

School Funding Arrangements for 2019-20

Cambridgeshire County Council Consultation with Primary and Secondary Schools

25 October 2018

Contents

PURPOSE

Error! Bookmark not defined.

CONTEXT

3

SCHOOLS NATIONAL FUNDING FORMULA 2019-20 OVERVIEW

5

HIGH NEEDS OVERVIEW 2019-20

7

CONSULTATION PROPOSALS

12

NOTE:

- 1. Please note that any reference to schools in this document applies similarly to academies unless stated otherwise.**
- 2. Please also note that the elements of the Schools funding formula are applied on the same basis to both maintained schools and academies. The difference is that maintained schools currently receive their funding from the Authority for the April to March period and academies have the same funding formula applied over the academic year September to August.**

PURPOSE

1. The purpose of this consultation document is to outline Cambridgeshire County Council's (the Authority) proposed changes to the school funding formula arrangements for 2019-20. The principle consulted on and adopted in 2018-19 was to move as closely as possible to implementing the Department for Education's (DfE) national funding formula (NFF). This was achieved which means that for Cambridgeshire schools there will be very little change to the school funding formula for 2019-20.
2. The proposed areas of consultation have been discussed by Schools Forum at its meeting of 5 October 2018 prior to the release of this consultation document. The outcome of the consultation will be reported back to the Schools Forum at its meeting of 30 November 2018. The intention is to continue to support schools so that the movement to the NFF is undertaken in a managed way in readiness for the hard formula and through using the minimum funding guarantee (MFG) protection arrangements and funding caps as required.
3. The consultation provides an opportunity for primary and secondary schools to comment on the changes being proposed. This document:
 - a. Provides an overview of the proposed changes to the schools funding formula for 2019-20;
 - b. Provides a link to the financial implications of the NFF for individual schools as published by the DfE, which the Authority is considering for 2019-20. The indicative figures are based on current information and have not been updated for the October 2018 pupil numbers or other datasets that are required for the calculation of the 2019-20 school budgets. Neither do they reflect any local decisions that may be required, any transfers between funding blocks or the growth fund. Any school level analysis must therefore be taken in this context and **must only be considered indicative at this stage**; and
 - c. Asks specific questions for Schools to express their views on the proposals.
4. For the 2019-20 funding arrangements the timeframes imposed on the authority in terms of its deadlines to make submissions to the Education and Skills Funding Agency (ESFA) the deadline for responses to this consultation is 30 November 2018. In order to support the consultation process consultation events will be held to present the proposals to Headteachers and Governors to support the consultation process and answer any questions that you may have.
5. **To respond to this consultation, please complete the on-line response form by 30 November 2018 – the form is available via the following link:**

[CCC School Funding Arrangements 2019-20 - Consultation Response Form](#)
6. Responses received will be analysed and shared with members of the Schools Forum at its meeting on 14 December 2018 prior to the Authority deciding on the final funding formula for use in 2019-20 to be submitted to the DfE in mid January 2019.

CONTEXT

7. In July 2018 the DfE published its update to the NFF for schools and high needs. This consultation document focuses only on the schools NFF since the high needs generates funding at an Authority level rather than at an individual school level.
8. The DfE has confirmed that the arrangements in 2019-20 will continue to allow some local discretion through what is termed a 'soft' funding formula, which is also being extended to 2020-21. The soft formula means that the Authority can still decide how it allocates its funding to schools using the available NFF factors but has flexibility to determine the use and / or value of these factors. By contrast, when the DfE moves to a 'hard' formula, each school will receive its funding through the NFF directly from the Education and Skills Funding Agency (ESFA).
9. The Dedicated Schools Grant (DSG) continues to be ring-fenced. There are now four separate blocks as set out below with the introduction of the Central Services Schools Block in 2018-19. Also the Schools Block continues to be ring-fenced with one exception that the Authority has the ability to move up to 0.5% of the Schools Block to other blocks after consultation with schools and with the agreement of the School's Forum.

Figure 1 – the make up of the Dedicated Schools Grant

DEDICATED SCHOOLS GRANT			
SCHOOLS BLOCK	CENTRAL SERVICES SCHOOLS BLOCK	EARLY YEARS BLOCK	HIGH NEEDS BLOCK
This Block funds: <ul style="list-style-type: none"> - Individual school budgets; - Services de-delegated from maintained school budgets and The Growth fund 	This Block funds: <ul style="list-style-type: none"> - Historical commitments previously agreed with Schools Forum such as the Public Sector Network (broadband) contract; and Ongoing responsibilities of the Authority such as Admissions, the servicing of the Schools Forum, copyright licenses and services to meet statutory responsibilities 	This Block funds: <ul style="list-style-type: none"> - The 2 year old Early Years single funding formula; - The 3 and 4 year old Early Years single funding formula (universal and extended entitlement); - The Disability Access Fund; - Maintained Nursery school supplementary funding; and Any central expenditure by the authority to support early years services 	This Block funds: <ul style="list-style-type: none"> - Special school budgets; - Special schools outreach; - Top up funding for pupils with High Needs; - Out of County SEN placements; - SEND specialist services; - Early Help District Delivery Services; - Alternative provision such as PRUs, High Needs Units; - EOTAS devolution; and Commissioning Services

SCHOOLS NATIONAL FUNDING FORMULA 2019-20 OVERVIEW

10. The factors used in the 2018-19 Cambridgeshire school funding formula are set out in Table 1 alongside the factors in the 2019-20 NFF and the difference between them. As can be seen from the difference column Cambridgeshire has implemented the NFF in terms of the factors and rates used as demonstrated by the nil variances across most of this table.
11. The one area where there is a difference in rate is in the Primary Low Prior Attainment where the DfE have amended the unit value. This is due to the cohort eligible for this factor increasing as a result of the change in the basis of measurement using the Early Years Foundation Stage Profile (EYFSP). The DfE have therefore adjusted the unit rate down so that the funding allocated through the Primary Low Prior Attainment factor remains the same. This reduction in unit rate will be reflected in the 2019-20 Cambridgeshire formula.
12. There are some other minor changes to the funding arrangements for 2019-20 which are set out in the briefing note on the 2019-20 Schools Funding Arrangements at Appendix A. Other than the change to the Primary Low Prior Attainment unit rate there are no other changes proposed to the Cambridgeshire funding formula as this already reflects the NFF. The 'local' formula will continue to utilise the national primary and secondary minimum per pupil funding amounts which have increased as previously announced between 2018-19 and 2019-20.
13. The impact of the 2019-20 NFF for schools can be seen at an individual school level on the DfE website. However schools are reminded that these are indicative allocations, which will move with the October 2018 census data as well as any decisions taken locally such as transfers between the blocks.

[Link to DfE School Level Impact \(refer to 'Impact of the schools NFF, 2019 to 2020' file\)](#)

14. Schools should however be aware that indicative allocations from the DfE for Cambridgeshire's growth fund allocation based on the new formulaic approach by the DfE indicate that there is a potential reduction in funding of £1.7m. In 2018-19 Cambridgeshire received £5m of growth funding to meet the cost of new schools, diseconomy of scale costs and to fund guaranteed pupil numbers for those schools still growing to capacity. Cambridgeshire's indicative allocation for 2019-20 is a funding reduction of £1.7m providing a growth fund allocation for Cambridgeshire of £3.3m.
15. Whilst there are no changes to the funding formula for Cambridgeshire and the formula factors used, it is likely 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. Once the growth funding allocations are confirmed any changes to the unit rates required will be discussed with the Schools Forum.

Table 1 – 2019-20 NFF factors and rates compared to current Cambridgeshire factors and rates

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

Notes to the Table

- Figures in brackets are negative / minus figures i.e. reductions in the unit rates in the context of this table
- The DfE recognises that some factors cannot easily be allocated on a formulaic basis and under the national funding formula are continuing to fund these at historical funding levels. This covers pupil mobility and the Premises factors which includes PFI, split site and rates for those schools affected
- The CCC unit rate figures are before the area cost adjustment for Cambridgeshire is applied

Broadband Contract

16. As schools will be aware MLL Telecom, a leading provider of secure managed network services for the UK public sector, has been awarded the EastNet contract to deliver a new Wide Area Network (WAN) solution and centralised services to Cambridgeshire County Council and the wider community served by EastNet. The new network framework, which will be effective for six years, will replace the legacy Cambridge Public Services Network (CPSN) Partnership. MLL Telecom aims to migrate all school sites in a phased approach to ensure the transition is completed effectively with minimal service disruption by December 2019.
17. Schools Forum have previously approved the £1.45m annual revenue contribution for CPSN as part of the Central Schools Services Block (CSSB) until the end of 2019. These arrangements are only permitted for existing contracts entered into prior to April 2013 and as such the authority is currently exploring mechanisms as to how this will operate in future to minimise both risk and unnecessary administration costs.
18. The current pooled arrangement provides equity across Cambridgeshire schools and the authority believe a continuation of such an arrangement within the new contract will not only result in a significantly improved service, but will continue to deliver value for money compared to other providers. Further information on the implementation of EastNet and associated costs will be circulated to schools as soon as they are available.

HIGH NEEDS OVERVIEW 2019-20

19. Cambridgeshire 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 (as also set out in paragraph 9) with the planned budget:
 - £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.
20. Some local authorities have sought and been granted approval by the Secretary of State to transfer more than 0.5% of funding from their Schools Block to the High Needs Block in order to manage the financial pressures they are facing.
21. In 2018-19 however following consultation Cambridgeshire did transfer 0.21% (£0.7m) between the Schools and High Needs blocks.
22. Cambridgeshire's indicative allocation for High Needs has increased by £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. This Section makes this assessment in the context of the high needs demands and spending levels currently being experienced.

23. There has been an increasing pressure on Cambridgeshire’s High Needs budgets for a number of years. Until now the overspends have been managed through the use of DSG carry forwards and management actions to reduce spend. The pressure on the high needs budgets over the last 4 years and the forecast for current year is set out in Table 2. **Table 2 –High Needs income, budget, actual expenditure and overspends by year**

Year	High Needs Block Income	High Needs Budgeted Expenditure	High Needs Actual Expenditure	Overspend Value
2014-15	63.8*	60.5	61.8	£1.3m
2015-16	64.1*	61.9	63.2	£1.3m
2016-17	64.9*	63.0	65.7	£2.7m
2017-18	64.3	65.3	70.0	£4.7m
2018-19	65.9	67.1**	73.2	£6.1m (latest estimate)

Notes

* Due to the way in which statements of SEN were funded prior to April 2013 and the subsequent requirement for mainstream schools to fund the first £6,000 of each statement a technical adjustment was required from 2013-14 to 2016-17 to transfer funds back to schools, hence why the High Needs. Budget Expenditure appears lower than the High Needs Block received in these initial years. This has now been reflected in the revised baseline block allocations.

** The 2018/19 budget includes £1.2m of transfers from other funding blocks (£0.5m from Central Block and £0.7m from the Schools Block).

24. The £6.1m overspend that is forecast for 2018-19 has increased since the position was reported to Schools Forum on 5 October 2018, the accompanying report to the Schools Forum can be found at the links below:

[5 October 2018 Schools Forum DSG Monitoring Report](#)

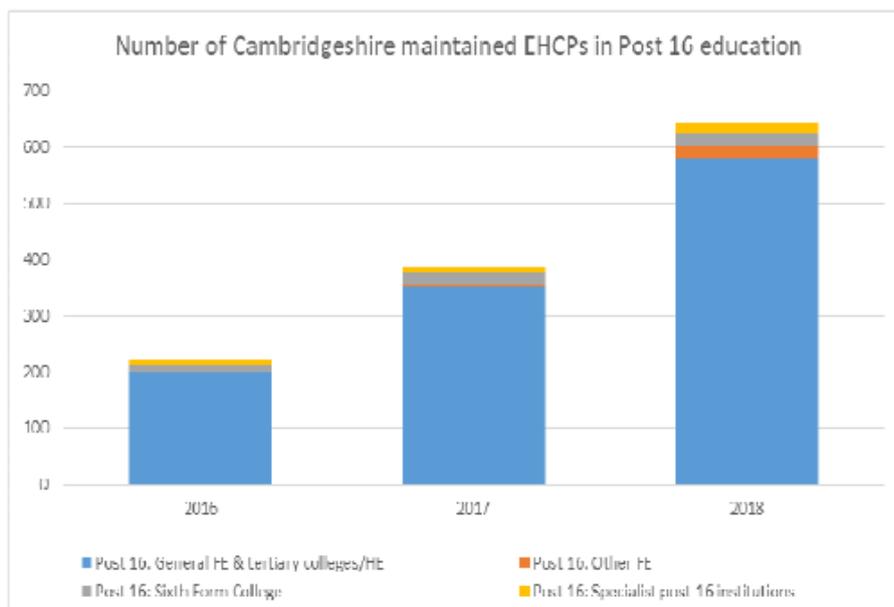
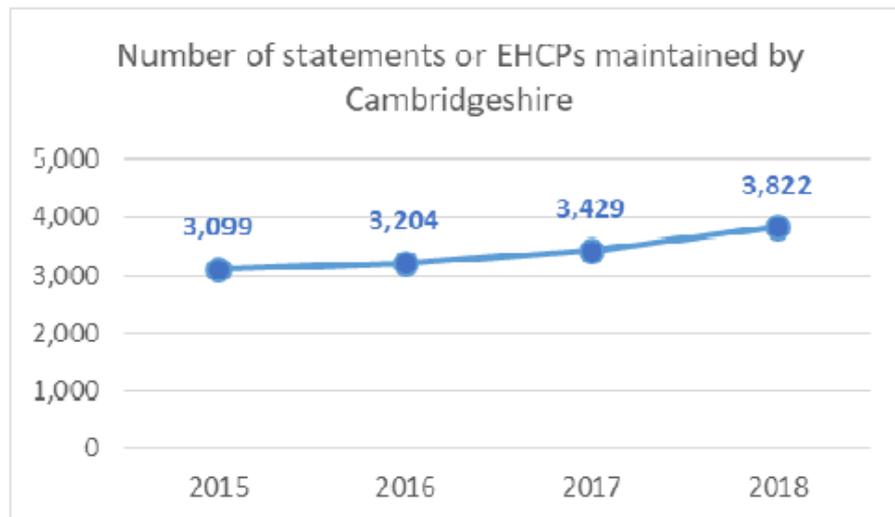
[5 October 2018 Schools Forum High Needs Report](#)

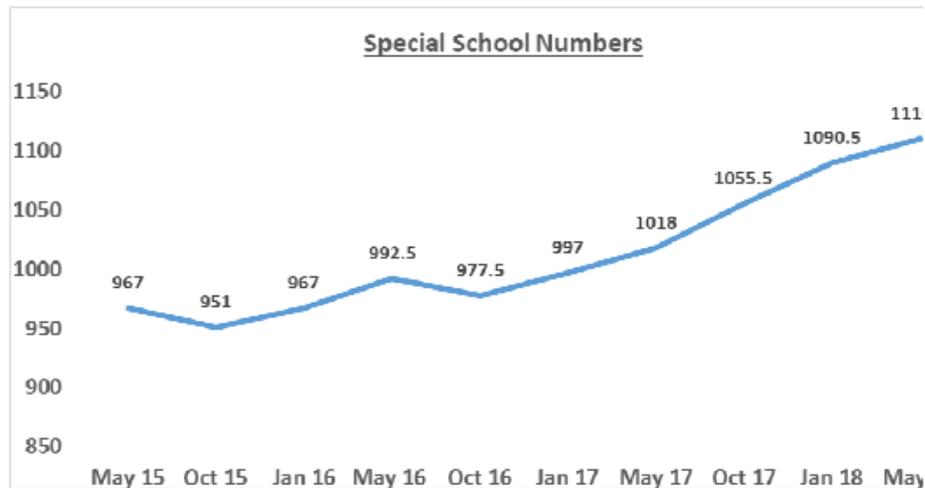
In summary these reports state that there is a £6.7m pressure on the DSG overall of which £0.6m relates to the deficit brought forward from 2017-18 with the remaining £3.3m being the result of:

- There is 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.
- It is estimated that the SEN Placements budget will have a pressure of £0.5m.

- It is estimated that the Out of School Tuition Budgets will have a pressure of £0.3m.
- There is a forecast pressure of £2.4 against the budget allocations to Special Schools. This is primarily as a result of an overall increase in commissioned places and actual pupils.
- Based on current commitments there is a remaining overspend of £0.45m forecast relating to High Needs Units, Outreach and SEMH support.

25. 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. The following graphs demonstrate the increasing demands experienced in these areas over recent years.





26. Further still there is also a risk that the high needs budget overspend reported to Schools Forum could worsen by the end of the year as a result of increased demand for services and funding unless in year mitigations are undertaken. The position on the budgets will be reported to Schools Forum at future meetings.
27. It is important 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.
28. Given the Authority's financial position and increasing savings requirements, any overspend would not be able to be met from local authority resources. Therefore this would likely result in reductions in spending levels on high needs services such as reduced levels of top up funding and reductions to specialist services. The only other alternative would be to manage any deficit in the following year's school budget, which would ultimately reduce the level of funding available to be allocated to schools. Any such changes would be discussed with the Schools Forum and where necessary consulted on with schools.
29. In addition to the in year pressure on high needs in 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 as Table 2 identifies the increases in funding have not been sufficient to meet all demands and costs being incurred by the High Needs Block. An estimate of the 2019-20 budget pressure on the High Needs Block is set out in Table 3. It should be noted that this is subject to change and based on information currently available.

Table 3 – estimated High Needs budget pressure for 2019-20

Value (negative figures represent funding / income)	High Needs Budget Area	Description
£6.1m	2018-19 High Needs overspend	The current forecast overspend on the High Needs block reported to the Schools Forum. This could be increase before 31 March 2019
£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.
£8.4m	Total Estimated High Needs Budget Pressure for 2019-20	

30. The impact of the demands on the High Needs Block and the issues currently faced in respect of certain elements of the high needs budgets means the Authority needs to plan to ensure that the 2019-20 high needs budget is as robust as possible and managed within the funding

available. Consequently the Authority is consulting on a transfer in 2019-20 from the Schools Block to the High Needs Block as set out in the next Section.

CONSULTATION PROPOSAL

SCHOOLS BLOCK TRANSFER TO THE HIGH NEEDS BLOCK

31. As outlined in paragraph 9 under the NFF arrangements in 2019-20 the Schools Block is ring-fenced although there is some limited flexibility for the authority to transfer up to 0.5% of the Schools Block funding to another DSG block. For Cambridgeshire 0.5% of the Schools Block in 2019-20 equates to £1.7m. It should be noted that 0.21% (£0.7m) was transferred between the blocks in 2018-19, moving to the full 0.5% in 2019-20 is an increase of £1.0m compared to 2018-19.
32. The indicative High Needs allocation for Cambridgeshire is an increase in funding of £0.9m for 2019/20. It is clear that the current position is not sustainable with the forecast high needs overspend exceeding the funding increase by c£8.4m as set out in Table 3. The authority does have to manage and plan for this high needs pressure for 2019-20.
33. It is therefore recommended that 0.5% (£1.7m) of the Schools Block funding be agreed to be transferred to support High Needs pressures. If agreed by the Schools Forum this would leave a High Needs budget pressure of £6.7m, which will have to be managed through the High Needs block itself. Proposals in respect of this will be separately communicated and consulted upon.
34. Any transfer between the Schools Block and High Needs Block would only be for 2019-20. Therefore there is some risk in that any transfers from the Schools Block to the High Needs Block are currently one off and therefore will not resolve the underlying base budget problem. The authority will have to consult with schools for transfers between blocks in future years where the DfE maintain this flexibility.
35. Any transfer from the Schools Block will reduce funding, which will mean that the unit rates of the Schools funding formula will have to be reduced as set out in Table 4. The Authority is recommending that any transfer of funding from the Schools Block will be funded by a reduction to the basic entitlement (AWPU) across both the Primary and Secondary sectors. This means that all schools would be equally impacted by the transfer rather than reducing specific additional needs factors that would impact more significantly on those schools with pupils that have additional needs.

Table 4 – Reductions in AWPU value as a result of funding transferred to the High Needs Block

Value of Transfer from the Schools Block	Estimated reduction in Primary AWPU (£)	Estimated reduction in Secondary AWPU KS3 (£)	Estimated reduction in Secondary AWPU KS4 (£)
£0.5 million	5.31	7.47	8.48
£1.0 million	10.62	14.94	16.96
£1.2 million	12.75	17.92	20.35
£1.7 million	18.06	25.39	28.83

36. Using the figures in Table 4 the indicative funding reductions at a school level of transferring the recommended £1.7m would be:
- £7,585 for a 2 Form Entry Primary School filled to capacity with 420 pupils in reception through to Year 6 (420 pupils x £18.06 per pupil); and
 - £11,426 for a 5 Form Entry Secondary School filled to capacity with 750 pupils in Years 7 to 11 ((450 pupils x £25.39) + (300 pupils x £28.83))

The exact impact of the recommended transfer will be dependent on the October 2018 school census data and the number of rolls per school. The above are just examples and schools will be able to calculate the impact based on the data they collected for the October 2018 census.

Schools should also note that the minimum funding guarantee will be applied in the Cambridgeshire formula for 2019-20 at minus 1.5% meaning that no school will reductions beyond this level on a per pupil basis compared to 2018-19 per pupil funding levels.

37. If a transfer from the Schools Block to the High Needs block is required but not approved by the Schools Forum then the Authority would have to look at finding the equivalent value of savings and efficiencies within the High Needs Block itself in order to manage within the DSG grant allocation. Such a scenario could potentially lead to reduced top up funding rates for schools with high needs pupils as well as the possibility of reductions to high needs support services from the Authority.
38. Unfortunately due to the level of funding available there are risks associated with transferring the funding from the Schools Block and similarly not transferring the funding from the Schools Block. Some of the key risks are set out in Table 5, which is not considered to be an exhaustive list.

Table 5 – Key risks associated with the recommendation to transfer £1.7m from the Schools Block and risks of not transferring £1.7m from the Schools Block

Risks associated with transferring £1.7m from the Schools Block	Risks associated with <u>NOT</u> transferring £1.7m from the Schools Block
Risk of financial difficulty for schools as less funding would be available for distribution to all schools through the funding formula	Risk of financial difficulty for schools as less funding would be available for to support pupils with High Needs
Risk of the need for some schools to restructure and incur redundancies	Risk of the need for some schools to restructure and incur redundancies
Risk that schools are less able to meet the educational needs of their pupils resulting in a drop in attainment	Risk that schools are not able to meet the educational and support needs of pupils with High Needs resulting in a drop in attainment
Risk of confusion for schools understanding their funding as the indicative gains that the DfE have modelled will not be replicated through the Cambridgeshire formula	Risk that schools will not have the funding and therefore the resources and expertise to support high needs pupils leading to increases in exclusions and or placements in more specialist and costly settings
Risk of the transfer being one off in nature meaning that if the DfE remove the flexibility to transfer funding between blocks then any transfer now is simply deferring the need to reduce the High Needs cost base in subsequent years	Risk that more significant changes to either the approach and funding basis for pupils with High Needs is required to manage the High Needs Block within the funding available

Recommendation

39. Based on the pressures on the High Needs Block set out in this consultation document it is recommended that 0.5% (£1.7m) is transferred from the Schools Block to the High Needs Block in 2019-20. The consultation questions that the authority would like schools to consider can be found on the following page.
40. To respond to this consultation, please complete the on-line response form by 30 November 2018 – the form is available via the following link:

[CCC School Funding Arrangements 2019-20 - Consultation Response Form](#)

Consultation Questions	
1	Do you agree with the authority's recommendation to transfer £1.7m from the Schools Block to the High Needs Block to support the financial pressures being experienced in supporting pupils with high needs?
2	If you disagree with the recommendation to transfer £1.7m from the Schools Block please tell us why.
3	If you do NOT agree with the recommended transfer between blocks in a) above which high needs budget areas do you suggest should be reduced to find an equivalent £1.7m saving in 2019-20?
4	If a transfer is ultimately to be made between these blocks do you agree that the basic entitlement AWPU rates should be reduced in order to fund this transfer so that all schools are affected in the same way? (note if other additional needs factors in the formula are reduced this would have a targeted and more disproportionate impact on those schools, which is why the authority is recommending a reduction to the AWPU values)
5	If you do not agree with reducing the AWPU rates as part of a transfer from the Schools Block which factor within the Schools Block NFF do you think should be reduced and why?