



North Tyneside Council

Briefing note

To: Schools Forum **Author:** Claire Emmerson

Date: 14th January 2019

Purpose of the Paper:

Information	
Consultation	√
Decision	√

Title of Briefing: **Update on 2019/20 DSG Values and Funding Distributions including Proposed Transfer to High Needs and request for approval of De-delegated and Centrally Retained items.**

Purpose of Paper

- 1.1 This paper summarises the responses to the consultation exercise carried out with all schools in November 2018 in relation to the Schools Block local funding formula in North Tyneside.
- 1.2 It also provides an outline of the current information available relating to 2019/20 for each funding block of the Dedicated Schools Grant (DSG) following the initial allocations announced on 17 December 2018 and outlines a proposal to make a transfer from the Schools Block to address pressures in High Needs.
- 1.3 The paper requests approval from Forum for de-delegated and centrally retained items.
- 1.4 It informs members of the publication of local benchmarking information supporting the completion of the School Financial Value Standard and budget setting process.

Consultation Responses

- 2.1 Forum will recall that a consultation exercise was carried out with all schools during November 2018. Responses were received from 29 schools and 2 governing bodies. The responses were split by phase as follows;

Table 1: Response Rates to the Consultation by Phase

Phase	No responded	response rate
Primary/First	16	30%
Secondary Middle	2	50%
Secondary High	11	100%
Special and Pru	0	0
All Through	0	0
Total	29	38%

- 2.2 Summarising the responses received, the majority view was to maintain the current North Tyneside formula and distribute any additional funding via the basic entitlement. There was agreement to transfer up to 0.5% of the Schools Block to High Needs if required. There was agreement to maintain funding for ARPs at £10,000 per place via an adjustment in the High Needs Block. The majority view on movement to the National Funding Formula (NFF) was to start to phase in from 2020/21.
- 2.3 The two responses from governing bodies within secondary schools were in line with this majority view.

Update on 2019/20 Funding Allocations after publication on 17 December 2018

- 3.1 On 17 December, the Department for Education (DfE) published the initial allocations for each of the DSG blocks. This did not give sufficient time for analysis to be performed prior to the School Forum meeting on 19 December and an undertaking was made to provide further information based on the actual allocations. In 2019/20 the DSG will continue to be comprised of four blocks: schools, high needs, early years and the central school services block. Each of the four blocks has their own funding formula.

Schools Block

- 3.2 In 2019/20, as in 2018/19, the local authority (LA) will receive its DSG funding based on the DfE national funding formula.
- 3.3 The North Tyneside allocation for the Schools Block in 2019/20 using census 2018 is shown below with the 2018/19 figures for comparison;

Table 2: Schools Block 2019/20 allocation compared with 2018/19

	2018/19 latest allocations at Nov 2018	2019/20 actual allocations	Change	Change %
Primary Unit of Funding (PUF) £	3,769.62	3,860.44	90.82	2.4
Secondary Unit of Funding (SUF) £	5,272.53	5,304.68	32.15	0.6
Pupil numbers -primary	16,196	16,418.5	222.5	1.4
Pupil numbers - secondary	10,161	10,351	190	1.9
Total pupils	26,357	26,769.5	412.5	1.6
Total core NFF at Oct 18 rolls £m	114.627	118.292	3.665	3.2
Historic spend factors £m	1.717	1.972	0.255	14.9
Growth funding £m	0	0.662	0.662	100
Falling roles funding £m	0.250	0	(0.250)	(100)
Actual DSG on Oct 18 rolls £m	116.594	120.926	4.332	1.7
Average per pupil £	4,424	4,517	93	2.1

- 3.4 We are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2019/20 (Primary £3,500, KS 3 £4,600 and KS 4 £5,100) and allocate additional funding through the basic entitlement.
- 3.5 We have adjusted the factor value for low prior attainment for Primary from £732.37 to £286.95 due to a change in measurement of this characteristic. The amount allocated through this factor has increased overall from £1.422m in 2018/19 to £1.627m in 2019/20. We are not proposing to change any other factors in the North Tyneside local formula.
- 3.6 The application of the North Tyneside local formula including the adjustment at 3.5 above would produce age weighted pupil unit (AWPU) values as below;

Table 3: AWPU results of modelling

	2018/19 £	2019/20 £	Change £
Primary	2,770	2,865	95
Key stage 3	4,124	4,183	59
Key stage 4	5,218	5,325	107

Note that values could still be subject to further minor changes as the Proforma Tool is finalised and submitted to the DfE.

High Needs Block

- 4.1 The initial allocation of the High Needs Block in 2019/20 published on 17 December is as follows;

Table 4: Initial High Needs Block Values 2019/20 compared to 2018/19

	2018/19 £m	2019/20 £m	Change £m
Allocation	18.866	19.528*	0.662

*Note the DfE published deductions for post 16 students are clearly not correct so we have adjusted the published value by assuming the same level of retention as 2018/19. We expect the DfE to publish a correction in due course.

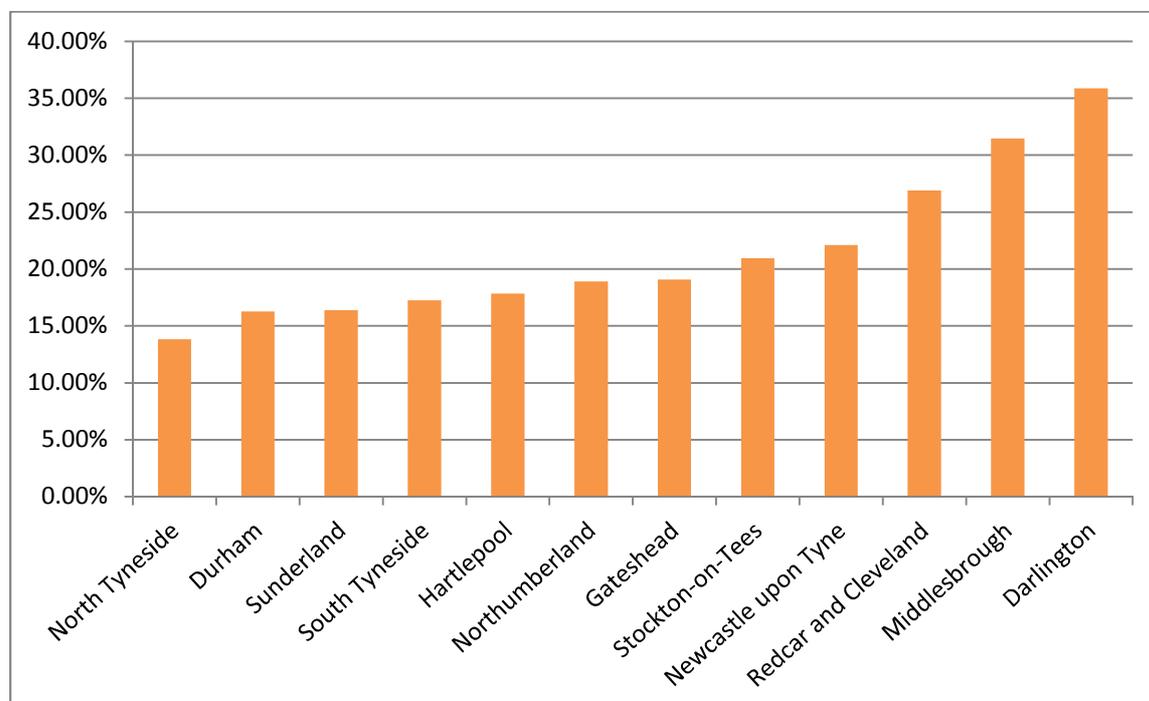
- 4.2 The figure outlined above for 2019/20 includes the new funding of £0.426m announced by the DfE on 16 December 2018 in addition to the general increase of £0.236m resulting from the application of the High Needs formula. An amount of £0.426m was also announced for 2018/19 and we are expecting the 2018/19 allocations to be revised accordingly however, the 2018/19 comparative figure above is the current published allocation figure which does not yet include this amount.
- 4.3 Forum will recall as reported in the July 2018 meeting, the High Needs block outturn in 2017/18 was an overspend of £0.430m. This pressure has continued in 2018/19 with a forecasted in year outturn variance of £0.600m and therefore a total cumulative overspend of just over £1m.
- 4.4 The pressures in North Tyneside are in line with the national and regional picture. A recent freedom of information request indicated that for 2017/18, a total of 100 LAs reported overspends in High Need out of 117 responding authorities. These overspends totalled £206m.
- 4.5 The regional picture for 2017/18 (based on previously supplied estimates as at April 2018) is as follows;

Table 5: Regional Pressures within High Needs 2017/18

Authority	DSG Allocation 2017/18 £m	Outturn Variance 2017/18 £m	Percentage Overspend %
Cumbria	38.6	3.9	10.1
Darlington	12.0	1.4	11.7
Durham	44.6	1.9	4.3
Gateshead	14.7	1.4	9.5
Hartlepool	10.9	0.9	8.3
Middlesbrough	23.0	1.0	4.3
Newcastle	36.0	(1.1)	(3.0)
North Tyneside	19.0	0.4	2.1
Northumberland	27.9	1.8	6.5
Redcar and Cleveland	16.1	0.8	5.0
South Tyneside	16.0	0.5	3.1
Stockton	24.6	2.2	8.9
Sunderland	16.0	1.2	7.5

4.6 At the Schools Forum meeting in December 2018, a request was made for an analysis of the proportion of High Needs Block allocations to the overall DSG allocation within the north east region. This analysis is provided below:-

Table 6: Regional Analysis of High Needs Block as a Percentage of overall DSG



4.7 The analysis indicates that North Tyneside has a low proportion of High Needs Block within the overall DSG compared to other north east authorities.

4.8 The pressures in North Tyneside have come about due to additional places required in special schools, out of Borough placements and in relation to top up payments.

Table 7: Forecasted High Needs Overspend as at November 2018

Provision	Budget £m	Variance £m	Comment
Special schools and PRU	10.746	0.200	Pressure on places for children with profound, Multiple Learning Difficulties (PMLD), Social Emotional and Mental Health (SEMH) problems and Autism Spectrum Disorder
ARPs/Top ups	3.145	0.250	Pressures in pre 16 top ups e.g Norham ARP
Out of Borough	0.997	0.150	Additional costs of our most complex children currently not able to be supported in the Borough
Commissioned services	3.977	0.000	
Subtotal	18.865	0.600	
2017/18 b/fwd balance		0.430	
Total forecasted pressure		1.030	

- 4.9 The factors driving the pressures shown above were outlined in the report to Forum on 19 December along with an update on the work programme which is in progress to review services funded by the High Needs Block.
- 4.10 Work has been on-going to identify additional pressures which are anticipated to arise during 2019/20. Emerging consensus within the Authority is that an additional 20 special school places may be required for students with PMLD and SEMH. The trajectory of expenditure on top ups is also showing an increasing trend. The rise between 2017/18 and 2018/19 is currently forecasted to be £0.600m. Commissioned services funded by the High Needs Block have not received any cost of living rises for several years despite being subject to increasing costs caused principally by pay awards. A 2% increase of costs relating to commissioned services amounts to £0.080m. The cost of out of borough places for the most complex children is also expected to continue to increase. Despite the increased funding recently announced, and after anticipated efficiencies resulting from the current review work outlined to Forum in December, the High Needs Block is expected to show a deficit of approximately £0.600m at the end of 2019/20.

Proposal to Transfer Funding From the Schools Block to the High Needs Block Allowable Under DfE Guidance

- 4.11 In light of the pressures identified within the High Needs Block, the LA is requesting Schools Forum to consider funding the shortfall over a two year period while the programme of work continues to ensure that all expenditure within the high Needs Block represents value for money and delivers the expected outcomes for the children and young people of North Tyneside.
- 4.12 A transfer of the full 0.5% which Forum able to approve under the DfE rules would amount to £0.604m (slightly increased from the £0.591m on the indicative DSG value reported to Forum in December 2018). We have listened to Forum's concerns in December relating to how this reduction would be applied across key stages and propose a simple, single per pupil rate across all phases.
- 4.13 The range of options for transfer and their impact on AWPU is shown below;-

Table 8: Transfer Options and Impact on AWPU

Transfer %	Transfer Value £m	AWPU Reduction per pupil £
0.1%	0.121	4
0.2%	0.242	9
0.25%	0.302	11
0.3%	0.362	13
0.4%	0.483	18
0.5%	0.604	22

- 4.14 The Authority is proposing that the residual deficit within the High Needs Block is addressed by transfers over two years with a transfer of 0.25% amounting to £0.302m

transferred in each of 2019/20 and 2020/21. The position would be reviewed again during the Schools Forum consultation and approval process taking place from November 2019 for the 2020/21 year. If this funding was not required no transfer would be proposed and if any amount previously transferred was not required it would be returned to the Schools Block.

- 4.15 To date we are aware that across the region, nine authorities have already requested a transfer or confirmed their intention to request transfers of between 0.5% and 1.6% for 2019/20.
- 4.16 As referred to in section 2.2, the consultation response regarding a transfer of up to 0.5% was positive; out of 29 responses, 25 schools indicated a transfer was acceptable, 3 responses indicated it was not acceptable although one was open to be persuaded by available evidence and one school gave a nil response to that question. Many schools caveated their response by stating the importance of ensuring that the High Needs Block was used as effectively as possible and provided value for money.

Early Years Funding for 2019/20

- 5.1 In December 2018, the Early Years Sub Group members were asked to consider proposals for North Tyneside' Local Funding Formula for 2019/20. The majority of respondents agreed that in light of funding being maintained at the same level and the high levels of take up for the Government funded childcare offers, that North Tyneside's Funding Formula for 2019/20 should be maintained at the current level.

Table 9: Early Years Allocation 2019/20 compared to 2018/19

	2018/19 £m	2019/20 £m	Change £m
Allocation	13.553	13.555	0.002

- 5.2 There is one proposed amendment to the allocation formula regarding the statutory deprivation statement.

Table 10: Proposed Funding Formula – Early Years Block

		Local funding formula 2018/19	Proposed local funding formula 2019/20
2 Year Old Base Rate		£5.20 per hour	£5.20 per hour
3 and 4 Year Old Hourly Base Rate		£4.34 per hour	£4.34 per hour
3 and 4 Year Old Hourly Deprivation Supplement –	Quartile 1	£0.12 per hour universal hours only	£0.12 per hour both universal and extended hours
	Quartile 2	£0.06 per hour universal hours only	£0.06 per both universal and extended hours
Early Years Pupil Premium		£0.53	£0.53

Additional Payment to Maintained Nursery School	100% pass through of Maintained Nursery School rate allocated by Department for Education	100% pass through of Maintained Nursery School rate allocated by Department for Education
SEN Inclusion Fund	£8.26 per hour	£8.26 per hour
Disability Access Fund	£615	£615

Statutory Deprivation Supplement

- 5.3 The Local Funding Formula is required to have a deprivation supplement for the 3 and 4 year old offers. The Early Years Sub Group previously agreed that the deprivation rate should be paid at £0.12 per hour for the settings in the most deprived quartile and £0.06 for settings in the second most deprived quartile.
- 5.4 The proposal is that North Tyneside maintains the deprivation supplement for 3 and 4 year olds at the current rate but applies it to both the Universal and extended 15 hours. It is currently paid on the universal 15 hours only.
- 5.5 The proposed change is consistent with the Education and Skills Funding Agency Operational Guidance for 2019-20. This states that local authorities should have 'a single funding rate (including the same base rate and supplements) for both entitlements for three and four year olds'.

Voluntary Supplements

- 5.6 The Local Funding Formula can also introduce any of the following voluntary supplements:
- Rurality
 - Flexibility
 - Efficiency
 - Delivery of additional 15 hours
- 5.7 The Early Years Sub Group and Schools Forum have previously agreed not to include any of the voluntary supplements in 2017/18 and 2018/19 for the 3 and 4 year old offers. This decision reflected the views of providers that the majority of funding should be allocated through the base rate. The proposal is that North Tyneside's local funding formula would continue not include any of the voluntary supplements in 2019/20.

Maintained Nursery School Supplementary Funding

- 5.8 It was proposed that the borough's maintained nursery school will continue to receive the full supplementary funding allocated in the Early Years DSG however the DSG allocation for this element is nil in 2019/20.

Early Years Pupil Premium

- 5.9 The Early Years Pupil Premium will be paid at the statutory rate of 53p per hour.

Special Educational Needs and Disability Funding

- 5.10 Each locality is required / expected to make funding available to support children with low level and emerging special educational needs to access their 3 and 4 year old early years entitlements. The SEN Inclusion Fund will be paid at £8.26 per hour with holiday pay paid on a pro rata basis. This is in line with the hourly LEAPs funding agreement.
- 5.11 Children accessing the 3 / 4 year old entitlements who are in receipt of Disability Living Allowance are eligible for the Disability Access Fund. The provider receives the statutory payment of £615 per year, for each eligible child.

Implementation

- 5.12 It is proposed that the new local funding formula will be applied from the summer term onwards.

Central Block Funding for 2019/20

- 6.1 The make-up of the Central School Services Block (CSSB) is unchanged from 2018/19. It is comprised of a historic commitments allocation and a formula based amount for ongoing functions.

Table 11: Published Allocation for North Tyneside CSSB

	2019/20 £m	2018/19 £m	Change £m	Change %
Ongoing Functions	0.788	0.759	0.029	3.8
Historical Commitments	1.555	1.555	0	0
	2.331	2.314	0.029	1.3

Centrally Retained and De-delegated items

- 7.1 Schools Forum is required to approve the proposals for expenditure from the CSSB. The services in receipt of funding are listed in Appendix A to this briefing.
- 7.2 De-delegated services are for maintained schools only; funding for de-delegated services must be allocated through the mainstream formula but can be passed back, or 'de-delegated', for maintained primary and secondary schools with Schools Forum approval.
- 7.3 The de-delegations proposed for 2019/20 are a continuation of the services in receipt of funding in 2018/19. A paper was shared with Forum on 11 July 2018 outlining the details of each service provided. The list of proposals for funding in 2019/20 is included as Appendix B. It should be noted that the funding rates per pupil have remained the same since 2016/17. The October 2018 revised pupil numbers have been used when calculating the 2019/20 de-delegation values.

School Benchmarking Information

- 8.1 We would like to take this opportunity to remind schools that the local benchmarking information is now available for the 2017/18 base year. The information can be accessed via the link below:-

[School Financial Benchmarking](#)

- 8.2 This information is useful for the completion for review to fulfil requirements in the Schools Value Financial Standard (SFVS) statement which needs to be completed and submitted by 31 March 2019. Benchmarking can also contribute to the process of reviewing and setting budgets for 2019/20 and beyond.

Recommendations

- 9.1 Schools Forum is asked to;

1. Note the further information provided on the responses to consultation with all schools in relation to distribution of funding from the Schools Block.
2. Note the update on the allocations for 2019/20 for each of the four funding blocks and the proposals for the distribution of funding.
3. Approve the centrally retained items outlined in Appendix A
4. Approve the de-delegated items rate per pupil outlined in Appendix B
5. Acknowledge the pressure in the High Needs Block and agree to a phased approach to dealing with the deficit over a two year period. Therefore, agree 0.25% transfer from the Schools Block on a flat rate per pupil basis.
6. Note the publication of the local benchmarking information for schools to use in the completion of their SFVS and to support budget setting.

Appendix A – Centrally Retained Items Proposals

Budgets which will now form part of the CSSB	Agreed retention for 2015/16	Agreed retention for 2016/17	Agreed retention for 2017/18	CSSB 2018/19 - Ongoing	CSSB 2018/19 - Historic	CSSB 2019/20 - Ongoing	CSSB 2019/20 - Historic
Budgets historically used in support of early years provision	1,300,000	575,000	0	0	0	0	0
Budget to fund the Schools Support Service	652,508	652,508	652,508	0	652,508	0	652,508
Budget to support vulnerable schools. Allocations to individual schools made annually by Schools Improvement staff	52,044	52,044	52,044	0	52,044	0	52,044
Budget to improve quality and variety in school meals	307,723	0	0	0	0	0	0
Budget to maintain High Borrans Outdoor education facility	95,000	95,000	95,000	0	95,000	0	95,000
Budget for the education Improvement Partnership (secondary schools)	100,398	100,398	100,398	0	100,398	0	100,398
Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools	30,125	30,125	30,125	30,125	0	30,125	0
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	624,951	624,951	624,951	0	624,951	0	624,951
Budget for Costs Associated with de-commissioned school buildings	30,000	30,000	30,000	0	30,000	0	30,000
Schools admission service	141,570	141,570	141,570	141,570	0	141,570	0
DSG contribution to Home to School Transport costs	100,000	100,000	100,000	0	0	0	0
Support for Schools with Falling Rolls	250,000	250,000	250,000	0	0	0	0
Former Education Services Grant (Retained)	0	0	423,243	587,650	0	616,498	0

Totals	3,684,319	2,651,596	2,499,839	759,345	1,554,901	788,193	1,554,901
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A list of the Local Authority's statutory duties relating to all schools is outlined from p53 in the Operational Guidance issued by the DfE. A link is provided below.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767607/Operational guide 2019 to 2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767607/Operational_guide_2019_to_2020.pdf)

Appendix B – De-delegated Items Proposals

Appendix B: De-delegation proposals for 2019/20

The amounts to be de-delegated will be based on the same per pupil rates used since 2016/17. The final amounts per school for 2019/20 will be calculated through the individual school budget allocations.

Narrative	Total De-delegated 2018/19 £	Total De-delegated 2019/20 £	Rate per Pupil £
Budget to support mainstream maintained schools in financial difficulty	130,957	133,224	5.62
Support for vulnerable Headteachers for those incidents where independent support and advice is necessary	38,215	38,877	1.64
Support for minority ethnic pupils and underachieving groups. (EMTAS) NB: rate per pupil only applies to pupils that meet the EAL Threshold	424,349	434,780	1,212.00
Assessment of Free school meals eligibility	36,817	37,454	1.58
The current central scheme to cover staff costs - supply cover. E.g. the maternity/paternity/adoption cover scheme, including Union facility time costs and Jury Service	576,258	586,231	24.73
Totals	1,206,596	1,230,565	