

SCHOOLS FORUM

Meeting date: 26th November 2019

From: Dan Barton, Assistant Director – Education & Skills

SCHOOLS FUNDING CONSULTATION OUTCOME 2020-21

1.0 EXECUTIVE SUMMARY

- 1.1 On 4th September 2019, the Chancellor of the Exchequer made an announcement on the school funding settlement for 2020-21 to 2022-23. This outlined a national increase in school budgets of £14.5bn over 3 years compared to 2019-20 levels resulting in increases of £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23. The announcement also included an additional £700m nationally for special educational needs (SEN) for one year only.**
- 1.2 A National Funding Formula (NFF) was introduced for schools from 2018-19. Initially, it was intended that the first two years would be ‘soft’ allowing local flexibility in applying the NFF, subsequently it was announced that 2020-21 would also continue to be a ‘soft’ year.**
- 1.3 In addition to deciding whether to adopt the NFF for schools or to apply a locally determined formula, local authorities also have discretion over whether to transfer up to 0.5% of funding from the Schools Block into other blocks with the agreement of Schools Forum.**
- 1.4 Local authorities must consult with their Schools Forum and local schools on an annual basis in respect of changes to the school funding arrangements and whether or not to continue to adopt the NFF. Cumbria has adopted the NFF each year since 2018-19.**
- 1.5 Following the practice of previous changes to school funding, a consultation has taken place between the Cumbria Schools Forum and primary and secondary schools and academies in Cumbria.**
- 1.6 The Cumbria Schools Forum is asked to review the results of the consultation and to make a recommendation to Cabinet as to the formula that should be used in 2020-21 to allocate funding to Cumbrian schools.**

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.

3.0 RECOMMENDATION

3.1 The Schools Forum is asked to recommend to Cabinet that either:

3.2 the national funding formula is implemented in full in Cumbria in 2020-21, impacting maintained schools from April 2020 and academies from September 2020 with any residual surplus remaining in the Schools Block after applying the NFF up to a maximum 0.5% transferring to High Needs Block to support the Recovery Plan;

or

3.3 that the national funding formula is implemented but with reduced AWPU values in Cumbria in 2020-21, impacting maintained schools from April 2020 and academies from September 2020 with a transfer of 0.5% Schools Block funding to High Needs Block to support the High Needs Recovery Plan.

3.4 Schools Forum is also asked to agree the principles that the LA will apply if it arises that there is a surplus or shortfall in Schools Block balance to transfer to HN block under either options at para 3.2 and 3.3 once the final Schools Block allocations for 2020-21 are confirmed.

4.0 BACKGROUND

4.1 A National Funding Formula (NFF) was introduced for schools from 2018-19. The formula is still 'soft' as it allows local flexibility in applying the NFF. In compliance with DfE guidance the County Council has consulted all schools and Schools Forum on whether the NFF should be adopted for 2020-21.

4.2 An additional £14.5bn of funding nationally for schools over the next 3 years was announced on 4 September. The announcement also included a move towards a 'hard' formula in 2020-21 which will be achieved by making the use of national minimum per pupil funding levels compulsory for local authorities to use. The minimum per pupil funding level is £3,750 for primary schools and £5,000 for secondary schools.

4.3 The other key factors of the NFF for 2020-21 are:

- All factors within the formula increased by 4% with the exception of the Free School Meals factor which will be increased in line with inflation;
- Premises factor will be based on 2019-20 actual data;

- A new formulaic methodology for allocation of mobility funding has been built into the NFF;
- Funding floor set at 1.84% although local authorities continue to be able to set a Minimum Funding Guarantee between +0.5% and +1.84% in their local formula;
- There will be no gains cap so all schools will attract their full core funding allocations under the NFF, although local authorities can continue to set a gains cap in their local formula.

- 4.4 The mobility factor was previously optional and was not used by Cumbria. This factor supports schools with a high proportion of pupils who first join the school on a non-standard date. Where the proportion of mobile pupils in each primary or secondary phase is above a threshold of 6% the school will be eligible for mobility funding based on a per pupil amount of £875 (primary) and £1,250 (secondary). The provisional NFF allocations based on October 2018 census data indicate that 85 primary and 5 secondary schools would be eligible for mobility funding totalling £0.221m.
- 4.5 The funding available in each local authority's Schools Block of the Dedicated Schools Grant is determined by aggregating the total of all primary and secondary school budgets calculated by the Education and Skills Funding Agency using the NFF based on October 2018 census data to arrive at a primary and secondary unit of funding (PUF and SUF). The PUFs and SUFs are used to allocate funding in 2020-21 at local authority level based on the October 2019 census data and then funding for actual growth between successive October censuses is applied. Local authorities may, with the agreement of their Schools Forum, transfer up to 0.5% of the Schools Block into other blocks. The National Funding Formula is not mandatory for 2020-21 and the Council can decide on a formula to allocate its Schools Block funding to individual schools.
- 4.6 The Department for Education has published provisional school funding allocations for 2020-21, subject to change following updated pupil numbers and other later adjustments. For Cumbria, the Schools Block is expected to increase from £284.130m to £298.698m, a gain of £14.568m. These figures exclude Growth Fund funding which at the time of writing has not been announced.
- 4.7 The funding regulations for 2020-21 allow a transfer of a maximum of 0.5% from the Schools Block to other blocks with Schools Forum approval. As last year, transfers above 0.5% would require Secretary of State approval. However, following the announcement of an additional £700m nationally for High Needs, DfE have made it clear that transfers above 0.5% are unlikely to receive approval.
- 4.8 The provisional High Needs Block settlement for Cumbria is £47.863m, an increase of £4.784m compared to the 2019-20 funding of £43.080m. It should be noted, however, that these figures are before deductions for direct funding of High Needs places by the ESFA which amounted to £3.892m in 2019-20, as that information has not yet been made available by DfE.

- 4.9 Despite the provisional increase in High Needs funding, there will continue to be significant pressure on the High Needs Block budget, largely related to the increasing numbers of pupils with Education and Health Care Plans (EHCPs), and the increasing number of pupils in independent day and residential settings and the increasing cost of those settings.
- 4.10 The DfE required all local authorities with a cumulative Dedicated Schools Grant (DSG) deficit of 1% or more as at 31 March 2019 to submit a recovery plan setting out how the DSG reserves would be brought back into balance within a maximum of 3 years. As Cumbria had a cumulative deficit of 1.08% a plan was submitted to DfE on 30 June 2019 setting out the savings and invest to save initiatives to reduce but not eliminate the deficit.
- 4.11 The main pressure on the Council's DSG reserves relates to the deficit on the High Needs Block. As at 31st March 2019 there was a deficit on the High Needs Block earmarked reserve of £5.533m and as at Q1 budget monitoring the deficit on High Needs is projected to be £10.358m by 31st March 2020. This increase is in part due to the increasing levels of need but also due to some of the invest to save initiatives which need upfront investment to deliver savings in future years.
- 4.12 The recovery plan included a potential transfer from Schools Block to High Needs Block in 2020-21 subject to the outcome of a consultation with schools, School Forum endorsement and Cabinet agreement.
- 4.13 Indicative 2020-21 funding allocations were received on 11 October 2019. Modelling undertaken on these figures indicated that if the NFF was applied in full to Cumbria Schools a balance of £1.170m, or 0.39%, would be left over. This situation also happened in 2019-20 when a balance of £0.555m (0.19%) was left after application of the NFF, and following Schools Forum agreement was transferred to the High Needs Block. The surplus following allocation of the NFF in full occurs because funding is allocated to the Local Authority on the basis of Primary Units of Funding (PUFs) and Secondary Units of Funding (SUFs) multiplied by the relevant pupil numbers in each phase, whereas funding is allocated to schools on the basis of NFF factors.
- 4.14 School Forum at its meeting on 29 October 2019 agreed to consult all Cumbria primary and secondary maintained schools and academies on whether they agreed to implement the NFF in 2020-21, and also on 2 different options for a transfer from the Schools Block to the High Needs Block in order to assist with the ongoing pressure on the High Needs Block.
- 4.15 The options for a transfer from the Schools Block were:
- Option 1 – apply the NFF in full and transfer any surplus remaining up to 0.5% to the High Needs Block. The remaining surplus based on indicative funding is £1.170m or 0.39% but the actual value will not be known until final funding figures are received from DfE;
 - Option 2 – reduce the Age Weighted Pupil Unit (AWPU) whilst maintaining the same AWPU ratios as applied in the NFF, and apply all

other factors in accordance with the NFF resulting in a surplus of £1.500m or 0.5%. Under this model all schools still gain compared to 2019-20 funding and the majority of schools lose a small amount of funding compared to Option 1.

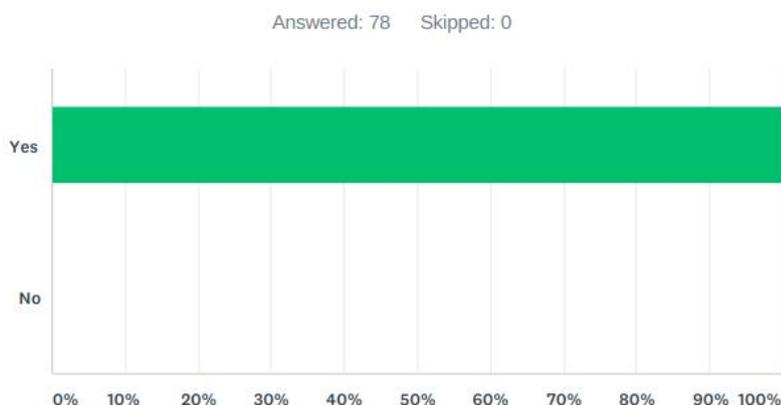
4.16 The actual value of the transfer under both options cannot be confirmed until final funding figures are received which will be based on the October 2019 census data and pupil characteristics.

5.0 As approved by the Schools Forum on 29th October 2019, a consultation between the Forum and all Cumbrian primary and secondary schools and academies was launched on 30th October with a closing date of 20th November. The consultation included modelling of the proposed impact of Option 1 and Option 2 on individual school budget shares. A copy of the consultation is found at Appendix 1.

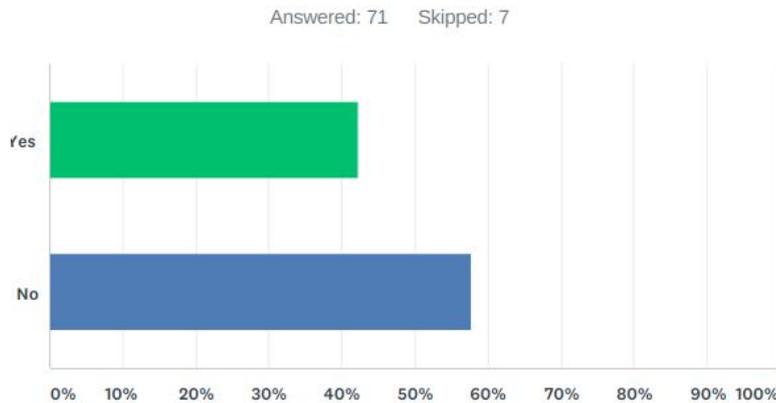
6.0 SCHOOL FUNDING OUTCOME

5.1 As at the closing date of 20th November 2019, 78 responses were received from schools, school forum members and CASL representatives.

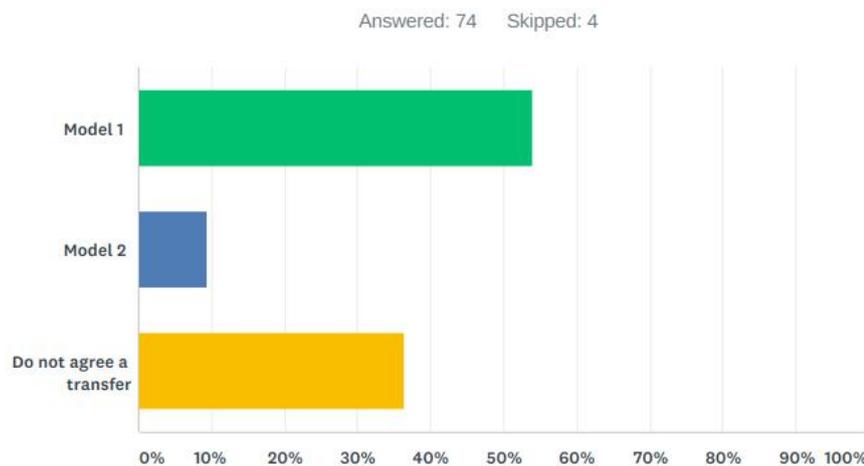
5.2 Of the 78 respondents 100% agreed with the recommendation of the Cumbria Schools Forum that the national funding formula should be used to allocate funding to schools in Cumbria in 2020-21:



5.3 When asked if a transfer should be made from the Schools Block to the HN Needs Block 41 (58%) respondents were not in favour, 30 (42%) were in favour and 7 respondents skipped the question:



5.4 When asked if the transfer should be on the basis of Model 1 (NFF in full with residual balance estimated at 0.39% transferring to HN Block) or Model 2 (NFF with reduced AWPU values and 0.5% transfer to HN Block) 40 (54%) respondents were in favour of Model 1, 7 (10%) of respondents were in favour of Model 2, 27 (36%) respondents did not agree a transfer and 4 respondents skipped the question:



5.5 A summary of the results and comments made by respondents are at Appendix 2.

6.0 OPTIONS

6.1 Schools Forum are asked to consider the results of the consultation and to recommend to Cabinet one of the following options for the 2020-21 financial year:

6.1.1 That the national funding formula is implemented in Cumbria in full in 2020-21, impacting maintained schools from April 2020 and academies from September 2020 with any residual balance (estimated at £1.170m equating to 0.39%) remaining to transfer to the HN Block up to a maximum of 0.5%;

or

6.1.2 That the national funding formula is implemented in Cumbria in 2020-21, impacting maintained schools from April 2020 and academies from September 2020 with a transfer of 0.5% Schools Block funding to High

Needs Block to support the High Needs Recovery Plan effected through reduced AWU values.

- 6.2 Depending on which option above that the Schools Forum agree to recommend to Cabinet an in principle agreement also needs to be reached with School Forum members of the treatment that the LA will apply if it arises that there is a surplus or shortfall in Schools Block balance to transfer to HN block under either options at para 6.1.1 and 6.1.2 once the final Schools Block allocations for 2020-21 are confirmed.
- 6.3 The recommended principle to apply under Option 1 is that after applying the NFF in full any surplus (whether less than or more than the estimated £1.170m) will be transferred to the HN block up to a maximum equating to 0.5%. If the surplus is less than 0.5% it will be transferred in full but if the surplus is greater than 0.5% only 0.5% will be transferred to the HN Block with the remaining balance above 0.5% to be retained in the Schools Block for the growth fund budget following consultation with Schools Forum at the January 2020 meeting.
- 6.4 The recommended principle to apply under Option 2 is that, after applying the NFF in full using the reduced APWU values as stated in the consultation, if the excess balance is greater than 0.5% then the APWU values would be increased to ensure that only 0.5% would be transferred to the HN block. If the excess balance is less than 0.5% after applying the APWU values as stated in the consultation, then the APWU values would be reduced to ensure that the full 0.5% can be transferred to the HN Block.
- 6.5 Schools Forum is asked to agree the relevant principle following their recommendation to Cabinet of whether to apply the funding formula under Option 1 or Option 2.

7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 7.1 Resource and value for money implications are considered throughout this report.
- 7.2 The Department for Education has announced changes to school funding from 2020-21 and as in previous years it is a requirement that the LA consults all schools and School Forum on any proposed changes to the local funding formula as LAs continue to have local flexibility in setting the funding formula for Cumbrian schools in 2020-21. Local authorities also to have flexibility to transfer up to 0.5% of Schools Block funding to other blocks. Transfers above 0.5% require Secretary of State approval.
- 7.3 The Dedicated Schools Grant central reserve closed the 2018-19 financial year with a deficit of £3.841m. The HN recovery plan Quarter 1 budget monitoring predicts that the deficit on the HN Block will increase to £10.358m and this, taking into consideration the predicted surplus on the other DSG budgets, will increase the projected overall DSG deficit to £7.592m.

- 7.4 The proposed measure to transfer up to 0.5% of Schools Block will, whilst addressing the deficit on the DSG as required by DfE, have a negative impact on individual school budget shares.

8.0 CONCLUSION

- 8.1 This paper presents to the Schools Forum the outcome of the consultation with maintained and academy primary and secondary schools on the funding formula that should be used to allocate funding to schools in the 2020-21 financial year.
- 8.2 The Schools Forum is asked to make a recommendation to Cabinet on the funding formula that should be used to allocate funding to schools in 2020-21 financial year.

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25th November 2019

Accompanying Documents:

Appendix 1 - Consultation – School Funding Formula 2020-21
Appendix 2 – Consultation Results

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