

Report for: Cabinet Member Signing 17/01/2020

Title: Haringey Council's Local Schools Funding Formula for the 2020-21 Financial Year

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

Lead Officers: Muhammad Ali – Finance Business Partner
Tel : 020 8489 4491, Email: Muhammad.Ali@haringey.gov.uk

Kristian Bugnosen – Principal Accountant
Tel : 020 8489 3675, Email: Kristian.Bugnosen@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 2020-21 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 and academy schools in the borough, Schools Forum asked the Council to continue with 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 2020-21 financial year. These are set out in the recommendations below.

School Forum meet to decide on 16th January 2020 the funding formula for financial year 2020-21. This will be followed by Cabinet Member's approval on 17th January 2020. Final adjustments to the recommendations may need to be made in the light of forum discussions and feedback from the consultation with schools. These will be presented to the Member of Cabinet on the day of sign off.

The funding allocation for the year 2020-21 must then be submitted to the Education and Skills Funding Agency (ESFA) via the Authority proforma tool (APT) by 21st January 2020.

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. However, we need to highlight despite the increase in high needs block funding for schools in Haringey is below increases in demand 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 Secretary of State announced that the funding for schools and high needs, compared to 2019-20, will rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23.

This is on top of £1.5 billion provided to fund additional pension costs for teachers.

Against this challenging background, the Council have worked 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.

3. Recommendations

The Cabinet Member is asked to agree to changes to the School's funding formula for 2020/21. The agreement of changes is based on consultation with School's Forum.

Two models were chosen as the options to be considered by schools as the most appropriate principles to be followed in distributing the 2020-21 Schools Block funding:

Model 1: Minimum Funding Guarantee*: Set at 0.74% and capping at 1.84% and High Needs Block Transfer: 0%

or

Model 2: Minimum Funding Guarantee: Set at 0.54% and capping at 0.70% and High Needs Block Transfer: 0.25%

Additionally, that the Education Welfare Service budget of £122k be top-sliced from the Schools Block and transferred to the Central Services Block.

**The minimum funding guarantee is a protection for schools against significant year-on-year changes in pupil-led funding. It is a mechanism directed by government to ensure that no school loses a significant amount of funding due to pupil led changes which are beyond its control*

School's Forum are to decide on implementation of either Model 1 or Model 2 and if top slicing from the School's Block to support the Education Welfare Service is to be actioned in the formula funding for 2020/21 School's Budget. (It is possible School's Forum decide a different approach and updates will follow the governance process).

The Cabinet Member is asked to agree the changes to the local schools funding formula for the 2020-21 financial year following Schools Forum approval on 16th January 2020.

Please note: an updated paper will be presented following the meeting with Schools Forum on 16th January 2020.

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.

The School Forum will also consider a block transfer of Education Welfare Services funding to Central Block to ensure that cost has been shared across schools and academies on a fair contribution rate.

The Council's Schools Forum has set Growth Fund's to £932k for 2020-21 to enable all School's in Haringey to respond to 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 2020.

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 December 2019.
- (b) Discussion at Schools Forum on 16th January 2020, 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 school budget allocations are presented to the Schools Forum on 16th January 2020 for their approval.

5. Options Considered

Following consultation with the Schools Forum on 5th December 2019, all schools in Haringey were consulted on the proposed changes for 2020-21 to the Council's Schools Funding Formula. The consultation started on 13th December, with a deadline of 5pm on 20th December 2019 for responses from Head teachers and Chairs of Governors.

The following two tables shows options available and total responses received for all options – based on modelling of the Schools Block with the latest available information – were consulted upon:

TABLE A

Options: Which is your preferred option?	Option A MFG: Set at 0.74% and capping at 1.84% & HNB Transfer: 0%	Option B MFG: Set at 0.54% and capping at 0.70% & HNB Transfer: 0.25%	Total Responses Received
Head teacher Votes	26	2	28
Chair of Governors Votes	1	0	1
Schools responded with no option selected	0	0	3
Total Votes	27	2	32

MFG = Minimum Funding Guarantee
HNB = High Needs Funding Block

TABLE B

Question: Which is your preferred option?	Move Education Welfare budget to Central Block before the individual schools' budget allocation to ensure all schools and academies have contributed on a fair amount to fund the services for the year 2020-21.
Yes	24
No	3
Total Votes	27

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.

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/publications/dedicated-schools-grant-dsg-2020-to-2021/dsg-technical-note-2020-to-2021>

The DSG is currently divided into four notional blocks:

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

There has been a significant commitment for 2020-21. The per pupil funding a school received has gone up with the rise in inflation rate of 1.8%.

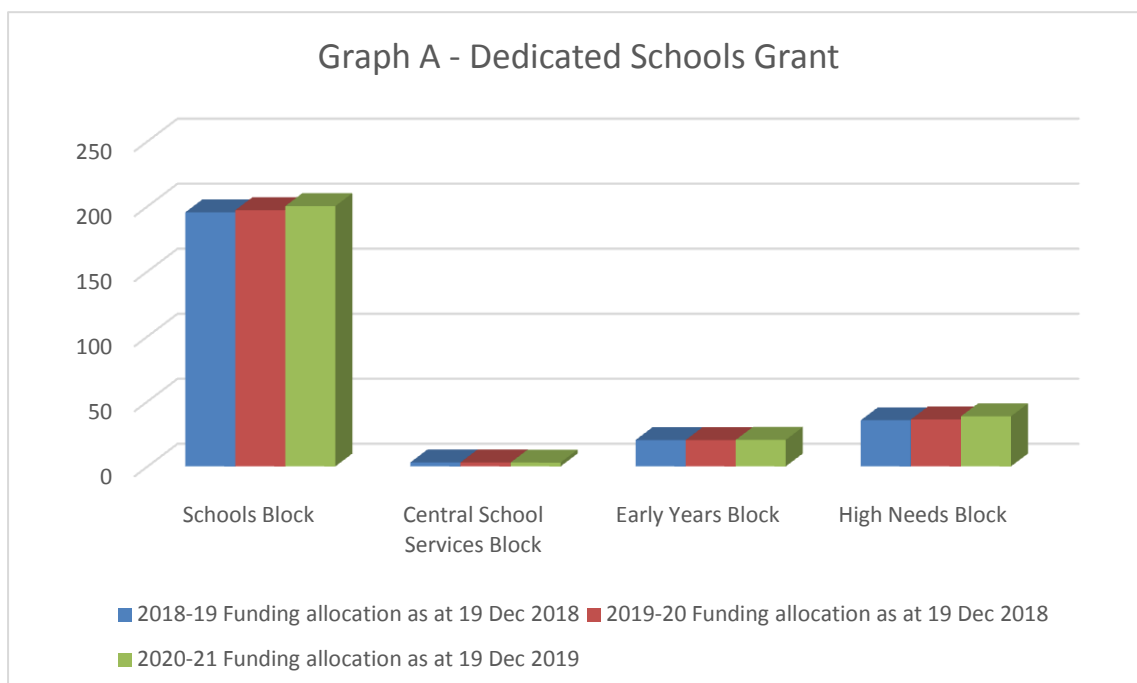
The Chancellor announced: “the government will ensure that per pupil funding for all schools can rise in line with inflation (1.8%)” and “for schools already on their National Funding Formula allocation, the per pupil values in the formula will increase by at least 4%” in cash terms. An increase in the minimum funding that primary and secondary schools receive per pupil.

The government announced an increase in 2020-21 from the current minimum per pupil amount of £3,500 to £3,750 in primary schools, and from £4,800 to £5,000 in secondary schools, with a further increase in the primary school's minimum to £4,000 in 2021-22.

All school's block transfers between DSG requires Schools Forum approval. Any block transfer of more than 0.5% requires ESFA approval.

As in previous years, decisions by maintained schools to de-delegate funding in 2020-21 will need to be taken through Schools Forum.

Graph A sets out Haringey's Dedicated Schools Grant allocations for the financial year 2018-19, 2019-20 & 2020-21.



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 2.

Priority 2 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:

Model 1: Minimum Funding Guarantee: Set at 0.74% and capping at 1.84%. High Needs Block Transfer: 0%

Model 2: Minimum Funding Guarantee: Set at 0.54% and capping at 0.70%. High Needs Block Transfer: 0.25%

Additionally, that the Education Welfare Service budget of £122k be top-sliced from the Schools Block and transferred to the Central Services Block.

Depending upon the option selected by the School Forum on 16th January 2020, both options are affordable based on funding allocation published by the ESFA on 19th December 2019.

Dedicated schools grant (DSG) allocation for financial year 2020 to 2021, prior to academy recoupment and after high needs deduction

Funding Breakdown		Amount (£)
Schools block		£200,151,485
Central school services block		£2,945,886
High needs block		£38,475,244
Early years block		£20,363,172
DSG Total Allocation		£261,935,787

Dedicated schools grant (DSG) reserve for financial year 2019 to 2020

Reserves	Opening Reserves	Forecast (P08) Outturn	Net Position
Schools block	-	-	-
Central block	-	-	-
High needs block *	2,228,840	5,468,981	7,697,821
Early years block	-	(494,268)	(494,268)
Deficit / (Surplus)	2,228,840	4,974,713	7,697,821

In July 2018, DfE announced that any local authority that finds itself with a cumulative DSG deficit of over 1% at 31st March 2020, 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.

The High Needs block is currently forecasting an in year deficit of £5.47m 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.

To support the increasing pressures in the High Needs Block, the council will be looking to develop a strategy as part of Deficit Recovery plan; this could include additional funding from other sources, such as transfer from the School Block. These pressures have been acknowledged by Central Government and have provided additional funding for 2020-21 which is included in the total DSG allocation.

Whilst the DSG is currently in deficit it is expected to be self contained and there is currently no expectation for this fund to be supported by the Council's General Fund.

Dedicated Schools Grant (DSG) deficit recovery plans

All local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit position back into balance within a three-year time frame by 30th June in the following financial year.

Haringey is required to produce a Deficit Recovery Plan for 2019-20 due to the fact collective reserve of all blocks at 31 March 2020 is expected to be above the threshold.

This needs presentation to the ESFA.

Recovery plans will be discussed with Schools' Forums and be signed off by the local authority's chief financial officer (CFO) before the plans are submitted to the DfE.

Action	Deadline
Deadline for submission of DSG deficit recovery plan	June
Review of DSG deficit recovery plans	July – Sep
Deadline for submission of CFO assurance statement	Mid-September

Procurement

There are no procurement issues associated with this decision.

Assistant Director of Corporate Governance comments

The last set of regulations the School and Early Years Finance (England) Regulations 2018 came into force on 5th February 2018. The Council will apply the same regulations for the financial year 2020-21. The link to the guidance is given below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831848/Schools_operational_guide_2020_to_2021.pdf

The Council has followed the guidance note issued by the Education & Skills Funding Agency in September 2019 in calculating schools budget for the the financial year 2020-21. The link to the guidance is given below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831848/Schools_operational_guide_2020_to_2021.pdf

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”.

A final Authority Performance Tool (APT) with information from the October 2019 census has been issued in December 2019, and includes the changes announced in the DSG settlement, all local authroties are required to submit their final APT by 21st January 2020.

Haringey Council will ensure that all procedures are in place to meet the requirement to publish maintained school budgets by 29th February 2020 in line with guidance set by the School and Early Years Finance (England) Regulations 2018.

The current regulations governing this financial year placed a duty on the local authority to consult with its Schools Forum and schools maintained by it about any proposed changes to its local school funding formula.

It is highly likely the Regulations governing the 2020-2021 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 Funding formula. This is in line with the Department for Education's National Funding guidance and technical notes. 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, if approved by the school forum, will support provision for pupils with special educational needs and disabilities. Setting the higher MFG level at 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

None

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 (September 2019):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831848/Schools_operational_guide_2020_to_2021.pdf