

**NORTH YORKSHIRE COUNTY COUNCIL****EXECUTIVE****15 JANUARY 2019****SCHOOLS BUDGET****Report of the Corporate Director – Children and Young People’s Services****1.0 PURPOSE OF THE REPORT**

- 1.1 This report asks the Executive to agree a number of recommendations relating to school funding for 2019-20, as required by guidance issued by the Department for Education (DfE).
- 1.2 These recommendations include:
- Continuing to use the DfE National Funding Formula (NFF) principles as the basis for funding schools from April 2019;
  - Adopting the Minimum Per Pupil Level (MPPL) of funding as a key factor within the formula which in 2019-20 will mean that secondary schools will receive a minimum of £4,800 per pupil and primary schools will receive a minimum of £3,500 per pupil
  - Using approximately £1.7m of the school budget funding allocated to North Yorkshire to support High Needs cost pressures in 2019-20, as allowed by DfE regulations.
- 1.3 These recommendations have been endorsed by schools during a county-wide consultation and agreed by the North Yorkshire Schools Forum.
- 1.4 The report also asks the Executive to agree to continue to lobby central government for a fairer and more equitable funding settlement for schools in North Yorkshire.

**2.0 BACKGROUND**

- 2.1 The Government has proposed that a National Funding Formula (NFF) will set every school’s budget (LA maintained and academies) in due course, but for a period before then, the NFF would be used to calculate notional school budgets. These notional budgets provide an overall total for each Local Authority area. LAs, and their Schools Forums, have some discretion in allocating funds at individual school level. The DfE has previously indicated that the period of local discretion (known as the “soft NFF”) will be 2018-19 and 2019-20 with the “hard NFF” taking effect sometime after April 2020.
- 2.2 The DfE has not yet stated when the NFF will be fully implemented and the transitional arrangements which guarantee a minimum level of funding for schools but also cap the level of funding gain which a school can experience, will cease. The DfE have recently stated:

*“We are pleased to see the significant progress across the system in moving towards the national funding formula in its first year. In light of this progress, we are confirming now that local authorities will continue to determine local formulas in 2020 to 2021.”*

- 2.3 The DfE indicate that at least 1.0% per pupil increase for each school will be provided in 2019-20 through the NFF compared to their 2017-18 funding baseline. The minimum per pupil funding levels will increase from £3,300 to £3,500 for all primary schools and from £4,600 to £4,800 for secondary schools that have pupils in years 10 and 11.
- 2.4 Local authorities are able to continue to set the Minimum Funding Guarantee (MFG) between minus 1.5% and plus 0.5% per pupil.
- 2.6 During the Autumn 2018 term, officers have been in discussion with the North Yorkshire Schools Forum over the continued soft implementation of the NFF and the potential transfer of funding from Schools Block to assist with significant High Needs Budget financial pressures. At its meeting in November, the Schools Forum endorsed a move to continue to use the NFF as a basis for funding schools in North Yorkshire from April 2019. The Schools Forum are supportive that the Council should continue to lobby DfE on the application of both sparsity and mobility factors as well as the overall quantum of funding. As is required by DfE regulations, this recommendation was subject to a consultation exercise with all schools and academies in the county. Further details about this consultation are set out below in section 6.
- 2.7 In practical terms, the Council will adjust the NFF formula factors as issued by the DfE in published notional budgets to calculate school budgets within the constraints of the final agreed funding envelope. The total funding available will be reduced by £1.7m as the agreed transfer from the Schools Block to the High Needs Budget.
- 2.8 As part of the transitional funding arrangements, the formula will use a Minimum Funding Guarantee (MFG) of -1.5% and each school will receive at least the Minimum Per Pupil Level of funding (MPPL) which is consistent with the NFF principles.
- 2.9 As can be seen below, a majority of schools supported a MFG of -1.5%. Schools did not support a transfer of 1% but did agree to a 0.5% transfer out from Schools Block to the High Needs Block.

Options supported in respect of the transfer of funding to High Needs in 2019/20 and the level of Minimum Funding Guarantee protection applied in the calculation of school budgets for 2019/20 (support could be indicated for more than one option):		
Option 1	Option 2	Option 3
0.5% High Needs transfer -0.5% MFG	0.5% High Needs transfer -1.5% MFG	1% High Needs transfer -1.5%
15	16	3

- 2.10 Majority support was indicated through the responses received to the Consultation for an MFG of -1.5%. The implementation of a lower level of MFG protection facilitates a quicker transition for schools to the NFF funding principles within the constraints of the overall NFF transitional funding levels received by North Yorkshire LA from the DfE.
- 2.11 At its meeting on 19 November 2018 to consider the results of the consultation, the Schools Forum recommended to the Council that, in setting budgets for 2019-20, North Yorkshire County Council uses the values set out in the DfE's National Funding Formula, including the various transitional arrangements, and a Minimum Funding Guarantee of -1.5%, as a basis for funding schools in 2019-20.

### **High Needs**

- 2.12 Previously, Schools Forum have agreed to transfer 0.5% of Schools Block funding into the High Needs Block for 2018-19. This amount represented £1.66m and followed consultation with schools and agreement with Schools Forum. The transfer was agreed following recognition of an unprecedented increase in the numbers of requests for Education, Health and Care Plans (EHCPs) and the level of financial pressure in the High Needs system. The transfer occurred on the basis that plans would be developed to address the financial pressure as any transfer is a temporary measure. The transfer has not been adequate to counter the new cost pressures for a number of reasons:
- High Needs Block funding provided by the Department of Education is simply insufficient. Although there was a notional uplift to the North Yorkshire area allocation, the actual cash amount for the local authority has actually decreased when compared with 2017/18.
  - There has been an unprecedented increase in Education, Health and Care Plans (EHCPs). Since 2014, there has been a 46% rise in EHCPs and this trend has continued throughout 2018 and currently stands at 50%+. This is an unfunded burden on schools and the local authority.
  - Tackling the financial pressure requires a system-wide approach to the development of plans and will not provide immediate relief in sustainable savings.
- 2.13 The number of EHCPs is a major driver of the financial pressure above, which has seen a 46% rise since 2014. The resulting projected £5.7m overspend in 2018-19 is offset, in part, by the contribution of £1.6m transferred from the Schools Budget. This leaves a £4.1m projected deficit at the end of 2018-19 which will, effectively, be the first call on DSG in 2019-20.
- 2.14 The local authority recognises through the responses to the Consultation that the majority of support is indicated by schools for a 0.5% transfer of funding from the Schools Block to the High Needs budget. However, the local authority has a corporate duty to address the forecast budget overspend of £5.7m on the High Need budget. Whilst a number of proposals are being progressed to address this financial pressure, it is unlikely that these proposals will fully address this pressure and further actions will be required over the next 12-24 months. Any accumulated overspend on the High Needs budget will be required to be repaid from future High Needs Block funding allocations. The current projections indicate a continued increasing demand for High Needs support and services. Against this background, and in order to mitigate the impact of current forecast overspends on the future funding position, the

LA submitted a disapplication request to the Secretary of State to transfer 1% from the Schools Block to the High Needs budget.

- 2.15 In the event that a disapplication request to the Secretary of State was unsuccessful, Schools Forum agreed on 19<sup>th</sup> November 2018 to a 0.5% transfer to the High Needs budget. This agreement was reluctant as members of Schools Forum are aware that schools are facing general funding pressures but there was understanding of the local authority's position on this matter.
- 2.16 On the 17<sup>th</sup> December 2018, the DfE announced that an additional £250 million of funding for high needs will be available nationally, across the 2018/19 and 2019/20 financial years. North Yorkshire will receive an additional £1.24m for each financial year. With regard to the announcement of the additional funding, the DfE have asked local authorities who have submitted requests to transfer funding from the Schools Block into the High Needs Block for 2019/20 to review the request as to whether they want to reduce or withdraw the request. They have also asked that reasons are provided where local authorities do not want to reduce or withdraw the request. The deadline for these submissions is 15th January 2019.
- 2.17 Whilst North Yorkshire County Council welcomes the announcement of additional high needs funding for all local authorities, the extra £1.24m per annum for 2018/19 and 2019/20 is simply insufficient to address the forecast budget pressures on the High Needs budget within North Yorkshire for the current year and next year (as detailed in para. 2.12 and 2.13 in this report). In this regard, the County Council has informed the DfE that it does not wish to withdraw or reduce the application to transfer 1% of funding from the Schools Block to the High Needs Budget. Due to the timing of the additional funding announcement by the DfE and their timescale for requesting the further information on the transfer request, a response has not been received as to whether the 1% transfer request has been approved by the Secretary of State at the time of the publication of this report.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 All funding discussed in this paper is part of the Dedicated Schools Grant (DSG). There is no direct impact on the Council's budget as a result of the recommendations to adopt the Minimum Per Pupil Level of Funding or the Minimum Funding Guarantee.
- 3.2 There is an impact on individual schools in terms of how the funding will be allocated. No school will receive less than the Minimum Per Pupil Level of funding. A comparison of the impact on schools for each of the proposed options was shown at school level as part of the consultation.
- 3.3 The recommendation to transfer funding (either 1% or 0.5%) from the Schools Block to the High Needs Budget will help to reduce the level of council funding required to meet the High Needs Budget financial pressures. Based on the assumption of a 0.5% funding transfer it is expected that £4.8m of council funding will be required to support the financial pressures on the High Needs Budget, after taking into account the recently announced additional funding of £1.24m for 2019/20. If a 1% transfer is approved by the DfE the funding requirement from the council will reduce to £3.1m.

## **4.0 LEGAL IMPLICATIONS**

- 4.1 Whilst the Schools Block is ring-fenced in 2019-20, it is possible to transfer up to 0.5% of schools block funding out with the agreement of the Schools Forum. Transfers of more than 0.5% of the schools block require the local authority to make a Disapplication Request to the Secretary of State as does the position where the Schools Forum turn down a proposal from the authority to move funding out of the Schools Block, but the authority wishes to proceed with the transfer. The DfE acknowledge that most requests to transfer funding from the Schools Block will arise as a result of pressures on their High Needs Budgets.
- 4.2 Schools Forum approval to transfer 0.5% of Schools Block funding to the High Needs Block has been given. Schools Forum cannot approve a transfer greater than 0.5%.
- 4.3 The deadline for Disapplication Requests to transfer funding from the Schools Block to the High Needs Block was 30<sup>th</sup> November 2018. Following the announcement of additional funding and the invitation by DfE to withdraw or reduce any transfer requests, a new deadline of 15<sup>th</sup> January has been set by DfE for responses to that invitation. However, the DfE also have a deadline of 21<sup>st</sup> January for the submission of school budgets (following political approval). At the time this paper was submitted to Executive, a response from DfE on whether to approve the requested 1% transfer is unknown. Therefore, recommendations in this report provide Executive with an opportunity to approve a transfer of 1% if approval is received; and to approve a 0.5% if approval from DfE is not received.

## **5.0 EQUALITIES IMPLICATIONS**

- 5.1 An Equality Impact Assessment (EIA) has been completed. It is anticipated that there will be no impact on any persons with protected characteristics as defined by the Equalities Act 2010. A further review was completed and circulated to Legal w/c 17<sup>th</sup> December 2018; no change was indicated in impact within this revised EIA.

## **6.0 CONSULTATION UNDERTAKEN AND RESPONSES**

- 6.1 A consultation was undertaken with all schools and academies in North Yorkshire, following discussions with the North Yorkshire Schools Forum.
- 6.2 This consultation lasted from Wednesday 3<sup>rd</sup> October until Monday 29<sup>th</sup> October. There were 28 school responses, as shown below:

LA Maintained Primary	13
LA Maintained Secondary	4
LA Maintained Special	0
LA Federations – cross phase	1
Primary Academy	7
Secondary Academy	3
	<b>28</b>

(Response Rate: 9% - 31 schools/ academies responded to the consultation)

## **7.0 RECOMMENDATIONS**

7.1 The Council's Executive is asked to agree:

- a. That the Council continues to use the principles of the DfE's National Funding Formula, including the various transitional arrangements, and a Minimum Funding Guarantee of -1.5%, as a basis for funding schools in 2019-20; and
- b. That, subject to approval being received by the Secretary of State, 1% of the Schools Block will be used to support High Needs costs in 2019-20. In the event of the 1% transfer request being refused by the Secretary of State, that 0.5% of the Schools Block will be used to support High Needs costs in 2019-20, as agreed by the North Yorkshire Schools Forum; and
- c. That the Council will continue to push for a fairer and more equitable funding settlement for schools in North Yorkshire. We will also continue to lobby for a fairer settlement of High Needs resources.

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January 2019

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Background Documents:

Reports to the North Yorkshire Schools Forum/ North Yorkshire Education Partnership:

- 15<sup>th</sup> March 2018
- 17<sup>th</sup> May 2018
- 27<sup>th</sup> September 2018
- 19<sup>th</sup> November 2018
- 6<sup>th</sup> December 2018

<http://cyps.northyorks.gov.uk/nyep-meetings-and-agendas>