

Report for: Cabinet Member Signing 18 January 2019
Title: Haringey Council's Local Schools Funding Formula for the 2019-20 financial year

Report authorised by: 
Ann Graham – Director of Children's Services

Lead Officer: Muhammad Ali – Dedicated Schools Budget Accountant
Tel : 020 8489 4491, Email: Muhammad.Ali@haringey.gov.uk

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

This report seeks the Cabinet Members' approval for changes to the Council's local schools funding formula for the 2019-20 financial year in line with the Schools National Funding Formula set out by the Department for Education (DfE).

Following consultation by the Council with all maintained schools and academy schools in the borough, Schools Forum asked the Council to continue the existing local school funding formula. However, given the nature of the funding settlement, a number of adjustments are required to the local funding formula for the 2019-20 financial year. These are set out in the recommendations below.

Cabinet Member signing will follow Schools Forum on 17th January 2019, where further discussion will be required. Final adjustments to the recommendations may need to be made in the light of that discussion and consultation. The funding allocation for the year 2019-20 must then be submitted to the Education and Skills Funding Agency (ESFA) via the Authority proforma tool (APT) by 21st January 2019.

2. Cabinet Member Introduction

The introduction of the National Funding Formula for schools has been a challenge up and down the country and Haringey has been at the forefront of campaigning to ensure that no schools lose out. Whilst this led to an improved settlement in 2018, the increase in funding for schools in Haringey is still below inflation and budgets available to schools to support children and young people with special educational needs and disabilities (SEND) are under increasing and serious pressure. The recent government announcement of £250 million to support these budgets is welcome but in no way sufficient to meet the wider deficit facing councils in providing this support – this is currently £472 million nationally, and is predicted to rise to £800 million in 2019/20.

Against this challenging background, the Council have worked closely and collaboratively with schools across the borough to ensure that the funding available is distributed as fairly as possible so that all Haringey schools can continue to deliver excellent outcomes for our children and young people. In addition, schools have agreed to move a significant amount of funding (£490k) into High Needs to support those with the greatest need.

3. Recommendations

Following agreement at Schools Forum on the principles for distributing the 2019-20 Schools Block funding, the Cabinet Member is asked to agree the following changes to the local schools funding formula for the 2019-20 financial year:

- (a) revise the Growth Fund to £922k
- (b) transfer 0.25% out of the Schools Block into the High Needs Block
- (c) set the Minimum Funding Guarantee (MFG) at +0.2% per pupil
- (d) after which, if there was a surplus, to move any further amounts necessary to increase the amount to be transferred from the Schools Block into the High Needs Block up to the maximum of 0.5% permissible.

Please note: this may need to be updated following the meeting with Schools Forum on 17th January 2019.

These changes require approval by the Council in line with its local scheme of delegation to complete the Authority Proforma Tool, as required by the ESFA. Such approval can be given on behalf of the Council by the Lead Member.

Alongside these changes to the formula, it should be noted that Schools Forum has agreed to transfer 0.25% (£490k) from the Schools Block to the High Needs Block.

The Council's Schools Forum has set Growth Fund's to £922k for 2019-20 to enable local authorities to respond where significant growth in pupil numbers occurs in-year and is not immediately recognised by the lagged funding system.

4. Reasons for decision

The Council is legally required to set the local schools funding formula and must submit this to the ESFA by 21st January 2019.

The recommended changes to the local funding formula follow:

- (a) Consultation with schools on their preferred option (based on initial modelling from ESFA, which has since been revised) in November 2018.
- (b) Discussion at Schools Forum in early December 2018, where the principles underpinning how the funding formula should operate were agreed and minuted in light of the response to the consultation.
- (c) The final allocations have been agreed at December 2018 School Forum. The final school budget allocations are presented to the Schools Forum on 17th January 2019 for their approval.

5. Alternative options considered

Following consultation with the Schools Forum on 18th October 2018, all schools in Haringey were consulted on the proposed changes for 2019-20 to the Council's Schools Funding Formula, with a deadline of 1 pm on 20th November 2018 for responses from Head teachers and Chairs of Governors. The following table shows 3 available options and total responses received for all three options – based on modelling of the Schools Block with the latest available information – were consulted upon:

TABLE A(i)

Question: Which is your	Option A	Option B	Option C -
-------------------------	----------	----------	------------

<i>preferred option?</i>	<i>+0.4% MFG and 0% transfer to HNB</i>	<i>+0.2% MFG and 0.25% transfer to HNB</i>	<i>0.1% MFG and 0.5% transfer to HNB</i>
<i>Head teacher Votes</i>	10	5	0
<i>Chair of Governors Votes</i>	1	0	1
Total Votes	11	5	1

MFG = Minimum Funding Guarantee
HNB = High Needs Funding Block

TABLE A(ii)

<i>Financial Implications of each option</i>	<i>Option A +0.4% MFG and 0% transfer to HNB</i>	<i>Option B +0.2% MFG and 0.25% transfer to HNB</i>	<i>Option C - 0.1% MFG and 0.5% transfer to HNB</i>
<i>MFG</i>	£0.8m	£0.4m	£0.2m
<i>HNB</i>	0	£0.5m	£1m

Despite the consultation supporting Option A, when it met in December Schools Forum accepted Option B in order to support the High Needs Block. It was also recognised that further work would be needed to reach the final funding formula once the ESFA confirmed the final allocation.

6. Background information

In July 2017, DfE announced the introduction of the national funding formula (NFF) which was supported by additional investment in 2018-19 and 2019-20. Over the next two years, which will enable the council to maintain per-pupil spending on the schools and high needs blocks.

The Secretary of State in December announced an additional £1.3bn of funding for schools and high needs across 2018-2019 and 2019-2020, which for Haringey equates to £625k additional funding in both years.

The policy document which sets out the background and principles of the new National Funding Formula for schools can be found at:

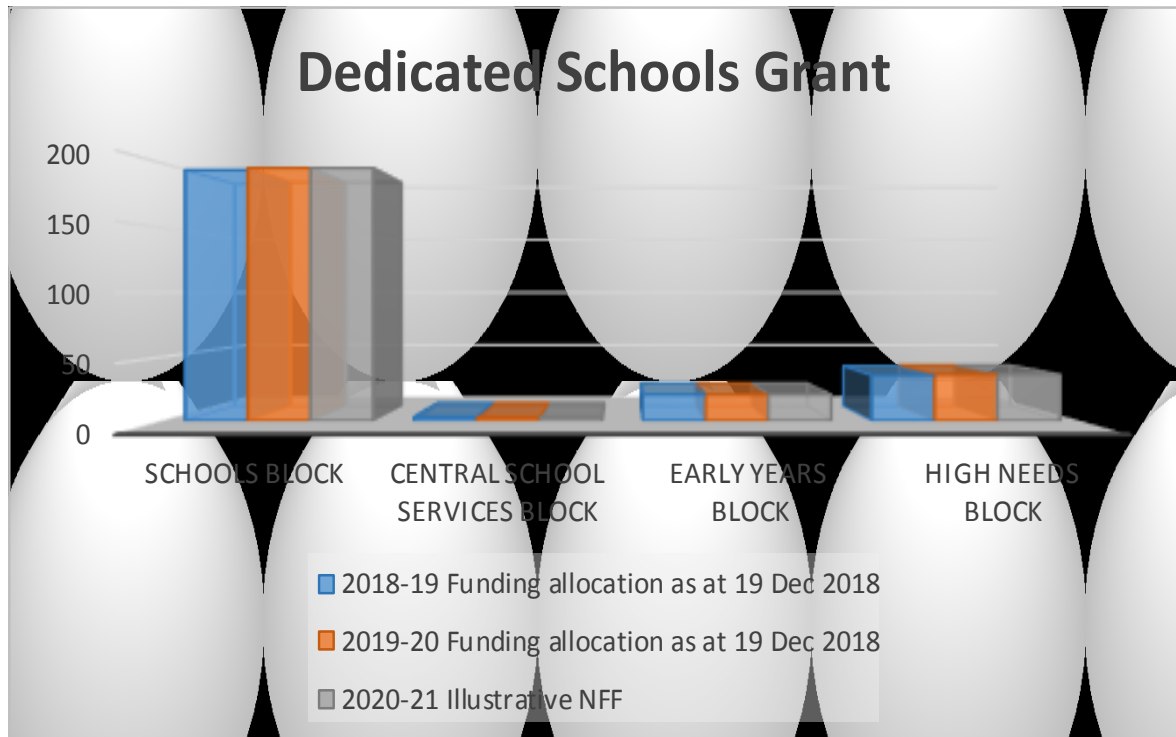
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648532/national_funding_formula_for_schools_and_high_needs-Policy_document.pdf

The DSG is currently divided into four notional blocks:

- Schools,
- High Needs,
- Early Years, and
- Central School Services Block.

Graph A sets out Haringey's Dedicated Schools Grant allocations for 2018-19, the rebased DSG baseline allocation for 2019-20, and the illustrative National Funding Formula for 2020-21.

Graph A – Haringey's Dedicated Schools Grant



No more than 0.5% of the Schools Block funding can be transferred to other blocks within the DSG and the approval of Schools Forum is required.

From 2018-19, money that was previously centrally retained has been set aside in the Central Schools Services Block which is held by the local authorities and will continue to deliver similar services as in the past under centrally retained funds.

As in previous years, decisions by maintained schools to de-delegate funding in 2019-20 will need to be taken through Schools Forum.

The DfE has not committed to the future arrangements, but the expectation is that a 'hard' NFF will be introduced – i.e. without a local formula applied - from 2020-21 (although not confirmed).

7. Contribution to strategic outcomes

The local school funding formula is an important element in delivering the best possible outcomes for Haringey's children and young people under Priority 1 Best Start in Life in the Borough Plan.

Priority 1 underpins the council's approach to ensuring young people in Haringey get the best start in life, through early help, excellent education and support.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

The recommended changes to the Council's local schools funding formula as given below:

- revise the Growth Fund to £922k
- transfer 0.25% out of the Schools Block into the High Needs Block
- set the MFG at +0.2% per pupil
- after which, if there is a surplus, for this to be allocated from the Schools Block into the High Needs Block up to the maximum of 0.5% permissible.

TABLE B - DSG revenue funding allocations 2019-20

2019-20 DSG Funding	Schools Block	High Needs	Early years	Central	Total
	£m	£m	£m	£m	£m
Schools Block DSG funding settlement	196,969.00	36,048.38	20,282.00	3,026.00	256,325.38
Schools Block to High Needs Block (0.25%)	(0.49)	0.49	0.00	0.00	0.00
Growth Fund	(0.92)	0.00	0.00	0.92	0.00
Additional SEN funding	0.00	0.63	0.00	0.00	0.63
Transfer of inclusion budget	0.00	0.37	(0.37)	0.00	0.00
Total funding available	196,967.59	36,049.86	20,281.63	3,026.92	256,326.00

TABLE C – DSG forecast reserves

<u>DSG Reserve Position 2019/20</u>	DSG Reserve 01/04/18	Schools Forum agreed transfer between blocks	Revised DSG Reserves	P09 Forecast	Closing DSG Reserves at P09(18/19)	Additional In-Year Funding (19/20)	Net Position in 19/20
Schools block	(1,267)	888	(379)	(273)	(652)	0	(652)
Central block	0	0	0	(15)	(15)	0	(15)
Early years block	(1,653)	1,100	(552)	6	(547)	366	(181)
High needs block	1,500	(1,988)	(488)	* 4,297	3,809	** (1,481)	2,328
Total	(1,419)	0	(1,419)	4,015	2,596	(1,115)	1,481

* 2018-19 the additional ESFA funding of £625K for the year 18/19 has been taken into P09 forecast figure of £4,297

** High Needs Block 2019/20:	(£000)
Additional funding of £625k approved by the ESFA	625
SEN nursery school early support places	366
£490k (.25%) Contribution from the schools block as agreed by the schools forum	490
Additional in year funding for High need block	1,481

In July 2018, DfE announced that any local authority that finds itself with a cumulative DSG deficit of over 1% at 31st March 2019, will need to submit a recovery plan stating

how they intend to bring their deficits back into balance. The threshold for Haringey Council is £2.6m, which is also the current forecast year end position.

The High Needs block is currently forecasting a deficit of £3.8m and is comparable to the national picture and is proving problematic for all local authorities to manage. The demand for services for children has increased dramatically nationally in recent years, with the number of children with a statement of SEND rising by 35% between 2014-2018 and children permanently excluded from schools rising by 67%. This has had a direct impact on high needs spending. The rising cost of support for children young people with SEND is driven by the increase in number of children requiring support and extended age of local authority responsibility from 0-25 years. At the same time the unit cost of providing the support is also increasing. To address the increasing pressure the high needs spending has been supported by additional funding from other sources, such as transfer from school block funding, the use of DSG reserves additional funding from central government.

Whilst the fund is currently in deficit it is expected to be self contained with no direct implications from this decision in relation to the Council's General Fund.

Procurement

There are no procurement issues associated with this decision.

Assistant Director of Corporate Governance comments

There are at present no regulations in force governing local authorities' financial arrangements in relation to the funding of maintained schools in England for the financial year 2019-2020. The last set of regulations the School and Early Years Finance (England) Regulations 2018- only applied to the 2018-2019 financial year. However, it is reasonable to assume that in line with previous years regulations will be made, coming into force by 1st April 2019, that govern those financial arrangements for the 2019-20 financial year. It is also reasonable to assume that these regulations will implement most if not all of the requirements placed on local authorities by the Education and Skills Funding Agency's Operational Guide "Schools revenue funding 2019 to 2020" (December 2018).

The Operational Guide states that "local authorities must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with their Schools Forums, about any proposed changes to the local funding formula including the method, principles, and rules adopted". It also says that "Any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies". It goes on to say that local authorities must report their local funding formulas to the ESFA on a combined modelling tool and proforma, the Authority Proforma Tool (APT) and that they must submit their final APT by 19th January 2019. It also points out that "the local authority is responsible for making the final decisions on the formula, and each authority's process must ensure that there is sufficient time to gain political approval before the APT deadline in 21st January 2019". It notes that the Schools Forum does not decide on the formula.

The Regulations governing the 2018-2019 financial year placed a duty on the local authority to consult its Schools Forum and schools maintained by it about any proposed changes to its local school funding formula, in relation to the factors and criteria taken into account, and the methods, principles, and rules adopted. It is highly likely the Regulations governing the 2019-2020 financial year will place a similar duty on local authorities. It is not clear if the latter Regulations will put a duty on local authorities also to consult with academies in their area. However, if the Council has a

settled practice of consulting academies in Haringey over proposed changes to its local school funding formula, then those academies can argue they had a legitimate expectation of such consultation, and take action by way of judicial review proceedings to require such consultation if it does not take place.

Where a statute or previous practice establishes an obligation on a decision-maker to consult, the following legal principles apply:

- (a) The consultation must take place while the proposals are still at a formative stage (i.e. when the results of the consultation may still make a difference)
- (b) The consultee must be given sufficient information about, and reasons for, the proposal to be able to respond in a meaningful and intelligent way and given sufficient time to be able to respond
- (c) Depending on the circumstances of the particular case, it may also be necessary to consult about other options that have been rejected.
- (d) There must then be sufficient time for the responses to be considered properly, and the responses must be considered conscientiously, in the course of taking the ultimate decision.

Equalities comments

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it
- Foster good relations between people who share a relevant characteristic and people who do not share it.

The three parts of the duty applies to the following protected characteristics: is age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The report proposes to revise the Dedicated Schools Grant Growth Fund to £922k, transfer 0.25% from the Schools Block to the High Needs Block, and set the Minimum Funding Guarantee at +0.2% per pupil. This is in line with the Department for Education's National Funding Formula. No options are available to provide differential funding to schools in relation to the proportion of pupils with protected characteristics. The 0.25% transfer from the Schools Block to the High Needs Block will support provision for pupils with special educational needs and disabilities. Setting the MFG at +0.2% will help ensure continued high quality educational provision for all pupils in Haringey. These changes demonstrate due regard for the protected characteristics of age and disability.

9. Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

The following information was used in compiling this report:

- Department for Education, The national funding formula for schools and high needs (2017):
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648532/national_funding_formula_for_schools_and_high_needs-Policy_document.pdf