

DARLINGTON SCHOOLS FORUM

SCHOOL FUNDING FORMULA 2019/20 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 2019/20. 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.

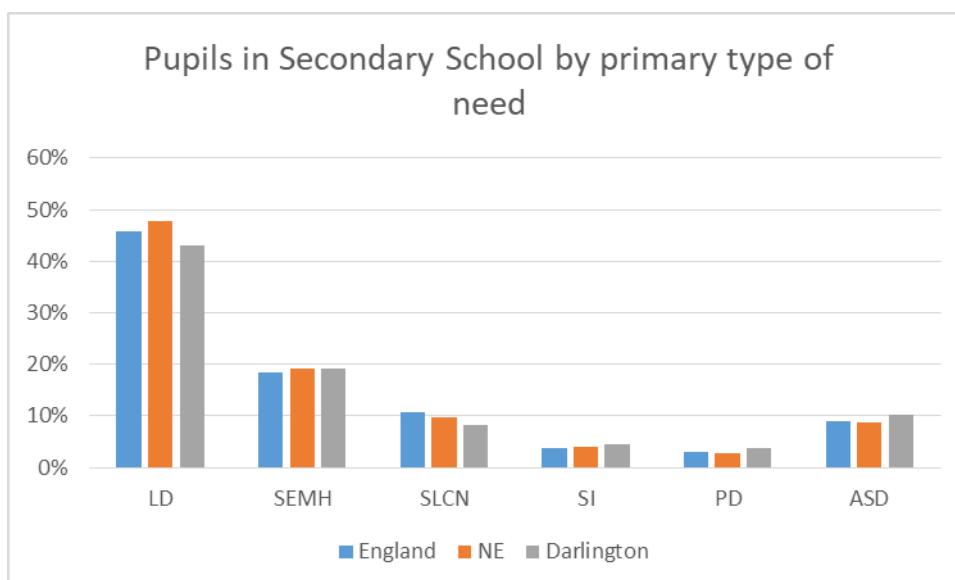
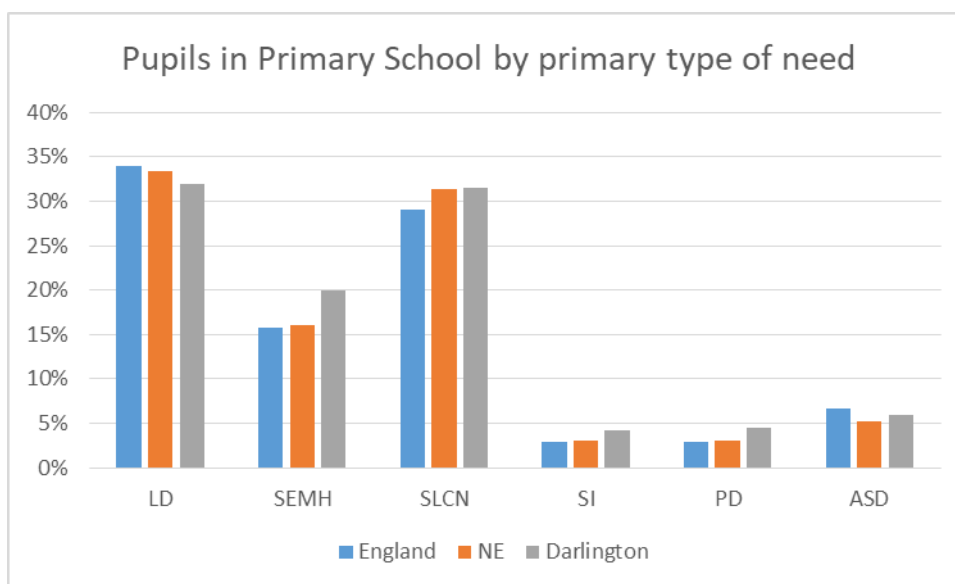
Previous movements of funds

3. For the financial year 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.
4. The transfer of funding was used across the whole high needs budget, but in particular was used against rising demand for top ups in mainstream provision and special school placements.
5. Although this transfer of funding was made, the budget for high needs has continued to overspend as a result of continuing increases in demand in mainstream top ups and the need for special school placements. This increase in demand within Darlington mirrors the regional and the national position where pressures are occurring in high needs budgets due to the increasing number of children in mainstream schools being assessed with SEN needs.

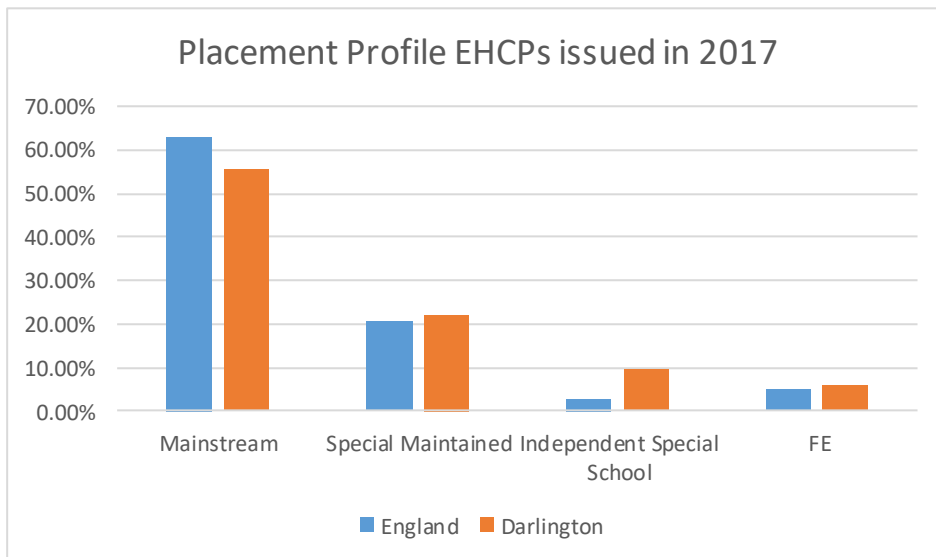
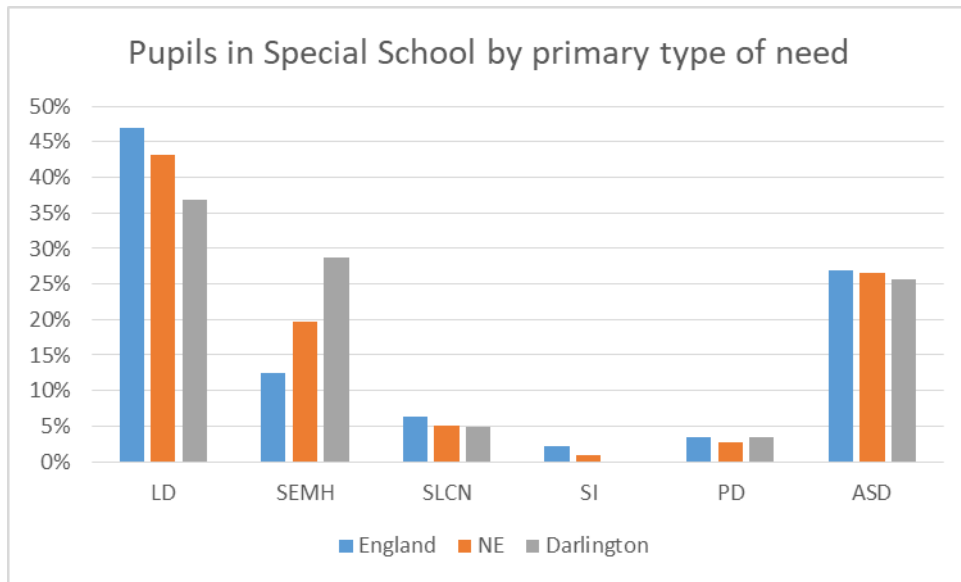
Demand/Costs

6. In Darlington the most recently published national data (from January 2017, published in SEN in England in July 2017) shows that 3.3% of children have an Education, Health and Care Plan (EHCP) compared to the regional average of 3% and above the England average of 2.8%.
7. The published data shows the profile of primary need in Darlington is different to that seen nationally. Most notably a higher proportion of school age children have social, emotional

and mental health needs (SEMH) identified as their primary need than is the case nationally (19.9% of pupils in Darlington compared to 15.7% across England and 16% across the North East). The following graphs illustrate this at primary and secondary levels.



8. The contrast is particularly stark in the data for pupils with SEMH placed in specialist provision. Across England 13% of pupils with SEMH as a primary need are placed in a special school compared to 28.8% in Darlington. Darlington has the 4th highest proportion of pupils with SEMH as a primary need placed in a special school in England.
9. The data suggests that there has been an over-identification of pupils with SEMH as a primary need and that too many of those pupils have been moved from mainstream to special schools. The current lack of a clear local framework identifying what level of need can be supported at mainstream level contributes to the pressure for independent specialist placements.



10. 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 four years are illustrated in the table below. The high needs block has only increased by small amounts over the last four years. The indicative high needs block allocation for 2019/20 is £12,098,692 therefore an increase of approximately £79,000 on 2018/19.

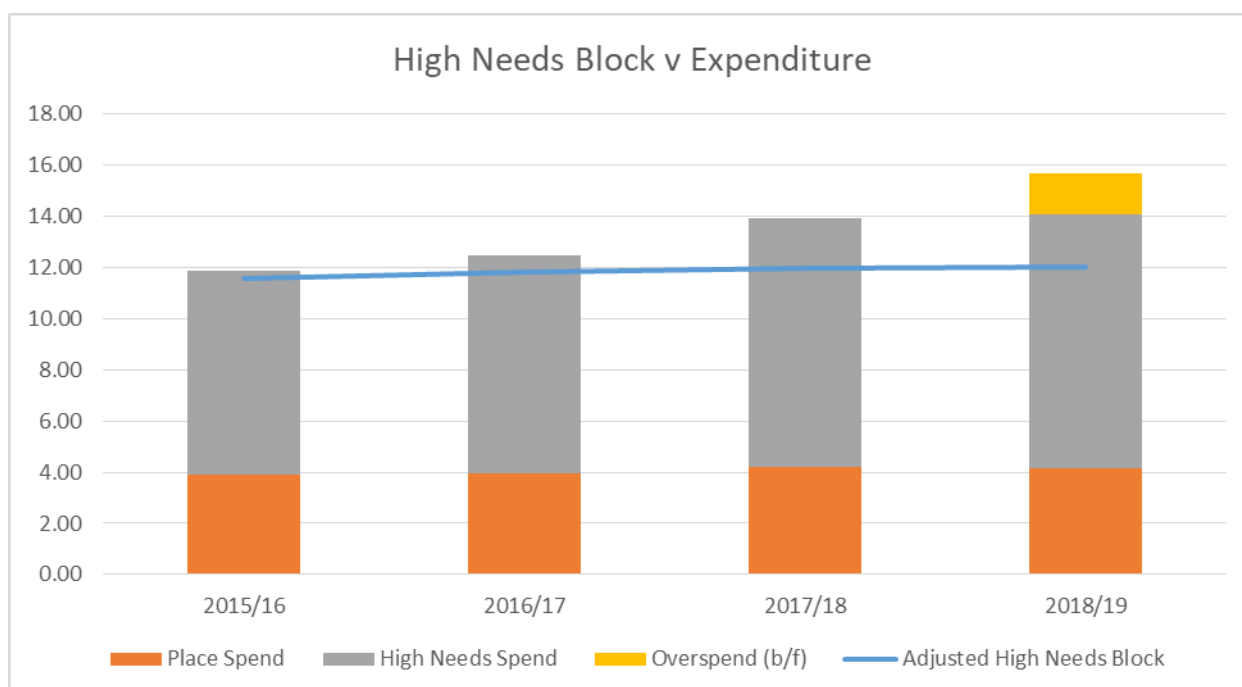
| Year | Allocation (000's) | Increase (000's) |
|---------|--------------------|------------------|
| 2015/16 | £11,570 | |
| 2016/17 | £11,800 | £230 |
| 2017/18 | £11,980 | £180 |
| 2018/19 | £12,020 | £40 |

11. Over the same time period the expenditure has increased significantly more than the increases in the high needs block as shown in the following table

| Year | Expenditure (000's) | Increase (000's) |
|----------|------------------------|---------------------|
| 2015/16 | 11,868 | |
| 2016/17 | 12,464 | £596 |
| 2017/18 | 13,902 | £1,438 |
| 2018/19* | 14,060 | £158 |

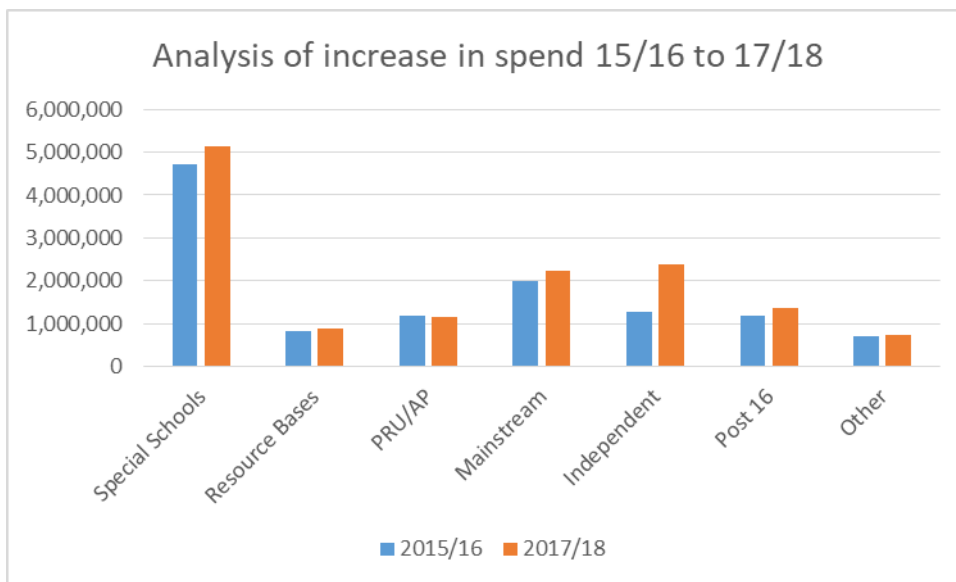
*estimated

12. The graph below shows the high needs block allocations and expenditure as per the above tables. The high needs block allocation for 2018/19 is £12.020 million, with expenditure estimated to be £14.060 million, an overspend of £2.04 million.



13. Although the increase in expenditure has been managed in 2018/19 in that the increase is less than previous years, due to increasing demand the estimated expenditure still exceeds the high needs block. Although the transfer of £325,000 from the schools block in 2018/19 reduces the overspend in 2018/19, as reported to Schools Forum the high needs budget has been under significant pressure for a number of years.
14. At the end of 2017/18 the high needs budget overspent by £1.6 million which has to be recovered from future years budget allocations, therefore it is estimated that the high needs budget will be over £3 million overspent by the end of 2018/19.

15. The pressures on high needs budgets have resulted largely from increased demand for top ups in mainstream schools and places at special schools/special units. The table below shows the increase in spend between 2015/16 and 2017/18. As can be seen the main increases have been in independent placements, post 16, special school places and mainstream top ups.



16. The table below shows the estimate of high needs expenditure for 2018/19. 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 (73%) contributes towards SEN transport.

| Area | Estimated Spend 2018/19 £'000's |
|-----------------|---------------------------------|
| Special Schools | 5,166 |
| Resource Bases | 778 |
| PRU/AP | 1,131 |
| Mainstream | 2,402 |
| Independent | 2,623 |
| Post 16 | 1,237 |
| Other | 723 |
| TOTAL | 14,060 |

17. Of the 95% that is spent in schools, £3.2 million is paid to mainstream Darlington schools, £5.2 million to Darlington special schools, £1.1 million for Darlington alternative provision, £2.6 million for out of area placements and £1.2 million for post 16 placements. (All of these figures include “place” funding that is paid direct by ESFA).
18. Appendix 7 provides details of high needs expenditure over the last 4 years.

Addressing High Needs demands/costs

19. Over the last year the Local Authority has been undertaking a review of high needs provision across Darlington. A consultant has been appointed and work has been undertaken across a number of strands to make proposals to modernise provision and update the local SEND strategy.
20. Through the involvement of schools and key stakeholders significant progress has been made with changes to mainstream top up provision and as schools will be aware from September 18 the funding system has been changed, to ensure that funding now follows the child.
21. Work is ongoing with regard to mainstream top up funding, building on work done with schools in the spring, with further proposals to be outlined to schools in the autumn.
22. Work has also been undertaken with regard to the allocation of pupils into specialist provision with the creation of the Vulnerable Pupil Panel.
23. Although significant progress has been made with the review of high needs, there still remains large areas of work to be undertaken to review all areas of provision. As a result of this and due to the continuing increases in demand for provision the budget position continues to have significant pressures in 2018/19 and will continue to do so for a few years until all the aspects of the review are completed, with new systems embedded.
24. The Authority appreciates that the plan to bring the budget back in line has slipped from the original expectation, however it still remains a priority of the Authority to bring the budget back in line. It is important that any proposed changes to provision are carefully planned to ensure they are the best option for Darlington children. A costed plan of how future provision will look is due to be released prior to the next School Forum on 18th October.

Proposals to move funds in 2019/20

25. As noted earlier in this document the DfE appreciate the pressures on high needs budgets and therefore have again allowed local authorities to top slice 0.5% of the schools block to move to other blocks. There also remains the ability to move more than 0.5% with the agreement of the Secretary of State.
26. Whilst the Local Authority would wish that any 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, in order to smooth any reduction in high needs services across the town and therefore to limit turbulence within existing service provision. If no funding is available to move from to the high needs block in 2019/20 the plan of future provision will need to be revisited with potentially further reductions or the bringing forward of proposals.
27. In the 2018/19 budget setting, schools and School Forum agreed a 0.5% move from the schools block to the high needs block to assist with pressures in this area. The Local Authority (through this document) wish to consult with schools on plans to move funding from the schools block into the high needs block again in 2019/20.

28. The indicative schools block allocation for Darlington provided by ESFA for 2019/20 is £66,007,882. Based on the current years funding formula this gives £1,231,841 (i.e. approximately £900,000 of new money) of unallocated schools block (after taking off the current growth fund budget). A 0.5% top slice of the schools block would be approximately £332,000, however it is possible to move £1,231,841 of schools block budget without affecting schools budget shares. This would equate to a 1.87% transfer.
29. 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.
30. 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 2A to 2E. For illustration, in order to ensure a balanced budget in each option, the previously agreed methods of balancing the budget (i.e. using a cap, an MFG and distributing funding through the AWPU) have been used within these models.
31. No other changes have been made in the models to any other previously agreed funding formula characteristic or unit values. 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 the actual method of distribution of “surplus” funding will be made based section B of this paper.**

Option 1

32. A movement in excess of the £1.2million additional funding available is possible with permission of the Secretary of State. This would be the most beneficial movement of funds to the high needs block as this would allow the maximum phasing of changes in high needs provision. Appendix 2A shows the effect a movement of £1.5million (2.3%) from the schools block to the high needs block on a school by school basis.
33. As the transfer of funds in this option is in excess of the estimated increase in the schools block, this would require funds to be moved out of schools existing budgets. To achieve this, the MFG would need to be reduced from 0% to -0.59%. This would reduce school budgets overall by approximately £268,000 on 2018/19 levels. This proposal is not favoured by the Local Authority as it does not wish schools to have less funds per pupil in 2019/20 than in 2018/19.

Option 2

34. A movement of £1.232 million to the high needs block would not affect school budgets in 2019/20 in comparison to 2018/19, as this would simply transfer the additional funding over and above the current funding formula. Although this would be less beneficial to the high needs block (than option 1), a transfer of this value would still be a significant assistance with the high needs budget. Appendix 2B shows the effect a movement of £1.232 million (1.8%) from the schools block to the high needs block on a school by school basis.
35. This proposal is not favoured by the Local Authority as the Local Authority appreciates that schools face significant budget pressures themselves and therefore wishes schools to benefit from an increase in budget share.

Option 3

36. Appendix 2C shows the effect of a £900,000 (1.4%) transfer from the schools block to the high needs block. As this transfer is less than the estimated increase in the schools block for 2019/20 this will leave approximately £332,000 of new funds to be distributed amongst all schools. Balancing of the 2019/20 budget has been achieved in this illustration by using the 18/19 capping value (2.95%) and an increase in AWPU of £52.50 per pupil for each phase.

Option 4

37. Appendix 2D shows the effect of a £600,000 (0.9%) transfer from the schools block to the high needs block. As this transfer is less than the estimated increase in the schools block for 2019/20 this will leave approximately £633,000 of new funds to be distributed amongst all schools. Balancing of the 2019/20 budget has been achieved by using the 2018/19 capping value (2.95%) and an increase in AWPU of £84.75 per pupil for each school phase.

Option 5

38. Appendix 2E shows the effect of a £330,000 (0.5%) transfer from the schools block to the high needs block. As this transfer is less than the estimated increase in the schools block for 2019/20 this will leave approximately £902,000 of new funds to be distributed amongst all schools. Balancing has been achieved by adjusting the capping value to 3.09% and an increase in AWPU of £108.50 per pupil for each school phase.

Preferred Option

39. The Local Authority's preferred option is option 3, a transfer of £900,000. This transfer would enable the Local Authority to smooth in its proposals in the high needs plan during the 2019/20 academic year and hence is the favoured option by the Local Authority as it allows the changes in high needs services to be less severe during 2018/19 and 2019/20, but still allows schools to benefit from over £332,000 of additional resources.

Question 1 - Do you agree with the proposal to move £900,000 of the schools block into the high needs block in 2019/20 to allow the smoothing of high needs service changes?

Future Years

40. 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 both 2017/18 and 2018/19 it is likely that there will still be a shortfall on the high needs budget in 2020/21. 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 2020/21.
41. At this stage it is not possible to identify exactly how much (if any) transfer would be required in 2020/21 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 2018/19 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 my impact on any future years requirements.
- b. The Local Authority is issuing a costed recovery plan before the next School Forum showing how the savings in high needs budgets are planned to be achieved. This will require discussions with stakeholders to ensure the plan is achievable and hence some refinements may be needed within the plan which may impact on future proposals.
- c. Any changes to high needs provision will be implemented in order to minimise disruption to pupils and schools. It may be the case that some of the planned implementation dates will change and hence this will again effect future year's proposals.
- d. Future demand.
- e. Future funding in the DSG for both the high needs and schools blocks.