

SCHOOLS FUNDING UPDATE

To: **Children and Young People's Committee**

Meeting Date: **12 November 2019**

From: **Wendi Ogle-Welbourn
Executive Director, People and Communities**

Electoral division(s): **All**

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

Purpose: **The report provides an update on the schools funding arrangements for 2020-21 following the publication of the Department for Education's funding announcements for schools and high needs.**

Recommendation: **The Committee note the content of this report and the requirement to approve the Cambridgeshire schools funding formula at its meeting in January 2020.**

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1. BACKGROUND

- 1.1 The Department for Education (DfE) made announcements relating to the Dedicated Schools Grant (DSG) in July 2019 and issued indicative funding allocations on 11 October 2019 relating to the school funding arrangements for 2020-21. The source documents relating to these announcements are included at the end of the end of this report.
- 1.2 This report aims to give the Committee an overview of the key issues resulting from the announcement and the indicative allocations for Cambridgeshire. Work is ongoing with schools and the Schools Forum on the 2020-21 funding formula for Cambridgeshire schools, which is also summarised in this report.
- 1.3 The school funding arrangements for 2020-21 have to be in line with guidance published by the DfE for the relevant year. This guidance prescribes what the authority is allowed to do in respect of its funding formula and the requirements the authority must adhere to in setting its schools funding formula.
- 1.4 Ultimately this report paths the way for the school budgeting process to be undertaken with the final arrangements for funding schools being presented to the January CYP Committee meeting for approval. Once approved the authority is required to submit its schools funding formula arrangements to the Education and Skills Funding Agency (ESFA) on 21 January 2020.

2. MAIN ISSUES

The 2020-21 Schools Funding Announcements

- 2.1 The Department for Education (DfE) currently operate a 4 block funding model for funding schools and pre-16 education including early years. The blocks are set out in the following diagram.

DEDICATED SCHOOLS GRANT			
SCHOOLS BLOCK	CENTRAL SCHOOLS SERVICES BLOCK	HIGH NEEDS BLOCK	EARLY YEARS BLOCK

- 2.2 Each of the blocks covers different elements of the education funding with the funding allocations being based on different underlying formulae and data sets within each of the blocks. The blocks in the main cover:
 - **Schools Block** – the schools funding formula which funds individual school budgets and the growth fund for new and growing schools under certain criteria;
 - **Central Schools Services Block** – funds historic commitments previously agreed between the Schools Forum and the authority and ongoing responsibilities that the authority has in respect of education;

- **High Needs Block** – provides the funding to support pupils with high needs in various high need settings such as special schools, out of county placements, alternative provision, special education needs units and top up funding for pupils in mainstream schools that need additional support. This block also funds teams within the authority that support the high needs sector to meet the needs of high needs pupils; and
- **Early Years Block** – funds all settings providing early years places in respect of 2 years olds, and 3 - 4 year olds with an element of the block funding teams within the authority to manage and administer the early years arrangements.

2.3 The DSG blocks were funded by National Funding Formulae (NFF) from April 2017 for the early years block and from April 2018 for the other three blocks. It should be noted that the NFF is different for each block. The much publicised NFF that has received much attention in the media nationally is the schools NFF. The intention on its introduction was to ensure funding for individual schools was simpler and funded schools with the same characteristics in different parts of the country on the same basis. Despite the intentions there has continued to be a strong lobby for additional investment in the education sector. This lobby has been recognised by central government for 2020/21.

2.4 On 11 October 2019 the DfE published 2020/21 indicative allocations for the Schools Block, Central Schools Services Block and the High Needs Block. Early Years funding is based on pupil counts at different times of the year meaning allocations are published to a different timetable.

2.5 It is important to note that the indicative NFF announcements made by the DfE at individual school level can create confusion for schools in the budget they ultimately get from the authority. The DfE school level data is based on a pure application of the NFF. Schools do not get this funding because there are other costs that need to be met such as the cost of new and growing schools through the Growth Fund and any transfers from the Schools Block to support the cost of educating high needs pupils. The funding therefore has to be adjusted to take account of these which means ultimately the level of funding in schools budgets cannot be directly compared or expected to be at the level published by the DfE.

2.6 The indicative allocations follow the governments announcements in July which included the following headlines:

- Extra funding for schools of £2.6b in 2020/21 (£4.8b in 21/22 and £7.1b in 22/23) – a multi year settlement;
- Based on per pupil minimum funding levels at £3,750 for Primary in 2020/21 and £5,000 for Secondary in 2020/21 (Primary increases to £4,000 in 2021/22);
- A further £1.5b will be allocated to meet the additional Teacher's Pensions costs over a 3 year period – however it is not clear if this is a separate grant that will cease or will be baselined into the DSG;
- Teacher starting salaries to increase to £30,000 by 2022/23;
- An additional £66m to increase hourly rates to early years providers; and
- An extra £780m announced to high needs pupils.

- 2.7 For Cambridgeshire the indicative allocations are set out in the table below and are positive in the sense that there is more funding for Cambridgeshire's schools. However there are pressures in high needs and a reduction in the Central Schools Services Block which are covered in the following sections, which mean there continues to be significant funding implications in these areas for the authority.

	2019/20 £M	2020/21 Indicative £M	Change £M	Change %
Schools Block				
Pupil Led Funding	339.8	357.6	17.8	5.2%
Premises Funding	5.0	5.1	0.1	2%
Schools Block Total	344.8	362.7	17.9	5.2%
High Needs Block	68.8	74.6	5.8	8.5%
Central Schools Services Block	8.1	7.0	(1.1)	(13.6%)
Total*	421.7	444.3	22.6	5.4%

*Note - details of the Early Years Block for 2020/21 have not yet been published and at the time of writing the allocations that Cambridgeshire will receive through the funding formula for growth are expected in the next few weeks. It should also be noted that Cambridgeshire received a reduction in its 2019/20 funding allocation for growth.

Cambridgeshire Schools Block & Schools Funding Formula

- 2.8 The schools funding formula applies to all maintained and academy Primary and Secondary schools in Cambridgeshire. The difference is that maintained schools receive their main schools funding through the Authority (funded from its DSG funding) for the April to March period and academies via the ESFA for the September to August period.
- 2.9 As part of the NFF announcements the DfE have published the NFF formula factors and formula unit rates for 2020/21. This includes NFF funding figures for each school for 2020/21 based on October 2018 pupil numbers and data on each school. The allocations published by the DfE are indicative and will be updated to take account of the October 2019 pupil numbers and data sets. The indicative allocations do however include the additional funding announced by the DfE on 11 October 2019.
- 2.9 The ability to transfer 0.5% of the Schools Block allocation to the High Needs Block remains. Any transfer must be approved by the Schools Forum. The 0.5% limit for Cambridgeshire equates to £1.8 million in 2020/21. With Schools Forum approval £1.7 million was transferred between these two blocks in 2019/20. For 2020/21 the authority is considering transfer in excess of the 0.5%, potentially up to 1.5% (£5.4m), due to the financial pressures in the High Needs Block for the Cambridgeshire. To do this approval from the Secretary of State must be sought. There is a requirement for the authority to consult with all schools on this prior to Schools Forum voting on a proposal to transfer funding. This consultation will be undertaken during November 2019 to inform the Schools Forum decision at it's meeting in December 2019.
- 2.10 In 2020/21 the DfE are continuing to apply a 'soft' formula where it remains a local authority decision on the funding formula for its schools.

- 2.11 It is a requirement of the school funding regulations that schools are consulted on any change to the local formula and any proposals to transfer money from the Schools Block. The consultation arrangements are being discussed with the Schools Forum on 8 November 2019. The proposals being discussed are to consult with schools on:
- a) The inclusion of the revised Mobility formula factor for Cambridgeshire, which is expected to be relatively minor in terms of value;
 - b) The value at which the MFG should be set, for 2020-21 this can be set between +0.5% and +1.84%;
 - c) The transfer from the Schools Block to the High Needs Block; and
 - d) Whether Cambridgeshire should still operate a funding cap if required to ensure affordability of the overall formula.
- 2.12 The results of the consultation will be presented to, and voted on at, the Schools Forum meeting on 18 December. However, the final Cambridgeshire schools funding formula remains a local authority decision.
- 2.13 The DfE will issue the final 2020/21 DSG High Needs and Schools Block funding allocations (updated for October 2019 pupil data) in mid-December 2019. This will allow the final Cambridgeshire schools formula and school budgets to be calculated and then presented to the Schools Forum meeting on the 17 January 2020. There is also a requirement to submit the formula to the EFSA by their deadline of 21 January 2020.

Central Services Schools Block

- 2.14 The NFF central services schools block (CSSB) comprises two elements. The first being historical commitments and the second ongoing responsibilities funding. The ongoing responsibilities element is funded on a national formula based on pupil numbers. Cambridgeshire is due to receive a small increase of £46k in respect of the ongoing responsibilities funding in this block for 2020/21. This largely goes to offset the annual increase in the national copyright license costs charged to the authority.
- 2.15 The 2019/20 CSSB funding was £8.1 million in total. The historic commitments element was £5.7 million which included the following budget areas - Combined budgets (£3.8m) and the Cambridgeshire Public Services Network Broadband contract (£1.5m). DfE regulations do not allow these individual budgets to be increased from their historic levels. An issue has emerged as a result of the DfE allocations announced on 11 October as the Cambridgeshire CSSB is being reduced by £1.1m to £4.6m million. The DfE have applied a 20% reduction on the historic funding element in the CSSB on the basis that they want the historic commitments to be unwound.
- 2.16 The ongoing responsibilities element is £2.4 million which includes School Admissions, Schools Forum, Schools Copyright and Statutory and Regulatory services to schools. The latter is a contribution to the responsibilities local authorities hold for all schools and is the element previously funded from the Education Services Grant that was moved into the DSG in 2017/18.

- 2.17 The Schools Forum are required to vote on the use of the CSSB, some of which has a direct impact on the budgets for these services in the authority. If the budgets are not approved then the cost of providing these services will fall to the authority or to individual school budgets. Due to the 20% reduction of funding applied to the historic funding nationally by the DfE the Schools Forum do not have the same amount of funding to approve the same level of expenditure. For 2020/21 current Business Planning proposals include pressures funding of £1.5m relating to the anticipated reduction in this funding. The use of the remaining funding is still subject to approval by Schools Forum, and as such the overall impact could vary. Further analysis of the implications of funding reductions in future years is required.

High Needs Block

- 2.18 An important distinction with the High Needs NFF is that the funding formula is used to generate the funding allocation at local authority level, as opposed to individual setting / school indicative allocations. The authority decides within certain parameters how the funding for high needs pupils is used. In reality the vast proportion of the High Needs Block is allocated out to settings that are providing the education for high needs pupils.
- 2.19 The indicative increase in funding of £5.8 million in 2020/21 is a step in right direction for Cambridgeshire but it does not go far enough. Part of the issue in common with other areas of the county council funding is that DSG high needs funding is not matching the rate of growth in Cambridgeshire of numbers and high needs at a time of higher expectations from both the local authority, schools, OFSTED, the Government, pupils and parents.
- 2.20 The uplift in funding must be set in the context of the estimated cumulative deficit in excess of £15.0 million that will exist at the end of the current financial year. In addition there is the need to meet the ongoing £8.5 million over spend in the base budget and plan for the fact that the £1.7 million transfer from the schools block in 2019/20 is only one off and may not be approved by the Schools Forum in 2020/21, or the Secretary of State. The combination of these factors amounts is significant meaning that there is no funding to meet the increasing number and complexity of high needs pupils. To the contrary significant savings need to be delivered within High Needs to bring the budget under control.
- 2.21 For the reasons set out above the authority is likely to apply for dispensation from the Secretary of State to transfer 1.5%; 1% more than the allowable 0.5% from the Schools Block to the High Needs Block.

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 potential requirement to transfer more than 0.5% from the Schools Block to support the High Needs Block.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The ongoing demand for services in the High Needs Block is resulting in financial pressures that need to be funded from within the DSG High Needs Block or by reviewing the local high needs arrangements for Cambridgeshire. A Special Educational Needs and Disability (SEND) Recovery Board is in place to review practices and reduce spend.

The reduction in the CSSB will need to be kept under review as decisions on central budgets for 2020/21 are taken by the Schools Forum. There are likely to be further ongoing funding reductions from 2021/22 that need to be considered for the authority through its Business Planning process.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications in this area

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 2020-21 Authority Pro-forma Tool (the schools budget data) to the ESFA by the 21 January
- The requirement to publish school budgets by the statutory deadline of 28 February 2020

4.4 Equality and Diversity Implications

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

- The funding levels that Cambridgeshire is experiencing in its high needs allocations from government mean that there is a need to transfer from mainstream schools to contribute to the management of the financial position of the high needs block. This redirects money away from mainstream education and individual school budgets.

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 2020-21.
- Discussions will take place with the Schools Forum, which will include the outcome of the consultation with schools.
- The final schools formula arrangements for 2020-21 will be presented to the Committee for approval at the January 2020 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 in this area

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 Finance?	Yes Name of Financial Officer: Gus de Silva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes or No 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 or No 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
<i>DfE Indicative School Funding Allocations and supporting information</i>	https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021