

## National Funding Formula for Schools and High Needs 2019/20

Cabinet Member(s): Cllr Faye Purbrick – Cabinet Member for Education and Transformation

Cllr Frances Nicholson – Cabinet Member for Children and Families

Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member(s): All

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	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
	County Solicitor	Honor Clarke	14/1/19
	Monitoring Officer	Scott Wooldridge	14/1/19
	Corporate Finance	Peter Lewis	14/1/19
	Human Resources	Chris Squire	14/1/19
	Senior Manager	Julian Wooster	14/1/19
	Local Member(s)	All	
	Cabinet Member	Cllr Frances Nicholson Cllr Faye Purbrick	14/1/19
	Opposition Spokesperson	Cllr Liz Leyshon	14/1/19
	Relevant Scrutiny Chairman	Cllr Leigh Redman	14/1/19
<b>Forward Plan Reference:</b>	<i>FP/19/01/04</i>		
<b>Summary:</b>	This report provides confirmation of overall Dedicated Schools Grant funding for Somerset following final publication by the DfE, including the delegated schools budget and the High Needs provision for 2019/20 and summarises the approach being recommended to Cabinet in relation to the National Funding Formula (NFF) for Schools and High Needs for 2019/20 following consultation with Somerset Schools Forum (SSF).		
<b>Recommendations:</b>	<p><b>Cabinet is recommended to:-</b></p> <ol style="list-style-type: none"> <li>1. Approve the allocation of Dedicated Schools Grant for delegation to Somerset Schools and High Needs provision, including Academies and Free Schools.</li> <li>2. Devolve approval of the final formula allocations at individual school level for 2019/20 (total allocation received 17 December 2018) to the Cabinet Member for Children and Families, the Cabinet Member for Education and Transformation and the Cabinet Member for Resources.</li> <li>3. Request the Cabinet Member for Education and Transformation and the Cabinet Member for Children and Families write to the relevant Secretary(s) of State</li> </ol>		

	<p>to set out a request for additional DSG funding to be allocated to Somerset Schools and taken into account as part of the Government's Comprehensive Spending Review in 2019/20</p>
<p><b>Reasons for Recommendations:</b></p>	<p>This decision is required to enable the local authority to arrive at Schools and High Needs funding allocations for 2019/20, in adherence to Schools and Early Years Financial Regulations. This decision will allow for the setting of the budget shares for Schools and Academies for the year and the overall amounts available for Early Years, High Needs and Central Schools Services Budget (CSSB).</p>
<p><b>Links to Priorities and Impact on Service Plans:</b></p>	<p>Business Plan Outcome:</p> <ul style="list-style-type: none"> <li>Fairer life chances and opportunity for all.</li> </ul>
<p><b>Consultations and co-production undertaken:</b></p>	<p>The Somerset Schools Forum and its Technical Working group met in October to discuss the implications outlined in the NFF Policy documents, and agreed to consult with Somerset maintained schools and academies on proposed local changes to schools funding.</p> <p>Two consultation questionnaires were published and to provide additional support to the second consultation, three area briefings took place to help inform the process. The consultations ran from 2 November to 21 November 2018.</p> <p>The first consultation was focused on the Funding Formula, the Funding Floor, Capping and the Minimum Funding Guarantee (MFG), De-delegation, and Education Functions charges for maintained schools. The second consultation was focussed on the proposal to transfer funds from the Schools Block to the High Needs Block. See Appendix A for a copy of the consultation documents.</p>
<p><b>Financial Implications:</b></p>	<p>All funding referred to in this paper is delivered through the DfE's Dedicated Schools Grant (DSG) and as such is ring-fenced to educational provision. It does not therefore form part of the local authority's net budget.</p> <p>Final allocations were published by the DfE on 17 December 2018 and we can confirm that Somerset will have available £382.449m, an increase of 3.65% (£13.461m) over the 2018/19 baseline, as a result of demographic changes (685 pupils) and the second year of implementation of a national funding formula.</p> <p>In recognition of the continued pressure seen nationally on the High Needs element of DSG the DfE announced an additional £125m within the High Needs block of DSG for 2019/20, the Somerset element of this being an additional £1.171m, which is included in the total DSG figure above</p>

<p><b>Legal Implications:</b></p>	<p>The School and Early Years Finance (England) Regulations 2018 require the Authority to consult with the Schools' Forum on the proposed formula. This consultation has been carried out with the consultation documents attached in Appendix A.</p> <p>School budget shares are to be submitted to the ESFA on the Authority Proforma Tool (APT) worksheet by the 18 January 2019 and published for individual schools by 28 February 2019.</p>
<p><b>HR Implications:</b></p>	<p>There are no direct HR implications arising from the proposed changes to Somerset's funding formula, although some schools may be required to invoke redundancy procedures as a result of reducing pupil numbers and/or increasing costs compared with the level of funding.</p>
<p><b>Risk Implications:</b></p>	<p>The key risk is in significant budget variances. The formula will however provide for an increase of at least 0.5% per pupil across all schools.</p> <p>There are continuing cost pressures within all sectors, in particular across the High Needs sector. This is a national as well as local issue. The proposal within the consultation document includes a transfer of approximately £1.469m from the Schools block into High needs, in recognition of these pressures, however this has now been revised partially to reflect the subsequent additional high needs funding received. The revised transfer is for £0.868m and the DfE have been notified of the change in request.</p>
<p><b>Other Implications (including due regard implications):</b></p>	<p><b>Equalities Implications</b> There are no direct impacts as changes in the schools budget allow for a minimum increase of 0.5% per pupil. The disapplication request to the Secretary of State to transfer funds from the School Block to the High Needs budget, allows for vulnerable pupils to have funding increased and support inclusion in mainstream schools, which otherwise would be at risk.</p> <p><b>Community Safety Implications</b> None as changes to funding do not relate to community safety.</p> <p><b>Sustainability Implications</b> None as changes to funding do not impact on sustainability.</p> <p><b>Health and Safety Implications</b> None as changes to funding do not impact on Health and Safety</p> <p><b>Privacy Implications</b> None</p> <p><b>Health and Wellbeing Implications</b> None</p>

<b>Scrutiny comments / recommendation (if any):</b>	Not applicable. Note this decision paper reflects the consultation proposals made to Somerset Schools Forum and considered at their meeting on 27 November.
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## 1. Background

1.1. On 24 July 2018, [the National Funding Formulae for schools and high needs 2019 to 2020](#) was published by the Department for Education (DfE).

1.2. The DfE recognises that the introduction of the national funding formula (NFF) for 2018/19 represented a significant change. To provide stability for local authorities and schools through the transition, it has previously confirmed that in 2018/19 and 2019/20 each local authority will continue to set a local schools formula, in consultation with local schools.

1.3. 2018/19 saw a considerable movement in local formulae towards the schools national funding formula and the DfE has stated it is pleased to see the significant progress across the system in moving towards the NFF in its first year. In light of this progress, and in order to continue to support a smooth transition, the DfE has confirmed that local authorities will continue to determine local formulae through until 2020/21 when it is anticipated that a “hard formula” will be set.

1.4. The DfE is also updating three key areas of the formula in 2019/20, in line with the approach and commitments set out last year. These are:

- The minimum per pupil funding levels – the minimum per pupil funding level for secondary schools will increase to £4,800 and the minimum per pupil funding level for primary schools will increase to £3,500 (The local authority determine whether to use a minimum funding level and the value to set based on affordability).
- The funding floor – the funding floor will increase to ensure that all schools will attract at least a 1% gain per pupil against their 2017/18 baselines.
- The gains cap – the gains cap will increase to 6.09% per pupil against 2017/18 baselines. We have used a compounded figure so that underfunded schools can gain a further 3% on top of the 3% they gained in 2018/19.

Somerset will consider implementing these changes in full if the quantum of funding available for delegation to schools is sufficient to the costs, however if the amount available is insufficient then lower Minimum Funding Levels and a lower cap on gains may be required.

1.5. Other minor changes include a small reduction to the primary low prior attainment (LPA) factor value to reflect the cohort increase due to changes to the Early Years Foundation Stage Profile. The total proportion spent will be maintained.

1.6. The Somerset Schools Forum and its sub group have consulted with Somerset maintained schools and academies on some proposed local changes to schools funding for 2019/20. The changes are in the following paragraphs but can be seen in full in Appendix A.

- 1.7. Schools were invited to submit proposals for exceptional costs and it was proposed to change the methodology used to calculate allocations in respect of Private Finance Initiative (PFI) contracts, to cap the formula for individual schools contribution at the newly revised pupil number capacity. There were no eligible requests for exceptional costs and consultation responses supported the PFI change.
- 1.8. The Funding Floor and Minimum Funding Guarantee and Capping were all proposed to have specific local measures applied. The main reason for these changes are that the overall funding received by the DfE is insufficient to fully adopt the NFF and we seek to minimise the financial impact of excessive year on year changes in pupil characteristics. Consultation responses supported these changes.
- 1.9. The final part of the first consultation was focussed on De-delegation, and Education Functions charges for maintained schools and consultation results can be seen in Appendix B.
- 1.10. It can be seen that funding for Somerset schools is low and Somerset should continue to lobby for removal of the gains cap given it is historically a low funded authority and a disparity will still remain, given that traditionally high funded authorities will still have a guaranteed minimum increase 0.5% per annum.

## **2. Somerset Schools financial context**

- 2.1. The funding for Somerset schools in 2019/20 is £293.885m, which is an increase on the 2018/19 baseline of £11.018m or 3.895%. Although this does include a new formula for allocating growth funding to the authority based on increases between pupil census dates for middle super outputs areas, taking accounting only of areas with increases in the number of pupils.
- 2.2. The implementation of the NFF has been more significant for Somerset secondary schools. The ratio of spend between primary and secondary schools by Local Authorities nationally is 1:1.29, in Somerset it is was 1:1.21. This is mainly because of the low level of DSG funding and the number of small necessary schools required in a large rural county, to ensure that parents can choose a local school without long distances having to be travelled.
- 2.3. In adopting an NFF a higher proportion of any additional funding will be targeted towards our secondary provision moving them closer to the national ratio.
- 2.4. The largest gainers by percentage are some of our smallest schools, as a small increase in funding for these schools can equate to a substantial percentage increase. A greater number of our smallest schools will benefit from an increase in a lump sum allocation and sparsity funding.

### **3 High Needs**

**3.1.** The High Needs funding system supports provision for children and young people with special educational needs and disabilities (SEND) from their early years to 25. In Somerset the High Needs budget has been under significant pressure over the last few years and was overspent in 2017/18 by £2.7m bringing the cumulative deficit position to £5.6m. In year the budget is likely to be slightly overspent, due to transfers from other blocks of £2.404m and the additional high needs funding of £1.171m.

**3.2.** Following the appointment of an Assistant Director for Inclusion the LA is continuing to progress the High Needs Block deficit recovery plan with the main areas of focus and actions being:

- Places, Capital Build and Independent Provision
  - Investment in Special schools
  - Reduce Independent placements where possible with the focus on finding the appropriate local provision
  - Investment in ASD resource bases
- Pupil Referral Units, Alternative Provision and Outreach Support
- Improvements to the SEND team and annual review process
- Review of SEND Support Services

Where a local authority has an overall deficit on DSG of 1% or more at the end of the financial year, it must submit a recovery plan to the Department for Education (DfE), setting out how it plans to bring the overall DSG account into balance within a maximum of three years.

**3.3.** A specific High Needs Block consultation document was issued to schools for 2019/20 and schools were asked whether a transfer of 0.5% from the Schools Budget to High Needs was supported. In recognition of the pressures on High Needs nationally, the DfE allow LA's, with support from their Schools Forums, the ability to move up to 0.5% (equivalent to £1.469m) out of the Schools Budget. Above 0.5% requires Secretary of State approval and would also need to be accompanied by Forum support and a SEND financial strategy. If Schools Forums do not support a requested transfer of up to 0.5% and the Local Authority wish to make the transfer a disapplication of the financial regulations has to be submitted to the Secretary of State.

**3.4.** The Director of Children's Services asked schools, academies and the Schools Forum to consider very carefully the use of this flexibility in light of the financial pressures faced across High Needs.

**3.5.** The consultation document also included a request for views on the areas that the High Needs Block currently fund, such as discretionary SEN support services, and discretionary historical services funded by the Central Schools Services Budget.

**3.6.** Following the consultation (see Appendix A and B) the Somerset Schools Forum did not support to transfer up to 0.5% of funds from the Schools Block to the High Needs Block. Due to the scale and significance of the High Needs pressures the LA decided to apply for a disapplication of the financial regulations to the Secretary of State to allow this transfer to take place. However following this disapplication request a subsequent allocation of £125m nationally has been made available for high needs in 2019/20 which

for Somerset is an additional £1.171m. In light of this additional allocation the authority is revising its disapplication request from 0.5% to 0.3% or £0.868m.

#### **4. Options considered and reasons for rejecting them**

**4.1.** As detailed in para 1.4 above the DfE have confirmed that authorities are not obliged to adopt the NFF factors and values and as such it is a 'soft' National Funding Formula. The approach to implement the NFF as soon as possible was supported by the Somerset Schools Forum last year and the funding approach was implemented successfully.

**4.2.** The local authority could choose to ignore the proposals however in doing so there could be two consequences in particular:

- Using an established or new local formula would create a significant administrative burden and potential confusion given that the latest national funding levels are based on a new national basis for distribution and the NFF approach was adopted last year.
- If Somerset were to adapt its funding formula it could move further away from a national approach and as such could drive schools to make decisions (redundancy/employment etc) that may not be required in the short to medium term as expectations of the factors of the NFF become hard (compulsory) from the DfE, leading to unnecessary upheaval and potential additional cost in the short term.

The continued implementation of the NFF in Somerset is likely to lead to a smoother financial transition when a hard national funding formula is applied by the DfE.

#### **14. Background papers**

- 14.1.** Appendix A – Consultation documents  
Appendix B – Consultation responses