



HILLINGDON

LONDON

Consultation Paper – November 2019

Schools & High Needs Funding Arrangements 2020/21

Target audience:	Headteachers Senior Managers 14-19 Representatives Early Years Providers	Governing Bodies Finance Officers Schools Forum
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Deadline for responses: 8 December 2019

Queries on this consultation paper should be directed to:

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Formal responses should be made by accessing the Google form via the following link;

[Response form](#)

If you have any issues with accessing the link to the response form please contact;

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Contents

Section	Description	Page
1	Introduction	3
2	Schools Block Funding	4
3	High Needs Block Funding	10
4	De-delegated Budgets (Maintained schools only)	12

1. Introduction

- 1.1 The schools funding settlement for 2020/21 will be announced by the Secretary of State for Education in December 2019 and will be updated by using the October 2019 census pupil data. In the run up to this, the Department for Education (DfE) have released a number of technical guidance updates in August 2019 and then again in October 2019.
- 1.2 The local authority is required to consult with the Schools Forum annually on the following matters prescribed in the Schools Forums (England) Regulations 2012;
 - (i) amendments to the school funding formula
 - (ii) arrangements for the education of pupils with special educational needs
 - (iii) arrangements for de-delegated budgets for maintained schools
- 1.4 This paper is being circulated widely to encourage engagement with schools and independent nursery providers, in order to assist Schools Forum in making a final decision on the use of the Dedicated Schools Grant (DSG) funding and the relevant funding formulas for early years and schools including special schools, prior to submitting the required details to the DfE (which has been set as 19 January 2018), who will advise on the suitability of the proposed funding formulas.
- 1.5 The release of this paper allows just a short period of time for consultation with stakeholders (approximately 4 weeks) as responses will be required to be returned by midnight on 8 December 2019. Schools Forum will then review the responses when they meet on 12 December 2019. However, it should be noted that the deadline for submitting any disapplication request to move funds between the Schools Block and the High Needs Block is 30 November 2019.

2. Schools Block Funding

School Funding Formula

- 2.1 2020/21 is the third year of the National Funding Formula (NFF) for schools. Whilst it remains the government's intention that a school's budget share should be set on the basis of a single national formula, local authorities will continue to determine final funding allocations for schools through a local formula in 2020/21. The expectation remains that a 'hard' NFF will be implemented at some point in the future.
- 2.2 A key design principle of the NFF is that it maximises the proportion of funding allocated to pupil-led factors. This is to ensure that as much funding as possible is distributed in relation to pupils and their characteristics. At the beginning of October 2019, the Department for Education released a statement, setting out the funding settlement for Schools and High Needs. As a result, there are a number of changes to the NFF for 2020/21:
 - (i) The minimum per-pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools.

- (ii) There will be an increase of 4% to the formula's core factors. Exceptions to this are the free school meals factor, which will be increased by inflation, as it is intended to broadly reflect actual costs, and premises funding.
 - (iii) Local authorities will have the freedom to set the MFG in local formulae between +0.5% and +1.84% per pupil, as well as to use a gains cap.
 - (iv) Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required for transfers above 0.5%, or any amount without schools forum approval.
- 2.3 The indicative DSG Budget for 2020/21 confirms that the Schools Funding Block for Hillingdon will increase by £8,992k (equivalent to 4.15%). The expectation is that there will be a further £3.5m as a consequence of pupil growth.
- 2.4 One of the areas that the local authority and Schools Forum are required to consult on each year is any proposed changes to the local funding formula. For 2020/21, Schools Forum has decided that the only proposed changes to the formula are in relation to the distribution of the additional Schools Block funding. The consultation is asking stakeholders for views on the following two options:
- (i) To distribute the additional funding by increasing pupil led factors by 4% (except for the free school meals factor which will be increased by 1.84%) in line with the changes to the NFF,**
 - (ii) To distribute the additional funding by increasing the Age Weighted Pupil Unit (AWPU) rates and retaining all other factors at the 2019/20 LBH rates.**

Schools Block Transfer

- 2.5 The Schools Block will again be ring-fenced in 2020/21, but there will remain some flexibility to transfer funding. Local authorities may transfer up to 0.5% of schools block funding into another block, with the approval of their Schools Forum. Any requests to transfer above 0.5% require a disapplication, regardless of any previously agreed transfer amounts. Where local authorities need to make any transfer for 2020/21, there must be new discussions with schools forum and consultation with schools. This includes cases where schools forums have agreed recovery plans, submitted to the department, assuming future year transfers. It is important that any consultation sets out the full amount of the proposed transfer, not just further transfers in addition to 0.5% or previous years' transfers.
- 2.6 Hillingdon is one of 32 local authorities that was required to submit a deficit recovery plan as it had a cumulative deficit of greater than 1% of the total DSG at the end of the 2018/19 financial year. This is attached in Appendix A to provide background and context. As part of the deficit recovery plan, the Council had to provide a financial analysis covering the period 2019/20 to 2021/22. This analysis has been updated based on the latest 2019/20 monitoring position as well as the additional funding of £4,906k that has been allocated to

the High Needs Block as part of the funding settlement announced at the beginning of October 2019 and is set out in Appendix B.

- 2.7 The latest 2019/20 monitoring position indicates that the DSG budget will overspend by £5,125k in 2019/20, resulting in a cumulative deficit on the DSG of £13,617k. It should be noted that this position includes the transfer of £3,499k from the Schools Block in 2019/20. The 2019/20 position has then been used to estimate the growth in the cost of High Needs placements for 2020/21 and 2021/22. This indicates that before any transfer of funds from the Schools Block is agreed, taking into account the additional funding of £4,906k and growth funding of £500k, the pressure on the DSG budget is estimated to be £6,959k in 2020/21 increasing to £10,391k in 2021/22.
- 2.8 This position assumes that the growth in the number of Education, Health and Care Plans increases at the current rate of between 10% and 11% and that a higher proportion of placements are made in Independent Non Maintained Special Schools.
- 2.9 As the amount required is above 0.5% of the DSG (the maximum level at which Schools Forum can agree a transfer) and in order for the Council to be in a position to set an in year balanced budget, it will need to submit a disapplication request to the Secretary of State on or before 30 November 2019. However, the Department for Education expect the Council to consult with schools.
- 2.10 The Council therefore wish to consult with schools on a planned transfer of funding from the Schools Funding Block to the High Needs Funding Block, to enable the Council to set a balanced in year Dedicated Schools Grant (DSG) budget for 2020/21. These funds are required to assist with supporting the significant growth experienced in Hillingdon in the number of Education, Health and Care Plans (EHCP) that have been issued and also to recognise the increase in the complexity of need that these children and pupils have.
- 2.11 The following proposals in relation to a Schools Block transfer are being consulted on, where it should be noted that the values are cumulative:
- (i) The transfer of 1.6% (£3,499k) as approved by the Secretary of State in 2019/20, where this would result in the full £8,992k being retained in the Schools Block,**
 - (ii) The transfer of an additional 1.6% (£3,460k), a total of £6,959k, in order to allow an in-year balanced High Needs budget for 2020/21 to be set, where this would result in a reduced increase of £5,532k being retained in the Schools Block,**
 - (iii) The transfer of an additional 1.25% (£2,800k), a total of £9,759k, in order to start recovering the cumulative deficit on the DSG, should no new additional funding be allocated by the Department for Education, where this would result in a reduced increase of £2,732k being retained in the Schools Block.**
 - (iv) No Schools Block transfer.**

Modelling of the Financial Impact

2.12 Modelling has been completed in order to determine the potential financial impact of each of the above proposals. The impact by school and by sector of each of the proposals are summarised in the attached appendix. There are a few things to note when considering the results of this modelling;

- (i) The funding distribution is based on October 2018 pupil numbers, as we are still waiting on finalised numbers for 2019,
- (ii) The Minimum Funding Guarantee (MFG) has been set at +0.5% (so each school will see a minimum 0.5% per pupil funding increase)
- (iii) The modelling does not include the estimated additional £3.5m of funding as a consequence of pupil growth.
- (iv) The modelling assumes that the DfE has not approved the Minimum Funding Guarantee (MFG) disapplication submission.

Appendices

Appendix A – Deficit Recovery Plan Submitted to the DfE in June 2019

Appendix B – Updated DSG Budget Estimate 2019/20 to 2021/22

Appendix C – Financial modelling of the impact of the different proposed options for the school funding formula in 2020/21.

Minimum Funding Guarantee (MFG) Disapplication 2020/21

2.13 On review of the 2019/20 school funding formula it is apparent that there are a number of schools that have historic MFG protection that evidence suggests is no longer applicable as those schools have proportionately high levels of surplus balances, which have been increasing over the last few years. The Schools Revenue Funding Operational Guide does allow for technical adjustments to the calculation of the MFG where over protection would otherwise occur. It was therefore considered that a disapplication request be submitted to the ESFA to disapply and re-baseline the MFG for 2020/21, the deadline for which was 11 October 2019.

2.14 In 2019/20 the MFG was set at -1.5% meaning no school had a per pupil reduction of more than 1.5% per pupil. In 2019/20 the total MFG protection was £1.3m, distributed across 10 schools as per the table below;

School	2019/20 MFG £
Rosedale College	481,276
Northwood School	422,068
John Locke Academy	163,059
Laurel Lane Primary School	48,023
Parkside Studio College	44,757
Nanaksar Primary School	40,622
Hewens Primary School	28,148
Harlington School	16,173
De Salis Studio College	11,103
Oak Farm Infant School	971
Total	1,256,202

2.15 As can be seen, 72% of the MFG is paid to just two schools (Rosedale College and Northwood School). This MFG is historic protection that goes back a number of years.

	2019/20 Average per Pupil Rate	2019/20 per Pupil Rate	2019/20 per Pupil Rate (with re- baselined MFG)
Primary Schools	£	£	£
Laurel Lane	3,894.94	4,520.74	4,374.33
Hewens Primary	3,894.94	4,095.48	4,095.48
John Locke Primary	3,894.94	3,946.46	3,581.27
Oak Farm Infant	3,894.94	3,856.61	3,856.61
Nanaksar	3,894.94	3,736.58	3,736.58

	2019/20 Average per Pupil Rate	2019/20 per Pupil Rate	2019/20 per Pupil Rate (with re- baselined MFG)
Secondary Schools	£	£	£
Rosedale College	5,395.65	6,255.24 (1)	5,551.61
Harlington School	5,395.65	5,874.18 (2)	5,874.18
Northwood School	5,395.65	5,777.90 (4)	5,223.28

	2019/20 Average per Pupil Rate £	2019/20 per Pupil Rate £	2019/20 per Pupil Rate (with re- baselined MFG) £
14-19 Schools			
Parkside Studio College	6,134.44	7,126.88 (1)	6,313.11
De Salis Studio College	6,134.44	6,08.66 (2)	5,897.63

2.16 The tables above indicate that generally, the per pupil rates for those schools in receipt of an MFG are significantly higher than the average per pupil rates. If the per pupil funding was adjusted by re-baselining the MFG, then in most cases the per pupil funding rates would be brought more in line with average.

School (Maintained)	Balance at 31.03.19 £	Balance at 31.03.18 £	In Year Increase/ Decrease £
Oak Farm Infant	508,144	163,071	45,073
Harlington	508,922	488,297	60,625

School (Academies)	Balance at 31.08.18 £	Balance at 31.08.17 £	In Year Increase/ Decrease £
Laurel Lane Primary	519,000	631,000	-112,000
Hewens Primary	2,078,000	1,819,000	259,000
Nanaksar Primary	894,466	749,975	144,491
John Locke Primary	9,000	25,000	-16,000
Parkside Studio	-200,000	161,000	-361,000
De Salis Studio	-967,000	-738,000	-229,000
Northwood School	2,267,213	1,141,166	1,126,047
Rosedale College	4,599,000	4,315,000	284,000

2.17 The above tables provide information on the surplus balances in each of the schools and indicates that in the majority of cases the schools have significant balances which have increased in the last reported accounting period (except for the two Studio Colleges, although the financial stability of these facilities is being questioned). This would evidence that the MFG protection is not needed in these cases and the funding for the majority of schools has been over protected.

2.18 The analysis indicates that for the two schools with the highest level of MFG, they have healthy surplus balances and in fact have increased those balances when comparing 2017/18 to 2018/19. For 2020/21, the Minimum Funding Guarantee has to be set between +0.5% and +1.84%, which would protect the funding of these schools and increase the

level of the existing MFG at a time when it is evident that school balances are reducing. Additionally these two schools are in the top 4 when considering the per pupil level of funding.

2.19 As a consequence of the above, a disapplication request has been submitted to the ESFA. There is now a requirement to consult with schools in order to get views on this proposal.

2.20 Stakeholders are being asked to comment on the following:

- i) **A proposal to rebase the Minimum Funding Guarantee, effectively setting it at zero.**

3. High Needs Block Funding

3.1 Local authorities are able to provide additional funding outside the main funding formula for mainstream schools on a consistent and fair basis where the number of pupils with SEND and/or high needs cannot be reflected adequately in the funding they receive through the local funding formula. In Hillingdon, the 2% threshold mechanism recognises those mainstream schools that have a disproportionate number of pupils with SEN. The mechanism distributes additional funding to schools where the number of pupils with an EHCP is more than 2% of the total pupil population. The additional funding allocated is £6k for each pupil over the 2%, which is funded from the High Needs Block.

3.2 The threshold was set a number of years ago and when the mechanism was introduced the number of pupils with a Statement of SEN in a mainstream schools was on average 2% of the total school population. Given that the recently published SEN 2019 data indicates that the average percentage of pupils with an EHCP is now closer to 3%, consideration needs to be given to whether the threshold is increased.

3.3 There has been increasing pressure on the High Needs budget and as the number of EHCPs in mainstream schools has grown, the budget requirement has increased. In 2019/20 a budget of £604k was allocated for the 2% threshold which was based on the total spend in the previous year. This was an increase of £155k (34%) when compared with the 2018/19 budget. The current projected spend on the 2% threshold in 2019/20 is £990k, an overspend of £386k. Increasing the threshold to 3% will better reflect the current percentage of the pupil population that have an EHCP that attend mainstream school and will result in a reduction to the pressure on this budget.

3.4 As the average number of pupils with an EHCP within secondary schools remains closer to 2%, further consideration is needed as to whether there should be a different threshold for Primary and Secondary. The financial impact of the proposed changes to the threshold have been modelled and are summarised in the table below;

Financial Year	Primary	Primary	Secondary	Secondary	Total	Budget	Variance
	%	£	%	£	£	£	£
2018/19	2.0%	394,000	2.0%	212,000	606,000	449,300	156,700
2019/20	2.0%	804,000	2.0%	186,000	990,000	604,000	386,000
2019/20	2.5%	426,000	2.5%	78,000	504,000	604,000	-100,000
2019/20	3.0%	180,000	3.0%	30,000	210,000	604,000	-394,000
2019/20	2.5%	426,000	2.0%	186,000	612,000	604,000	8,000
2019/20	3.0%	180,000	2.0%	186,000	366,000	604,000	-238,000

3.5 The number of schools that would attract the threshold for each of the models is detailed in the table below. This is compared with the 2013/14 baseline which is the year that the mechanism was first introduced. This demonstrates that the number and proportion of schools has increased significantly over time.

Financial Year	%	Primary	% of Total Primary	Secondary	% of Total Secondary	Total	% of Total
2013/14	2.0%	13	19%	6	27%	19	21%
2018/19	2.0%	31	45%	7	32%	38	42%
2019/20	2.0%	36	52%	5	23%	41	45%
2019/20	2.5%	25	36%	3	14%	28	31%
2019/20	3.0%	10	14%	1	5%	11	12%

3.6 The modelling indicates that by increasing the threshold, the budget requirement based on current numbers of pupils with an EHCP would reduce to £504k, if the threshold for both primary and secondary was set at 2.5%, highlighted in green and £210k, if the threshold for both primary and secondary was set at 3%, highlighted in yellow.

3.7 Alternatively, if a different threshold was implemented based on 3% for Primary and 2% for Secondary, the budget requirement would reduce to £366k, highlighted in blue. This would reduce the pressure on the High Needs block, though given the continuing increase in the number of pupils with an EHCP in mainstream schools the budget required is likely to increase in 2020/21.

3.8 The following proposal in relation to increasing the SEN Threshold funding is being consulted on:

- i) **To increase the Threshold to 3% for both Primary and Secondary**
- ii) **To increase the Threshold to 2.5% for Primary and Secondary**
- iii) **To increase the Threshold to 3% for Primary but retain Secondary at 2%**

4. De-delegated Budget (Maintained Schools only)

- 4.1 The Department for Education (DfE) requires local authorities to consult with primary and secondary LA maintained schools every year about the de-delegation of a number of central budgets. De-delegated funds are a deduction from a school's budget share and are held centrally to fund relevant services and can only apply to maintained primary and secondary school budgets.
- 4.2 Decisions on de-delegation have to be taken by Schools Forum and will be taken separately in respect of maintained primary and maintained secondary schools and in each case the decision requires the agreement of a majority of the maintained representatives for the relevant phase on the Schools Forum.
- 4.3 For all these budgets, the total amount de-delegated depends on the number of LA maintained schools in Hillingdon, and how many pupils they have on roll.
- 4.4 Following discussions at the Schools Forum meeting on 7th November 2019, it was agreed that maintained schools would be consulted on the following de-delegation proposals

Trade Union duties staff supply cover

- 4.4 Staff costs for trade union duties funds the salaries of officials of the various unions representing staff in schools. All schools and academies within Hillingdon are part of a Trade Union Recognition Agreement (TURA), and as such have a responsibility to provide facility time to union representatives. Under a Facilities Time arrangement, local secretaries are nominated and if de-delegation is agreed, time is paid for out of a centrally managed fund.
- 4.5 If the trade union facilities arrangements are not managed this way then schools would need to make local plans to cover the costs of trade union facilities directly from their budgets. The benefits of de-delegation is that it is a more efficient and cost effective way of managing facilities time with schools able to pool resources to cover the cost in a way that avoids costs falling unpredictably or unevenly across schools.
- 4.6 The proposal is that funding for this is de-delegated again in 2020/21. The financial impact of this for maintained schools is £2.19 per pupil (in line with previous years). The budget is supplemented by income from a traded service that enables academies to contribute to these costs.

Teacher Pensions Administration

- 4.7 Following the removal of the Education Services Grant (ESG) from 1 September 2017, local authorities needed to agree with maintained schools whether they wished funding to be retained to fund the continuation of services previously funded by the ESG with the mechanism for this through de-delegation.

- 4.8 Following consultation with all maintained schools in January 2017, Schools Forum agreed that funding should be de-delegated for Teachers Pensions Administration. The proposal is that this de-delegation continues in 2020/21 with the financial impact of this being approximately £1.24 per pupil (this is a 2% increase on 2019/20 to reflect the support staff pay award). This reflects a contribution to the cost of the post responsible for the maintenance and reconciliation of Teachers Pensions payments, the identification and follow-up of any queries with schools and payroll providers and the payment of deductions to the Teachers Pensions Agency.
- 4.9 Should this proposal not be supported by schools and Schools Forum do not agree to de-delegate, schools will be required to deal with any queries that the Council receives from Teachers' Pensions, as the Council will no longer be able to liaise directly with the Payroll provider.