



NORTH YORKSHIRE COUNTY COUNCIL

SCHOOL FUNDING FROM 2019-20

A CONSULTATION PAPER

October 2018

Deadline for responses: 6pm, 29th October 2018

1 Summary

- 1.1 This consultation paper sets out the latest position from the DfE and the North Yorkshire Local Authority with regard to school funding for 2019/2020. The consultation seeks the views of schools in order to inform the following key decisions:
- The use of funding from the schools budget in 2019/20 to support pressures relating to children and young people with High Needs
 - The level at which the minimum funding guarantee (MFG) protection is set. This is one of the mechanisms which determine the change in per pupil funding levels which a school can experience from year to year.
- 1.2 This consultation paper also asks schools to consider proposals related to the allocation of Exceptional Element 2 SEND funding. This is covered in more detail in section 4.
- 1.3 A public consultation will be undertaken in relation to a number of proposed changes related to High Needs. Further detail on these proposals is provided in section 4 of this document. It is suggested this funding consultation is read in conjunction with the public consultation which will be able to be found on the North Yorkshire County Council website and will run from 5th October to 11th November 2018.
- 1.4 In addition, a further separate consultation will be undertaken specifically with special schools establishments (LA maintained schools and academies) in relation to the MFG protection level associated with the formula used to calculate their funding allocations. This specific consultation will also consider the interaction of the MFG with the proposed implementation of the new Banded System for these establishments.
- 1.5 The local authority continues to lobby DfE and MPs on the issue of the overall quantum of funding and sparsity and we will continue to advocate for a better funding deal for children and young people in all North Yorkshire education settings (including maintained schools and academies).
- 1.6 The views of schools and academies provided through this consultation will be fed back to the Schools Forum. A further discussion on funding formula change proposals will be held at the Schools Forum meeting on 19th November 2018. This consultation will begin on 3rd October 2018 and close on 29th October 2018

2 Background

- 2.1 In Autumn 2017, the Department for Education (DfE) announced national changes to the school funding formula which will eventually see all school budgets set using a new national funding formula (NFF). However, for the 2018-19 and 2019-20 financial years a 'soft' approach is being undertaken where the funding which local authorities receive is based on the new formula but with transitional arrangements with local authorities being able to continue to operate a local formula. In North Yorkshire, the Schools Forum (previously the North Yorkshire Education Partnership), after consultation with schools in Autumn 2017, adopted an approach of calculating school budgets using NFF principles with associated transitional arrangements for the 2018-19 and 2019-20 financial years.

2.2 The Secretary of State also announced that the Government would provide an additional £1.3bn nationally for school funding in 2018-19 and 2019-20. The formula in 2019-20 will provide at least £4,800 per pupil for every secondary school and £3,500 per pupil for every primary school.

2.3 At this stage, the DfE has not yet indicated when the national funding formula will be fully implemented and the transitional arrangements will cease. However, in recent guidance, they have 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”

This means that the transitional funding arrangements which guarantee a minimum level of funding for schools but also cap the level of funding gain for those schools which will benefit from the implementation of the NFF will continue for the 2020/21 financial year.

2.4 The DfE have recently released information relating to the school funding calculations for 2019-20 ([based on 2018-19 pupil data](https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2019-to-2020)). Schools are able to see their individual NFF notional allocation for 2019-20 with the associated transitional arrangements. They are also able to view the position if the NFF was fully implemented. This information can be found at: <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2019-to-2020> and looking at the spreadsheet called “Impact of the schools NFF, 2019 to 2020”. It needs to be noted that this information is indicative and based on the October 2017 pupil census data. The actual 2019/20 funding allocations will be based on the October 2018 pupil census data.

2.5 In 2018/19 the DfE acknowledged the increasing pressures related to High Needs budgets being faced nationally and allowed LAs, with the permission of their School Forums, to use up to 0.5% of the Schools Block funding to support High Needs. This was a temporary measure to enable Local Authorities to work with schools and others to try and manage the High Needs financial issues. In North Yorkshire 0.5% (£1.6m) was transferred from the Schools Block to High Needs in 2018/19 to help support the increasing budget pressures in this area.

3. 2019/2020 Schools Funding

3.1 The indicative 2019-20 Schools Block funding for North Yorkshire (calculated using the NFF) provides a 1.16% increase compared to the 2018-19 funding level. Our analysis indicates that the majority of this additional funding will be required to fund the increase in the minimum per pupil funding level from £3,300 in 2018/19 to £3,500 per pupil in 2019/20 for primary schools and from £4,600 in 2018/19 to £4,800 per pupil in 2019/20 for secondary schools with year 10 and year 11.

3.2 For 2019-20 the DfE are continuing to allow the transfer of up to 0.5% of the Schools Block funding to the High Needs Block. The approval of the Schools Forum is required for this transfer and the views of local schools and academies will need to be considered in determining this decision. Any proposal to transfer more than 0.5% will require the approval of the Secretary of State. Any agreed transfer of funding is only for the 2019/20 financial

year. Within North Yorkshire there continues to be significant budget pressures related to High Needs and these are discussed more fully in section 4 below. **In this regard it is again necessary to propose that funding is transferred from the Schools Block to High Needs in 2019/20. The views of schools are requested on transfer options of 0.5% and 1%.**

- 3.3 The DfE are continuing to allow local authorities to be able to set the Minimum Funding Guarantee (MFG) between minus 1.5% and plus 0.5% per pupil. This is one of the mechanisms which determine the change in per pupil funding levels which a school can experience from year to year. The level of the MFG controls the level of gain and loss in per pupil funding levels at individual school level when compared to the previous financial year. In this respect, the MFG provides a mechanism for controlling the impact of schools moving to the NFF i.e. a lower MFG allows those schools which gain from the NFF implementation to start to receive some funding benefit, however those schools which will lose funding under the NFF will start to see a reduction in their funding levels. In 2018-19 the decision was made by the North Yorkshire Education Partnership to implement a funding formula which reflects the NFF principles and the associated transitional arrangements. In this respect, it is proposed to implement a MFG of less than 0% in order to enable funding to start to transfer from those schools that will see a reduction in funding as a result of the NFF to those that will gain under the NFF. **Schools are requested to provide their views on the MFG protection level options of -0.5% or -1.5% for 2019/20.**
- 3.4 The level of any transfer of funding from the Schools Block to High Needs has a direct impact on the level of MFG which can be implemented as a result of the level of funding required to fund the MFG protection i.e. the higher the MFG protection, the greater the funding requirement. In this regard, if a decision was made to undertake a transfer of 1% then the MFG would need to be -1.5%; it would not be possible to fund a higher percentage of MFG protection. MFG protection of either -0.5% or -1.5% can be afforded in the scenario of a 0.5% transfer.
- 3.5 Appendix 1 of this document provides a schedule of the indicative implications at individual school level of the High Needs transfer and MFG protection level options. It needs to be noted that the modelling is based on the 2018/19 pupil numbers and data and the actual 2019/20 funding allocations will be based on the October 2018 pupil census information.

The options which schools are asked to consider are:

	High Needs Transfer	Minimum Funding Guarantee
Option 1	0.5%	- 0.5%
Option 2	0.5%	- 1.5%
Option 3	1.0%	- 1.5%

- 3.6 The minimum per pupil funding level amounts of £3,500 for primary schools and £4,800 for secondary schools take precedence over the MFG calculation so irrespective of the MFG level, schools will receive at least the minimum per pupil funding amount.

- 3.7 Funding associated with the mobility formula factor was allocated based on the historic 2017-18 funding level for 2018-19 and the DfE indicated that they intended to consider implementing a formulaic approach for 2019-20. The DfE have now confirmed that mobility funding will continue to be allocated on a historic basis for 2019-20 and it will be formularised for 2020-21.
- 3.8 The DfE have confirmed that the de-delegation of services will continue to be allowed for 2019-20. However, it is expected that the direction of travel will require all funding to be delegated at a future point – probably when the full NFF is implemented at some point after 2020-21. In this regard it is planned not to de-delegate the following items in 2019/20 (subject to approval from the Schools Forum in November 2018).

Behaviour Support Services
Ethnic Minority
Free School Meals Eligibility

- 3.9 The de-delegated funding related to behaviour support has previously been contributed to the School Improvement Partnerships. The funding has enabled the commissioning of support for schools requiring assistance. From September 2019, the School Improvement Partnerships have reduced funding and will be subject to a strategic review taking into account the implementation of a Learning Trust. Therefore, this funding is not considered to be required in the future.
- 3.10 The Ethnic Minority de-delegated funding has been used for English as an Additional Language (EAL) and Gypsy Roma Traveller (GRT) service provision. In 2018-19 this funding has been used to provide a core offer in a transitional year as the service developed a traded offer which has been implemented from September 2018. In this regard, this funding is no longer required to be de-delegated.
- 3.11 It is proposed to develop the traded service which already provides the checking process for free school meal eligibility for academies to cover maintained schools. Subject to approval from the Schools Forum in November 2018, this service will be available from 1st April 2019 and further information will be provided via NYES when this service is available to purchase.
- 3.12 At the meeting of the Schools Forum in November 2018 consideration will be given to the proposal to continue to de-delegate the contingencies related to Schools in Financial Difficulty and Unreasonable School Expenditure. The Forum will also consider whether or not it is appropriate to continue to de-delegate the funding associated with the work undertaken through the Trade Unions (Professional Associations Facilities Agreement - PAFA) or whether this work should be delivered through a traded service.

4. High Needs Funding

- 4.1 The indicative position with regard to the High Needs block funding received by North Yorkshire from the DfE is that the area-level funding will increase from £47.7m in 2018/19 to £48.1m in 2019/20. The addition of £400k in funding represents an increase of 0.76% compared to the 2018/19 funding level. This is clearly a very disappointing and concerning position as this increase does not cover inflationary pressures; nor does it address the significant increase in demands and pressure on High Needs services (further detail provided below). The High Needs funding allocation for North Yorkshire is at the DfE “funding floor”

level. The actual amount retained by the local authority is lower than the £48.1m due to deductions from the Education, Skills and Funding Agency (ESFA).

4.2 Within North Yorkshire there continues to be very significant pressure on High Needs funding. It is anticipated that the estimated financial pressure in 2018-19 will be in the order of £5.5m. This is reduced, in part, by the £1.6m (0.5%) transfer of funding from the Schools Block into the High Needs Block in 2018/19. **The overall result is an expected overspend of £3.9m on the High Needs budget in 2018/19. Future demand predictions indicate that, based on current trends, the underlying financial pressure of £5.5m will grow by approximately £1.5m - £2.5m in each of the next few years and that, if left unchecked, by March 2022 there will be a recurring overspend of between £10m - £13m per annum.** Key factors which are contributing to this overspend position are:

- The impact of the new SEND practices which were introduced as part of the Children and Families Act 2014
- A significant increase in the number of children receiving SEN Support with an increase of 1,014 children (717 primary and 297 secondary) between January 2016 and January 2018
- The total number of children with Education Health & Care Plans (EHCP) has increased by 46% between 2014/15 and 2017/18 (financial years)
- The total number of pupils in independent and non-maintained day out-of-authority placements has shown a year on year increase since 2014-15 with an associated increase in expenditure. In 2017-18 the average cost per pupil was £54k.
- Whilst the total pupils in independent and non-maintained residential out-of-authority placements has decreased year on year since 2014-15, a trend of increasing expenditure has been seen between 2016-17 and 2017-18 despite fewer pupils. In 2017-18 the average cost per pupil was £135k.

4.3 The Dedicated Schools Grant reserve within the North Yorkshire Local Authority is fully depleted which means that any overspend will be carried forward and will need to be met from future years funding allocations. This is clearly a very challenging and concerning position with regard to the High Needs budget as we are in a position where future funding levels are estimated to be, at best, static and there is a forecast trend of continued increase in demand for High Needs services / support and a continued increasing budget overspend.

4.4 The context for the proposal to transfer funds from the Schools Block to High Needs (0.5% (£1.6m) or 1% (£3.3m)) is for this funding to provide interim support towards the financial pressures whilst the proposals detailed below are progressed.

4.5 A number of proposals have been developed to address the unsustainable overspend position on the High Needs budget. These proposals relate to:

- The replacement of the CAN-DO Resource Allocation System with a Banded System (there is no saving attached to this proposal)
- Moving to study programmes of 600 planned hours per academic year for post-16 study for young people with EHCPs.
- Transformation of Pupil Referral Services (PRS) and Alternative Provision establishments with a reduced funding allocation.
- Reviewing the funding allocation, criteria and distribution of the Exceptional Element 2 funding.

- 4.6 These proposals potentially provide savings of up to £2.96m. Clearly, this is not sufficient to address the underlying projected overspend and further measures will need to be considered in order for future financial sustainability to be achieved for the High Needs budget.
- 4.7 A public consultation is being undertaken in relation to the proposed introduction a Banded System for the determination of Element 3 “Top Up” allocations, the proposed move to study programmes of 600 planned hours per academic year for post 16 young people with EHCPs and the transformation of the PRS and AP service delivery model. It is suggested this funding consultation is read in conjunction with the public consultation which will be able to be found on the North Yorkshire County Council website from 5th October to 11th November 2018. The proposal related to the review of the Exceptional Element 2 funding is considered in this funding consultation below.
- 4.8 A further consultation will be undertaken specifically with special schools establishments (LA maintained schools and academies) in relation to the MFG protection level associated with the formula used to calculate their funding allocations. This specific consultation will also consider the interaction of the MFG with the proposed implementation of the new Banded System for these establishments.

Exceptional Element 2 Funding

- 4.9 The notional SEN budget (Element 2) is a proportion of a school’s base funding which is “notionally” allocated for meeting the needs of children and young people with SEN attending the school. This is the same for all schools and academies. Schools and academies are expected to provide a core offer of teaching and learning for all pupils, and up to the first £6,000 of the costs of providing additional and different support to pupils with SEN. This should be aligned with the identification of children at SEN support with details of the additional support required specified in an SEN Support Plan in accordance with the SEN Code of Practice.
- 4.10 Following the introduction of the National Funding Formula in 2018-19, the calculation of the notional SEN percentage allocation within school and academy delegated budgets increased to 8.68% from 3.89%. In effect, this means that schools are required to provide support for more children with SEN in their establishments before they are able to access any additional contingency funding from the LA. It should be noted, however, that 8.68% is broadly in line with the national average; previously North Yorkshire were a significant outlier, compared with other local authorities, with a very low threshold before Exceptional Element 2 funding was triggered. With a notional SEN percentage allocation more in line with other local authorities, fewer schools will receive Element 2 Exceptional funding although this is more representative of the position of schools in other local authority areas. School and academy leaders, governors and SENCOs need to be aware of the notional SEN budget allocations for their schools and how resources are being deployed.
- 4.11 The Education and Skills Funding Agency (ESFA) requires that local authorities have regard to the provision of additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their high needs pupils cannot be reflected adequately in their formula funding and where it would be unreasonable to expect them to pay for the costs of the first £6,000 of additional support for

all high needs pupils. Local authorities may also provide additional funding from their high needs block to schools that have a higher proportion of pupils with SEN, for example, for schools that have developed a particular specialism or have a strong local reputation for inclusion that means that they attract higher than average numbers of pupils with Education, Health and Care Plans (EHCPs) or pupils with SEN support needs.

- 4.12 Historically, and prior to the implementation of the NFF, North Yorkshire has provided exceptional funding to support those schools where it would be unreasonable for them to fund the full cost of the first £6,000 of additional support for all of the pupils with High Needs in the school. With the implementation of the NFF in 2018/19 this exceptional funding has been under review and transitional funding was distributed to schools for the Summer Term 2018-19 pending the outcome of a consultation undertaken with schools in the Summer 2018 and discussions with the High Needs Funding Sub Group. Taking into account the responses received from summer 2018 consultation period and the feedback from the Subgroup, the local authority is considering the merits of making an allocation of Exceptional Element 2 budget funding (approx. £250k) to support small schools where it would be unreasonable for them to fund the full £6,000 for all of the pupils with High Needs in the school. If this allocation were not made, the funding would be used to contribute towards reducing the £5.5 million overspend on the High Needs budget.

School views are requested on the following options:

Option 1a - To apply the set of criteria for Exceptional Element 2 funding as set out in Appendix 2 as the new method of fixed allocation, starting from Autumn Term 2018-19. This option would provide an annual allocation of funding within the High Needs Block.

Option 1b – Similarly to Option 1a, to apply the set of criteria for Exceptional Element 2 funding as set out in Appendix 2 as the methodology for the allocation of funding for a transitional period of 1st September 2018 to 31st March 2019. The funding would cease from 1st April 2019.

Option 2 - To continue with the transitional funding method used for the summer 2018 term until 31st March 2019. This method used the full year 2017/18 Notional SEN data and the EHCP pupils as at March 2018, taking account of summer term leavers. The funding was provided at 60%. The full-year allocation based on this methodology would be pro-rata for eight months (August 18 to March 19). The funding would cease from 1st April 2019

Option 3 – Allocate no further funding from 1st September 2018 (i.e. effectively cease funding at the end-Summer Term 2018).

- 4.13 Appendix 3 of this document provides a schedule of the illustrative allocations at individual school level of the Exceptional Element 2 options detailed above. It needs to be noted that modelling is based on the pupils with an EHCP in a school as at September 2018. Any actual 2019/20 funding allocations will be updated to reflect the pupils in school with an EHCP as at January 2019.

5. Next Steps

- 5.1 Accompanying this consultation paper is a response form. We would be grateful if you could return this by email, or otherwise respond by email to the questions, by 6pm on Monday, 29th October 2018. Please send your responses to Deborah.wilbor@northyorks.gov.uk

5.2 The results of this consultation will be presented to members of the North Yorkshire Schools Forum for final decisions and recommendations to be made at its meeting on 19th November 2018. Schools will be notified of the outcome of this before the end of November.

5.3 The DfE release the data needed to calculate next year’s budget in mid-December. We aim to publish primary and secondary school budgets by mid-February.

6. Consultation Questions

6.1 The questions set out in the accompanying response form are as follows:

Q1. Please indicate which of the following options you support 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 may be indicated for more than one option):			
	High Needs Transfer	Minimum Funding Guarantee	Support (Y/N)
Option 1	0.5%	- 0.5%	
Option 2	0.5%	- 1.5%	
Option 3	1.0%	- 1.5%	

Q2. Please indicate which of the following options you support in respect of future Exceptional Element 2 funding allocations (support may be indicated for more than one option):		
		Support (Y/N)
Option 1a	To apply the set of criteria for Exceptional Element 2 funding as set out in Appendix 2 as the new method of fixed allocation, starting from Autumn Term 2018. This option would provide an annual allocation of funding within the High Needs Block.	
Option 1b	To apply the set of criteria for Exceptional Element 2 funding as set out in Appendix 2 as the methodology for the allocation of funding for a transitional period of 1st September 2018 to 31st March 2019. The funding would cease from 1st April 2019.	
Option 2	To continue with the transitional funding method used for the Summer 2018 term until 31st March 2019. The funding would cease from 1st April 2019	
Option 3	Allocate no further funding from 1st September 2018 (i.e. effectively cease funding at the end-Summer Term 2018).	

Q3: Do you have any further comments relating to the LA's proposals for school funding for 2019/20?

6.2 Please could you send your response to these, by email, by **6pm on Monday 29th October** to deborah.wilbor@northyorks.gov.uk

Accompanying Appendices

- Appendix 1: Schedule of the indicative implications at individual school level of the High Needs transfer and MFG protection level options.
- Appendix 2: Proposed new methodology for the allocation of Exceptional Element 2 funding
- Appendix 3: Schedule of the illustrative allocations at individual school level of the Exceptional Element 2 funding allocation options