

# DARLINGTON SCHOOLS FORUM

27<sup>th</sup> November 2018

ITEM NO 4

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## SCHOOL FUNDING FORMULA 2019/20

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### Purpose of Report

1. To update Forum regarding the 2019/20 school funding formula.

### Background

2. Each year the Local Authority calculates the school budget share for all publically funded mainstream schools within the borough. This will continue in 2019/20 whilst the National Funding Formula (NFF) is within its “soft” stage.
3. The funding formula is calculated using the requirements of ESFA (Education Skills Funding Agency) in line with the NFF. There is the ability for some local adjustments within the NFF soft stage.
4. ESFA allows the transfer of up to 0.5% of the schools block of the Dedicated Schools Grant (DSG) into another block with the approval of Schools Forum. Any additional movement above this, requires a request to the Secretary of State.
5. If the formula characteristic are to change between years, or if there is to be a transfer of funding from the schools block, the Local Authority must consult with all schools effected and its Schools Forum.
6. Darlington is proposing to move funds from the schools block into the high needs block and make some adjustments to the formula characteristic in 2019/20. These proposals were issued to all schools and Schools Forum members on 28<sup>th</sup> September 2018.
7. The papers were broken down into two parts. The first part dealt with the proposed transfer of £900,000 from the schools block to the high needs block, the second part dealt with how additional funding available in 2019/20 would be distributed amongst schools. (Copies of the papers can be found at agenda item 5 of the October 2018 School Forum papers).
8. The issue of papers was followed up by officers from the Local Authority attending the 11-19 Partnership meeting on 2<sup>nd</sup> October 2018 and the Primary Headteacher meeting on 5<sup>th</sup> October 2018. The papers were also presented to Schools Forum on 18<sup>th</sup> October 2018.
9. Following a request at the 11-19 Partnership meeting, an additional session was held on 22<sup>nd</sup> October 2018, which all schools were invited to attend. This session presented details of the proposals and an opportunity to ask further questions.

### Outcome of the consultation

10. 22 responses were received, on behalf of 32 schools to the consultation. As there are 36 mainstream schools in Darlington, this represents an 89% response rate. The following paragraphs summarise the responses received. Appendix 1 details who responded to the consultation.

Part A – The transfer of funding between the school and high needs block.

11. The Local Authority proposed that £900,000 of funds will be transferred between the schools block and the high needs block in 2019/20. This transfer is to assist with budget pressures that are currently occurring within high needs budgets, due to placement types and growing demand for special education needs/disability (SEND) support.
12. This transfer will be in addition to other proposed reductions in high needs expenditure during 2019/20. Further reductions in high needs expenditure will be needed in future years to balance the high needs budget on an ongoing basis.
13. The Local Authority is currently consulting upon a future SEND strategy, this will inform future provision for high needs support and inform future budget setting.
14. From the consultation responses, the proposal to transfer £900,000 from the schools block to the high needs block received the following response (figures in brackets on a per school basis)
- 4\* responders, 18% agreed with the proposal (5 schools, 16%)
  - 18 responders, 82% disagreed with the proposal (27 schools, 84%)
- \*(One responder agreed with caveats)
15. Although the majority of responders disagreed with the proposal, many comments were received that appreciated the difficulties in funding the support for children with SEND within the resources available.
16. A supplementary question, asked those responders that did not agree with the proposed transfer, how much they suggest is transferred to the high needs block. The results of which are included in the table below. (For completeness the table includes the responses that agreed).

Amount to transfer from the schools block to the high needs block	Number of responders	Percentage of responders
£900,000	4 (5)	18 (16)
£600,000	5 (6)	23 (19)
0.5%/£330,000*	11(17)	50 (53)
Nil**/0.5%	2 (4)	9 (12)
<b>Total</b>	<b>22 (32)</b>	<b>100</b>

\*£330,000 is 0.5% based on the indicative allocations

\*\* The distributed papers did not show the effect of no transfer of funding, this was provided as an addition following a request. Two schools selected nil transfer or 0.5% if this option was not available.

17. As can be seen from the table, 41% of responders supported a transfer of funds from the schools block to the high needs block over the 0.5% level (i.e. either £600,000 or £900,000).
18. Also from the table, 91% of responders supported a transfer of 0.5% or more (i.e. 0.5%, £600,000 or £900,000) from the schools block to the high needs block. 0.5% is the maximum amount that Schools Forum can agree to be transferred.

#### Transfer over 0.5%

19. As stated above, if a movement of funding between blocks of more than 0.5% is required, this decision is made by the Secretary of State, based on a request from the Local Authority.
20. The Local Authority proposal for 2019/20 was to transfer £900,000 from the schools block to the high needs block to support with budget pressures whilst the new SEND provision is being implemented. This proposal would mean that approximately £330,000 of funds would be available to increase school budget shares, in the 2019/20 calculation.
21. Based on the feedback from the consultation the majority of schools support the Local Authority with a transfer of 0.5% from the schools block to the high needs block, however only 18% are in agreement with the £900,000 proposal.
22. If only 0.5% (approximately £330,000) is transferred to the high needs block, this will result in the high needs block been overspent by £370,000 in 2019/20 even with the proposed reductions outlined at the October Forum meeting (based on current expenditure). In addition there will be no reduction in the estimated brought forward deficit of £3.2 million during 2019/20.
23. This would mean that in 2019/20 the overall deficit position would continue to grow, with over £3.5 million of deficit by the end of 2019/20. This is an unsustainable financial position.
24. As Forum members are aware, ESFA are requiring any local authority with a deficit balance on their overall DSG of 1% or more, to submit a plan to show how the DSG will be brought back into line. ESFA released a consultation on 12<sup>th</sup> November detailing their proposed requirements for DSG deficit positions.
25. In summary this consultation outlines that any local authority with a deficit on their overall DSG allocation of 1% or more, should have a plan to bring their overall DSG allocation back into balance within a maximum of three years. ESFA recognise that this may be difficult for some local authorities, where the accumulated deficit is large and therefore may accept a recovery plan that leaves some of the deficit outstanding at the end of the three year period. In these circumstances ESFA will require evidence as to why the full deficit cannot be recovered, before agreeing the exception. In all cases (including where a plan is agreed to recover an accumulated deficit over more than three years) all authorities will be expected to balance in-year budgets within three years at the most.
26. The Local Authority will be required to submit a recovery plan to ESFA by 30<sup>th</sup> June 2019, for the deficit position as at 31<sup>st</sup> March 2019. This plan will need to be discussed with School Forum before submission.

27. ESFA's consultation ends on 7<sup>th</sup> December, after which point ESFA will finalise what needs to be included within recovery plans.
28. Although the above is a consultation at this point, it is clear that the DSG budget must be brought back in line within three years. Although there may be some scope to recover the accumulated deficit over a longer period, it is prudent to plan to recover the whole deficit within the three year period and in addition as the accumulated deficit is at the 31<sup>st</sup> March 2019, it is right to plan not to add further to this deficit in 2019/20.
29. DSG is a ring-fenced specific grant, provided outside of the local government finance settlement. As funding is ring-fenced, there is no requirement for local authorities to top-up the grant from general funding or from non-ring-fenced revenue reserves.
30. The Local Authority has faced massively reducing budgets since 2010/11. Government funding has reduced in real terms by £42 million, when comparing the 2010/11 to 2018/19 budgets. It is estimated that this reduction will continue further, with the reduction reaching £51 million (in real terms) by 2021/22. As a result of these reductions in funding the Local Authority has had to make huge cuts in services and no longer has any unallocated reserves. The Local Authority is therefore not able to top up the DSG to assist with high needs pressures, as it has no resources available.
31. Since the Darlington's funding formula consultation process started, the Government has delivered the budget for 2018. This budget did not highlight any additional funding for high needs in 2019/20, therefore it is not expected that any additional funding will be received for high needs when the DSG allocations are received in 2019/20.
32. The Local Authority is currently consulting on a SEND strategy for future delivery. Although this consultation has not finished the Local Authority has, subject to approval identified some areas where reductions in spend can be made within high needs (these were presented within the paper at agenda item 4 of the October School Forum). The savings identified so far (if agreed and achieved) will save approximately £1.8 million, however the current overspend on high needs is in excess of £2 million (once the movement of funds from the schools block has been taken out). This means that further savings are required in high needs provision on top of those already proposed. The Local Authority is working on plans for these as part of the consultation exercise.
33. It is clear from the consultation that ESFA have released, that further changes are required to high needs provision to bring the budget back into balance within ESFA's requirements over the next three years. The budget in 2019/20 cannot be balanced without a transfer over 0.5% from the schools block to the high needs block and it is prudent to start to recover any accumulated deficit as soon as possible.
34. A transfer of £900,000 would bring the 2019/20 budget into balance with a small surplus to cover any further increased growth, shortfall in planned savings, or repayment of accumulated deficit.
35. Even with a transfer in 2019/20, it is clear that further changes are required to high needs provision to make the budget sustainable in future years, this will mean further reductions in funding or the stopping of some service elements. The transfer of funding from the schools block to the high needs block in 2019/20 can be used to smooth out these reductions in 2019/20 and although it is appreciated that this will mean school

budgets will not increase by as much as they could (without the transfer), it means that school SEN budgets will not need to be reduced further than already proposed in 2019/20.

36. Based on the current financial position regarding high needs expenditure and the consultation ESFA has released regarding how high needs funding is brought back into line (paragraphs 19 to 35), the Local Authority believes that a transfer of funding above 0.5% is the best course of action to bring the budget back into balance.
37. The Local Authority is therefore seeking School Forum support, to request an additional transfer of funding from the schools block to the high needs block, above the maximum 0.5% limit, which Forum can approve. In addition Schools Forum's view is requested as to what is the appropriate level of transfer above 0.5%?
38. Any transfer above 0.5%, will require additional approval from the Secretary of State. It is expected that the Secretary of State will make judgements on funding transfer requests in time for budget shares to be set in January.

#### Part B – Changes to the characteristic of the formula calculation 2019/20

39. The Local Authority made a number of proposals regarding the characteristics of the school funding formula calculation for 2019/20. These proposals were based on there being additional money available in 2019/20 (over that distributed in the 2018/19 formula). All models presented within the papers were based on a £900,000 transfer to the high needs block (as per part A of the consultation).
40. The consultation asked three questions regarding how any additional funding would be distributed in the formula in 2019/20 as follows.
  - a. Do you agree with the proposal that if a unit value is to be increased, only those less than the NFF value should be increased?
  - b. If additional funds are available to distribute through the funding formula, do you agree that the MFG should be used as a method of distributing this funding?
  - c. If you agree that the MFG is the best way of distributing funding, do you agree that the use of a positive MFG should be limited to ensure that the schools that gain through the NFF have limited capping?
41. The results of the responses received, are shown in the table below

Question	Responses Agree	Responses Disagree	Percentage Agree	Percentage Disagree
A	22 (32)	0	100	0
B	19 (24)	3 (8)	86 (75)	14 (25)
C	18 (23)	4 (9)	82 (72)	18 (28)

Question A

42. As can be seen in the table, all responders agreed with the proposal to only increase unit values in the formula, if that unit value was less than the NFF value. This is a change from previous years where the AWPU had been used as the method of distributing funding.
43. As a result of this feedback, this proposal will be used in the 2019/20 budget share calculation. Schools Forum (and therefore schools) will be noted of any unit values that are adjusted in the 2019/20 budget share calculation when the actual formula for 2019/20 is presented at their January 2019 meeting.

#### Question B

44. The vast majority of responders agreed with the Local Authority proposal to distribute any additional funding available in 2019/20, by using the minimum funding guarantee (MFG). This would ensure all schools benefit from an increase, rather than just schools that benefit through the NFF.
45. Of the responders that disagreed with this proposal, two responders favoured the use of the funding floor as this is more in line with the NFF. It was noted that under the proposal put forward by the Local Authority that the funding floor was deemed unaffordable, but this would not be the case if a lower amount is moved out of the schools block.
46. The other response that did not agree with the Local Authority proposal, proposed that the best way to distribute any additional funding would be to “*ensure funding is targeted at the areas of most need, in order to support strategic school improvement priorities and to facilitate increased social mobility*”.

#### Question C

47. The vast majority of responders agreed with the Local Authority proposal to limit the use of the positive MFG, to ensure that the schools that gain through the NFF have limited capping? Three responders that disagreed had disagreed with the use of the MFG (question B) and hence this question was not applicable to their answer.
48. Following the responses received for questions B and C, at this stage it is planned that the final funding formula that is calculated for 2019/20 will use the MFG as the method of distributing any additional funding through the formula, with limited capping to ensure that the NFF is followed. This is in line with the majority of responders agreeing with this proposed methodology.
49. As the Local Authority is seeking School Forum’s view on a transfer from the schools block to the high needs block above 0.5%, it is not known at this stage if it is affordable to introduce the funding floor in 2019/20. The final formula may therefore need to be reviewed, dependent on the final agreed transfer of funding to the high needs block. If this is required, Forum will be provided with details of any changes.
50. As in previous years, once the actual DSG allocations and formula calculation tool has been received, the Local Authority will review the parameters of the formula to ensure that the formula that is calculated is still the most advantageous in line with the decisions made through this process. In the event that any of the characteristics need to change in the final version, Schools Forum (and hence schools) will be provided will full details of any amendments.

## **Recommendations**

51. The Local Authority requests that the Schools Forum agree with the movement of 0.5% of the schools block into the high needs in 2019/20, to assist with the budget pressures faced in SEND support, as this transfer was supported by the majority of schools.
52. The Local Authority is seeking Schools Forum support with its proposal to submit a request to the Secretary of State for additional funds (i.e. over the 0.5% threshold which School Forum can agree) to be moved from the schools block to the high needs block and Forum's view on the appropriate level of transfer
53. That Forum note the changes to funding formula calculation methodologies for 2019/20 as outlined in paragraph 39 to 50.

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**Tony Murphy**  
**Head of Education & Inclusion**  
**Adults & Children's Services**

## **APPENDIX 1**

### **List of responders to the proposals**

(Figures in brackets shows the number of schools response represents)

Abbey Federation (2)  
Dove Academy Trust (2)  
Hurworth Primary School (1)  
Mount Pleasant Primary School (1)  
Mowden Federation (2)  
Lingfield Academy Trust (2)  
Northwood Primary School (1)  
St John's CE Academy (1)  
Firthmoor Primary School (1)  
Harrowgate Hill Primary School (1)  
Swift Academies Trust (3)  
Reid Street Primary School (1)  
Whinfield Primary School (1)  
BrandH (2)  
Education Village Academy Trust (3)  
Carmel College (1)  
West Park Academy (1)  
Holy Family RC Primary School (1)  
Polam Hall School (1)  
St Bede's RC Primary School (1)  
Hummersknott Academy Trust (2)  
St Augustine's RC Primary School (1)

22 responses (32)