What is the Report About? (Executive Summary)

1. In July 2017, the Department for Education (DfE) announced the introduction of a national funding formula for school funding from April 2018.

2. Local authorities in consultation with their Schools Forum and local schools can decide whether to adopt the national funding formula from April 2018, or to retain a locally determined formula for 2018-19 and 2019-20. It is expected that from 1 April 2020 the national funding formula will be mandatory with the local option withdrawn. The Council is statutorily responsible for deciding on a formula through which funding is allocated to schools.

3. Following a consultation with all Cumbrian schools affected by these proposals, the Cumbria Schools Forum has recommended to Cabinet that the national funding formula is implemented from April 2018 for the 2018-19 financial year. In order to give some stability to schools in terms of financial planning, the Forum has also recommended to Cabinet that the national funding formula is adopted for the 2019-20 financial year.

4. In addition to a national funding formula for schools (the schools block), the DfE is also introducing national funding formulae for both the high needs and central school services blocks of the Dedicated Schools Grant. There are no decisions to be made with regard to these areas but some information on the changes from April 2018 is included in the background section.

Recommendation of the Corporate Director

5. The Corporate Director recommends that Cabinet approve the recommendation of the Cumbria Schools Forum to allocate funding to schools using the national funding formula in 2018-19 and 2019-20.
6. In July 2017, the Department for Education (DfE) announced the introduction of a national funding formula for schools available for implementation from the 2018-19 financial year.

7. The national funding formula is not mandatory and for both the 2018-19 and 2019-20 financial years, local authorities will continue to decide, following consultation with their schools and Schools Forum, whether this formula is applied or a locally determined formula continues to be used. It is expected that the national funding formula will be mandatory from 2020-21 onwards.

8. The funding available in each local authority’s schools block of the Dedicated Schools Grant will be determined by aggregating the total of all school budgets calculated by the Education and Skills Funding Agency using the national funding formula. The government has announced an additional £1.3bn for schools and high needs across 2018-19 and 2019-20 (£416m in 2018-19 and £884m in 2019-20). This additional funding enables a per pupil cash increase of a minimum of 0.5% per annum for all schools in 2018-19 and 2019-20. This has been included in the aggregate schools block allocation for the LA. The national funding formula is not mandatory for 2018-19 and the Council can decide on a formula to allocate its schools block funding to individual schools.

9. A comparison in terms of factors between the national funding formula for 2018-19 and the current (2017-18) Cumbria school funding formula can be made. This is found at Appendix 3. Some of the key differences are:

   • A lower AWPU (basic per pupil entitlement) value each for primary, key stage 3 and key stage 4
   • A single size lump sum for all schools of £110,000 (Cumbria currently has a separate lump sum for primary and secondary schools (£75,000 and £175,000 respectively)
   • A sparsity value that is now applied on a tapered rather than a lump sum basis
   • Greater proportions of funding allocated in respect of deprivation, low prior attainment and pupils for whom English is not their first language.
   • For 2018-19, a looked after children factor will no longer be permitted in the funding formula. At a national level, the total funding allocated through this factor will be transferred into the Pupil Premium increase the Pupil Premium for looked after children from £1,900 per eligible pupil to £2,300.
   • New factors are permitted in the funding formula to ensure that after the minimum funding guarantee and capping, all primary schools receive at least £3,300 per pupil and all secondary schools at least £4,600 per pupil in 2018-19. The current Cumbria school funding formula currently delivers this. By 2019-20, these minimum funding levels will rise to £3,600 for primary schools and £4,800 for secondary schools
Under the national funding formula, all schools will be allocated an increase of at least 0.5% per pupil in 2018-19, and at least 1% per pupil by 2019-20, compared to their baselines. Where schools gain through the formula change, these will be capped at 3% per pupil in 2018-19. Currently, the Cumbria school funding formula employs a minimum funding guarantee of -1.5% per pupil and a gains cap of 0.19%.

10. In terms of impact on schools, if the national funding formula was adopted in 2018-19, 185 (60%) Cumbrian schools would benefit from using the national funding formula, with 123 (40%) schools receiving a reduced amount than if the current Cumbria school funding formula was used.

11. Within primary schools, 172 (63%) schools would receive more funding under the national funding formula than under the Cumbria formula, and 99 (37%) schools would receive less funding. In terms of secondary schools, 13 (35%) schools would gain funding under the national funding formula compared to the Cumbria formula and 24 (65%) would lose.

12. By law, any proposed change to the school funding formula must be consulted on with all schools that may be affected. As for previous years, the Cumbria Schools Forum has undertaken a consultation with all Cumbrian primary schools and academies, and following an analysis of the results, at its meeting on 14th November recommended to Cabinet that the national funding formula is used to allocate funding to schools in 2018/19 and 2019/20.

13. A copy of the consultation document is found at Appendix 1 with a breakdown of the responses at Appendix 2. In total 85 (28% of schools) responded to the consultation with 65 schools stating that the national funding formula should be used to allocate funding to schools in Cumbria in 2018-19 and 2019-20. Of the 65 schools, 15 were secondary schools and comprised 58% of responding secondary schools and 50 were primary schools and comprised 85% of responding primary schools.

14. The proposals do not impact the budgets of special schools, nursery schools, nursery classes within primary schools, or pupil referral units which are all funded through different formulae.

15. The funding formula decided upon by the Council Cabinet will apply to both maintained schools and academies, although from different dates. Whereas, the formula will apply to maintained schools from April 2018, it will apply to academies from September 2018 as a result of the academic year funding regime in this sector. Funding for academies does not pass through the local authority and is paid directly to those institutions by the Education and Skills Funding Agency.

16. As for previous years, in 2018-19 and 2019-20, maintained schools can continue to de-delegate some of their budget back to the local authority for the local authority to deliver specific services on their behalf. The maintained school representatives on the Schools Forum decide on behalf of their relevant school phase (primary or secondary) which services to de-delegate. De-delegation is a
Schools Forum decision. For information, the services to be de-delegated by maintained schools in 2018-19 are set out overleaf. The de-delegation decision follows that of previous years.

<table>
<thead>
<tr>
<th>Contingencies</th>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement of Teaching Staff Maternity/ Adoption Pay</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Union Duties</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Insurance</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Library Services</td>
<td>✓</td>
<td>x</td>
</tr>
</tbody>
</table>

(✓ = de-delegated; x = delegated)

17. In addition to the introduction of a national funding formula for allocating budgets from the schools block to individual schools, there are further changes to the allocation of the Dedicated Schools Grant of which the schools block comprises part.

18. From April 2018, the high needs block of the Dedicated Schools Grant will be calculated on a formula basis for each local authority. Previously the allocation had been based on a historical allocation. The change in methodology means a small increase in the total block allocation for Cumbria (£0.038m in 2018-19 and £0.200m in 2019-20). This additional funding is available to support the high needs block recovery plan.

19. As set out in the Schools Revenue Funding Operational Guide 2018-19, local authorities can transfer up to 0.5% of their schools block funding into another block, for example high needs in 2018-19. For Cumbria, this equates to a maximum of £1.390m. Any such transfer must be approved by the Schools Forum, following a consultation with all schools. Any transfer above 0.5% must be approved by the Secretary of State. It is anticipated that the flexibility to transfer up to 0.5% from the schools block will remain in place for 2019-20.

20. Cumbria is facing pressures within its high needs block and has a 3 year recovery plan in place to address these. Based on the quarter 2 projections, recovery is still expected to be achieved within the 3 years, although there is a higher than expected deficit position being reported in the current financial year (2017-18).

21. The plan is continuously monitored with reports presented to the Cumbria Schools Forum. It is not anticipated at this stage that a transfer from the schools block to the high needs block will be required for 2018-19. If through monitoring, the three year deficit recovery plan becomes unachievable, this option would need to be revisited for future years.
22. There will also be an additional block of the Dedicated Schools Grant in 2018-19 meaning that the DSG comprises 4 blocks: schools block, early years block, high needs block and the new central school services block. The central school services block is a new block for 2018-19 and has been created by aggregating the budgets for the central services that are currently funded by the Dedicated Schools Grant. The relevant services, which total £4.9m are set out overleaf:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prudential Borrowing Costs for historic schools capital programme</td>
<td>£0.596m</td>
</tr>
<tr>
<td>School Forum expenses and finance support for schools</td>
<td>£0.092m</td>
</tr>
<tr>
<td>School Admissions Team</td>
<td>£0.289m</td>
</tr>
<tr>
<td>Capital maintenance in schools</td>
<td>£1.712m</td>
</tr>
<tr>
<td>Contribution to Schools Related Council Budgets (Local Safeguarding Children Board, District Teams (education element), HR service supporting schools, Health and Safety team)</td>
<td>£0.821m</td>
</tr>
<tr>
<td>Copyright Licences for Schools</td>
<td>£0.397m</td>
</tr>
<tr>
<td>Asset Management</td>
<td>£0.103m</td>
</tr>
<tr>
<td>Education Welfare Services</td>
<td>£0.688m</td>
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<tr>
<td>Statutory and regulatory duties with regard to schools</td>
<td>£0.205m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£4.903m</strong></td>
</tr>
</tbody>
</table>

Options Considered and Risks Identified

Option (a)

- Approve the recommendation of the Cumbria Schools Forum to allocate funding to schools in Cumbria using the national funding formula in 2018/19 and 2019/20

Option (b)

- Do not approve the recommendation of the Cumbria Schools Forum and decide to continue with the current (2017-18) Cumbria School Funding Formula.

Option (c)

- Do not approve the recommendation of the Cumbria Schools Forum and decide to adopt a funding formula for schools in Cumbria that differs from the National Funding Formula and the current (2017-18) Cumbria School Funding Formula.

Risks –
The Cumbria Schools Forum recommendation follows a consultation with all schools impacted by the funding changes. Deciding upon an alternative option to the recommendation of the Cumbria Schools Forum may damage relationships between the Council and stakeholders namely primary and secondary schools and academies, and the Cumbria Schools Forum.

Reasons for the recommendation/Key benefits

- The recommendation has been made by the Cumbria Schools Forum following a consultation with all affected Cumbrian schools and academies.

Financial – What Resources will be needed and how will it be Funded?

23. The Department for Education has announced changes to school funding from 2018-19. There will be changes to the way that the Dedicated Schools Grant is allocated to local authorities. From April 2018, there will be four blocks of the DSG, with a new central school services block created out of the central school services formerly funded from the schools block. In summary, the four blocks of the DSG are: schools block, early years block, high needs block, central school services block.

24. The schools block will change to be allocated to local authorities as an aggregate of what each school would receive under the national funding formula. Local authorities can decide for 2018-19 and 2019-20 whether the block is allocated to schools using the national funding formula or using an alternative local funding formula.

25. The high needs block will now be allocated to local authorities using a formula. There is no change to the early years block for 2018-19.

26. The ESFA has allocated provisional block allocations to local authorities for 2018-19, however, these are provisional only and will be updated in December 2017 based on pupil numbers and data on the October 2017 census.

27. The ESFA has produced notional allocations for each school under the funding formula. These are based on pupil numbers and data at October 2016 to create a like for like comparison with 2017-18. It should be noted that all provisional allocations are based on October 2016 pupil numbers and data and actual allocations will be updated to be based on October 2017 pupil numbers and data.

Legal Aspects – What needs to be considered?

28. The School and Early Years Finance Regulations provide that Local Authorities must consult their schools forum and schools maintained by them
about any proposed changes in relation to factors and criteria taken into account and the methods principles and rules adopted when determining the school funding formula.

29. The County Council has now undertaken a process of consultation with all Cumbrian primary and secondary schools and academies; the Cumbria Alliance of System Leaders (CASL) and the Cumbria Schools Forum on whether the national funding formula should be introduced in Cumbria from April 2018, or whether the Council should continue to use the current funding formula. The results of the consultation are contained in this report and the attached Appendices.

30. Cabinet is the decision making body for the schools funding formula and must now consider the outcome of the consultation and take that into consideration when making a decision on which school funding formula to adopt. If Cabinet does not agree with the recommendations of the report, which reflect the recommendation that has been made by the Cumbria Schools Forum following a consultation with all affected Cumbrian schools and academies then clear reasons and explanation must be given for departing from the recommendation.

**Council Plan Priority – How do the proposals contribute to the delivery of the Council’s stated objectives?**

The proposal links to the Council’s aim to safeguard children and support families and schools so that all children in Cumbria can grow up in a safe environment, and can fulfil their potential.

**What is the Impact of the Decision on Health Inequalities and Equality and Diversity Issues?**

13. A funding formula is applied equally to all schools and academies using the parameters and factors within the formula and therefore the formula is not expected to impact on health inequalities or equality and diversity issues.

**Appendices and Background Documents**

Appendix 1 – Cumbria Schools Forum Consultation Document – National Funding Formula
Appendix 2 - Results of the consultation with affected schools and academies
Appendix 3 - Comparison of the National Funding Formula to the Cumbria School Funding Formula
Key Facts

Electoral Division(s):

<table>
<thead>
<tr>
<th>Executive Decision</th>
<th>Key Decision Included in Forward Plan</th>
<th>Exempt from call-in</th>
<th>Exemption agreed by scrutiny chair</th>
<th>Considered by scrutiny, if so detail below</th>
<th>Environmental or sustainability assessment undertaken?</th>
<th>Equality impact assessment undertaken?</th>
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<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
<td>N/A</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Approved by Cabinet Member/s on – please state date ……………………………

Previous relevant Council or Executive decisions

15th December 2016 - School Funding Formula 2017-18

Consideration by Overview & Scrutiny

Background Papers

Report Author

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