

CABINET
20 DECEMBER 2019**FAIR FUNDING CONSULTATION OUTCOMES FOR 2020-21 –
NATIONAL AND LOCAL CHANGES TO THE FUNDING
ARRANGEMENTS FOR SCHOOLS**

Relevant Cabinet Members

Mr A C Roberts, Mr M J Hart

Relevant Officer

Director of Children's Services

Recommendation

1. **The Cabinet Member with Responsibility for Children and Families recommends that Cabinet:**
 - (a) **has regard to the consultation undertaken between 1 October and 18 November 2019;**
 - (b) **notes the consultation feedback in Appendices 2, 3, 4 and 5;**
 - (c) **notes the involvement of the Worcestershire Schools Forum members and schools during the consultation;**
 - (d) **notes the views of the Worcestershire Schools Forum on the Local Schools Funding Formula issues for 2020-21 and other matters which are outlined in Appendix 6;**
 - (e) **approves the Local Schools Funding Formula for Worcestershire mainstream schools from April 2020 to apply for 2020-21 and other matters as detailed in paragraphs 33 to 43 having regard to the consultation feedback from schools detailed in Appendix 3, 4 and 5 and views of the Worcestershire Schools Forum in Appendix 6 to be based as far as is practicable and affordable upon the Department for Education (DfE) National Funding Formula (NFF) parameters; and**
 - (f) **authorises the Director of Children's Services in consultation with the Cabinet Members with Responsibility for Children and Families and with Responsibility for Education and Skills to make the required submission to the national executive body, the Education and Skills Funding Agency (ESFA) by 21 January 2020 for the approved Local Schools Funding Formula for 2020-21 taking account of any impact and change on the approved units of resource, Minimum Funding Guarantee and capping arrangements in paragraph 35 as a consequence of the October 2019 census and other 2019 data changes and the final 2020-21 Dedicated School Grant (DSG).**

Background

2. The Council receives funding for schools and designated central services through the Dedicated School Grant (DSG). This is a ring-fenced grant and is allocated by the Department for Education (DfE) in 4 blocks – Schools, Central School Services, High Needs and Early Years. This is based on the DfEs National Funding Formula (NFF) arrangements.
3. The majority of the Schools Block DSG is delegated to mainstream schools – Local Authority (LA) maintained and Education and Skills Funding Agency (ESFA) academies – through Worcestershire's Local Schools Funding Formula (LSFF). The amount remaining not delegated is centrally retained to provide a Pupil Growth Fund to support the revenue costs of the County Council's basic needs requirements.
4. The Government made significant changes to the funding formula factors for schools from April 2013. The changes have had an impact both for the schools and designated central services. Cabinet at its meetings on 18 October 2012, 7 November 2013, 16 October 2014, 15 October 2015, 17 November 2016 and 14 December 2017 resolved to introduce a Local Schools Funding Formula (LSFF) for mainstream schools for 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 respectively.
5. The Council is required to consult the Worcestershire Schools Forum (WSF) on any changes to the LSFF to comply with the national requirements for school and LA funding with the need to inform Governing Bodies of the consultation. However, the Council has always chosen to expand this requirement to consult with all schools, governing bodies and other interested parties to inform Cabinet's ultimate decision in recognition that changes could potentially impact upon the quality of education provision in schools.
6. For the 2-year period 2018-19 to 2019-20, the Government introduced their National Funding Formula (NFF) arrangements for the DSG. Within this period LAs were still able to set a local LSFF or consider moving to the NFF parameters. Following a detailed consultation with schools in the Autumn Term 2017, Cabinet on 14 December 2017, approved the LSFF for this to be based as far as practicable and affordable upon the Department for Education (DfE) National Funding Formula (NFF) parameters.
7. It was anticipated that a full DfE prescribed NFF i.e. a 'hard' formula for schools would be in place for 2020-21. However, the DfE confirmed that LAs would continue to be able to set a LSFF for 2020-21 within their policy parameters. Consequently, a further local consultation was required for the LSFF and other matters.

DfE Policy Decisions for School Funding 2020-21

8. On 3 September 2019, the Secretary of State for Education confirmed to Parliament that the funding for Schools and High Needs will rise by £2.6 billion for 2020-21, a further £2.2 billion for 2021-22 and a further £2.3 billion for 2022-23. This provides for £7.1 billion additional funding **compared to 2019-20 baseline**.
9. On 9 September 2019, the Minister for School Standards confirmed in a written statement to Parliament some further details in respect of 2020-21, specifically that in 2020-21, the above funding will be distributed using the Schools and High Needs National Funding Formulae (NFF). Also, during October 2019 both the DfE and ESFA published

several operational guidance and technical documents to support these national policy changes. These confirmed the national policy direction for the DSG and other funding matters for 2020-21.

10. A summary of the DfE policy decisions are detailed in **Appendix 1**. Schools have been provided with a formal consultation document summarising the key headline issues confirming the issues made in the Ministerial statements. Provisional baseline levels of funding for 3 of the DSG Blocks (Schools, Central Services and High Needs) were announced in October using 2019-20 data sets, but these will be updated using the October 2019 and other 2019 data sets when the School Funding Settlement 2020-21 is announced later in December 2019.

11. Beyond 2020-21, the DfE have indicated the NFF policy from 2021-22 will be subject to any yet to be programmed Comprehensive Spending Review (CSR) round.

12. The Council in conjunction with all its key partners, particularly the F40 Group representing the lowest funded LAs and the Society of County Treasurer's, continues to lobby central Government for a fairer allocation of the total national allocation of funding as part of the continuing NFF process.

Consideration of Issues for 2020-21

13. In respect of proposed formula development for 2020-21, there was a balance of considerations between the need for stability given the number and scale of changes since 2012-13, the desire for a LSFF that can appropriately serve all schools in Worcestershire and the impact of the DfE NFF proposals.

14. Stability provides a period of no change for individual schools, apart from the impact of changes in mix and number of pupils per school, other data changes and the continuing impact of the Minimum Funding Guarantee (MFG) and capping together with any other DfE prescribed policy changes.

15. LAs are required to consult on their LSFF and proposals for centrally retained services. The DfE have published NFF schools' illustrations but these are on the current not the 2019 data sets. On this basis the consultation for schools is on the principles but schools have been able to obtain details of the DfE's NFF illustrations for 2020-21.

16. As part of the provisional 2020-21 announcement the DfE have made a significant change to the funding of the Central Services Schools Block (CSSB). All LAs have been allocated a reduced amount for their allocations for Historic Commitments reducing the 2019-20 amount by 20%. For Worcestershire this element provides funding for the Early Intervention Family Support Service (EIFS) and this will reduce to £1.2m in 2020-21 from the current level of £1.5m. This will result in operational and service delivery issues due to changes to the funding support arrangements given by the EIFS to schools, given the timing of announcements this will be addressed through the budget process in 2021-21 to ensure any impact on services are fully understood and a sustainable solution is implemented.

Consultation for 2020-21

17. At its meeting on 26 September 2019, the Worcestershire Schools Forum (WSF) discussed in detail the DfE policy for 2020-21, LSFF issues including any potential for

change together with decisions required on centrally retained services. They concluded that stability was in the best interest of schools, so the current LSFF based upon the NFF should continue together with the current arrangements for centrally retained services.

18. The DfE have confirmed that although in 2020-21 LAs are still able to continue to set their own LSFF their parameters for the sector Minimum Funding Levels (MFLs) for Primary £3,750 and Secondary £5,000 will be compulsory in the LSFF for LAs LSFF.

19. In considering the LSFF key considerations include:

- The potential impact and affordability of the DfE NFF in terms of DSG and individual school allocations for LAs and schools.
- The current policy of LSFF stability apart from annual data changes.
- The Minimum Funding Guarantee (MFG) having to be set between +0.5% per pupil and +1.84% per pupil to be determined locally.
- The continuing impact of budget and funding pressures for all schools.
- The NFF policy from 2021-22 not yet being confirmed and being subject to a future Comprehensive Spending Review (CSR). Effectively this means if LAs opt for the NFF it is still a LSFF but using the current NFF parameters. How the NFF policy might or could change from 2021-22 is unclear at this stage and it might not be in the current form.
- Although the NFF provides an increase in funding for the High Needs Block this area is under significant pressure in terms of commissioned places, top up funding and out County/Independent provision. To support this, the DfE are allowing LAs to consider transferring up to 0.5% of the Schools Block to High Needs (for WCC approximately £1.6m). A transfer of up to 0.5% requires WSF approval but if the WSF do not approve the transfer LAs can apply for a disapplication to Secretary of State for Education. This also applies if LAs want to transfer more than 0.5%.

20. Given all the above DfE requirements and issues and in line with the previous policy of LSFF stability, the Council and the WSF concluded there was effectively only 1 option of principle to consider i.e. to continue for a further year with the NFF as far as is practicable and affordable as the Council LSFF in 2020-21.

21. The final allocations for schools in 2020-21 for individual schools will be affected and differ from the existing 2019-20 allocations and the DfE 2020-21 exemplifications due to: -

- Data not yet available from the October 2019 other 2019 updated data sets that must be used for the 2020-21.
- Any MFG per pupil and associated capping calculation for 2020-21 having to be based upon this revised data.
- For some academies the ESFA will use a different 2019-20 baseline for the calculation of the MFG and capping.
- The final Schools Block DSG for 2020-21 will be based upon the October 2019 pupil numbers and NFF arrangements.
- The final Schools Block DSG quantum for 2020-21 which will not be notified by the DfE until late December 2019.

22. A detailed consultation document was circulated on 1 October 2019 to all maintained schools, academies, other providers, members of the Council, staff

associations and the Worcestershire Association of Governors. Consultation responses were requested by 18 November 2019.

23. The following table shows the number of formal responses received from the consultation. The WSF has taken account of these responses and the views of the schools they represent when making their recommendations to Cabinet.

Type of school	Total Number of Mainstream Providers (As at 1 September 2019)	Number of Responses	Percentage of Responses %
Mainstream			
Maintained First/Primary	109	9	8
Academy First/Primary	68	7	10
Maintained Middle	8	2	25
Academy Middle	11	2	18
Maintained Secondary/High	5	3	60
Academy Secondary/High	25	20	80
All Through	1	1	100
Total Mainstream	227	44	19
Other	N/A	1	N/A

The response rate in November 2017 was 42%

24. Consultees were requested to comment on the continuing the current arrangement for the LSFF and to respond to a further 4 questions that related to specific issues for consideration relating to 2020-21 on a potential transfer of Schools Block Funding to support High Needs and on other statutory matters. A summary of the outcomes is at **Appendix 2**.

25. The consultation response main issues from the school returns have been summarised in **Appendices 3 and 4** references to named individuals and individual schools are excluded. The outcomes arising from the consultation are detailed in **Appendix 5**. The deliberations of the WSF are in **Appendix 6**.

Recommendations for the Worcestershire Local Schools Funding Formula (LSFF) for Mainstream Schools and Other Statutory Matters for 2020-21

26. The County Council recognises the diverse range of schools in the county and Cabinet has previously discussed the issues in endeavouring to have a LSFF that is appropriate for all schools. Having considered the outcomes of the consultation received from individual schools, the views of the WSF in **Appendix 6** and Cabinet's strategic view, it is recommended that approval be given to continue as far as is practicable and affordable to use the DfE NFF parameters as the LSFF for 2020-21. This approach is the favoured one from the consultation responses being supported overall in terms of numbers of schools, school phases and numbers of affected pupils. The approach will

also continue to support the DfE intention to move to a prescribed 'hard' NFF in the future. The LSFF will then be based as far as is practicable and affordable on the NFF parameters. In doing this it is recognised that applying all the NFF parameters will depend upon the amount of Schools Block DSG available in 2020-21, which will impact on how the NFF can be applied in the LSFF. The affordability or otherwise of the NFF will depend upon the impact of:

- The DfE mandatory sector mandatory Minimum Funding Levels (MFLs).
- The requirements for a minimum per pupil increase of up to +1.84%.
- The potential need to set a cap for gaining schools for affordability purposes.

27. Implementation of the NFF parameters as the LSFF may require a funding cap if the DSG quantum is not be able to fund the full NFF in 2020-21. Consequently, the DfE have indicated LAs can apply a cap, not part of their NFF, which can continue to be higher than the cash amount required for the MFG for the LSFF to be contained within the Schools Block DSG available.

28. The overall feedback from the consultation questions is detailed in **Appendix 2**. On the consultation questions issues raised are detailed in:

- For the LSFF 2020-21 – **Appendix 3** summarises the main issues raised and the differing views on the consultation options. The NFF was supported by more schools as detailed with many comments supporting the continuation of a LSFF based upon NFF parameters.
- For other consultation matters – **Appendix 4** summarises the main issues raised for: -
 - the potential to transfer Schools Block funding to support high needs – not supported by schools in the consultation.
 - continuing with the existing arrangements in 2019-20 into 2020-21 as permitted by the DfE for maintained schools only for de-delegated services – supported by schools in the consultation.
 - continuing with the existing arrangements in 2019-20 into 2020-21 as permitted by the DfE for all schools for other centrally retained services – supported by schools in the consultation.
- On the potential to transfer Schools Block funding to support High Needs, Cabinet is conscious of the significant feedback from schools on this extremely important issue. Notwithstanding the significant budgetary pressures for High Needs the issues raised by schools are key to Cabinet in making its decision on a potential Schools Block transfer. It is imperative that the County Council and schools are united in continuing to make the case for increased high needs funding as well as developing changes in practise and collaborative working as part of the high needs recovery programmed over the next 3 years.

29. The summary of the consultation outcomes is detailed in **Appendix 5**.

The Role of the Worcestershire Schools Forum (WSF)

30. As required, the WSF continues to fulfil its statutory role as the principal consultation body for matters relating to school funding. There is a statutory requirement to consult them on these funding proposals.

31. The WSF has met on 26 September 2019 and 28 November 2019. The latter meeting discussed the consultation responses and endorsed the formal

recommendation for the LSFF for 2020-21 together with their approvals for the required statutory decisions on de-delegated and centrally retained services.

32. Details of these discussions and outcomes at the meetings are attached at **Appendix 6**.

Cabinet's Detailed Approvals

33. Approve for 2020-21 the LSFF as supported by the WSF and the consultation responses to continue to be based as far as is practicable and affordable on the DfE NFF parameters, with the **estimated** units of resource detailed below (**as per consultation question 1**).

34. Approve the following as the factors for inclusion in the LSFF for Council mainstream schools – LA maintained and ESFA academies – to be based upon required DfE data sets from the October 2019 and other 2019 DfE data sources, including any in year or prior year changes and the final DSG for 2020-21 when this is confirmed (**as per consultation question 1**).

35. Approve the model to contain from April 2020, the following formula factors and **estimated** units of resource using the prescribed DfE data sets from the October 2019 and other DfE 2019 data sources including any in year or prior year data changes and estimated data as required for schools changing their age range from September 2020 (**as per consultation question 1**):

Age Weighted Pupil Unit (AWPU):

[The same per pupil amount for the following age groups]

Primary £2,857.00; Key Stage 3 £4,018.00; Key Stage 4 £4,561.00

Sector Minimum Funding Levels (MFLs)

Primary £3,750

Secondary £5,000

Non-Standard Year Groups Weighted Average on Number of Year Groups –

Primary £3,750, KS3 £4,800, KS4 £5,300

Deprivation:

Free School Meals (FSM) Annual: Primary £450.00; Secondary £450.00

Free School Meals (FSM) Ever 6: Primary £560.00; Secondary £815.00

Income Deprivation Affecting Children Index (IDACI) [6 bands A to F]:

Primary £600.00; £435.00; £405.00; £375.00; £250.00; £210.00

Secondary £840.00; £625.00; £580.00; £535.00; £405.00; £300.00

Low Cost/High Incidence Special Educational Need (SEN) – Low Prior Attainment:

Primary £1,065.00

[Combination of Early Years Foundation Stage Profile – New Profile % to be determined; Old Profile 78 Points];

Secondary £1,610.00

[Not achieving level 4 Key Stage 2 English or Maths]

English as an Additional Language (EAL) – maximum of 3 years:

Primary £535.00; Secondary £1,440.00

[Pupils with a first language other than English]

Lump Sum for Every School:

All School Phases £114,400

Sparsity based on a tapered approach:

Primary £26,000; Secondary £67,600

Split Site:

An individual school cash sum allocated via the approved 2019-20 formula with schools having to meet the qualifying criteria

Rates:

Actual Costs individual to each school

Private Finance Initiative (PFI):

Agreed Costs for those schools in the PFI contract

Exceptional Premises Costs:

An individual school cash sum for those qualifying schools as approved by the ESFA

Minimum Funding Guarantee (MFG):

+1.84% per pupil in each year on a formula as prescribed by the ESFA

Capping:

At the required % level, if required, to scale back gains for some schools to fund the LSFF using the NFF parameters prescribed by the ESFA

[The final % rate, if required, is to be determined following the School Block DSG settlement for 2020-21 using a scaling factor of 100%].

36. Approve that the current **estimated** LSFF units of resource as detailed above and **estimated** MFG and capping % can be adjusted in January 2020, as required, to take account of the impact of the:

- October 2019 census and requirements including use of estimated data for changes in school age ranges if required.
- Other DfE prescribed 2019 data and changes including those from prior years.
- Final Schools Block DSG for 2020-21.
- Statutory requirements relating to the MFG/Capping and/or the School and Early Years Finance (England) Regulations.

37. Approve not to transfer Schools Block Funding to support High Needs (**as per consultation question 2**).

38. Approve the initial delegation of the following centrally retained services for all mainstream schools in 2020-21 as in 2019-20 (**as per consultation question 3**):

FACTOR	SERVICE
Basic Per Pupil	School Specific Contingencies (not Early Years) Support for Schools in Financial Difficulties 14-16 Practical Learning Options Insurance Staff Costs Supply Cover Licences and Subscriptions
Deprivation	FSM Eligibility
EAL	Support for Minority Ethnic Pupils
Low Cost High Incidence SEN Prior Attainment	Support for Underachieving Groups Behaviour Support Services

39. Approve the decision of the WSF maintained mainstream school members to continue in 2020-21 the delegation and de-delegation (centrally retained) of the above services for LA maintained mainstream schools only by phase **(as per consultation question 3)**:

Phase/Service	Primary Delegation	Primary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	N/A	N/A
Behaviour Support Services	N/A	N/A
Schools Insurance	Yes	No
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes
Staff Costs Supply Cover – Trade Union Duties	No	Yes
Staff Costs Supply Cover – HR Related Duties	No	Yes
School Improvement	No	No
Former General Duties ESG	N/A	No
Phase/Service	Secondary Delegation	Secondary De-delegation
School Specific Contingency	No	Yes
Support for Schools in Financial Difficulty	Yes	No
14-16 Practical Learning Options	Yes	No
Behaviour Support Services	Yes	No
Schools Insurance	Yes	No
Support for Minority Ethnic Pupils or Underachieving Groups – EAL	No	Yes
Support for Minority Ethnic Pupils or Underachieving Groups – Travellers Children	No	Yes
Free School Meal Eligibility	No	Yes
Staff Costs Supply Cover – Civic Duties	No	Yes
Staff Costs Supply Cover – Trade Union Duties	No	Yes

Staff Costs Supply Cover – HR Related Duties	No	Yes
School Improvement	No	No
Former General Duties ESG	N/A	No

40. Approve for those services subject to de-delegation using the formula factors by reducing the formula amounts in 2020-21 for LA maintained mainstream schools only on the basis detailed above.

41. Approve the decision of the WSF to the continued central retention in 2020-21 of the centrally retained services as detailed below either limited to the 2017-18 budget level or as prescribed by the DfE (indicative budgets are shown either limited to previous year levels or **estimated** with final funding subject to clarification and change) for **(as per consultation question 4)**:

- Copyright Licensing Agency (CLA) and Music Publishers Association (MPA) licences (subject to DfE prescription) – £0.41m **estimated**.
- Contributions to Combined Services – the Early Intervention Family Support (EIFS) service budget – £1.20m **actual** (reflecting the 2019-20 amount being reduced by 20% because of the DfE reduction to all LAs Central Services Schools Block DSG).
- Co-ordinated admissions scheme – £0.60m **actual**.
- Servicing of the Schools Forum – £0.06m **actual**.
- Services previously funded by the retained rate of the Education Services Grant – £1.26m **actual**.

42. The final LSFF units of resource and capping for 2020-21 are subject to final confirmation with the ESFA and may change when the impact of the October 2019 and other 2019 DfE data and prior year data changes and the final Schools Block DSG for 2020-21 are confirmed.

43. As in previous years the LSFF for 2020-21 will **not** include factors for:
- Pupil Mobility – although part of the DfE NFF this is not deemed to be a significant issue.
 - Looked After Children (LAC) – not part of the DfE NFF and previous funded reflected in the previous increase in the separate LAC Pupil Premium Grant.
 - Higher Teacher Costs – only applies to London fringe LAs.

Legal, Financial and HR Implications

44. The Council is required to adhere to the DfE prescribed arrangements for school and LA funding in 2020-21. These will be contained within the yet to be published School and Early Years Finance (England) Regulations 2020. It is anticipated these will be laid before Parliament in early 2020.

Privacy and Public Health Impact Assessments

45. Not applicable in this case.

Risk Implications

46. Given the recommendations in 2020-21 for the LSFF and the arrangements for de-delegated and centrally retained services are made following detailed consultation with all schools and the WSF there are no such implications.

Equality and Diversity Implications

47. Given the recommendations in 2020-21 for the LSFF and the arrangements for de-delegated and centrally retained services are made following detailed consultation with all schools and the WSF there are no such implications.

Supporting Information (available electronically)

- **Appendix 1** – DfE confirmed funding arrangements for 2020-21 – summary of issues.
- **Appendix 2** – Summary of the Consultation Responses November 2019.
- **Appendix 3** – Summary of the main issues from the Consultation Responses Relating to the Local Schools Funding Formula (LSFF) 2020-21 November 2019.
- **Appendix 4** – Summary of the main issues from the Consultation Responses on the Other Consultation Issues November 2019.
- **Appendix 5** – Fair Funding Consultation Outcomes 2020-21 November 2019.
- **Appendix 6** – Fair Funding Consultation 2020-21 Worcestershire Schools Forum Issues, Decisions and Recommendations September and November 2019.

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Background Papers

In the opinion of the proper officer (in this case the Director of Children's Services) the following are the background papers relating to the subject matter of this report:

Fair Funding Consultation Documents – October 2019

Agenda and background papers for the meetings of the Cabinet held on 18 October 2012, 7 November 2013, 16 October 2014, 15 October 2015, 17 November 2016 and 14 December 2017