

Agenda Item No: 8

SCHOOLS FUNDING FORMULA 2018/19

To: Children and Young People Committee

Meeting Date: 9 January 2018

From: Executive Director, People and Communities
Head of Integrated Finance

Electoral division(s): All

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

- Purpose:*
- a) To advise the Committee of the 2018/19 Dedicated Schools Grant (DSG) allocation for Cambridgeshire published by the Department for Education (DfE) in December 2017.
 - b) To seek the Committee's approval of the 2018/19 local Cambridgeshire schools funding formula.

Recommendation: Members are asked to:

- a) Note the £0.7m transfer of Dedicated Schools Grant funding from the Schools Block to the High Needs Block.
- b) Approve the local schools funding formula, for primary and secondary mainstream schools as set out in Section 4 and Appendix B to enable submission to the Education and Skills Funding Agency (ESFA).

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1. BACKGROUND

- 1.1 This report follows on from the school funding update presented to the Committee on 14 November 2017 which outlined the funding formula arrangements following the Department for Education's (DfE) publication of its national funding formula for schools. The report only covers the Schools Block within the Dedicated Schools Grant (DSG) and the associated schools funding formula for Cambridgeshire.
- 1.2 Since November a consultation has been undertaken with schools to seek the views of all schools and academies on the Authority's proposals to:
 1. Move the Cambridgeshire schools funding formula, as closely as possible, to the national funding formula in 2018/19; and
 2. Transfer up to 0.5% (£1.7m) from the Schools Block to support financial pressures in the High Needs Block.

The outcome of this consultation process was reflected in the revised funding proposals for 2018/19 presented, discussed and voted on by the Schools Forum on the 13 December 2017. The key points and the outcome from the discussions with the Schools Forum meeting are summarised in the following section.

- 1.3 Since the Schools Forum meeting the Department for Education (DfE) published the DSG allocations for 2018/19 on the 19 December 2017. Full details can be found on the DfE website at the following link:

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2018-to-2019>
- 1.4 The move to the national funding formula has led to an increase in funding for Cambridgeshire of £7.9m compared to the 2017/18 baseline which used 2016/17 pupil numbers. This was the indicative gain for Cambridgeshire schools which has since been updated to reflect pupil numbers from the 2017/18 school census published in the final DSG allocations for 2018/19. The final Cambridgeshire Schools Block allocation for 2018/19 is £341.5m, which is an increase of £12.2m compared to the 2017/18 baseline.
- 1.5 The table at 1.6 provides information on the final Schools Block allocation for 2018/19. The table shows that pupil numbers have increased between the October 2016 and October 2017 census dates by 1,066 pupils with the Primary sector seeing an increase of 765 pupils and Secondary pupils increasing by 301. Overall this provides an additional £4.4m of Schools Block funding compared to the indicative figures published by the DfE. The Committee should note that the DfE are funding Growth, Premises costs and Mobility for 2018/19 at 2017/18 values. This is the reason why these figures remain constant at £9.9m in the table. Further still the Committee should note that the additional grant will be needed to meet the additional formula cost of the extra 1,066 pupils.

1.6 The final 2018/19 Schools Block funding allocation and movement in pupil numbers compared to the 2017/18 baseline and the indicative 2018/19 announcement.

Schools Block Funding	Primary Pupil Numbers	Secondary Pupil Numbers	Pupil Led Funding £M	Premises, Growth, Mobility Funding £M	Total Allocation £M	Increase versus Baseline £M
2017/18 Baseline	49,793	28,538	319.3	9.9	329.2	-
2018/19 Indicative Allocation (September)	49,793	28,538	327.2	9.9	337.1	7.9
2018/19 Final Allocation (December)	50,558	28,839	331.6	9.9	341.5	12.3
Change between Indicative and Final Allocations	765	301	4.4	-	4.4	4.4

1.7 The report sets out below:

- a) A summary of the outcome of the consultation with schools and the Schools Forum;
- b) The recommendation to transfer £0.7m from the Schools Block to the High Needs Block; and
- c) The recommended 2018/19 schools funding formula for Cambridgeshire that will be used to distribute the Schools Block funding to schools and academies.

2. MAIN ISSUES

Consultation Outcome

2.1 Appendix A provides Members with the responses from the consultation with schools, which are summarised here. Overall there were 60 responses to the consultation (a 25.8% response rate) which ran from 7 November 2017 to the 28 November 2017. For the majority of questions the consultation proposals were supported by those schools responding. Two of the consultation proposals were more equally split with a smaller majority of respondents in favour, which are outlined in paragraphs 2.7 and 2.8.

2.2 83.3% of respondents agreed that the Authority should move towards the NFF factors in 2018/19 and 85.0% similarly agreed that the NFF unit values should be matched as closely as possible in the local Cambridgeshire formula. For those that did not agree the main reasons given were that a more staggered approach over two years should be considered and the impact of the change in the lump sum, for small schools or those with high needs costs.

- 2.3 In terms of sparsity 71.7% agreed that the NFF sparsity rates of £25k for Primary and £65k for Secondary should be used in 2018/19. Of the 28.3% that did not agree commented that this funding should remain within the lump sum, some felt that the factor should not be used since it does not appear to benefit small schools and also the fact that small schools in the city centre would not benefit from this factor despite seeing reductions in the lump sum. Responses were also received to this question that suggested if a transfer was made from the Schools Block to the High Needs Block that all factors should be reduced rather than just the Age Weighted Pupil Units (AWPU). If the sparsity factor is used 83.3% of respondents agreed that it should be applied on a tapered basis.
- 2.4 The proposal not to continue with the Looked After Children (LAC) factor in the local Cambridgeshire formula was supported by 96.7% of respondents.
- 2.5 The minimum funding guarantee (MFG) offers protection by limiting any loss of funding to minus 1.5% per pupil year on year. The consultation proposal was to maintain the MFG at minus 1.5% for Cambridgeshire, which was supported by 75% of respondents. Of the 25% that did not support this proposal were in favour of a higher level of protection with figures of 0% and 1% MFG being quoted in order to reflect the significant pressure that schools have had to face in recent years. Respondents also commented that this should be considered in the context of the minimum per pupil levels of funding.
- 2.6 71.7% of respondents agreed that the cost of the MFG should be funded from the application of a funding cap in 2018/19. Of the 28.3% that did not agree with this proposal comments fed back were predominantly due to the fact that schools gaining under the formula would be those that have been historically under funded and therefore should not be penalised by applying a cap. A number of respondents also commented that further information to inform their responses in this area would have been helpful, which is acknowledged.
- 2.7 If a funding cap is required to meet the cost of the MFG but the funding generated from the cap is insufficient 53.3% felt that the AWPU should be reduced to meet any remaining MFG cost. This proposal therefore received a much more mixed response with those not in agreement commenting that this could be a double hit if a transfer to the High Needs Block is also made, that all factors should be reduced and that schools need their per pupil funding in order to be able to plan their budgets. Again a number of respondents also commented that further information to inform their responses in this area would have been helpful, which is acknowledged.
- 2.8 The Authority's proposal to transfer up to £1.7m (0.5%) from the Schools Block to the High Needs Block was supported by 54.2% of respondents therefore with 45.8% not in support. Some of those not in agreement were of the opinion that the Authority was seeking to transfer the full £1.7m regardless of the actual transfer required. This is not the case and is explained further in Section 3. In addition other comments from those not in support were that additional information on High Needs spend would have helped to inform responses further to this question.

- 2.9 If a transfer was to be made from the Schools Block to the High Needs Block the responses in support of funding this through the AWPU were 67.8% in support with 32.2% not supporting the proposal. Those not in support commented that it seemed unfair to reduce all children's allocations and that all factors should be reduced rather than just the AWPU or that other elements of the Schools Block such as the Growth Fund should fund any transfer.
- 2.10 The Authority must also consult with the Schools Forum in respect of the local schools funding formula. This has been an ongoing process throughout the year, particularly in the context of the DfE's national funding formula announcements. At its meeting on the 13 December the outcome from the consultation with schools was discussed alongside the final 2018/19 proposals from the Authority. The link to the Schools Forum papers on this subject can be found in the Source Documents section of this report.
- 2.11 Following discussion and consideration of the consultation with schools, the draft modelling undertaken by the Authority and the report presented to the meeting, the Schools Forum voted to:
- Approve up to £0.7m DSG transfer from the Schools Block to the High Needs Block; and
 - Support the Authority's proposals to implement the NFF as closely as possible in 2018/19.

3. High Needs Transfer

- 3.1 The Schools Finance Regulations allow authorities to transfer up to 0.5% of their Schools Block funding to support other funding blocks. Such a transfer for Cambridgeshire would result in a maximum transfer out of the Schools Block of c£1.7m.
- 3.2 The number of pupils in Special schools has continued to increase and has resulted in the requirement to spot-purchase additional places at several of the Area Special Schools. Also there are continuing pressures on special educational needs (SEN) Placements, Out of School Tuition, Top-Up for mainstream schools and Post-16 due to overall increases in numbers and levels of need. These issues were discussed at the Schools Forum meeting on the 13 December 2017 under the 2018/19 Cambridgeshire Schools Funding Formula report and a specific report on the High Needs Pressures and Actions. The Schools Forum voted to approve a transfer of up to £0.7m of funding from the Schools Block to the High Needs Block.
- 3.3 The total High Needs pressure identified for 2018/19 is an estimated full year shortfall in the base budget of £2.5m. Alternative options have been identified to minimise any transfer out of the Schools Block as follows:
- £0.5m High Needs savings and mitigations by the Authority;
 - A transfer of £0.5m from the Central Services Schools Block of the DSG; and

- c) Use of the uplift in the High Needs DSG allocation for Cambridgeshire of £0.8m.

After taking account of these actions the remaining pressure on the High Needs budget is £0.7m.

- 3.4 The Committee is asked to note that a maximum transfer of £0.7m (0.2%) be transferred from the Schools Block to support the High Needs Block in 2018/19. The Committee is also asked to note that under the current Regulations this transfer would be a one off for 2018/19 only meaning that there will remain a shortfall in the base budget for High Needs in future years that will still need to be addressed. It is currently unclear whether similar transfers from the Schools Block will be allowed under the hard national funding formula in future years.

4. The 2018/19 Schools Funding Formula

- 4.1 The Authority's proposals regarding the Cambridgeshire funding formula for 2018/19 were in the main supported by respondents to the consultation and the Schools Forum. The Authority's approach for the 2018/19 formula is therefore to:

- a) Move to the NFF as closely as possible, applying the NFF unit values where possible taking into account affordability of the funding formula against the overall Schools Block funding;
- b) Introduce the sparsity factor on a tapered basis using the prescribed NFF rates of £25k for Primary and £65k for Secondary;
- c) Remove the Looked After Children Factor on the basis the Pupil Premium Plus grant is being increased to reflect this change;
- d) Maintain the minimum funding guarantee (MFG) at minus 1.5% for 2018/19; and
- e) Apply a cap of 3% on increases in funding for any schools that gain from the changes.

- 4.2 From the initial funding formula modelling the Committee should note that:

- a) The indicative MFG cost of the formula has decreased from £1.4m in 2017/18 to £0.5m in 2018/19 reflecting the funding uplift from the DfE from their indicative allocations; and
- b) In applying the NFF, as expected, there is a redistribution of the available funding between the formula factors as follows:
 - A £17.5m increase in the funding allocated through Prior Attainment predominantly resulting from the significant increase in the unit values compared to the current Cambridgeshire formula rates and the NFF factor increasing the number of eligible pupils attracting this funding;

- A £6.1m increase in deprivation funding using all the proxy measures (FSM, Ever6 FSM and IDACI);
- A reduction in funding of £9.7m through the Lump Sum as expected from the change in the unit rate from £150k to £110k; and
- A decrease in the funding allocated through the basic entitlement of £4.2m.

Appendix B provides a more detailed analysis of the initial modelling for 2018/19.

4.3 The impact of the modelling undertaken to date, also as shown in Appendix B, demonstrates that:

- a) Schools on MFG protection are set to reduce from 57 in 2017/18 to 39 in 2018/19 meaning there are 18 fewer schools in receipt of funding protection. However the Committee should note that of the 39 schools receiving MFG, 27 are receiving MFG for the first time;
- b) In addition 190 schools in Cambridgeshire are set to gain funding in 2018/19 up to the level of the funding cap set with the majority of schools gaining by 2%-3%. It is expected with the additional funding due in 2019/20 that those schools that are subject to the cap will be able to retain even more, if not all, of their funding gain; and
- c) The introduction of the sparsity factor costs £0.2m with 19 Cambridgeshire schools being eligible to receive funding under this formula factor.

4.4 At the time of writing the modelling work associated with the 2018/19 budgets continues and is subject to further due diligence and quality assurance. It will also be refreshed to take account of the final DfE allocation and confirmation of actual pupil numbers as set out in paragraphs 1.3 to 1.6. Any resulting changes will be highlighted to the Committee at the January meeting.

4.5 It is recommended that the Committee approves the Cambridgeshire Schools Funding Formula for 2018/19 as set out in this Section of the report and Appendix B.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

Schools are significant employers within local communities and use their resources to improve life chances through education.

5.2 Helping people live healthy and independent lives

There are no significant changes as a result of proposed schools funding changes in 2018/19.

5.3 Supporting and protecting vulnerable people

Targeted funding for additional needs will be allocated to Primary and Secondary schools through the funding formula to aid their ability to support these pupils. In addition schools will continue to receive funding through the High Needs Block of the DSG for the most vulnerable pupils with statements or Education, Health and Care plans. Further still the DfE Pupil Premium and Pupil Premium Plus grants will continue in 2018/19 with the Pupil Premium Plus grant increasing from £1,900 per eligible pupil to £2,300.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

A number of schools have been reporting increasing levels of financial strain and by minimising turbulence wherever possible it is hoped to reduce the impact of any funding changes for individual schools through mechanisms within the funding formula such as the required minimum funding guarantee (MFG) and the minimum funding levels per pupil where possible.

However due to increasing pressures despite the increased funding for Cambridgeshire schools from the national funding formula, schools continue to be under significant financial pressure. In order to manage within the available funding some schools are likely to still need to undertake some form of restructuring to set balanced budgets over the next three years.

There are no direct resource implications for the Authority as a result of this decision.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

6.3 Statutory, Legal and Risk Implications

For 2018/19 the local authority is responsible for agreeing the local funding formula for Cambridgeshire schools in consultation with all schools and the Schools Forum. The allocation of the DSG is subject to compliance with Schools Finance Regulations and the final formula will be subject to checks by the Education and Skills Funding Agency.

6.4 Equality and Diversity Implications

There are no significant implications within this category.

6.5 Engagement and Communications Implications

The Authority is required to consult with all schools on any changes to the schools funding formula and the Schools Forum. A consultation process was undertaken with all schools with the results being reported to the Schools Forum at its meeting of 13 December 2017. The Schools Forum has therefore also been consulted on the funding formula arrangements for 2018/19 expressing a vote in favour the Authority's

proposals.

Consultation with Head teacher representative groups and Schools Forum has been undertaken.

6.6 Localism and Local Member Involvement

There are no significant implications within this category.

6.7 Public Health Implications

Increases in pupil numbers and special schools will impact on the public health commissioned School Nursing service.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Jon Lee
Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by Finance?	Yes Name of Financial Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Keith Grimwade
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Joanne Dickson
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Keith Grimwade
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

Source Documents	Location
<p>Schools Forum Documents</p> <p>Schools Funding Arrangements 2018/19 – report presented to Schools Forum on 13 December 2017 in respect of this decision.</p>	<p>https://cmis.cambridgeshire.gov.uk/ccc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/713/Committee/22/Default.aspx</p>
<p>DFE Documents</p> <p>Schools revenue funding 2018 to 2019: Operational Guide – this document provides guidance to support local authorities and schools forums in planning for the 2018-19 financial year;</p> <p>Schools Block and High Needs NFF Technical Note – providing the details on the DfE calculations; and</p> <p>The response to the NFF which includes numerous sources of information such as:</p> <ul style="list-style-type: none"> • Analysis of and response to the schools NFF consultation; • The NFF for schools and high needs: Policy Document; • Indicative allocations at local authority level; • The indicative impact on schools of the NFF; • Provisional High Needs allocations at local authority level; and • The impact of the new Central Services Schools Block. 	<p>https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019</p> <p>https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs</p> <p>https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs</p>