



North Tyneside Council

Item 6.1

Briefing note

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

Date: 13 November 2019

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 2020/21

Purpose of Paper

- 1.1 This paper provides a summary of the outcomes from the consultation exercise carried out with all schools in September and October 2019 in relation to the Schools Block Local Funding Formula (LFF) in North Tyneside.
- 1.2 It also provides an outline of the current information available relating to 2020/21 for each funding block of the Dedicated Schools Grant (DSG) including indicative allocations (based on October 2018 census data) which were announced in October 2019.
- 1.3 This report also contains a brief update on the draft 2019/20 budget monitoring position after the first set of monitoring visits to schools.

Consultation Responses for Local Funding Formula Changes

- 2.1 Officers from the Authority have been working with the Schools Finance Sub Group for several months, to review the Authority's Local Funding Formula (LFF) for schools and what the potential impact would be if the LFF was moved towards the National Funding Formula (NFF). The outcome of that work was presented to Schools Forum on 12 September 2019 and two funding models were proposed. These were: -

- Model 1 – 50% movement towards the NFF
- Model 2 – 75% movement towards the NFF

Each of the models put forward were presented with three scenarios, which considered different levels of Minimum Funding Guarantee (MFG) which limits the impact of changes on individual schools' funding. At its meeting on the 12 September, Schools Forum agreed to consult with all schools on the option of moving factor rates 50% towards the NFF. A consultation exercise was carried out with all schools during September and October 2019.

During the consultation several engagement events were held to provide additional information on the modelling work performed and to support schools to give an informed response. The response rate increased from 38% in 2018 to 68% in 2019 with responses received from 48 schools and 3 governing bodies. The responses were split by phase as follows;

Table 1: Response Rates to the Consultation by Phase

| Phase | Number Responded | Response Rate |
|------------------|------------------|---------------|
| Primary | 29 | 62% |
| First | 6 | 80% |
| Secondary Middle | 4 | 100% |
| Secondary High | 9 | 82% |
| Special and PRU | - | - |
| All Through | 0 | 0% |
| Total | 48 | 68% |

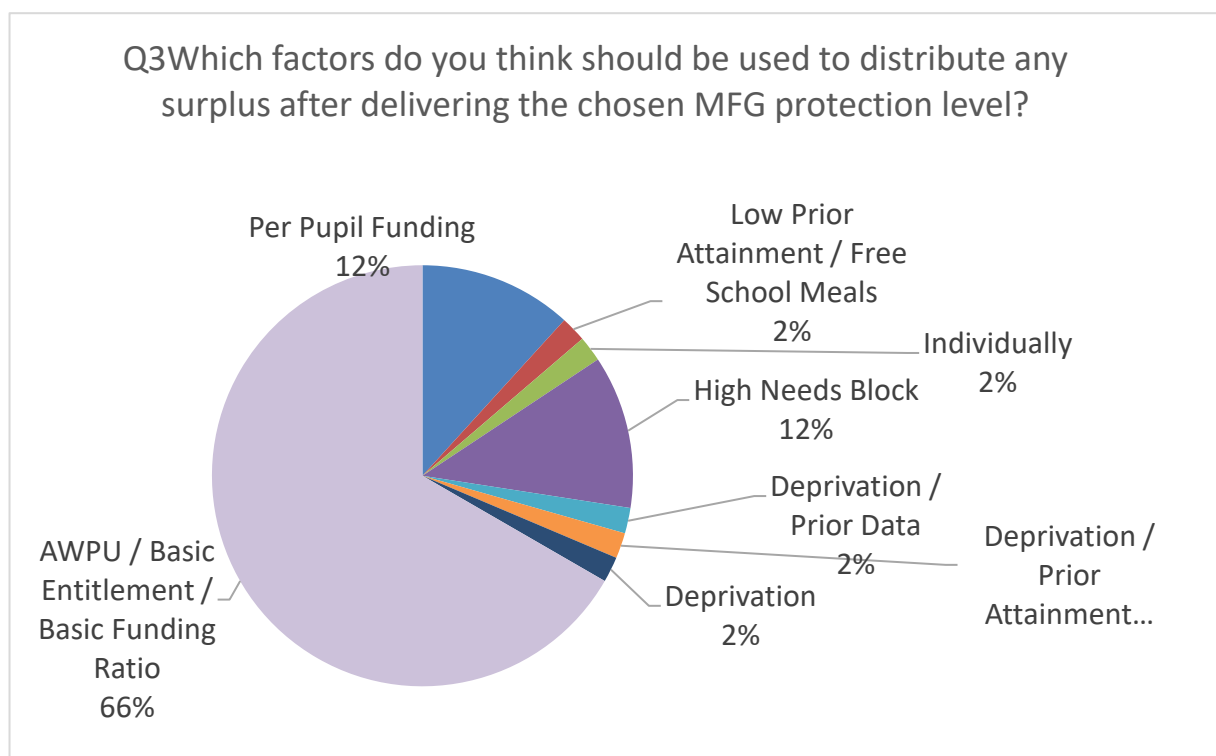
- 2.2 Responses to the consultation questions from the 48 schools and 3 governing bodies are summarised below.

Table 2: Responses to the Consultation Questions 1 and 2

| Question | Yes | No |
|---|-----|----|
| 1 Do you support in principle a change to the LFF, moving 50% towards the NFF factors which will impact the ratio of funding between secondary and primary schools? | 50 | 1 |
| 2a Do you support in principle to the use of the Minimum Funding Guarantee to reduce the level of losses, subject to affordability, for individual schools? | 47 | 4 |
| 2b And do you agree to allow the Authority to set the level of MFG subject to affordability? | 44 | 4 |

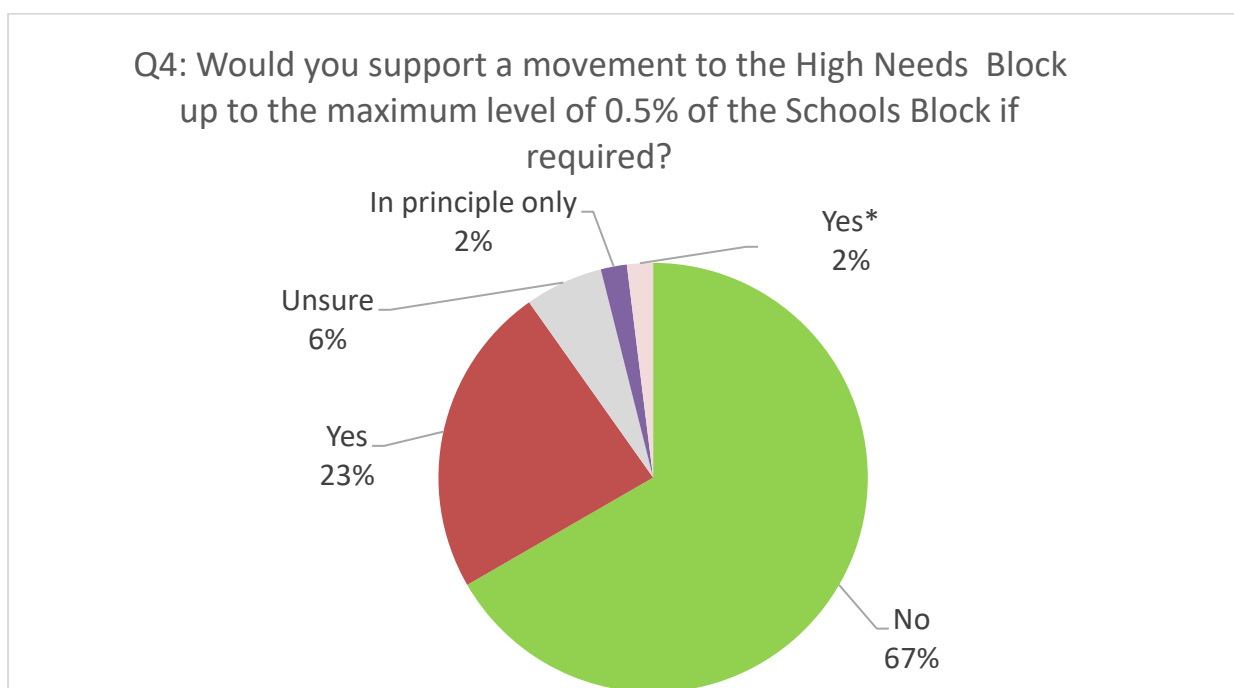
- 2.3 In conclusion, the majority view from the consultation responses received is to support a move from the current LFF, to a LFF which moves the current funding factors 50% towards the NFF factors. In addition, most respondents supported both the use of the MFG, to minimise the losses some schools would be exposed to following the change and to let the Authority set the level of MFG, subject to affordability.
- 2.4 Chart 1 below shows most schools would endorse the distribution of any additional funding via the basic entitlement / AWPU / basic funding ratio. It should be noted that 12% of schools chose to allocate any additional funding to the High Needs block, acknowledging the overall funding pressure that has been seen within this area. Another 12% identified the use of pure pupil numbers as their preferred method of distribution, the reason given was that schools in less deprived areas often don't access additional funding from other streams.

Chart 1: Responses to the Consultation Question 3



- 2.5 There was no overall agreement to transfer up to 0.5% of the Schools block to High Needs block if required, as can be seen in Chart 2. The commentary provided by schools in relation to this question outlined the need for a significant review of high needs spending to allow schools to make a more considered decision.

Chart 2: Responses to the Consultation Question 4



Yes* - with various caveats e.g. demonstration of value for money

Update on 2020/21 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 2020/21 the Dedicated Schools Grant (DSG) will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has their own funding formula.

DSG Illustrative funding 2020/21: Schools Block

- 3.2 In 2020/21, as in 2019/20, the Authority will receive its DSG funding based on the DfE National Funding Formula. In October 2019 the DfE published indicative allocations under the NFF at a school level using October 2018 census data. This shows the funding level for each mainstream school based on the NFF using the 2020/21 Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF) with October 2018 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 Authority for 2020/21 will be published in December 2019 using the October 2019 census results.

- 3.3 The link to the school level NFF allocations using October 2018 census data information is shown below: -

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2020-to-2021>

- 3.4 The DfE initially proposed a two-year transition period (2018/19 and 2019/20) 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 would continue into at least 2020/21. In 2019, the DfE have confirmed that the transitional arrangements will continue into 2020/21 and probably 2021/22, with the expected move to “hard” NFF being likely in 2022/23.
- 3.5 The Schools NFF for 2020/21 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2020/21 are:
- The minimum per pupil funding levels will be set at £3,750 for primary schools, £4,800 for KS3 and £5,000 for KS4. The following year, in 2021/22, the primary minimum level will rise to £4,000;
 - The funding floor will be set at 1.84% per pupil, in line with forecast inflation to protect per pupil allocations for all schools in real terms. This minimum increase in 2020/21 allocations will be based on the individual school's NFF allocation in 2019/20;
 - Schools that are attracting their core NFF allocations will benefit from an increase of 4% to the formula's core factors;
 - There will be no gains cap in the NFF, unlike the previous two years, so that all schools attract their full core allocations under the formula;
 - A technical change will be made to the mobility factor so that it allocates this funding using a formulaic approach, rather than on the basis of historic spend; and
 - Growth funding will be based on the same methodology as in 2019/20, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2019/20 schools block allocation.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2020/21 must be between +0.5% and +1.84%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their School Block to other blocks of the DSG, with their schools' forum approval. To transfer more than this, or any amount without their schools' forum approval, they will have to make a request to the Department for Education, even if the same amount was agreed in the past two years.

3.6 The North Tyneside illustrative allocation for the Schools block, Central Schools Services block and High Needs block in 2020/21 (using census 2018 i.e. static pupil numbers) is shown below with the 2019/20 figures for comparison. The Early Years Block value for 2020/21 is based on 2020/21 rates and uses prior year pupil numbers, as the DfE have not published this information at time of writing.

Table 3: 2020/21 Illustrative allocation compared with 2019/20 actuals

| | 2017/18 Baseline | 2018/19 | 2019/20 | Notional for 2020/21 | Increase 2019/20 to 2020/21 |
|-----------------------------------|-----------------------------|--------------------|--------------------|---------------------------------|--|
| Schools | 115,395,359 | 116,593,953 | 120,925,612 | 125,220,806 | 4,295,194 |
| Central School Services | 2,499,839 | 2,314,345 | 2,343,094 | 2,047,355 | (295,739) |
| High Needs | 18,680,303 | 19,291,295 | 19,817,842 | 23,066,597 | 3,248,755 |
| Early Years Block | 12,063,976 | 13,553,344 | 13,514,336 | 13,734,195 | 219,859 |
| TOTAL | 148,639,477 | 151,752,937 | 156,600,884 | 164,068,953 | 7,468,069 |
| Change from 2017/18 Baseline £ | - | 3,113,460 | 7,961,408 | 15,429,477 | |
| Change from 2017/18 Baseline % | - | 2.09% | 5.36% | 10.38% | |
| Change per Year £ | - | 3,113,460 | 4,847,948 | 7,468,069 | |
| Change per Year % | - | 2.09% | 3.19% | 4.77% | |

3.7 Within North Tyneside, modelling work is continuing based on the information currently available. At this stage, before initial allocations based on the October 2019 census are announced by the DfE, we are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2020/21 (Primary £3,750, KS 3 £4,800 and KS 4 £5,300).

3.8 Following the consultation we are proposing revised LFF factors based on a 50% move towards NFF and allocating additional funding through the basic entitlement. This produces the rates shown in Table 4 below. Note these rates are potentially subject to change according to affordability and pending the publication of the initial DSG allocations expected in December 2019.

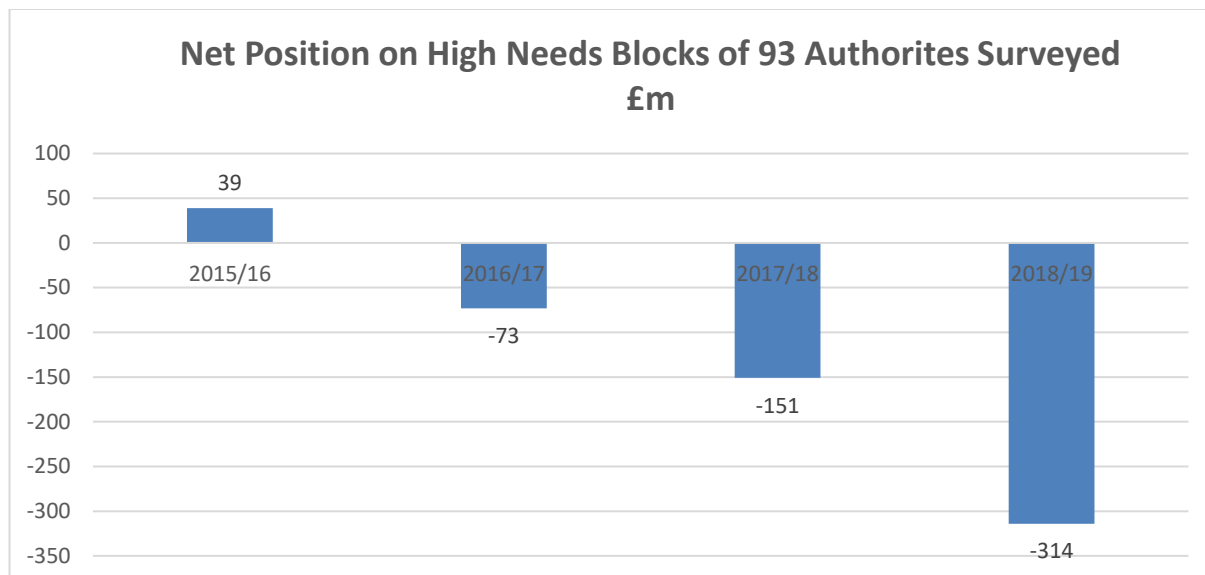
Table 4: Results of Factor Modelling to Date

| FACTOR | 19/20 SUBMITTED | | 20/21 50% TOWARDS NFF | | Difference 19/20 to proposed 20/21 | |
|---------------------------|-----------------|-----------|--------------------------|-----------|---------------------------------------|-----------|
| | Primary | Secondary | Primary | Secondary | Primary | Secondary |
| Basic entitlement | | | | | | |
| Primary (Years R-6) | 2,854 | | 2,855 | | 2 | |
| Key Stage 3 (Years 7-9) | | 4,171 | | 4,095 | 0 | (77) |
| Key Stage 4 (Years 10-11) | | 5,314 | | 4,937 | 0 | (376) |
| Deprivation | | | | | 0 | 0 |
| FSM | | | 225 | 225 | 225 | 225 |
| FSM6 | 562 | 866 | 561 | 841 | (1) | (26) |
| IDACI Band F | 0 | 0 | 105 | 150 | 105 | 150 |
| IDACI Band E | 221 | 327 | 235 | 366 | 15 | 39 |
| IDACI Band D | 296 | 437 | 335 | 486 | 40 | 49 |
| IDACI Band C | 371 | 547 | 388 | 564 | 17 | 16 |
| IDACI Band B | 446 | 657 | 440 | 641 | (5) | (16) |
| IDACI Band A | 521 | 767 | 560 | 804 | 40 | 36 |
| LAC | | | Removed | Removed | | |
| EAL | 1,212 | 1,212 | 874 | 1,326 | (339) | 114 |
| Mobility | 250 | 250 | 563 | 750 | 313 | 500 |
| Prior Attainment | 287 | 647 | 676 | 1,129 | 389 | 481 |
| | | | | | (17,800 | |
| Lump Sum | 150,000 | 170,000 | 132,200 | 142,200 |) | (27,800) |
| Sparsity | | | 13,000 | 33,800 | 13,000 | 33,800 |

High Needs Block Update for 2019/20 Position and 2020/21 illustrative allocation

- 4.1 Schools Forum will recall as reported at the July 2019 meeting, the High Needs block outturn in 2018/19 was an overspend of £0.920m. This pressure has continued in 2019/20 with a forecasted in-year outturn variance of £2.616m and therefore a total cumulative overspend of just over £3.536m. The pressures in North Tyneside are in line with the national and regional picture.
- 4.3 In research undertaken by the ISOS Partnership on behalf of the Local Government Association (LGA), 93 local authorities were surveyed. Their year-end high needs positions overall worsened from a surplus of £39m in 2015/16 to a deficit of £314m in 2018/19.

4.4 Chart 3: Changing Position on High Needs Blocks 2015/16 to 2018/19



4.5 The regional position in 2018/19 of high needs deficits as a percentage of the overall high needs allocations for the 93 authorities surveyed is shown in Table 5 below.

4.6 Table 5: High Needs Deficits as a Percentage of High Needs Allocations by Region

| Region | Deficit as a Percentage of High Needs Allocation |
|--------------------------|--|
| North East | -8% |
| North West | -9% |
| Yorkshire and the Humber | -10% |
| East Midlands | -2% |
| West Midland | -7% |
| East of England | -9% |
| London | -13% |
| South East | -6% |
| South West | -8% |

4.4 The pressures in North Tyneside are due to additional places required in special schools, out of Borough placements and in relation to top up payments as outlined in Table 6 below;

Table 6: Forecasted High Needs Overspend as at September 2019

| Provision | NTC Budget £m | Provisional Outturn Variance £m | Comment |
|-------------------------|---------------|---------------------------------|---|
| Special schools and PRU | 11.004 | 1.329 | Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder |
| ARPs/Top ups | 3.520 | 0.507 | Pressures in pre 16 top ups |
| Out of Borough | 1.225 | 0.758 | Increased number and costs of out of borough, plus complexity of cases |
| Commissioned services | 3.977 | 0.022 | |
| Subtotal | 19.726 | 2.616 | |

- 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 blocks are on a formula basis with the historic element of the High Needs block referenced to a 2017/18 baseline). The transfer of £0.302m made in 2019/20 will therefore effectively return to the Schools block as part of the NFF based allocation to North Tyneside for 2020/21.
- 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 2020/21 compared to 2019/20 DSG funding (excluding in year transfer)

| | 2019/20 £m | 2020/21 £m | Change £m |
|------------|------------|------------|-----------|
| Allocation | 19.817 | 23.067 | 3.250 |

- 4.7 Based on current forecasts this is less than the current cumulative pressure on the high needs budget. At this stage there are no plans to request a transfer from the Schools block to the High Needs block. However, the Authority and Schools Forum will need to continue to closely monitor the overall financial position for high needs.

Managing the High Needs Block

- 4.8 The Authority are continuing to work on the ARP Review, reviewing the DfE statutory guidance 'Making significant changes ('prescribed alterations') to maintained schools, Statutory guidance for proposers and decision-makers, October 2018' and managing progress of SEND capital projects to increase specialist places.
- 4.9 In addition work is underway to strengthen the SEND system in North Tyneside, which will contribute to efforts to manage pressures on the High Needs Block.
- 4.9 Schools Forum will note that a separate report is being presented to cover these plans,

Early Years Block Update for 2019/20 Position and 2020/21 illustrative allocation

- 5.1 On the 31 October 2019, the DfE confirmed the Early Years Funding Formula for 2020/21. 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 increased from £4.56 to £4.64 per hour. It was also confirmed that the 2-year-old funding rate will increase from £5.20 to £5.28.
- 5.2 As mentioned in 3.7 above, DfE have not yet published the expected value of the Early Years Block funding. To provide illustrative values, the newly published rates have been applied to the DfE EY factors presented in 2018, giving a potential funding amount of £13.734m in 2020/21.
- 5.3 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; Local Authorities are required to consult providers and Schools Forum on annual changes to their local funding formula.
- 5.4 Forum will recall as reported in the July 2019 meeting, the Early Years block outturn in 2018/19 was a surplus balance of £0.802m. Work continues in-year to monitor the take-up of early years places and to assess the implications for the 2019/20 Early Years block balance. Consultation on the 2020/21 Local Funding Formula, will take place with the Early Years Sub Group during November 2019. In addition, proposals around the use of any 2019/20 surplus will be considered. Proposals for both the Local Funding Formula for North Tyneside and use of any 2019/20 in-year surplus will be shared with Schools Forum in January 2020 for their consideration.

Central Block Funding for 2020/21

- 6.1 The make-up of the Central School Services Block (CSSB) has changed from 2019/20. It is comprised of a historic commitments' allocation and a formula-based amount for ongoing functions. Table 10 shows the impact of the indicative funding for 2020/21, which reflects the DfE's plan to reduce funding of CSSB. The historic commitments element has been reduced by 20%, in line with strategic DfE published plans.

Table 10: Illustrative allocations for North Tyneside CSSB

| | 2019/20 £m | 2020/21 £m | Change £m | Change % |
|------------------------|---------------|---------------|--------------|-------------|
| Ongoing Functions | 0.788 | 0.803 | 0.015 | 1.9 |
| Historical Commitments | 1.555 | 1.244 | (0.311) | (20.0) |
| | 2.343 | 2.047 | (0.296) | (12.6) |

- 6.2 In January 2019 Forum will recall illustrative uses for the CSSB in 2019/20 were provided as appendix A to the finance update. Table 11 shows the expected allocations of both the ongoing functions and historical commitments funding as taken from the January report.

Table 11: Illustrative allocations for North Tyneside CSSB for 2019/20

| Budgets which now form part of the CSSB | CSSB 2019/20 Ongoing | CSSB 2019/20 Historic |
|---|-------------------------------------|--------------------------------------|
| Budget to fund the Schools Support Service | 0 | 652,508 |
| Budget to support vulnerable schools. | 0 | 52,044 |
| Budget to maintain High Borrans Outdoor education facility | 0 | 95,000 |
| Budget for the Education Improvement Partnership (secondary schools) | 0 | 100,398 |
| Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools | 30,125 | 0 |
| Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely | 0 | 624,951 |
| Budget for costs associated with de-commissioned school buildings | 0 | 30,000 |
| Schools admission service | 141,570 | 0 |
| Former Education Services Grant (Retained) | 616,498 | 0 |
| Sub-Totals | 788,193 | 1,554,901 |
| Total | | 2,343,094 |

- 6.3 The DfE have again confirmed that funding for historic commitments will be allocated based on evidence, with the expectation that historic commitments will unwind over time, for example when a contract has reached its end point. The Authority will be reviewing the current costs funded by the historic allocation and reviewing evidence to either confirm or refute the reduction of £311,000 with DfE.

Update on 2019/20 Budget Monitoring for Schools

- 7.1 Forum will recall, as reported in July 2019, that the overall level of school balances at the end of March 2019 was £1.599m compared to £3.356m as at March 2018. This represented a reduction of £1.757m.
- 7.2 The first set of monitoring for the 2019/20 year has just been completed, a more detailed update will be given to the next forum. Overall schools are showing a £0.508m improvement against budget plans, though there are 5 more schools reporting deficits over £5000 in addition to the 11 at budget planning stage. The summary of balances by phase is shown in Table 12 below.

Table 12: School balance position against plan (committed and uncommitted)

| Phase | Budget Plan 2018/19 £m | Outturn 2018/19 £m | Budget Plan 2019/20 £m | Monitoring 1 2019/20 £m | Variance 2019/20 £m |
|---------------|---------------------------------------|-----------------------------------|---------------------------------------|--|------------------------------------|
| Nursery | (0.003) | 0.009 | 0.002 | 0.029 | 0.027 |
| First | 0.220 | 0.523 | 0.412 | 0.433 | 0.021 |
| Primary | 1.292 | 3.266 | 2.345 | 2.307 | (0.038) |
| Middle | 0.098 | 0.380 | 0.369 | 0.346 | (0.023) |
| Secondary | (6.570) | (3.658) | (8.028) | (7.770) | 0.258 |
| Special / PRU | 0.248 | 1.080 | 0.238 | 0.501 | 0.263 |
| Total | (4.715) | 1.600 | (4.661) | (4.154) | 0.508 |

- 7.3 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 £0.116m by the first set of monitoring compared with their approval levels. It should be noted that Monkseaton High and Norham High have not yet had deficits approved and discussions are ongoing.

Table 13: Position of Deficit Schools after Monitoring 1

| School | Outturn 2018/19 £m | Budget Plan 2019/20 £m | Monitoring 1 position £m | Improvement / (Decline) £m |
|------------------------------------|--------------------------|---------------------------------|--------------------------------|----------------------------------|
| St Aidan's R C Primary | (0.022) | (0.027) | (0.018) | 0.009 |
| Fordley Community Primary | (0.033) | (0.015) | (0.015) | - |
| Forest Hall Primary | 0.000 | (0.014) | (0.019) | (0.005) |
| Holystone Primary | (0.034) | (0.053) | (0.047) | 0.006 |
| Ivy Road Primary | (0.223) | (0.288) | (0.289) | (0.001) |
| St Bartholomew's C of E Primary | (0.005) | (0.018) | (0.007) | 0.011 |
| Marden High | (0.533) | (0.513) | (0.530) | (0.017) |
| Norham High | (1.462) | (2.299) | (2.257) | 0.042 |
| Longbenton High | (1.544) | (2.194) | (2.193) | 0.001 |
| Monkseaton High | (3.485) | (4.420) | (4.388) | 0.032 |
| Beacon Hill | 0.301 | (0.210) | (0.171) | 0.039 |
| TOTAL | (7.040) | (10.051) | (9.934) | 0.117 |

- 7.4 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

- 8.1 Schools Forum is asked to:

- Note the responses to consultation with all schools in relation to distribution of funding from the Schools Block;
- Note the update on National Funding Formula and update on indicative allocations for each of the four funding blocks;
- Note the improvement in the budget monitoring position for schools following monitoring one; and
- Continue to review the position of the High Needs block, considering 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.