

DARLINGTON SCHOOLS FORUM

12th January 2021

ITEM NO. 4 Appendix 1

SCHOOL FUNDING FORMULA 2021/22 TRANSFER OF FUNDING FROM THE SCHOOLS BLOCK TO THE HIGH NEEDS BLOCK.

Purpose of the report

1. To consult with all schools regarding the Local Authority's proposals to transfer DSG (Dedicated Schools Grant) from the School Block to the High Needs Block in 2021/22.

Background

2. As in previous years, the schools block of the DSG is ring fenced to school budgets shares and pupil growth. However, 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.
3. In addition, a larger transfer can be made, or where a School Forum does not agree to a 0.5% transfer, a movement between blocks can still be made, if approved by the Secretary of State.
4. The relaxation of the ring fencing within the NFF (National Funding Formula) 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.
5. As the schools block is to increase in 2021/22 for the addition of the Teachers Pay Grant and the Teachers Pension Grant, the 0.5% that Forum can agree to transfer is net of this transfer, to ensure that all of these grants are passported in full to schools.

Previous movements of funds

6. The Local Authority is appreciative of all the previous agreed transfers of funding from the schools' block to the high needs block. Over the last three years, the following transfers have been agreed by schools and Schools Forum.
7. For the 2020/21 financial year £344,400 was transferred from the schools' block to the high needs block to help with growing high needs support requirements for pupils. This represented a 0.5% transfer.
8. For the financial year 2019/20 £400,000 was transferred from the schools' block to the high needs block. This represented a 0.6% transfer and as this exceed the 0.5% that Schools Forum could approve, a disapplication request was submitted to the Secretary of State for approval, which was approved.

9. For the financial year 2018/19 £325,508 was transferred between the two blocks, a transfer of 0.5%.
10. In all three years the transfer has been used across all expenditure areas within high needs service provision, ensuring that children have been placed in the most appropriate placement or received the support they need for their education. In 2020/21 the funding was transferred to allow existing support to continue pending the increase in local capacity which had been agreed.

Proposed Transfer in 2021/22

11. The Local Authority is aware of the significant budget pressures schools are facing and appreciates all the previous movements of funds from the schools' block. However due to the ongoing pressures in high needs budgets the Local Authority is looking for support from schools and the Schools Forum to transfer 0.5% of the schools' block (after TPG & TEPG) into the high needs block to assist with budget pressures in that area.
12. The Local Authority appreciates the pandemic has led to additional costs for schools and that there is still a lack of clarity on how schools will be recoup additional spend from central government. Unfortunately the pandemic has led to unavoidable delays in the construction of the commissioned additional capacity for specialist placements in Darlington which has led to the decision to request additional support. Detail of the reasons for the proposed transfer and how the transfer will affect schools is captured in the following paragraphs.

Reasons for Transfer

Budget and Costs

13. The transfer that was agreed for the 2020/21 financial year allowed a projected in year balanced budget to be set. This budget was set on the assumption that the additional local capacity (i.e. new SEN units) would come on stream in 2020/21 and therefore reduce the need to place increasing numbers of children in out of Darlington or independent settings. As these units were not planned to be operational from April 2020 the transfer of funding from the schools' block allowed a transition period until the units became operational and capacity grew.
14. Due to build issues and COVID 19 the new SEN units opening dates have slipped by a year, which means a significant part of the high needs' recovery plan has also moved back a year from the original plans.
15. At the end of 2019/20, Darlington had a deficit on its high needs block of approximately £5.2 million which was the combination of an overspend in 2017/18, 2018/19 and 2019/20. Appendix 1 shows the expenditure on high needs against the high needs' allocations over the last five years.
16. As can be seen in appendix 1 the expenditure on high needs has been increasing each year in line with increased demand for support and the additional cost of not having local capacity in Darlington. In that period the high needs block allocation has increased, but at a

significantly lower amount than the demand. The accumulated deficit (£5.2 million) is less than the combined value of the high needs overspend over the last five years, as transfers of funding from other blocks have reduced the pressure.

17. The high needs block overspend is not unique to Darlington and is mirrored in many local authority areas across the country. The Government has recognised the issue with high needs funding and has allocated additional funding into the high needs block both in 2020/21 and 2021/22, though in Darlington this increase mainly just increased the budget to near the existing expenditure levels.
18. Appendix 2 shows the current projected expenditure on high needs for the 2020/21 financial year. Whilst there are still several assumptions in figures which may lead to the final budget position being different (an updated budget projection will be reported to School Forum in January), the projected position for this year is an overspend in excess of £700,000. The pressure is made up from a continuation of pressures that have occurred in the last three years, (i.e. increased demand and local capacity) and the result of not seeing savings materialise from placing children in the new Darlington capacity (which has been delayed for a year).
19. Guidance from the DfE for 2021/22 states that the DSG should be brought back into balance in a timely period. This period is not defined as the department recognises that historic deficits will take time to be recovered. The Schools and Early Years (Finance) Regulations were changed from 2020/21 to no longer allow the Local Authority to use their own resources to pay off DSG deficits without the approval of the Secretary of State. This means deficits need to be recovered from within the DSG over future years.
20. The DfE expect the Local Authority to work with the DfE using recovery plans to manage deficits within the DSG. In all cases the DfE expect local authority's management plans to focus on how they will bring in year spending in line with in year resources.
21. Attached at appendix 3 is the revised high needs recovery plan for Darlington, which shows the estimated expenditure in all the areas of the high needs block over the next three years. This is a working document and therefore estimations of future spend, and savings are based upon current assumptions and knowledge. It is likely that in future years, particularly year three (2023/24) that the figures will change as changes are introduced in delivery. This plan is regularly reviewed in line with current demands and expenditure. Further updates will be presented to School Forum at each of their meetings.
22. The plans show expenditure based on current delivery and the inclusion of new services/plans to deliver the best SEND services in Darlington within resources. The plan also shows estimated savings from the opening of additional local capacity.
23. The plan assumes that in 2021/22 that schools (and Schools Forum) will agreed to a 0.5% transfer from the schools' block to the high needs block. With this transfer the plans shows a small deficit of £100,000 in 2021/22 before beginning to run at a surplus in future years.

Demand

24. The demand for specialist high needs placements has continued to increase. The current position of Darlington's EHCP cohort, from birth to NCY 13, over the period 01/09/2020 – 30/09/2020 is:
 - Number of pupils in Mainstream settings – 290
 - Number of pupils in Special (275) or Independent Special Schools (55) – 330
25. The current use of the high needs block to support placements shows that 68% of placements are at special and independent schools and 32% are in mainstream settings.
26. Nationally published data shows continued demand pressure for specialist placements. The number of Darlington pupils educated in a specialist placement increased from 309 in 2018 to 333 in 2020.
27. Darlington's Local Area SEND Strategy covers the period 2019-2022 and is published on the Council's website at: <https://www.darlington.gov.uk/education-and-learning/darlington-special-educational-needs-service/local-area-strategy-for-special-educational-needs-and-or-disability-send/>. It was approved by Cabinet in March 2019. The strategic priorities for SEND are identified in section 7 of the strategy. Objective 2 focusses on:
 - Building capacity in mainstream and specialist settings to support Children and Young People to be educated in their local community and to reduce reliance on out of area placements 0-25
28. Darlington has a higher than average number of pupils with EHCPs and more young people with EHCPs in special schools as opposed to mainstream provision.
29. Due to lack of local provision the Local Authority is often reliant on independent specialist placements to support these young people even when they may have coped as well in maintained specialist provision.
30. The Local Authority is working hard to build capacity in our mainstream provision and SEND units to prevent EHCP children having to be escalated into specialist provision. That in turn should free up specialist capacity to reduce the number of external placements that occur due to lack of local provision. Unfortunately Covid-19 restrictions has led to slippage on construction timeframes.
31. The Red Hall primary unit (16 SEMH places plus 4 assessment places) is a new build project on the school site and will be complete by Easter 2021 ready for a September 2021 start (AY2021/22). The project is well under way and work is starting to move inside the newly constructed building.
32. The Rise Carr secondary unit (15 SEMH places plus 4 assessment places) is a new build project on the school site and is planned to complete by August 2021 ready for a September 2021 start (AY2021/22). There is no scope for further slippage, any delays may mean that the opening will be delayed slightly. This will require some interim arrangements being made for the pupils who are due to attend. Groundworks are already complete and the use of a Composite Timber Frame means that works will move quickly once that is erected in January.

33. Darlington will have 25 SEMH places at the 100 place all age Tees Valley Free School in Redcar which is due to open in September 2022. This has been approved by ministers, an approved provider agreed and the initial ‘kick-off’ meeting with DFE staff has taken place. The driver behind this change was the increased levels of SEMH identified and the lack of local provision that could support these young people, this in turn will reduce the over-reliance on independent specialist provision.
34. The Local Authority has appointed key post holders to increase support to schools from non- High Needs Block funding:
 - Strategic Commissioning Manager – SEND to lead work on identifying future commissioning intentions and ensuring both quality and value for money in existing and future independent specialist placements.
 - Inclusion Lead Officer –. This post has impacted positively by creating additional capacity for the authority to support the work of the Vulnerable Pupil Panel and enabling a more timely response to fixed term and permanent exclusions.
 - EHE Advisor- The authority now has a greater knowledge and understand of the children who are currently EHE, those who are at risk of EHE and the circumstances that both lead to EHE and the processes that can return EHE children to education settings.
35. Work continues to be undertaken with Health colleagues to explore further joint commissioning opportunities in relation to ASD pathways and Speech and Language therapy.
36. The Local Authority is working with the Education Strategy Group to identify future trends and opportunities to support SEND pupils in Darlington and a full year 1 review of the Local Area SEND strategy is planned to include all schools and partner agencies.

Proposals to move funds in 2021/22

37. The Local Authority is seeking schools (and Schools Forum) support to transfer 0.5% of the schools’ block to the high needs block in 2021/22.
38. Please note that all figures included in this section of the report are based upon the indicative allocations for the 2021/22 DSG blocks that have been received. Any actual transfers will be based upon the actual DSG allocations which will be received in mid-December. These figures will be reported to School Forum (and hence schools) in January.
39. The Schools Block is set to increase by £2.7 million in 2021/22 (after removing the transfer in of the Teachers Pension and Pay Grants), however the Local Authority is aware that this increase is not coving the financial pressures schools are experiencing. Therefore, the Local Authority will attempt to have the least impact on schools’ budget in any proposed transfer of funds between the blocks and endeavour to continue to set a local funding formula which includes all the revised NFF rates for 2021/22.
40. School Forum agreed a transfer 0.5% of funding from the schools’ block to high needs block in 2020/21 but it was still able to introduce the new NFF rates for all the factors used

in the Darlington Formula. This was made possible by using some of the previous years school block underspend in setting the formula. The Local Authority wishes to follow this route again in 2021/22.

41. Based on the indicative schools' block DSG allocation for 2021/22 a 0.5% budget transfer would equate to approximately £358,000.
42. A transfer of £358,000 in 2021/22 will assist with creating a balanced budget for 2021/22 regarding high needs, as the savings in expenditure from the new local capacity will only be a part year effect in 2021/22. Having a nearly balanced budget in 2021/22 will ensure that the accumulated deficit increases only marginally, meaning that this can be recovered with less impact on high needs services.
43. As well as assisting with a balanced high needs budget in 2021/22 the transfer of funding between the blocks will ensure funding is available for invest to save purposes. The high needs recovery plan includes two new developments to enhance and deliver better high needs services in Darlington. These two schemes were discussed by Forum at their March 2020 meeting, however due to the COVID pandemic have not progressed as planned.
44. Although these schemes may no longer take place as originally intended due to changed needs, it is the case that in order to deliver a balanced budget in the future that new methods of delivery will need to be investigated. A fund is therefore required as an "invest to save", which will enable new delivery models to be developed. Without an invest to save, the high needs block budget increases are likely to be all used up with existing service delivery.
45. DfE guidance has suggested that Local Authorities should use increased high needs block allocations to investigate new ways of working, rather than "just to plug the gap between income and expenditure".
46. An invest to save fund will deliver future years savings, which will help to ensure that the high needs block stays in balance and help with the repayment of the accumulated deficit. In addition, this will free up funding from the block which can be reinvested into schools SEN provision in future years.
47. Based on the indicative schools' block DSG allocation for 2021/22 a 0.5% budget transfer would equate to approximately £358,000. There is currently £128,029 of underspend brought forward from previous years, which is unallocated. In addition to this, it is expected that there will be a saving of £57,564 in 2020/21 in the schools' block from the growth fund.
48. The result of this is that to make a transfer of £358,000, only £172,407 is required to be transferred from the 2021/22 allocation, if these underspends are used towards the transfer. This figure may be less if the actual DSG allocation for 2021/22 is higher than the indicative figure (this will depend on the October 2020 census), or the allocation for growth within the 2021/22 DSG allocation changes (no indicative allocation was received). As well as the final outturn position for the growth budget in 2020/21.
49. The schools budget share for 2021/22 will be calculated based upon the October 2020 census using the DSG allocations received in December for 2021/22. In order to see the impact of any transfer of funding, modelling has been undertaken. These models are calculated using the 2020/21 data with the indicative funding for 2021/22. This allows schools to see the difference in the amount of funding they would have received in the

current year had the proposed 2021/22 formula been implemented a year earlier i.e. allows direct comparison between the two formula. The models are for this purpose only and are not the budget shares schools will receive for 2021/22.

50. Based on the indicative allocations using the same budget share information as in the current year, to transfer £172,407 from the 2021/22 schools block is not affordable using all the updated NFF rates and the same parameters (i.e. factors and MFG value) as in 2020/21. The transfer would be short by approximately £105,000.
51. In order to identify how a transfer of £172,407 is possible, two formulas have been modelled. The first uses all the updated NFF rates but lowers the MFG to the minimum amount allowed under the DFE rules, of 0.5%. This can be seen in appendix 4. Also shown, is a comparison to indicative formula if all the NFF values were used and the existing 2020/21 MFG of 1.84% (as paragraph 50). In this model the full transfer is still unaffordable by £64,000 (i.e. £105,000 less £41,253)
52. The second formula model uses all the revised NFF unit rates with the exception of the AWPU, which are £14 short of the new NFF rate. This model uses the MFG of 1.84% as in the current formula. This can be seen at appendix 5 and is again compared the full implementation of the revised NFF rates and the 2020/21 parameters (as per paragraph 50). This model allows the full 0.5% transfer. Although all schools will have the effect of a lower AWPU, not all schools will see any difference in their budget share as many schools will be protected by either the MFG or the minimum per pupil protection.
53. Taking account of the above based upon the indicative DSG allocations and using brought forward underspend the full 0.5% (£358,000) cannot be transferred without taking approximately £105,000 out of school budgets, as shown in appendix 5. The Local Authority will remodel all the options once the actual school budget share data and final DSG allocations are received with a view to ensuring that any transfer does not impact on the full implementation of the new NFF rates in 2021/22 along with the exiting formula parameters (the MFG).
54. This paper is intended to capture schools' views regarding the proposed transfer of funding in 2021/22, in order that these can be fed back into School Forum (and schools) and final modelling prior to a final proposal and decision at the January School Forum meeting.