

DARLINGTON SCHOOLS FORUM

21st November 2019

ITEM NO. 5 – Appendix A (A)

SCHOOL FUNDING FORMULA 2020/21

SECTION A – TRANSFER OF FUNDING FROM THE SCHOOLS BLOCK TO THE HIGH NEEDS BLOCK.

1. This section of the consultation concerns the proposed transfer of funding from the schools block in 2020/21. This paper gives details of why this movement of funds is proposed.

Background

2. From 2018/19 the schools block of the DSG became ring fenced to school budgets shares and pupil growth. However within the ring fence, the DfE, do allow local authorities to transfer up to 0.5% of the total value of the schools block, into one of the other funding blocks, on agreement of their School Forum. In addition to this local authorities can make an application to the Secretary of State for further transfers from the schools block. This relaxing in the ring fencing within the NFF is in recognition of the flexibility that is needed locally, to ensure that local authorities can manage high needs demands that are resulting in pressures on budgets.

Previous movements of funds

3. For the financial year 2019/20 Schools Forum agreed in consultation with schools to transfer £400,000 (which equated to 0.6% of the schools block) from the schools block to the high needs block to help with pressures. As this transfer exceed the 0.5% that Schools Forum can approve, a disapplication request was submitted to the Secretary of State for approval, which was approved.
4. For the financial year 2018/19 School Forum agreed in consultation with schools to transfer 0.5% of the schools block into the high needs block. This transfer totalled £325,508 and was agreed as a one year movement to assist in the transition of high needs provision, required to meet rising demand and to fund pressures.
5. In both 2018/19 and 2019/20 the transfers of funding from the schools block to the high needs block have been used across the whole high needs budget. Details of spend against the high needs budget can be seen in the attached appendix 2.
6. Although transfers were made in both 2018/19 and 2019/20, in both of those years the high needs budgets continued to overspend due to the demands to support children with special educational needs (SEND).

Transfer in 2020/21

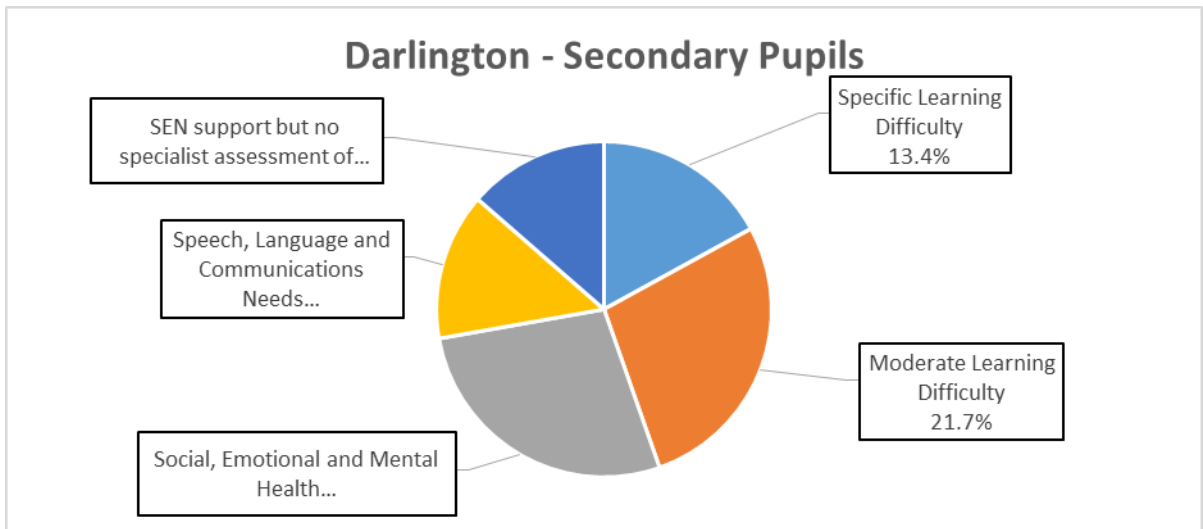
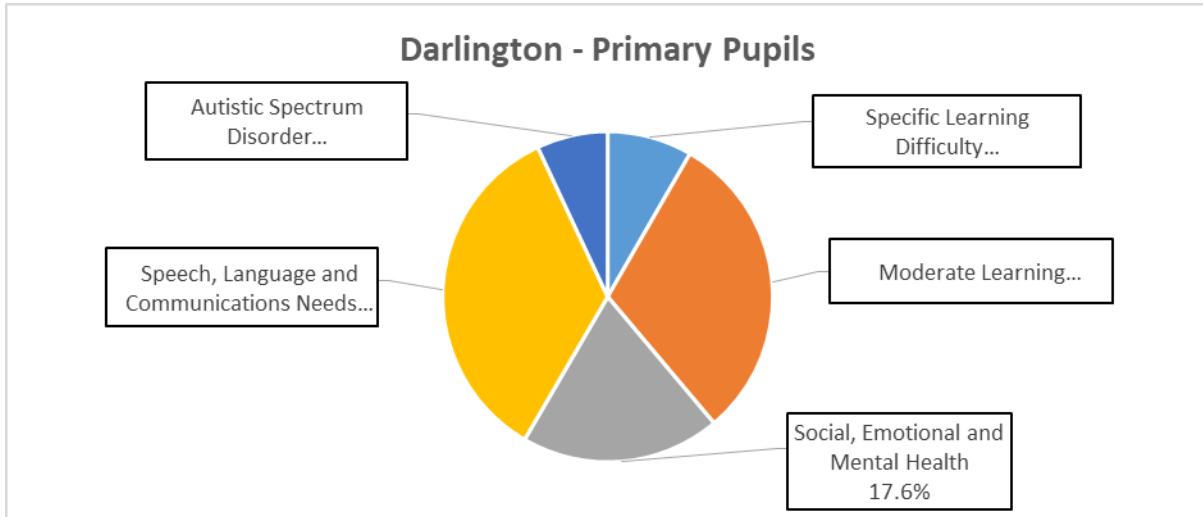
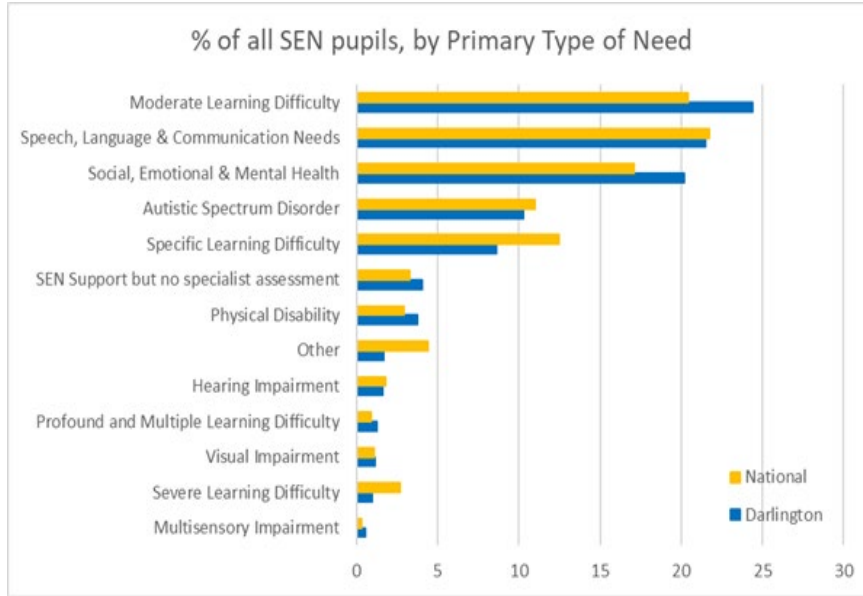
7. At the end of 2018/19, Darlington had a deficit on its high needs block of £3.2 million which was the combination of an overspend in 2018/19 and 2019/20. As a result of this deficit the Local Authority was required to submit a recovery plan to bring the high needs

budget back into balance. This recovery plan was shared with schools and discussed with and approved by School Forum in June 2019 (please see previous School Forum papers).

8. The financial profile of the high needs recovery plan that was submitted to the DfE (please see appendix 3) set out to achieve a balanced budget for high needs by 2021/22. In this plan, no provision was made to transfer funding from the schools block to the high needs block after 2019/20, as at the time of writing the plan it was unknown if this would be allowed in 2020/21 under the DSG rules.
9. The plan that was put together did envisage a balanced in year budget by the end of 2021/22, however there were a number of caveats concerning the success of the plan. In addition although the plan outlined a balanced in year budget by March 2021, the financial years 2019/20 and 2020/21 both had expected in year pressures, of over £1.7 million in 19/20 and over £1.3m in 2020/21. This meant that by the end of the 2020/21 a projected overall deficit on the high needs budget would be approximately £6.3 million, all of which would need to be recovered in future years.
10. The Government announced additional funding for schools and high needs in August 2019, with an extra £780 million allocated to the high needs block nationally. On the 11th October provisional high needs budgets for 2020/21 were announced by the DfE, for Darlington it is expected that an additional £1.5 million will be added to the high needs block allocation in 2020/21.
11. Although there is a welcomed increase in the high needs block for 2020/21, the high needs budget remains under pressure in-year for 2019/20 and with an expected approximate £5million deficit at the end of 2019/20. It is therefore necessary to continue to request that some of the schools block of the DSG is transferred into the high needs block.
12. The following paragraphs outline the reasons why a transfer needs to continue.

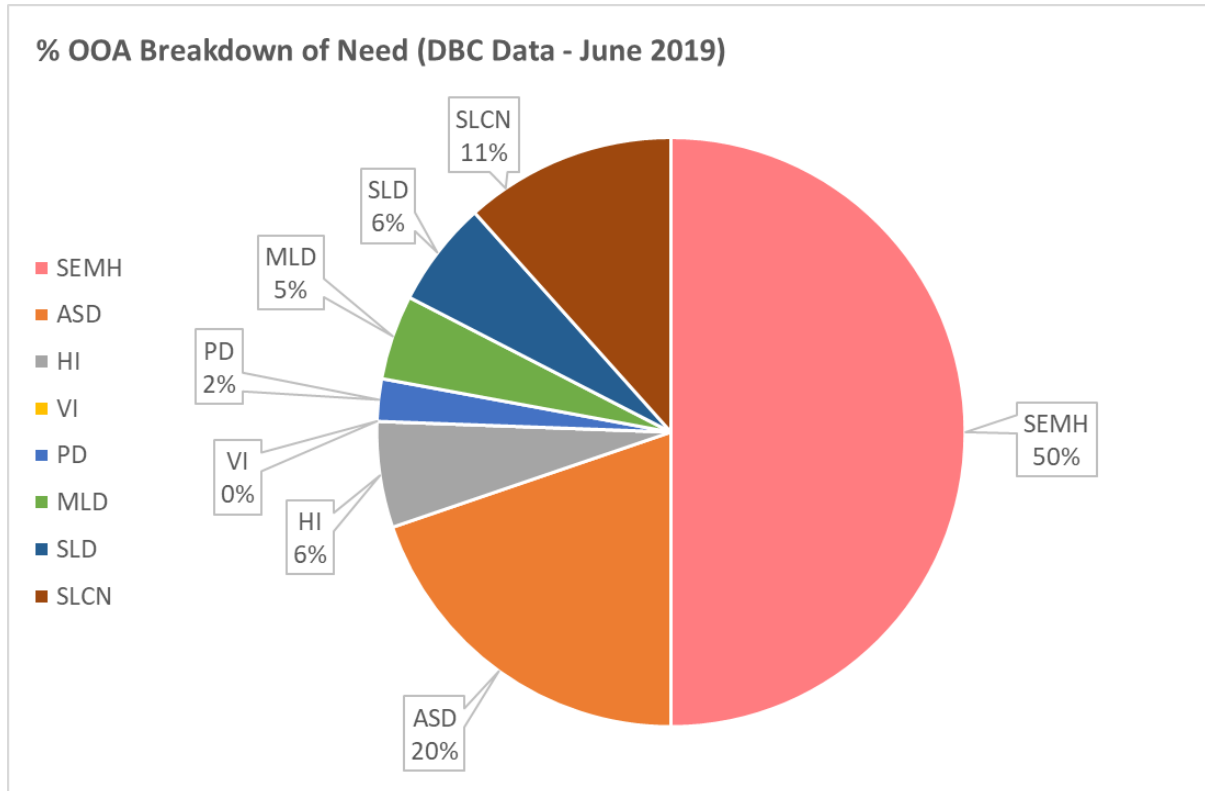
Demand

13. The most recent published national data (from January 2019, published in SEN in England in July 2019) shows that 3.9% of Darlington pupils have an Education, Health and Care Plan (EHCP). This is slightly higher than the North East average of 3.3% and above the England average of 3.1%.
14. The published data for January 2019 shows the profile of primary need in Darlington is different to that seen nationally. A higher proportion of school age children have social, emotional and mental health needs (SEMH) identified as their primary need than nationally, 24% in Darlington compared to 21% across England and 16% across the North East). This is shown in the following three tables.

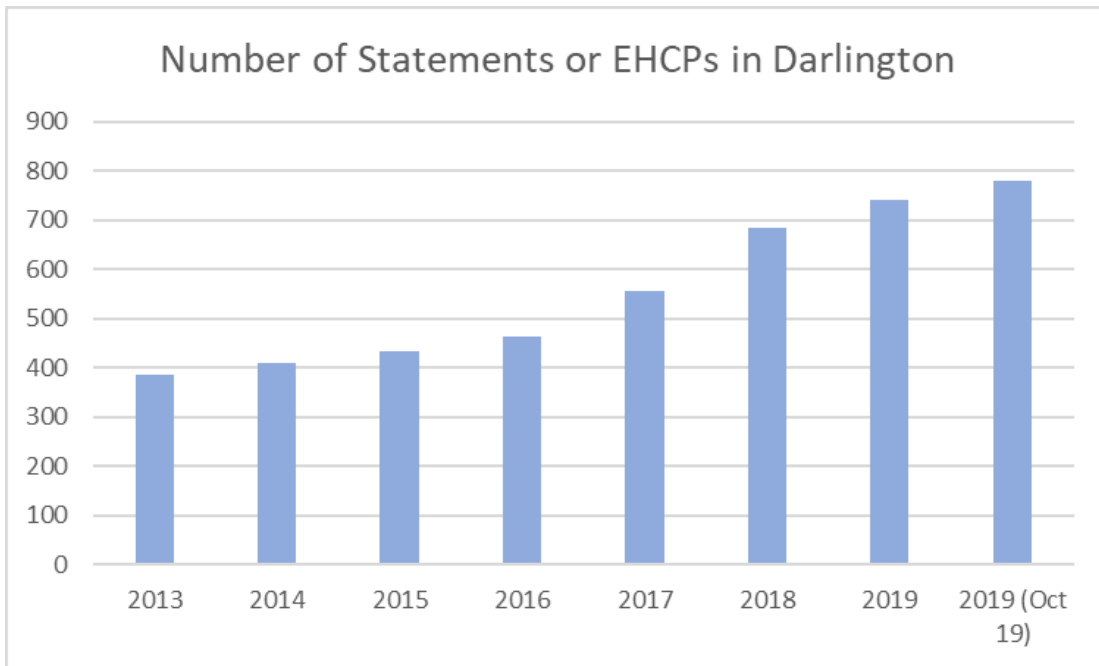


15. The contrast is particularly different for pupils with SEMH placed in specialist provision, with 28.8% of Darlington pupils with SEMH as a primary need placed in a special school compared to 13% across England, making Darlington the 4th highest.

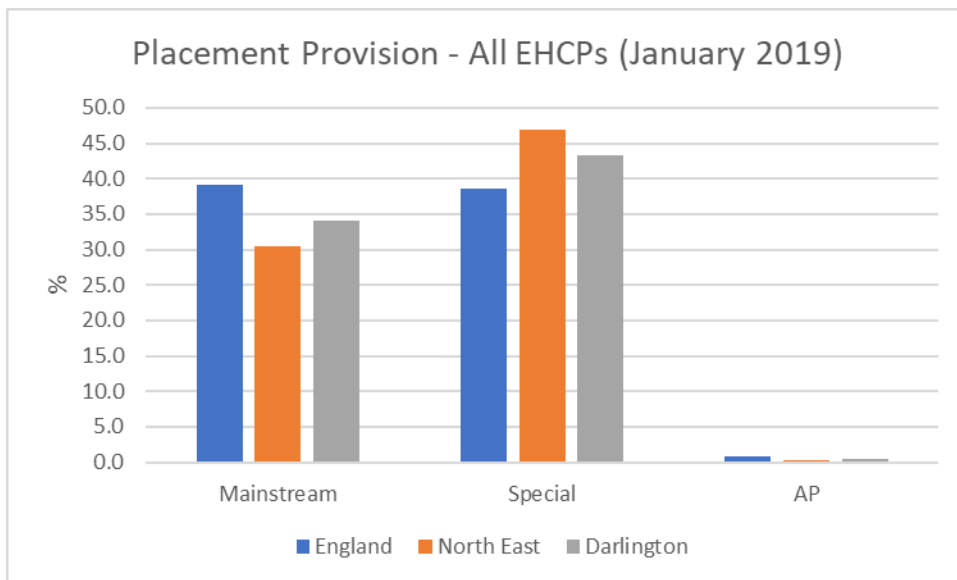
16. There are also a high number of children with SEMH being educated out of area. The primary needs of out of area placements are disproportionate to the makeup of need across other settings with 50% of out of area placements being for SEMH needs. This is shown in the following graph.



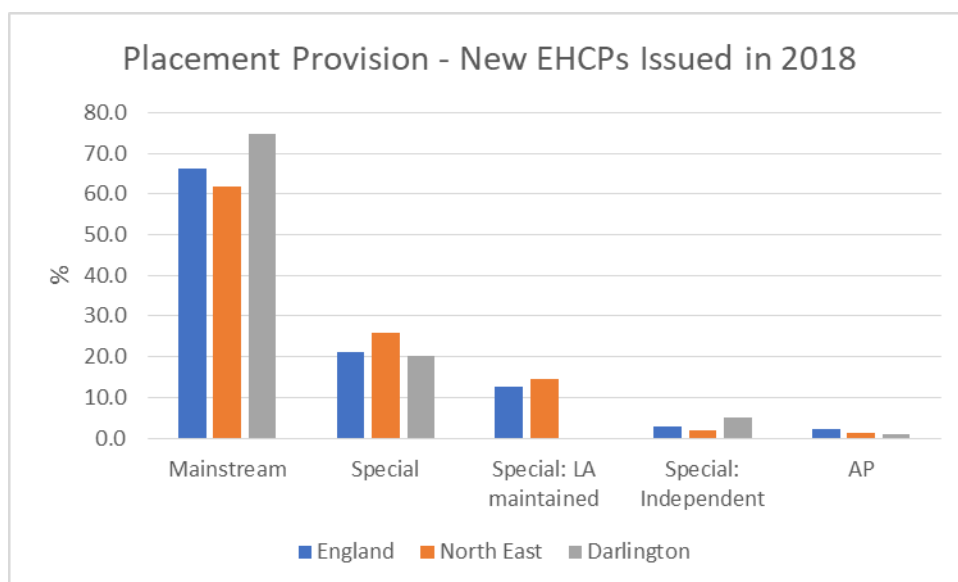
17. Darlington has seen a significant rise in the total number of EHCPs in the last 5 years. The number of plans has risen from 385 in January 2013 to 741 in January 2019 and is currently at 779 (October 2019). This equates to a rise of 102% throughout this period. This is shown in the following graph.



18. In England 39.2% pupils with EHCPs are placed in mainstream schools compared with 34.0% in Darlington, evidencing that a smaller proportion of young people are educated in mainstream schools. Darlington also places a higher proportion of young people with EHCPs in Special Schools (43.3% compared to 38.6% across England). This is shown in the following graph.



19. Darlington places 5.5% of young people with ECHPs in Independent Special Schools, compared to 3.9% across England and only 2.7% across the North East.



20. Darlington placed 5.1% of new EHCPs in Independent Special Schools in 2018 compared to 1.9% across the North East and 2.8% in England.

Budget and Costs

21. The increase in the number of children requiring SEN support has not been mirrored by increases within the funding available. The (adjusted) High Needs Block allocations for Darlington for the last five years along with the provisional allocation for 2020/21 are illustrated in the table below. The high needs block has only increased by small amounts over the last five years, until an expected larger increase in 2020/21.
22. It should be noted that although the allocation increased by £821,000 in 2019/20 this increase does not all lead to increased spending power. In 2019/20 ESFA added special free school place funding into the DSG which had previously been paid by ESFA. As a result of this, expenditure also increased as the Local Authority now has special free school place funding charged to its DSG allocation. In 2019/20 this equated to approximately £450,000. In addition other adjustments, for example place funding for post 16, increase the budget but increase expenditure, which again decreases new spending power.

Year	Allocation (£000's)	Increase (£000's)
2015/16	11,570	
2016/17	11,800	230
2017/18	11,980	180
2018/19	12,020	40
2019/20	12,841	821
2020/21	14,393	1,552

23. Appendix 2 shows the expenditure on high needs over the last five years, this is summarised within the table below.

Year	Expenditure (£000's)	Increase (£000's)
2015/16	11,868	
2016/17	12,464	596
2017/18	13,902	1,438
2018/19	14,151	249
2019/20	14,625*	474

*estimated

24. The table below shows the difference between high needs spend and the high needs block.

Year	High Needs Block (£000's)	Expenditure (000's)	Block shortfall (000's)
2015/16	11,570	11,868	298
2016/17	11,800	12,464	664
2017/18	11,980	13,902	1,922
2018/19	12,020	14,151	2,131
2019/20	12,841	14,625*	1,784

25. It should be noted that the expenditure for 2019/20 is based upon one terms information and hence is subject to change. It is expected that the high needs pressure will increase further during the year.
26. As can be seen in the above table, each year the expenditure on high needs has been way in excess of the high needs block allocation. This has resulted due to increased demand, complexity of need and a lack of local capacity to support children. Although expenditure has been way in excess of the high needs block the increase in expenditure year on year has lessened over the last two years as initiatives have been introduced to contained expenditure. Spend only increased by £249,000 in 2018/19 and whilst spend is projected to increase by £474,000 in 2019/20, the majority of this is the new special free school place funding, which was previously not part of the budget.
27. It is clear however, that even with the proposed increase in allocation to the high needs block in 2020/21 that there will still be a shortfall between the grant and the expected expenditure, as the current year's expenditure is way in excess of the new allocation.
28. The table below shows the estimate of high needs expenditure for 2019/20. Of this projected expenditure, 95% of spend is made to schools provision (i.e. mainstream, special, colleges and alternative provision). Of the remaining 5% of expenditure the majority (70%) contributes towards SEN transport.

Area	Estimated Spend 2019/20 £'000's
Special Schools	5,770
Resource Bases	700
PRU/AP	1,325
Mainstream	1,842
Independent	3,054
Post 16	1,185
Other	749
TOTAL	14,625

29. Of the £13.9 million that is spent in schools, £2.5 million (18%) is paid to mainstream Darlington schools, £5.8 million (42%) to Darlington special schools, £1.3 million (9%) for Darlington alternative provision, £3.1 million (22%) for out of area placements and £1.2 million (9%) for post 16 placements. (All of these figures include “place” funding that is paid direct by the DfE).

Addressing High Needs demands/costs

30. During 2018/19 Darlington undertook a full consultation exercise regarding a strategy for SEND. This involved consultation with all relevant stakeholders, to build a strategy to provide high quality outcomes for children with SEND needs.
31. In March 2019 the Local Authority’s cabinet approved a new strategy which has become the Councils policy. The strategy can be accessed at the following link <https://www.darlington.gov.uk/education-and-learning/darlington-special-educational-needs-service/local-area-strategy-for-special-educational-needs-andor-disability-send/>
32. During 2018/19 the Education Department undertook a restructure and now has a Head of SEND and Inclusion to drive forward the strategy for SEND and to ensure the best possible support for children with SEND needs within the funding available.
33. As part of the SEND strategy, the Local Authority introduced a graduated response to high needs/SEND and introduced a revised funding system to support children.
34. The new funding system now ensures that funding follows the child in mainstream settings. The old system of lump sums and top ups was phased out from September 2018, with the full introduction of the new funding system from September 2019.
35. Revisions to the funding system for children placed within the Beaumont Hill Academy, and the Resource Bases has also been introduced from September 2019, to ensure appropriate funding is provided to those settings in line with the child’s need.
36. The combination of the new funding system is budget neutral, so although this does not save money overall, it ensures that the funding is targeted where it is needed.

37. A new Vulnerable Pupil Panel (VPP) has been created to manage the placement of children and the provide support funding as required. This VPP has replaced the Behaviour & Attendance partnership (BAPS) in secondary and the Local Area Placement Panels (LAPP) in primary. This change is expected to save £225,000 per year in the future.
38. As noted previously the Local Authority was required to submit a high needs recovery plan to the DfE in the summer, to outline how the high needs budget would be brought back into balance. This plan has focused in the main on developing new capacity within the borough of Darlington to provide better quality provision locally. At the same time this provision will make savings to the high needs block as children will no longer be placed in more expensive independent, out of area placements.
39. Three new resource bases are planned to increase capacity within Darlington. A 16 place resource base for children with SEMH needs is planned at Redhall primary school, along with an 18 place resource base at Rise Carr College. The Local Authority's Cabinet have approved the release of capital funding for the builds of both units, with both bases now being progressed through the procurement stage, with a view to both opening for pupils in September 2020. A link to the Cabinet report can be found at the following link <https://democracy.darlington.gov.uk/documents/s7364/Special%20Educational%20Needs%20Capital%20Project%20Release%20of%20Funds.pdf>
40. An additional resource base providing 16 places at secondary phase for children with MLD needs is also planned, with the Authority looking to seek expressions of interest from schools to operate this base. This base is planned to be opened in September 2021.
41. In addition to the three new bases in Darlington, the Tees Valley has been successful in securing funding for a new 100 place special free school at which Darlington will have 20 places. This project is being led by the DfE with initial opening planned for September 2021. Although this school will not be in the Darlington boundary, the distance will be nearer Darlington than some of the current placements, providing a better arrangement for Darlington pupils. This free school will operate within the public sector provision and hence will provide places at a lower cost than independent providers.

Proposals to move funds in 2020/21

42. Although progress has been made with high needs provision with the introduction of the new SEND strategy and the changes to the funding model, along with the commencement of providing additional capacity, further work is required to bring the high needs budget back into balance.
43. Additional funding is good news, however the additional funding is in isolation not enough to cover the budget gap. In 2018/19 the gap between spend and the high needs block was in excess of £2.1 million, in the current year the gap is currently projected to be around £1.8 million (though this may increase if more children need support during the autumn and spring terms). The additional funding therefore does not fully cover the budget gap alone, therefore additional funding is required to be transferred from the schools block to balance the high needs budget in-year.
44. In addition, to solve the budget gap in the future, it is necessary to make further changes to local provision to ensure a sustainable funding system. To simply use the additional funding

to “plug the gap” will not address the issues that have affected the high needs budget. It is therefore prudent that an element of the additional funding is allocated to address key joint strategic needs in reducing out of area placements, improving in borough provision and increasing the overall inclusivity.

45. This approach is in line with DfE recommendations, where they expect additional funding will be used to invest in schemes and new ways of delivery, to ensure high needs funding is spent appropriately and can be kept in budget in future years.
46. As noted earlier the rules regarding transfers of funding from the schools block into another block remain unchanged. It is assumed that as this facility remains that the Government appreciate that the additional funding alone is not a solution to high needs pressures.
47. The schools block has provisionally increased in 2020/21 by approximately £2.9 million in Darlington following additional funding announcements. In addition, as schools agreed to transfer £400,000 of funding in 2019/20, if no transfer is made in 2020/21 the funding distributed to schools would increase by £3.3 million (approximately).
48. Whilst the Local Authority would wish that all the increase in the schools block would be passed onto schools in full, the ongoing pressures in high needs requires a movement of funds from the schools block to the high needs block. This will allow further work to be undertaken to address high needs pressures, whilst still providing sufficient funding to meet the needs of children requiring SEN support.
49. As Forum members are aware the Local Authority submitted a plan to the DfE to bring the high needs budget back into balance by 2021/22, however this plan did come with a number of caveats in particular regarding the opening dates of the new capacity. Although progress has been made with all the proposals, it is likely that there will be some slippage in the new capacity opening, in particular the Tees Valley free school as this is outside of the Local Authority’s control.
50. As per the high needs recovery plan, two new resource bases are scheduled to open in 2020/21 which will require both place funding and top up funding, which are not currently in the high needs expenditure. Whilst this new expenditure will be offset by reductions in the funding of placements in independent settings, in the short term, due to pupils needs, some of the current independent placements will need to continue, therefore not freeing up budget. This will therefore require additional funding to balance the high needs budget, during that period.
51. The deficit on the high needs budget brought forward from 2018/19 was over £3 million. This is estimated to increase during 2019/20 to approximately £5 million. The additional funding allocated from 2020/21 will not alone produce a balanced budget in the high needs block in 2020/21, therefore without a further transfer the high needs deficit will increase further by March 2021.
52. At present no confirmation has been given by DfE over how long historic deficits can be recovered, however the DfE is proposing that deficits should be covered only through the DSG and not through Council funds. (The DfE is currently running a consultation on this proposal). If this is introduced (which is expected) then as the deficit is to be funded solely from the DSG, it is prudent to reduce the deficit, or at least not add to it, as soon as possible,

to ensure that massive reductions do not need to be made to the high needs block expenditure in future years.

53. A number of options regarding the amount of funding to transfer from the schools block to the high needs block have been considered by the Local Authority. These are detailed in the following paragraphs.
54. In order for schools to see the financial effect of each option on each school, illustrative figures have been calculated. These are shown in appendices 4A to 4D.
55. As the total amount of funding within the schools block has increased, the previously agreed criteria for the local schools funding formula would result in there being surplus funding to allocate to schools, even after the changes to the NFF implemented nationally. The funding distribution options for Darlington are included in part B of this report. All the options in part B, show the differences between the options for the transfer of funding listed below.
56. These models provide an illustration of the effect of the transfer of funds to the high needs block and as a result show the distribution of any additional “surplus” funding to schools. **It should be noted however that these models are only for illustration at this point and do not show the actual school budget share, schools will receive in 2020/21.**

Option 1 (Appendix 4A)

57. A movement of 1% of the schools block into the high needs block is the preferred proposal by the Local Authority. Based on the provisional schools block allocations, this would equate to approximately £690,000 and would allow £2.628 million extra funding to be added to the schools budget calculation.
58. This proposal would require Secretary of State approval, as it is in excess of the 0.5% that Schools Forum can agree.
59. This option is preferred by the Local Authority as it would allow the in-year high needs budget to balance with expenditure (based on 2019/20 estimated expenditure) and supply approximately £400,000 additional funding, to cover any new expenditure for the two new resource bases, any slippage in the recovery plan and for invest to save initiatives.

Option 2 (Appendix 4B)

60. A movement of 0.75% of the schools block into the high needs. Based on the provisional schools block allocations, this would equate to approximately £517,000 and would allow £2.801 million extra funding to be added to the schools budget calculation.
61. This proposal would require Secretary of State approval, as it is in excess of the 0.5% that Schools Forum can agree.
62. This proposal would allow the in-year high needs budget to balance with expenditure (based upon 2019/20 estimated expenditure), however it is likely that there would be limited funds for invest to save initiatives and any funding that is needed for the new resource bases. This option is therefore not the favoured option by the Local Authority as it gives limited scope for invest to save initiatives.

Option 3 (Appendix 4C)

63. A movement of 0.5% of the schools block into the high needs. Based on the provisional schools block allocations, this would equate to approximately £345,000 and would allow £2.973 million extra funding to be added to the schools budget calculation.
64. This proposal would not require Secretary of State approval, if agreed by Schools Forum.
65. This proposal would allow the in-year high needs budget to balance with expenditure (based upon 2019/20 estimated expenditure), but would not provide any additional funding for expenditure changes. This option is therefore not the favoured option by the Local Authority as there may be insufficient funds to balance the high needs block, if there are changes to demand or delays in implementing the additional capacity and give no scope for invest to save initiatives. This may also increase the accumulated deficit, which would require higher savings in future years.

Question 1 - Do you agree with the Local Authority preferred proposal to move 1% of the schools block into the high needs block in 2020/21 (option 1)?

Question 2 – If you do not agree with the Local Authority preferred option do you agree to a movement of 0.75% or 0.5%?

Question 3 – If you do not agree with any of the proposed transfers from the schools block to the high needs block listed in this paper (options 1, 2 & 3), do you wish to suggest a transfer amount and why this amount is proposed?

Future Years

66. The regulations only allow for School Forum to approve a transfer of budget between the schools block and another block on a one year basis, therefore at this stage no agreements can be made for future years. Due to the large overspends in high needs in previous years it is clear that there will still be an accumulated deficit to roll forward into 2021/22, which will need to be recovered through the DSG. As a result of this it is expected that if the regulations allow, that a further request will be made to Schools Forum to transfer funding in 2021/22.
67. At this stage it is not possible to identify exactly how much transfer would be required in 2021/22 as there will be a number of factors to consider before any proposal is put forward. The following are the key areas that will inform any future proposal.
 - a. The projected budget position at the end of 2019/20 is an estimate, the very nature of which means that the actual budget position at the end of year will be different. If the overspend is either more or less, this will mean that the figures used in the calculation of this year's proposal will change and hence may impact on any future years requirements.

- b. The Local Authority is awaiting feedback from the DfE on its DSG recovery plan. Dependent on this feedback, in particular with regard to the accumulated deficit this, will impact on future years budget requirements.
- c. The timing of the opening of the additional high needs places within the recovery plan.
- d. Future demand.
- e. Future funding in the DSG for both the high needs and schools blocks, in line with announcements made in August 2019.