 Further to the December report to the Schools Forum on the 2019/20 school budgets and the Cambridgeshire funding formula for 2019/20, final modelling has been completed during December and January. Taking into account the updated pupil numbers and data sets from the October census and the final DSG announcement this section of the report outlines the final position for the 2019/20 schools funding formula (at the time of writing this is still subject to approval by the local authority's Children and Young People's Committee).
- 4.2 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.
- 4.3 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 Age Weighted Pupil Units (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 are 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)

- 4.4 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 4.3 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 a 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.

- 4.5 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 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 (HN) 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 MFG 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 and is being presented at the Children and Young People's (CYP) Committee on 15 January 2019 for approval. The APT will continue to be subject to final due diligence checks up to the submission date.

- 4.6 The summary figures from the final APT based on the recommendation to the CYP Committee are shown below with further detail provided in Appendix 1.

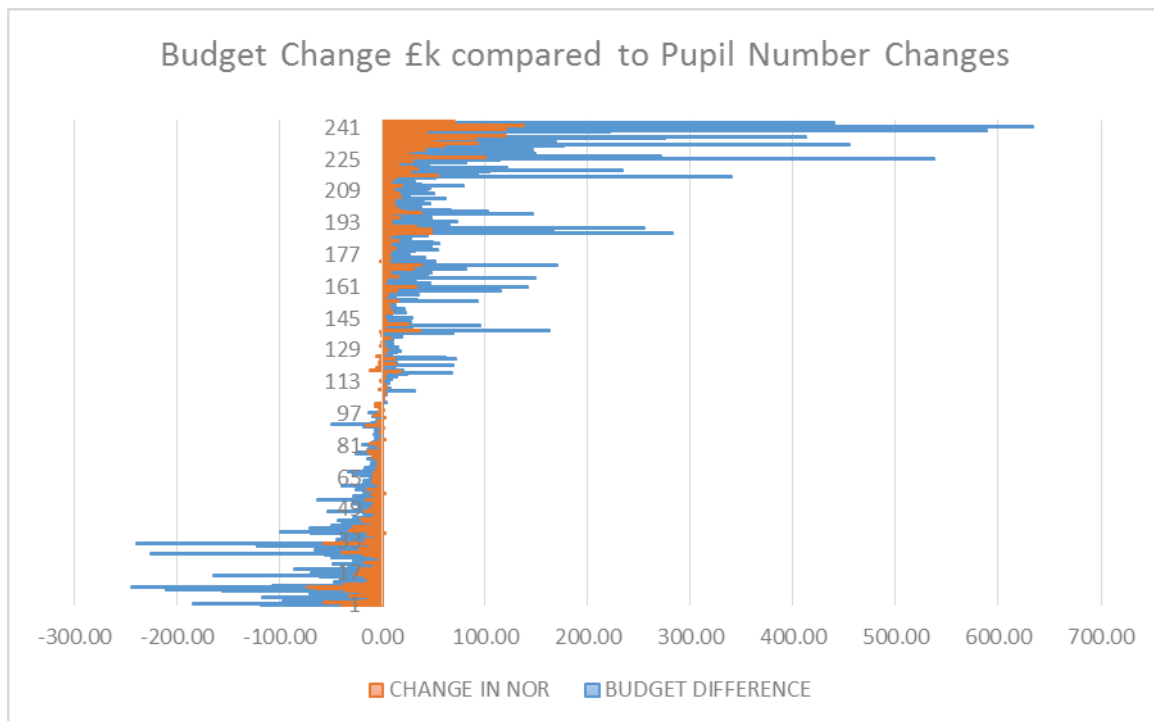
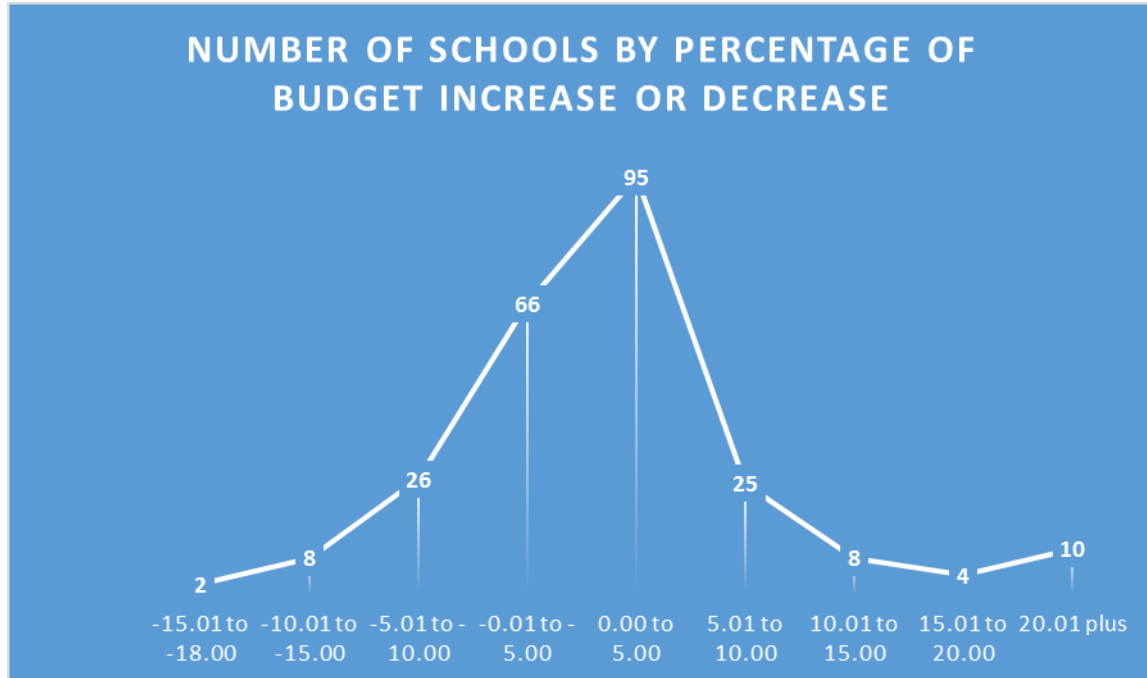
Cost v Funding of Full NFF Factors and Rates	2019/20 £M	2018/19 £M
Pupil Led Factors (basic entitlement, deprivation, English as an additional Language (EAL), mobility, prior attainment)	314.6	311.3
Other Factors (rates, Private Finance Initiative (PFI), lump sum, area cost adjustment, sparsity, split sites, exceptional funding and minimum pupil levels)	32.2	31.7
Minimum Funding Guarantee	0.5	0.7
Funding Cap	(2.3)	(5.4)
AMOUNT DISTRIBUTED TO SCHOOLS BY FORMULA	345.0	338.3
Pupil Growth Fund	2.5	2.5
High Needs Transfer	1.7	0.7
TOTAL COST*	349.2	341.5
FUNDING AVAILABLE FINAL	349.3	341.5

* The total cost is £349.24m meaning the formula as set is £0.06m (0.02%) under the funding available.

- 4.7 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.



4.8 The impact of the cap and protection in the final formula is that:

- 40 (16.4%) schools are in receipt of MFG at minus 1.5% which has decreased from 50 schools in 2018/19, although the MFG rate was set at 0% for 2018/19 offering a greater level of protection;
- 76 (31.1%) schools are being capped in 2019/20 in order to remain within the funding

envelope. This figure was expected to reduce as the second year of the NFF allocations was rolled out by the DfE and it has decreased from 126 meaning 50 less schools are subject to the funding cap; and

- 128 (52.5%) schools are not in receipt of any MFG or capping, which means these schools will be receiving exactly the funding generated through the 2019/20 formula.

4.9 In relation to the alternative options 1 and 2 set out in paragraph 4.5, the outcome of modelling these options is set out in the table below, which shows the number of schools that gain or lose funding within percentage bandings. The table shows that with both of the alternative options there is an increasing number of schools that would see reductions in their budgets compared to 2018/19.

Change in 2019/20 Budget	Recommended formula to CYP Committee	Alternative Option – fully fund Minimum Funding Levels with a cap at 0%		Alternative Option – fully fund Minimum Funding Levels with a cap at 3% with AWPU reduced to balance the budget	
	(para 4.5 option 3)	(para 4.5 option 1)		(para 4.5 option 2)	
Loss of minus 15.01% or more	2	3	▲	4	▲
Loss of minus 10.01% to minus 15%	8	8	–	7	▼
Loss of minus 5.01% to minus 10%	26	28	▲	33	▲
Loss of minus 0.01% to 5%	66	74	▲	77	▲
Total Schools with Funding Reductions	102	113	▲	121	▲
Gain of 0% to 5%	95	81	▼	69	▼
Gain of 5.01% to 10%	25	29	▲	32	▲
Gain of 10.01% to 15%	8	7	▼	7	▼
Gain of 15.01% to 20%	4	4	–	5	▲
Gain of 20.01% or more	10	10	–	10	–
Total Schools with Funding Increases	142	131	▼	123	▼

5.0 ACTIONS AND RECOMMENDATIONS

5.1 Schools Forum are asked to note the final DSG settlement for Cambridgeshire and the Cambridgeshire funding formula for 2019/20

Background Papers: None