



# Northumberland

## County Council

### CABINET

Date: 15 January 2019

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### National Funding Formula & School Funding

Report of Cath McEvoy-Carr, Executive Director of Adult Social Care & Children's Services,

Cabinet Member: Councillor Wayne Daley, Lead Member for Children's Services and Deputy Leader of the Council

#### **Purpose of Report**

To update Cabinet regarding the National Funding Formula (NFF) and the implications for 2019/20 School Funding in Northumberland.

#### **Recommendations**

##### **Cabinet are recommended to:**

- 1) Approve the proposals for the phased implementation of the National Funding Formula in 2018/19, in line with the recommendation of the Schools Forum meeting of 14 November and the results of the subsequent consultation exercise held with schools.
- 2) Approve the delegation of the approval of the final formula values to the Executive Director of Adult Social Care & Children's Services and the Lead Member for Children's Services and Deputy Leader of the council in line with the principles agreed at Schools Forum on 21 November 2018, once the final budget allocations are released by the Department for Education in December.
- 3) Approve the transfer of up to 1% funding from the Schools' Block to the High Needs Block, in line with recommendation of the Schools Forum meeting of 21 November and the results of the subsequent consultation exercise held with schools.
- 4) Approve the delegation to Executive Director of Children's and Adult Services and the Lead member for Children's Services and Deputy Leader of the Council

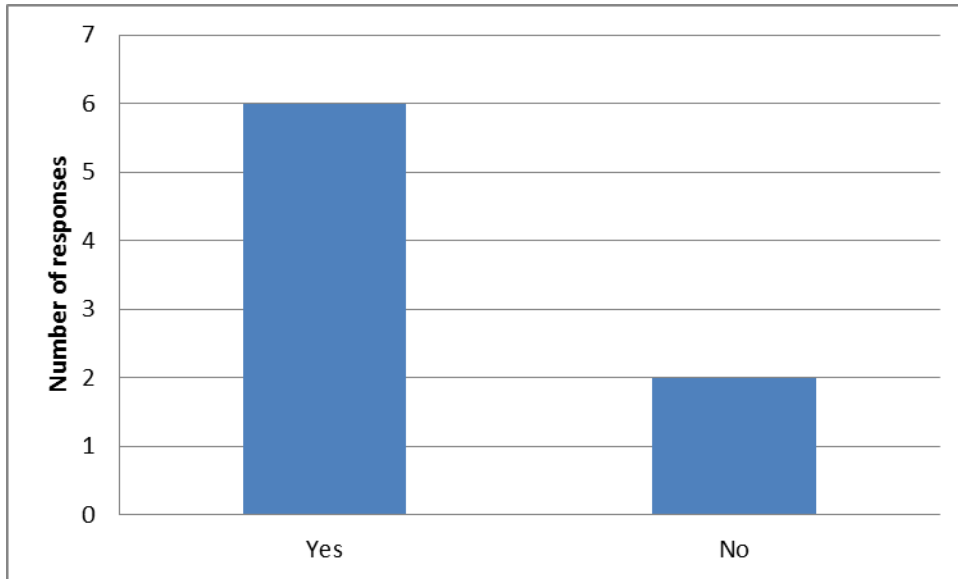
to make representation to DfE to make adjustments to the NFF which reflect the added challenges faced by NCC

## Key issues

1. It remains the intention of the Department of Education to move to a National Funding Formula although its full implementation has been delayed until 2021/22 at the earliest.
2. For the financial years 2019/20 & 2020/21, local authorities will continue to retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually to meet local needs. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors as authorities move from local to nationally determined formula values.
3. As reflected in the attached report, our provisional 2019/20 Schools Block Dedicated Schools Grant figure is £178,964,057, some £960,630 less than the 2019/20 final figure, though it should be remembered that 3 schools closed in the intervening period and this has had an impact on our overall settlement.
4. Given this position in Northumberland, there are challenges in setting the respective formula values for 2019/20, with the implication that it will lead to falls in the level of funding to individual schools at some point during the implementation of NFF. Various models were shared with Schools Forum demonstrating alternative scenarios involving the reduction of AWPU values, or reducing the Minimum Funding Guarantee (MFG) from the level of 0.5% used in 2018/19
5. After some discussion, and given the fact that the full implementation of NFF had been postponed until 2021/22 at the earliest, the view of Schools Forum was that the Council should seek to support some stability in setting formula values within the finance made available.
6. Between Tuesday 27 November and Friday 07 December 2019 schools were consulted on the following question :

*Do you support the view of Schools Forum to try and provide stability in “per pupil” funding when calculating the values used to distribute Schools Block funding for 2019/20. In practice this would mean seeking to minimise any changes to the respective formula funding values, subject to the total available funding.*

There was a total of nine responses to this question, with one respondent that did not provide a “Yes” or “No” answer but did provide comments. The results received are show below :



7. The recommendation to Cabinet is to minimise volatility in school funding by seeking to retain funding formula values at last year’s levels, where possible, depending on the final funding settlement. It is acknowledged that this does create pay and price inflation pressures within the budgets, despite the introduction of the Teachers Pay grant mitigating part of this pressure.
8. Pupil numbers remain the singular most important element within a school budget as the basic Age Weighted Pupil Unit (AWPU) per pupil funding accounts for 73% of the overall budget share and where there is a reduction in pupil numbers, this will lead to reductions in the schools budgets.
9. As in previous years the recommendation seeks delegated authority for the Executive Director of Adult Social Care and Children Services and the Lead Member for Children’s Services and Deputy Leader of the Council to agree the final formula values, in line with the principles outlined once the final 2019/20 Schools Block figure is known.

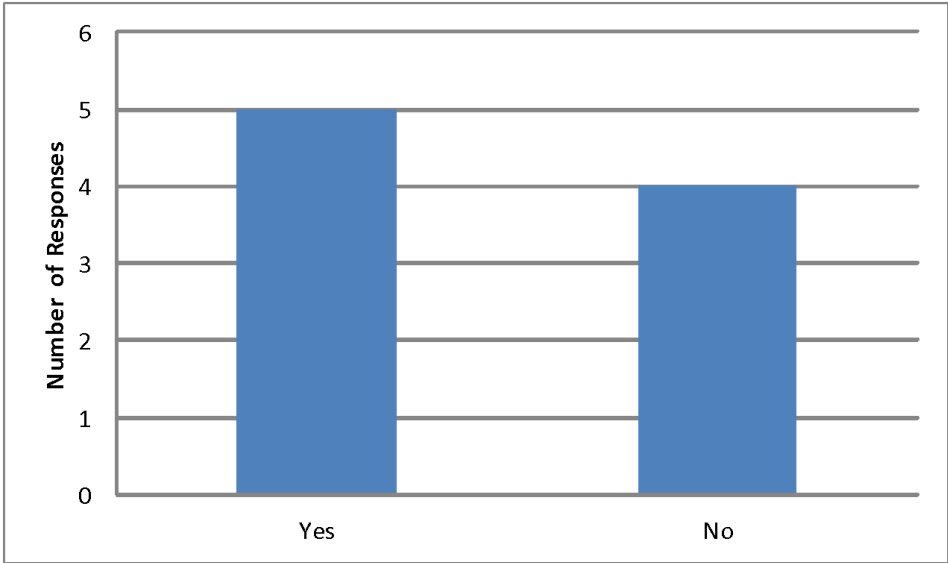
### **Transfer from Schools Block to High Needs Block**

10. The High Needs Block budget remains under significant pressure. This is driven by increased levels of activity, as has been reported to the Schools Forum, but is predominantly driven by three key areas :
  - Increased numbers of children and young people with Education Health and Care (EHC) Plans;
  - An increase in the numbers of permanent exclusions; and
  - Greater numbers of pupils being supported in independent special school placements.
11. Papers to the Schools Forum on 21 November 2018 highlighted the above issues and are attached at the rear of this report. The provisional 2019/20 High

Needs block figure of £29,837,154 shows no increase on last year, as has been the case since the Department for Education baseline exercise around the NFF for High Needs for 2017/18. The reasons for this are complex but related to:

- Projected future falls in Northumberland population data by the Office for National Statistics;
- High Needs allocations being significantly influenced by deprivation factors;
- Reduced influence of the historic factor in Northumberland SEN funding.

12. At the 21 November 2018 meeting, the Schools’ Forum agreed to support a further 1% transfer from the Schools Block to the High Needs Block for 2019/20. There is an expectation from Schools Forum, however, that this level of transfer is unlikely to be supported again as the local authority needs to undertake a full review of expenditure within the high needs block to bring the overspending under control.
13. A subsequent consultation exercise with schools resulted in the marginal support for the 1% transfer.



14. Subsequent to the Schools Forum meeting and the Schools consultation, on 17 December 2018 a letter from Damian Hinds, Secretary of State for Education announced details of an additional £250 million for High Needs funding, £125 million to be paid in 2018/19 and 2019/20 respectively. The funding is distributed based on the number of 2-18 year olds in a local authority area. Northumberland is due to receive £613,233 in both years. In light of this given the pressures on the High Needs Block, Northumberland is not in a position to remove the request entirely but it may wish to consider the amount requested. Due to the late notification of the additional funding it is requested to delegate the final decision to the Executive Director and Lead Member for Children’s Services and Deputy Leader of the Council following consultation with Schools Forum.

## Background

1. For 2018/19, Cabinet was informed of the decision of the Schools Forum to seek a move towards the implementation of the NFF in a measured gradual approach, in order to avoid any significant changes (“cliff edges”) when the NFF final formula was fully implemented. This approach was also supported by the majority of schools who responded in the consultation exercise. It is proposed to keep to this key principle when making the recommendations for the 2019/20 DSG allocations.
2. When notification of the final 2018/19 Dedicated Schools Grant figures was received, the figure was higher than the original provisional figure, which meant we were able to pay Age Weighted Pupil Unit (AWPU) values at the higher of the NFF figure (for Key Stage 3) and previous Northumberland County Council figure (for Primary and Key Stage 4). Additional funds were also distributed using the Free School Meals element as part of this transition as the NFF proposed the use of both current Free School Meals, and the Free School Meals 6 (FSM 6) where funding is received for all pupils who have been recorded as eligible for FSM at any time in the last 6 years. Details of the final values used in determining allocations to individual schools for 2018/19 is included at Appendix A of the attached Schools Forum Report
3. In January 2018 Cabinet also agreed the transfer of up to 1% from the Schools Block to the High Needs Block in order to assist with the increasing pressures in this area including, as reported last year :
  - a. A £1.5 million overspend on the current High Needs Block allocation;
  - b. A rising number of pupils in receipt of Top Up funding and in independent sector specialist placements;
  - c. Pressures arising from the increasing number of Permanent Exclusions;
4. Funding was also sought in order to grow places in our own maintained special schools, following the outcome of the SEND consultation exercise.
5. Schools’ Forum had previously supported this transfer, and it was also part of the consultation exercise with all Northumberland Schools, who supported the 1% transfer.
6. The transfer was also agreed by the Department for Education. The final figure approved was £1,799,161, as reported to the Schools Forum on 20 February 2018.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy:</b>	Changes to the formula funding mechanism for schools from 2018/19 due to implementation of the NFF
<b>Finance and value for money:</b>	Changes to the formula funding mechanism for schools from 2018/19 due to implementation of

	the NFF, and transfer to High Needs Block funding
<b>Legal:</b>	Potential Changes arising in support to Schools as and when further schools academies.
<b>Procurement:</b>	None
<b>Human Resources:</b>	Potential issues for school staffing structures arising from budgets, depending on individual school circumstances
<b>Property:</b>	Further academisation of schools will affect school estate
<b>Equalities:</b> (Impact Assessment attached)  Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	Changes arising from the implementation of the National Funding Formula will impact on children in schools, particularly when fully implemented from 2020/21.
<b>Risk Assessment:</b>	There are risks arising from the switch to the NFF, particularly to individual schools but the LA has sought to mitigate these for 2018/19
<b>Crime &amp; Disorder:</b>	There are considered to be no implications arising from this report.
<b>Customer Considerations:</b>	The introduction of the National Funding Formula has implications for schools, parents and children, particularly over the longer term
<b>Carbon Reduction:</b>	None
<b>Wards:</b>	All

**CONSULTATION  
BACKGROUND PAPERS  
Report sign off.**

Finance Officer	Suzanne Dent
Monitoring Officer/Legal	Liam Henry
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Executive Director of Children's Services	Cath McEvoy-Carr
Portfolio Holder(s)	Cllr Wayne Daley

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## Background Reports : School Forum Report 21 November 2018

### Agenda Item 08

### Schools Forum

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### Formula Value Information & Modelling

#### 1. Purpose of the Report

To provide information to the Schools Forum regarding the local formula for funding schools and academies as influenced by National Funding Formula changes and available funding.

#### 2. Recommendations

School Forum members are asked to consider this information and discuss their preferred approach in applying the local formula once census information and final figures are confirmed in December.

However within that context they are also asked to support a request to transfer up to 1% of the final Schools Block Figure (up to £1,789,640 based on the current provisional figure).

#### 3. Background

Schools Forum members are reminded that last year our final 2018/19 School Block figure was £179,924,687, which increased from the initial provisional figure of £177,276,970, previously provided. This increase was driven largely by increased pupil numbers. After a 1% transfer from the Schools Block to the High Needs Block, (as agreed by Schools Forum and a subsequent consultation exercise with Schools) this left £178,125,526 that was allocated between schools. As previously discussed we have received indicative funding information and tables for modelling the 19/20 formula using 18/19 schools data.

#### 4. 2019/20 Provisional Schools Block figures

The provisional 2019/20 allocation for Northumberland is £178,964,057 which is £960,630 **less** than the final allocation for 2018/19 (£179,924,687). It should be remembered that 3 schools have closed in the intervening period (Acklington CofE First School, Netherton Northside First School, and Belford St Marys CofE Middle (Belford) and this will impact on the overall settlement.

In practice the increase from the provisional to the final figure in 2018/19, meant that we were able to allocate funds on the basis of the higher of the previous Northumberland County Council (NCC) values (Primary and Key Stage 4) or NFF values (Key Stage 3). Values in the deprivation element of the index in relation to Free School Meals were also protected in line with previous NCC values. Together these measures distributed a further £4 million to schools in 2018/19 rather than solely using NFF Values.

A copy of the 2018/19 final values used, together with the NCC and NFF values that influenced this decision are attached at Annex A.

While at this point there is a fall in the 2019/20 provisional figure, compared to the final 2018/19 figure, it is important that Schools Forum understand that this is a potential indicative of future funding settlements as we move towards the NFF, as a consequence of Northumberland setting values in excess of NFF values previously.

Even where these figures are reduced or moved closer to NFF figures, there are implications of setting a Minimum Funding Guarantee (MFG) value at 0% or above. The previous "per pupil" figures are

protected in the overall DSG distribution by MFG, and this may restrict the possibility of changing values. Further work will be required to be undertaken when the final Schools Block figure is known in December, for a final paper to be brought to Schools Forum on 16 January 2019 and the budget being set by Cabinet.

#### **5. High Needs Block Transfer**

At this stage it would be the Council's intention to transfer up to 1% of the Schools Block to the High Needs block in 2019/20. While it is understood that these are challenging times in relation to Schools Funding, the reality of the situation is:

- the provisional 2019/20 High Needs block figure is frozen as at 2018/19 levels;
- Demands upon the funding is increasing, as reported through the increase in education health and care plans, independent special school placements and permanent exclusions placing additional demands upon the High Needs block.
- The majority of the High Needs block is in fact returned to schools in a targeted way via SEN Payments to support pupil on EHCPs and top up funding, as well as school fees.

Depending on the nature of the final settlement, it would be the intention that both schools and the local authority would have funding maintained at 2018/19 levels (on a per pupil basis for Schools) as a minimum. It is estimated that they would require a minimum of a £700,000 increase in the final Schools Block figure, compared to the Provisional figure in order to achieve this, but this would have to be modelled in detail once the final pupil numbers and allocations were known. If this was not received we would need to look at various options such as the use of a negative MFG factor or moving AWPU figures towards the NFF values.

#### **6. Modelling the 2019/2020 provisional Schools Block Allocation**

At this time we can only use the provisional figures available to us. The absence of any growth to allocate through the formula and the need for a further transfer of funding into the High Needs Block, informs the models presented for your consideration.

The attached paper shows the impact across the schools of five versions of that modelling spreadsheet, demonstrating the overall impact of each version.

Following discussion with the Formula Funding Committee it was requested that the schools forum meeting receive models demonstrating:-

- a) The impact of mirroring National Funding Formula funding values and adjusting Minimum Funding Guarantee level
- b) The impact of mirroring National Funding Formula funding values, keeping MFG at 0% and adjusting AWPU
- c) The impacts of transferring 1%, 0.75% or 0.5% of funding into the High Needs Block.

**Versions 1-3** demonstrate the impact of adjusting MFG level at each level of contribution to the High Needs Block.

**Versions 4-6** demonstrates the impact of adjusting AWPU (via National Funding Formula Values +%age)



In practice, using the provisional 2019/20 DSG figure, versions 1 and 4 are the same, because when 1% is transferred out, there is only sufficient funding to use all of the NFF funding values if MFG is set at -0.1%, resulting in the distribution of £177,175,624.

**7. Other DfE Income**

It is important to note that these figures do not take account of the Teachers Pay Grant or the Chancellor's one-off capital funding allocations announced this week. These are outside the NFF formula for 2019/20 and we have no indication of how, or even if, these will be consolidated into Schools funding beyond that.

**8. Summary and Conclusions**

When the final 2019/20 allocation from Educational and Skills Funding Agency, including the October 2018 school census data, is received in December 2018, any proposed funding model will need to be updated in light of the revised figures. However the schools forum members are asked to offer their views in principle to inform application of the formula moving forward.

**Zephanie Parkin**  
**School Funding and Business Relationship Manager**

**9 November 2018**

## Appendix A

### FINAL FORMULA FUNDING VALUES FOR 2018/19 (all values £)

		2017/18 Values	NFF Values (source : Schools Block National Funding Formula : technical note Sept 2017)	2018/19 Final Values		
AWPU	Primary	2,807	2,747	2,807		
	KS3	3,715	3,863	3,863		
	KS4	4,580	4,386	4,580		
Lump Sum	Primary	110,000	110,000	110,000		
	Middle	140,000	110,000	110,000		
	High/Secondary	170,000	110,000	110,000		
Deprivation - Free School Meals	Primary	1,297	440	757		
	Secondary	1,562	440	777		
Deprivation – FSM6	Primary	n/a	540	540		
	Secondary	n/a	785	785		
Deprivation – IDACI:	Primary	Band F	150	200	200	
		Band E	200	240	240	
		Band D	350	360	360	
		Band C	500	390	390	
		Band B	600	420	532	
		Band A	700	575	575	
	Secondary	Band F	250	290	290	
		Band E	300	390	390	
		Band D	450	515	515	
		Band C	725	560	560	
		Band B	800	600	725	
		Band A	800	810	810	
		Low Attainment	Primary	1,109	1,050	1,050
			Secondary	956	1,550	1,550
EAL	Primary	220	515	515		
	Secondary	220	1,385	1,385		
Sparsity (max)	Primary	13,000	25,000	25,000		
	Middle	52,000	n/a	52,000		
	Secondary / All Through	62,000	60,000	60,000		