



# Briefing note

**To:** Schools Forum **Author:** Claire Emmerson

**Date:** 19<sup>th</sup> December 2018

**Purpose of the Paper:**

Information	
Consultation	√
Decision	√

**Title of Briefing:** **Update on 2019/20 National Funding Formulae and the Outcome of Consultation with All Schools on Funding Distribution for 2019/20**

## Purpose of Paper

- 1.1 This paper provides a summary of the outcomes from a consultation exercise carried out with all schools in November 2018 in relation to the Schools Block local funding formula in North Tyneside.
- 1.2 It also provides an outline of the current information available relating to 2019/20 for each funding block of the DSG in advance of initial allocations which are expected to be announced in December 2018.
- 1.3 This report also contains a brief update on the 2018/19 budget monitoring position after the first set of monitoring visits.

## Consultation Responses

- 2.1 A consultation exercise was carried out with all schools during November 2018. Responses were received from 29 schools and 2 governing bodies. The responses were split by phase as follows;

**Table 1: Response Rates to the Consultation by Phase**

Phase	No responded	response rate
Primary/First	16	30%
Secondary Middle	2	50%
Secondary High	11	100%
Special and Pru	0	0
All Through	0	0
<b>Total</b>	<b>29</b>	<b>38%</b>

2.2 We are concerned that primary phase is under represented despite a reminder issued on 28 November. A second reminder and an extension of the deadline to 4<sup>th</sup> December was notified on 3<sup>rd</sup> December specifically appealing for additional primary responses.

2.3 Responses to the consultation questions from the 29 schools are summarised below;

**Table 2: Responses to the Consultation Questions**

Question	Analysis	Other Comments
Do you agree there should be a level of stability in schools funding to allow schools to plan for NFF implementation?	All secondaries responded yes and all but two primaries also agreed	Two primaries indicated concerns that not moving to the NFF left primaries with a worsening financial position and questioned VFM challenge to secondaries
Any comments re how quickly we should move to NFF?	4 responses indicated gradual phase in from 2019/20, 16 responses - start to phase in from 2020/21, 9 responses indicated wait until compulsory.	
Would you support a movement to the High Needs Block up to a maximum level of 0.5%?	25 responses yes, 3 responses – no and one nil response	Recognise pressures in High Needs but also in the Schools Block – need to review impact, VFM of High Needs provision is essential
Should we continue to adjust funding to ensure all ARP places are funded at £10,000?	27 responses yes – 1 responded no and 1 nil response	Yes if funded from within High Needs, SF should monitor surplus places and these should be removed if not required
We are proposing to distribute any additional funding through basic entitlement so all pupils would benefit. Do you agree?	27 responses yes, 1 response no and 1 nil response	Generally considered to be fairest mechanism but one comment stated may disadvantage efficient primaries

- 2.4 To summarise, from the responses received, the majority view is to maintain the current North Tyneside formula and distribute any additional funding via the basic entitlement. There was agreement to transfer up to 0.5% of the Schools Block to High Needs if required. There was agreement to maintain funding for ARPs at £10,000 per place via an adjustment in the High Needs Block. The majority view on movement to the NFF was to start to phase in from 2020/21.
- 2.5 The two responses from governing bodies within secondary schools were in line with this majority view.

## **Update on 2019/20 Funding Allocations**

- 3.1 In September 2017 the Department for Education (DfE) published the response to the stage 2 national funding formula consultation and confirmed the details of the National Funding Formula (NFF) for the Schools Block. In 2019/20 the Dedicated Schools Grant (DSG) will continue to be comprised of four blocks: schools, high needs, early years and the central school services block. Each of the four blocks has their own funding formula.

### **Schools Block**

- 3.2 In 2019/20, as in 2018/19, the local authority (LA) will receive its DSG funding based on the DfE national funding formula. In July 2018 the DfE published indicative allocations under the NFF at a school level using October 2017 census data. This shows the funding level for each mainstream school on the basis of the NFF using the 2019/20 primary unit of funding (PUF) and secondary unit of funding (SUF) with October 2017 pupil numbers. This information is for planning purposes only as local formulae used by each local authority can still vary from the NFF within the guidance issued by the DfE. The initial DSG allocation to the LA for 2019/20 will be published in December 2018 using the October 2018 census results.
- 3.3 The link to the school level NFF allocations using October 2017 census data information is shown below:-

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2019-to-2020>

In addition, allocation information at a school level is available through the DfE COLLECT system which schools should have individual access to.

- 3.4 The DfE noted LAs' progress towards the NFF as follows;
- 73 LAs have moved every one of their factor values closer to the NFF.
  - 41 have mirrored the NFF values almost exactly.
  - 62 LAs (41%) have set their minimum funding guarantee (MFG) at +0.5%, replicating the approach taken in the NFF allocations. 67.8% of LAs chose an MFG threshold of either zero or a positive percentage change, meaning none of their schools saw a decrease in per pupil funding in 2018/19.

- The primary to secondary total per pupil funding ratio in local formulae increased slightly from 1:1.29 to 1:1.30 in 2018/19. This means that the actual national average for secondary per pupil funding is 30% higher than primary. However, there is a very wide range of ratios across England. The ratios for individual LAs within their NFF allocations vary with pupil numbers/characteristics.

3.5 The DfE initially proposed a two year transition period where local authorities will continue to set a local formula to distribute funding to individual schools. However, in July 2018, as a result of the significant movement witnessed towards the NFF, the Government confirmed that these transitional arrangements will continue into at least 2020/21.

#### Changes in the Schools Block for 2019/20

3.6 Changes to the NFF for the Schools Block in 2019/20 are fairly minor and are outlined below;

- Growth funding, formerly a historic spend factor, will become a formulaic factor within the NFF. It will be based on positive differences in rolls in October 2018 compared to October 2017 at middle layer super output area (MSOA) level. The factor value will be based on the national average, but LAs will decide their own values locally. Protection will be paid, so losses will be no more than 0.5% of an LA's overall 2018/19 Schools Block allocation. Gains in growth funding will be capped at 50%, with some scaling of gains above that level.
- LAs can still top-slice the Schools Block to assist schools with temporary falling rolls, but there is now no specific funding to pay for this. The historic spend funding for falling rolls (£8.9m nationally, including £0.250m from North Tyneside) is being transferred to the new growth factor.
- The primary value for Low Prior Attainment has been slightly reduced because of the change in assessment methods.
- There are some changes to the Minimum Funding Level (MFL) calculation for middle schools, setting different values for those with only one key stage.
- There is a new alternative gains cap, to allow a greater gain for schools with very high increases in the pure formula. This allows a gain against 2017/18 of up to 36% of the gains yet to come, if this is higher than the 6.09% gains cap. This does not apply to any North Tyneside schools
- Transfers of up to 0.5% of the Schools Block will still be permitted in order to address high needs pressures.

3.7 The North Tyneside illustrative allocation for the Schools Block in 2019/20 (using census 17 i.e. static pupil numbers) is shown below with the 2018/19 figures for comparison;

**Table 3: 2019/20 Illustrative allocation compared with 2018/19 actuals**

	<b>2018/19 latest allocations at Nov 2018</b>	<b>2019/20 indicative allocations</b>	<b>Change</b>	<b>Change  %</b>
Primary Unit of Funding (PUF) £	3,769.62	3,860.44	90.82	2.4
Secondary Unit of Funding (SUF) £	5,272.53	5,304.68	32.15	0.6
Pupil numbers -primary	16,196	16,193	(3)*	0.0
Pupil numbers - secondary	10,161	10,150	(11)*	(0.1)
Total pupils	26,357	26,343	(14)*	(0.1)
Primary schools block £m	61.053	62.512	1.459	2.4
Secondary schools block £m	53.574	53.840	0.266	0.5
<b>Total core NFF at static rolls £m</b>	<b>114.627</b>	<b>116.352</b>	<b>1.725</b>	<b>1.5</b>
Historic spend factors £m	1.717	1.972	0.255	14.9
Growth funding (to be revised) £m	0.250	0.250	0	0.0
<b>Illustrative DSG on static rolls £m</b>	<b>116.594</b>	<b>118.574</b>	<b>1.980</b>	<b>1.7</b>
Average per pupil £	4,424	4,501	78	1.8

*\*Note pupil changes between years relates to identification of duplicates within Oct 2017 census*

- 3.8 Initial modelling has been undertaken, at this stage, before initial allocations are announced by the DfE. We are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2019/20 (Primary £3,500, KS 3 £4,600 and KS 4 £5,100) and allocate additional funding through the basic entitlement. This would produce age weighted pupil unit (AWPU) values as below, note these rates are potentially subject to change pending the publication of the actual DSG allocations expected in December;

**Table 4: AWPU results of modelling**

	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>Change £</b>
Primary	2,770	2,852	82
Key stage 3	4,124	4,170	46
Key stage 4	5,218	5,312	94

## High Needs Block

- 4.1 Forum will recall as reported in the July 2018 meeting, the High Needs block outturn in 2017/18 was an overspend of £0.430m. This pressure has continued in 2018/19 with a forecasted in year outturn variance of £0.600m and therefore a total cumulative overspend of just over £1m.
- 4.2 The pressures in North Tyneside are in line with the national and regional picture. A recent freedom of information request indicated that for 2017/18, a total of 100 LAs

reported overspends in High Need out of 117 responding authorities. These overspends totalled £206m.

- 4.3 The regional picture for 2017/18 (based on previously supplied estimates as at April 2018) is as follows;

**Table 5: Regional Pressures within High Needs 2017/18**

Authority	DSG Allocation 2017/18	Outturn Variance 2017/18	Percentage Overspend
	£m	£m	%
Cumbria	38.6	3.9	10.1
Darlington	12.0	1.4	11.7
Durham	44.6	1.9	4.3
Gateshead	14.7	1.4	9.5
Hartlepool	10.9	0.9	8.3
Middlesbrough	23.0	1.0	4.3
Newcastle	36.0	(1.1)	(3.0)
North Tyneside	19.0	0.4	2.1
Northumberland	27.9	1.8	6.5
Redcar and Cleveland	16.1	0.8	5.0
South Tyneside	16.0	0.5	3.1
Stockton	24.6	2.2	8.9
Sunderland	16.0	1.2	7.5

- 4.4 The pressures in North Tyneside have come about due to additional places required in special schools, out of Borough placements and in relation to top up payments as outlined below;

**Table 6: Forecasted High Needs Overspend as at November 2018**

Provision	Budget £m	Variance £m	Comment
Special schools and PRU	10.746	0.200	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	3.145	0.250	Pressures in pre 16 top ups e.g Norham ARP
Out of Borough	0.997	0.150	Additional costs of our most complex children currently not able to be supported in the Borough
Commissioned services	3.977	0.000	
Subtotal	18.865	0.600	
2017/18 b/fwd balance		0.430	
<b>Total forecasted pressure</b>		<b>1.030</b>	

- 4.5 Transfers have been made to the High Needs Block from the Schools Block in previous years. These transfers were consolidated into the High Needs block as part of rebasing exercises carried out in 2016/17 and 2017/18 by the DfE. There is currently no mechanism for transfers to be permanently consolidated into the High Needs Block (as both of the blocks are on a formula basis with the historic element of the High Needs block referenced to a 2017/18 baseline). Any transfer will therefore need to be reviewed annually and further agreement sought from Schools Forum.
- 4.6 The indicative value of the High Needs Block in 2019/20 based on static rolls is as follows;

**Table 7: Indicative High Needs Block Values 2019/20 compared to 2018/19**

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Change £m</b>
Allocation	18.866	19.049	0.183

- 4.7 The indicative value indicated that there will be £0.183m but, based on current forecasts this is significantly less than the pressures on the budget.

#### Factors Driving Pressures Within the High Needs Block

- 4.8 Further background information about the work being undertaken through the SEND and High Needs reviews to address pressure on the budget previously shared with Head Teachers can be found here (Head Teacher Briefing – SEND Review);

<https://my.northtyneside.gov.uk/meeting/21902>

#### **Managing the High Needs Block**

- 4.9 The High Needs Commissioning Group met on 20 November to consider the funding pressures and discussed the likelihood of a recommendation being made to Schools Forum for a 0.5% transfer from the Schools Block in 2019/20. The group has Head Teacher members from PLP, EIP and SHOG, along with representation from Tyne Met College. Schools Forum endorsed the group's High Needs Strategic Plan 2018-2021, and the following annual work programme, in May 2018:
- Analysing needs, incorporating school census data and health and care data, to inform strategic planning.
  - Considering funding pressures and requests for additional resources.
  - Reviewing Additionally Resourced Provisions.
  - Exploring the options for meeting an increase in need for early years provision.
  - Improving the Local Offer to meet the needs of post-16 high needs learners.
  - Receiving and considering the annual reports from commissioned services.
  - Ensuring that high needs proposals are aligned with the Keeping Children in School work programme, including the principle that funding should follow the learner.
  - Preparing the draft SEND Capital Fund Statement.

- Considering support for travel and transport and offering advice on policy and practice.
- Considering the current and future needs of the SEND workforce.
- Contributing to the NE12 regional Market Position Statement (NE12 is the collaborative commissioning arrangement in the North East)

## **Implementation of the High Needs Work Plan**

4.10 The following work is underway to address pressure on the High Needs Block:

- The ARP review to consider changing needs, entry criteria, occupancy, funding, outcomes and delivery models has started. The approach has been piloted with Melrose ARP and is now being rolled out across the ARPs. The review will report on options for change in April 2019.
- The Keeping Children in School review of Moorbridge, PALs and Alternative Provision which reports in December.
- The planning and preparation for the review of commissioned services has been undertaken and the review is about to commence. The review will investigate referral and entry arrangements, performance against KPIs, staffing arrangements, needs and trends, collaboration, including with Health, and key challenges and pressures. This review will make recommendations in May 2019.
- Sufficiency planning is being strengthened to better align the availability of special school places in North Tyneside with needs, in light of the increase in children with Social Emotional and Mental Health needs, Autism Spectrum Disorder and Profound and Multiple Learning Difficulties and to reduce the requirement for more expensive out of borough placements. This includes planning use of the DFE SEND reform capital grant of £616k to increase places for children with EHC Plans. To manage pressures in the system and reduce the need for out of borough provision the emerging priorities for capital funding are Beacon Hill (PMLD), Silverdale (SEMH) and accommodating post-16 learners with complex needs from Woodlawn.

## **SEND Review and Joint Commissioning Arrangements**

- A comprehensive SEND review is focussed on managing demand across the whole system and ensuring sufficient, high quality provision in borough. The review is examining all processes associated with EHC Plans. This has resulted in action to increase efficiency, strengthen gatekeeping and improve partnership working across education, health and social care. The review, which is ongoing, is looking at the statutory assessment process; quality assurance arrangements; decision making panels and tribunal outcomes.
- A SEND Vision Statement and Joint Commissioning Strategy, 2018 – 2021, providing a planning framework for the local area partnership has been endorsed by the SEND Board, CYPL Partnership and Health and Wellbeing Board. This strengthens the arrangements to keep services under review and includes the Council and Clinical Commissioning Group working with Schools, Specialist



Providers, Health and other partners. This work will align with that of the High Needs Commissioning Group.

#### Proposal to Transfer 0.5% From the Schools Block to the High Needs Block Allowable Under DfE Guidance

- 4.11 In light of the pressures identified within the High Needs Block the LA is requesting Schools Forum to approve an in year transfer for 2019/20 of up to 0.5%. This will mitigate these pressures in year while the programme of work continues to ensure that all expenditure within the high Needs Block represents value for money and delivers the expected outcomes for the children and young people of North Tyneside.
- 4.12 To date we are aware that across the region, nine authorities have already requested a transfer or confirmed their intention to request transfers of between 0.5% and 1.6% for 2019/20.
- 4.13 As referred to in section 2.3 to 2.4, the consultation response regarding a transfer of up to 0.5% was positive; out of 29 responses, 25 schools indicated a transfer was acceptable, 3 responses indicated it was not acceptable although one was open to be persuaded by available evidence and one school gave a nil response to that question. Many schools caveated their response by stating the importance of ensuring that the High Needs Block was used as effectively as possible and provided value for money.
- 4.14 Modelling has indicated that, assuming a transfer of 0.5% or £591,620, the impact on AWPU would be as follows:

**Table 8: Indicative Impact if a 0.5% transfer was made to the High Needs Block**

	Reduction in AWPU £
Primary	20
Key stage 3	23
Key stage 4	50

#### **Early Years Funding for 2019/20**

- 5.1 On the 22<sup>nd</sup> November 2018, the DfE confirmed the Early Years Funding Formula for 2019/20. The Early Years National Funding Formula sets out the funding rates that local authorities receive for the universal and extended entitlements for 3 and 4 year olds. The funding rate received by North Tyneside for 3 and 4 year olds has remained the same since the introduction of the Early Years Funding Formula in April 2017. It was also confirmed that the 2 year old funding rate will be maintained at rates announced on the 1<sup>st</sup> December 2016. The 2019/20 financial year will be the third year of the current funding rates for 2, 3 and 4 year olds.
- 5.2 Local Authorities are required to use a locally-determined, transparent formula to set the funding rates for the Government funded childcare entitlements, for all types of provider.

This is known as the Local Early Years Funding Formula, North Tyneside's current Local Funding Formula for the early years is set out below.

**Table 9: North Tyneside Early Years Funding Formula**

		<b>Local funding formula 2018/19</b>
2 Year Old Base Rate		£5.20 per hour
3 and 4 Year Old Hourly Base Rate		£4.34 per hour
3 and 4 Year Old Hourly Deprivation Supplement * –	Quartile 1	£0.12 per hour <b>universal hours only</b>
	Quartile 2	£0.06 per hour <b>universal hours only</b>
Early Years Pupil Premium		£0.53
Additional Payment to Maintained Nursery School		100% pass through of Maintained Nursery School rate allocated by Department for Education
SEN Inclusion Fund		£8.26 per hour
Disability Access Fund		£615

- 5.3 Local Authorities are required to consult providers and Schools Forum on annual changes to their local funding formula. Consultation on the 2019/20 Local Funding Formula will take place with the early year sub group during December 2018. A proposed Local Funding Formula for North Tyneside will be shared with Schools Forum in January 2019 for their consideration. In light of the continued freeze in funding rates allocated by the Government, the proposal is to maintain North Tyneside's local funding formula, with some adjustments to reflect the latest Operational Guidance.

### **Central Block Funding for 2019/20**

- 6.1 The make-up of the Central School Services Block (CSSB) is unchanged from 2018/19. It is comprised of a historic commitments allocation and a formula based amount for ongoing functions.

**Table 10: Illustrative allocations for North Tyneside CSSB**

	<b>2019/20 £m</b>	<b>2018/19 £m</b>	<b>Change £m</b>	<b>Change %</b>
Ongoing Functions	0.776	0.759	0.017	2.2
Historical Commitments	1.555	1.555	0	0
	2.331	2.314	0.017	0.7

### **DSG Deficits**

- 7.1 The DfE is concerned about the potential for deficits across the DSG especially in High Needs. It therefore intends to require LAs with deficits greater than 1% to explain their recovery plans to return to a balanced position. A consultation on this mechanism closed on 7 December 2018 and we expect to hear the outcome very soon. Although the final guidelines on how this will be applied are not yet available and are subject to consultation, at this stage, we do not expect to breach the threshold requiring submission of a recovery plan.

### **Update on 2018/19 Budget Monitoring for Schools**

- 8.1 Forum will recall, as reported in July 2018, that the overall level of school balances at the end of March 2018 was £3.356m compared to £5.470m as at March 2017. This represented a reduction of £2.114m (these figures exclude Seaton Burn College which converted to an academy in January 2018).
- 8.2 The first set of monitoring for the 2018/19 year was completed in October and the results show an overall improved position against budget plans of 0.936m. Monitoring 1 results are however, still forecasting a significant overall deficit position. We are anticipating a further improvement at monitoring 2 in January but the level of balances is still a cause for concern.

**Table 11: School balance position against plan (committed and uncommitted)**

<b>Phase</b>	<b>Outturn 2017/18 £m</b>	<b>Budget Plan 2018/19 £m</b>	<b>Monitoring 1 2018/19 £m</b>	<b>Improvement 2018/19 £m</b>
Nursery	0.018	(0.003)	(0.005)	(0.002)
Primary	4.299	1.511	1.745	0.233
Secondary	(2.062)	(6.472)	(6.186)	0.286
Special/PRU	1.100	0.248	0.666	0.418
<b>Total</b>	<b>3.356</b>	<b>(4.716)</b>	<b>(3.781)</b>	<b>0.936</b>

- 8.3 Review meetings have been held between the representatives of the Head of Resources (Janice Gillespie) and the Head of Health, Education, Care and Safeguarding (Jacqui Old) and the Heads and Chairs of Governors of all schools under a deficit approval agreement. The position of schools in deficit improved by £0.275m by the first set of monitoring compared with their approval levels.

**Table 12: Position of Deficit Schools after Monitoring 1**

<b>School</b>	<b>Outturn Balance 2017/18  £m</b>	<b>Deficit Approval Sought 2018/19  £m</b>	<b>Monitoring 1 position £m</b>	<b>Improvement £m</b>
Backworth Park Primary	0.000	(0.091)	(0.076)	0.015
Ivy Road Primary	(0.123)	(0.278)	(0.263)	0.015
Percy Main Primary	0.001	(0.086)	(0.059)	0.027
Monkseaton Middle	0.034	(0.088)	(0.056)	0.032
Marden High	(0.429)	(0.646)	(0.635)	0.011
Norham High	(1.168)	(1.549)	(1.510)	0.039
Longbenton High	(0.916)	(1.702)	(1.691)	0.011
Monkseaton High	(2.464)	(3.652)	(3.647)	0.005
Whitley Bay High	(0.516)	(0.393)	(0.273)	0.120
<b>Total</b>	<b>(5.581)</b>	<b>(8.485)</b>	<b>(8.213)</b>	<b>0.275</b>

- 8.4 Tailored support has been offered to individual schools following the deficit review meetings. This support includes peer review, detailed reviews of curriculum planning and support with more detailed forecasting for funding in future years in addition to the normal ongoing support provided by the schools Finance and HR SLAs.

## Recommendations

### 9.1 Schools Forum is asked to;

1. Note the responses to consultation with all schools in relation to distribution of funding from the Schools Block.
2. Note the update on National Funding Formulae and update on indicative allocations for each of the four funding blocks.
3. Note the improvement in the budget monitoring position for schools following monitoring one.
4. Approve the transfer of up to 0.5% of the Schools Block for 2019/20 only.
5. Review the position of the High Needs Block on an annual basis in light of the work to keep children in schools, the SEND Review and reviews of ARPS and commissioned services which will consider value for money and the outcomes for children and young people and will implement change, where needed, following due process.