

Cheshire West and Chester Council

Consultation with Schools on School Funding for the Financial Year 2019-2020

Description of Proposals

September 2018

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Additional documents published separately:

- Consultation questionnaire
- Illustrative financial modelling

Introduction

This consultation concerns the Schools Block formula funding for 2019-2020 and is relevant to all primary and secondary local authority maintained schools, academies and free schools.

The document outlines the requirements set by the Department for Education (DfE) for factors that may be used by the Local Authority in determining the local schools funding formula in 2019-2020.

Approach to the consultation

In 2018-2019 the government introduced a National Funding Formula (NFF) for schools which replaced the previously historic basis for distributing Dedicated Schools Grant funding to local authorities. It is the government's intention to move to a hard NFF for schools under which school allocations would be determined nationally without any local authority involvement. However, as the formula represents significant change and some elements are still yet to be addressed a 'soft' approach will be implemented until 2021-2022. Under a soft formula, local authorities will continue to determine, in conjunction with their schools and Schools Forum, the formula which will distribute the total funding to maintained schools and academies.

In October 2017, a consultation was held with schools on the proposal to move the local funding formula in line with the NFF to be consistent with the direction of travel of central government.

There are no proposals to reverse this decision and therefore the consultation with schools and Schools Forum for the next financial year will be limited to consulting on the changes and recurring annual decisions only.

Following consideration by the Schools Forum Finance Sub Group (which includes officer and schools representatives), the consultation is proposed to cover four aspects of funding for schools for 2019-2020; Minimum Funding Guarantee protection, Minimum per Pupil funding levels factor, transfer to the high needs block and de-delegation options for 2019-2020. The consultation will only consist of four questions in relation to those proposals and will therefore be a brief consultation in comparison to previous years.

The consultation with all schools on these proposals will be open from 24 September 2018 to noon 5 October 2018.

Comparison of local and national funding formula

The Department for Education have published that in 2018-2019 there has been considerable movement in local formulae towards the schools national funding formula. 73 of 152 local authorities have moved every one of their factor values in their local formulae closer to the national funding formula, with 41 mirroring the national funding formula factor values almost exactly. This was the case in Cheshire West and Chester with all of the formula values being matched exactly to the NFF. Following the decision to continue to release historic protection afforded to some schools through the Minimum Funding Guarantee, the Local Authority were also able to set a slightly higher Basic Entitlement value to the NFF and distribute more funding to all schools.

The NFF values proposed for 2019-2020 remain largely unchanged from 2018-2019 with only one small technical change to the low prior attainment factor value for primary. This has been reduced slightly from 2018-2019 to reflect the increase in eligible pupil numbers arising from the change in Early Years Foundation Stage assessment. The overall proportion of funding allocated through this factor will remain the same. The 2019-2020 NFF will also see the Minimum per Pupil funding level thresholds being implemented in full from the interim levels set in 2018-2019.

Table 1 below shows the current 2018-2019 formula values used in Cheshire West and Chester (CWAC) against the proposed NFF values for the Borough for 2019-2020.

Additional Premises factors (which include rates, Private Finance Initiative affordability gap, split sites and exceptional premises factors) are not prescribed by the NFF. Funding will continue to be allocated to local authorities based on planned spend on these factors in 2018-2019 with an inflationary increase to allow these factors to continue in 2019-2020.

Table 1 2018-2019 formula values used in Cheshire West and Chester (CWAC) against the proposed NFF values for the Borough for 2019-2020

Funding Factors	2018-19 CWAC formula values £	2019-20 NFF values £
Basic per-pupil funding		
Age Weighted Pupil Unit (AWPU): Primary	2,756.78	2,746.99
Age Weighted Pupil Unit (AWPU): Secondary - KS3	3,876.75	3,862.65
Age Weighted Pupil Unit (AWPU): Secondary - KS4	4,401.61	4,385.81
Minimum per pupil funding level	Primary £3,300 Secondary £4,500	Primary £3,500 Secondary £4,800
Additional needs funding		
Deprivation		
Current FSM top up (Pupils currently claiming FSM at the last census): Primary	441.57	441.57
Current FSM top up (Pupils currently claiming FSM at the last census): Secondary	441.57	441.57
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary	541.92	541.92
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary	787.79	787.79
Income Deprivation Affecting Children Index (IDACI) band F: Primary	200.71	200.71
IDACI band F: Secondary	291.03	291.03
IDACI band E: Primary	240.85	240.85
IDACI band E: Secondary	391.39	391.39
IDACI band D: Primary	361.28	361.28

Funding Factors	2018-19 CWAC formula values £	2019-20 NFF values £
IDACI band D: Secondary	516.83	516.83
IDACI band C: Primary	391.39	391.39
IDACI band C: Secondary	561.99	561.99
IDACI band B: Primary	421.50	421.50
IDACI band B: Secondary	602.14	602.14
IDACI band A: Primary	577.05	577.05
IDACI band A: Secondary	812.88	812.88
Low prior attainment: Primary	1,053.74	1,025.64
Low prior attainment: Secondary	1,555.52	1,555.52
English as an additional language: Primary	516.83	516.83
English as an additional language: Secondary	1,389.93	1,389.93
School led funding		
Lump sum: Primary	110,391.60	110,391.60
Lump sum: Secondary	110,391.60	110,391.60
Sparsity: Primary	25,089.00	25,089.00
Sparsity: Secondary	65,231.40	65,231.40

Formula options for 2019-2020

The NFF announcement in July 2017 confirmed that there would be a higher level of funding in each local authority area compared to 2017-2018. An additional £1.3bn investment in schools and high needs funding over the next two years would enable the NFF to be introduced without any loss at local authority level. The NFF allocation provides as a minimum, a 0.5% per pupil cash increase in respect of every school allocation; and in 2019-2020, an increase of 1%, compared to 2017-2018 baselines.

Whilst the formula allocation to local authorities provides for these increases, there are a number of issues which prevent the nationally calculated allocations being passed on directly to schools.

- The aggregated per pupil level of funding that is available to the Local Authority is lagged to the demographics of pupils on the October 2017 census. Therefore any changes in eligibility in the October 2018 census have to be managed within the overall allocation.
- The premises elements of the formula along with growth funding for new and expanding schools is being funded on a historic basis. Therefore any increase from 2018-2019 to these elements of the formula need to be met from the cash increase in the funding allocation.
- The actual formula allocation for 2019-2020 will reflect the pupils on roll on the October 2018 census. The formula does not protect schools against a loss of pupil numbers and so schools may still receive a reduction in funding overall.
- Local authorities will have some flexibility in consultation with schools and Schools Forum to transfer limited Schools Block funding to other areas (such as high needs) where local needs require this.

The following sections outline the considerations and options for the operation of the formula in 2019-2020 to manage within the allocation to the Local Authority.

Minimum Funding Guarantee (MFG) protection

Local authorities will continue to set a minimum funding guarantee (MFG) in their local formulae to protect schools from excessive year on year changes in per pupil funding levels. Greater flexibility is being introduced in 2019-2020 to allow authorities to set the MFG between a positive 0.5% and minus 1.5% per pupil following local consultation – prior to the NFF this was set nationally at minus 1.5% per pupil. This protects schools from excessive turbulence, but ensures local authorities have the flexibility to move towards the national funding formula and to allocate per pupil increases in funding.

It has been a priority for CWAC to reduce the amount of MFG protection in funding allocations to limit the cliff edge for any school in moving to the NFF and to maximise the fair distribution of funding to all schools. There is currently £1.4m MFG in the 2018-2019 formula protecting 38 schools from a greater than 1.5% per pupil per year reduction from their historic funding levels.

Local authorities are required to consult on the level of the MFG, as with the rest of the formula.

Whilst MFG protects schools against excessive changes in per pupil levels of funding, it does not protect against loss of funding where pupil numbers fall from the previous October census. There is no mechanism to protect schools from loss of funding from falling pupil numbers.

The Local Authority has the following options to set the MFG:

- -1.5% - This is the current policy for Cheshire West and Chester where individual schools would be able to lose a maximum of 1.5% of per pupil funding compared to the previous year. This would occur if the proportion of children eligible for additional needs funding factors reduced or if the formula unit values were reduced from the previous year. In addition, schools who have previously received higher levels of funding than the NFF from historic allocations are protected at this level and move towards the NFF over time, limited by a 1.5% reduction per year. As these schools move closer to the NFF, this releases funding tied up in protection to be re-distributed to other schools.
- Between -0.5% and -1% - Individual schools would be able to lose up to 0.5% or 1% per pupil compared to 2018-2019. This is more favourable than the -1.5% and would allow all schools to receive some of the additional funding albeit from a lesser than expected -1.5% reduction, rather than an actual gain. Higher funded schools on protection would take longer to be funded in line with the formula and more funding would need to be allocated to protection than with the -1.5% option.
- 0% - Individual schools would be protected up to the per pupil funding levels received in 2018-2019 (i.e. 0% loss in per pupil funding). However, schools in receipt of MFG are being funded at higher levels than other schools and to the local and national formulae. Those schools would continue to receive protection

at a higher level and this funding allocated for protection would then not be available to re-distribute to other schools.

- 0.5% - Individual schools would receive a guaranteed 0.5% per pupil increase on their 2018-2019 funding. This increase would also apply to schools in receipt of historic protections and would further increase their funding levels compared to the NFF. Although the DfE are allowing local authorities to implement a positive MFG, the affordability of this option would need to be considered in view of:
 - the wider formula and funding, not all of which is keeping pace with current pupil demographics, growth and premises factors
 - the transfer to high needs (see later section)
 - the already higher Basic Entitlement value implemented by CWAC in 2018-2019 which was based on the release of funding from a negative 1.5% MFG

As such, this may not be an affordable option for CWAC when the final allocations are received in December.

Illustrative financial modelling of the -1.5%, 0% and 0.5% options for 2019-2020 is available in a separate document. Values in between would have impacts in between these outside ranges.

Please refer to the consultation questionnaire Question 1.

Minimum per Pupil Factor

To ensure each school receiving sufficient basic per pupil funding, the NFF includes an additional Minimum per Pupil formula factor. The minimum level per pupil calculation includes the basic per pupil entitlement, all additional needs factors and the lump sum and sparsity factors and divides them by the number of pupils on roll. In 2019-2020 the NFF allocations will provide for a minimum per-pupil funding level of £4,800 for every secondary school and £3,500 for every primary school.

It is optional for local authorities to implement the minimum per pupil factor at a local level. Following consultation with schools in 2018-2019, this factor was implemented for Cheshire West and Chester schools using the interim minimum funding levels of £4,600 for secondary schools and £3,300 for primary schools. The Department for Education have published that in 2018-2019 112 out of 152 local authorities have brought in a minimum per pupil funding factor, mirroring its introduction in the national funding formula.

The schools that gain from this factor are those schools that attract little additional needs funding through the formula (i.e. have a low number of deprived or low attaining pupils). Smaller schools are not advantaged by this mechanism as the lump sum constitutes a higher level of funding on a per pupil basis that for a larger school and takes them over the minimum level.

The Local Authority are now consulting on adopting this factor in full for the 2019-2020 financial year. Adopting the factor would move funding in line with the NFF and increase funding for a small number of schools so that they are better placed to support the needs of all pupils rather than directly funding deprived and low attaining pupils.

In not adopting this factor, the minimum per pupil funding allocation received by the local authority could be made available to allocate across all schools through the remaining formula factors.

Illustrative allocations of the Minimum per Pupil Factor for 2019-2020 (based on 2018-2019 data) are shown in Table 2 below.

Table 2			Minimum per pupil funding level factor			
School/academy	Pupil numbers Oct 2017	2018-19 Funding per pupil £	Funding through this factor in 2018-19 £	Funding through this factor in 2019-20 £	Additional funding 2019-20 £	Additional per pupil amount 2019-20 £
St Nicholas Catholic High	1066	4,710	-	96,368	96,368	90
Weaverham High	1035	4,769	-	32,189	32,189	31
Helsby High	1060	4,698	-	108,239	108,239	102
Upton-by-Chester High	1239	4,782	-	21,892	21,892	18
Bishop Heber High	1042	4,580	21,129	229,529	208,400	220
Neston High	1431	4,787	-	18,315	18,315	13
Tarporley High School	990	4,534	65,310	263,310	198,000	266
The County High	987	4,767	-	32,432	32,432	33
Christleton High	1057	4,560	42,250	253,650	211,400	240
Meadow Primary	418	3,499	-	582	582	1
Woodlands Primary	530	3,389	-	58,574	58,574	111
Hartford Primary	381	3,364	-	51,854	51,854	136
Davenham Primary	312	3,386	-	35,462	35,462	114
TOTAL			128,689	1,202,396	1,073,707	

The alternative option is for the additional funding of £1,073,707 received for the Minimum per Pupil level factor to be allocated through the Basic Entitlement factor to

all schools. This would equate to an additional £6 to the Primary Basic Entitlement and £64 per pupil to the KS3 and KS4 Basic Entitlement.

Illustrative financial modelling of implementing the Minimum per Pupil level funding in 2019-2020 is available in a separate document.

Please refer to the consultation questionnaire **Question 2.**

Transfer to the High Needs block

In the past, local authorities have had discretion on the movement of funding within the funding blocks of the Dedicated Schools Grant (DSG) in order to meet demands and pressures across the school system. To prepare for the future introduction of a hard formula, and to ensure the vast majority of funding allocated through the national formula reaches schools directly, 99.5% of the schools block allocation will be ring-fenced to primary and secondary schools in 2019-2020 as in 2018-2019.

The DfE recognise that a degree of flexibility is needed however to ensure that local authorities are able to manage other budgets funded through the DSG i.e. the high needs budget. Therefore, with the agreement of the Schools Forum, up to 0.5% of the schools block can be transferred to the high needs block again in 2019-2020 as in 2018-2019. **Please note that this is the same 0.5% as in 2018-2019 and not an additional 0.5% (i.e. 1% in total).** Based on the illustrative NFF Schools Block value for 2019-2020 of £200m, 0.5% equates to £1m.

In CWAC, as with a large number of other local authorities, the increasing demand for specialist provision and additional support in mainstream is creating a year on year pressure on high needs funding. This pressure has not reduced in 2018-2019 and this transfer again in 2019-2020 is considered to be necessary and unavoidable. The Local Authority will therefore be seeking agreement from Schools Forum to again transfer the permitted 0.5% from the schools block to support unavoidable cost increases in high needs – a lot of which will be used to fund top up funding within mainstream settings.

The Local Authority will also consider with Schools Forum how the increasing costs will be met as the transfer from the schools block will be only part of a package of measures necessary to balance the budget. The recommendations from a Strategic Review of SEN, the use of reserves arising from other areas of the DSG and further reviews of top up funding will all be considered alongside this transfer.

Illustrative financial modelling of the transfer at individual school level in 2019-2020 is available in a separate document.

Please refer to the consultation questionnaire **Question 3.**

De-delegation of funding

The Department of Education permits the pooling of funding for maintained schools to meet expenditure collectively for a limited number of items of school expenditure. Schools in each phase will need to agree collectively, through the Schools Forum, whether to de-delegate the funding to the Local Authority to meet the expenditure centrally.

De-delegation will be an option for primary and secondary schools for the following allocations in 2019-2020.

- Contingencies to cover suspensions and tribunals;
- Free school meals eligibility assessment;
- Licences (SIMS and CLEAPPS);
- Staff costs for maternity/paternity/adoption leave
- Staff costs for trade union facilities time

Schools will need to consider whether the amount delegated to them on a per pupil basis allows them to meet the costs or buy in the services they need individually. The rationale for de-delegation is to achieve economies of scale and to pool risk across schools for these costs.

Schools should therefore consider whether they may find difficulty in securing services from providers other than the Local Authority on an individual basis with the funding that has been delegated.

Current pooled funding for 2018-2019 and the basis for de-delegation for primary and secondary is summarised in tables 3 and 4 below. Actual de-delegation for 2019-2020 however will be amended to reflect underspends or overspends within each sector in 2018-2019 so may vary from the figures below.

Table 3 Indicative primary de-delegation

	Primary per pupil delegation £	Primary lump sum delegation £	Maintained pupil numbers/ schools	Total funding to de-delegate £
Contingencies	3.06	0	24,505	75,000
Free school meal eligibility assessment	4.64	0	4,765	22,132
Licences	3.61	0	24,505	88,653
Staff costs - maternity	14.85	2,017	24,505/117	600,000
Staff costs – trade unions	1.70	0	24,505	41,681

Table 4 Indicative secondary de-delegation

	Secondary per pupil delegation £	Secondary lump sum delegation £	Maintained pupil numbers/ schools for £	Total funding to de- delegate £
Contingencies	5.52	0	8,958	49,487
Free school meal eligibility assessment	4.06	0	1,777	7,213
Licences	4.93	0	8,958	44,163
Staff costs – trade unions	3.51	0	8,958	31,486

Please refer to the consultation questionnaire **Question 4**.