

Cabinet

12 December 2018

**Mainstream Primary and Secondary
Formula Funding 2019-20 and Transfer
to High Needs Block**



KEY DECISION: CORP/R/18/06

Report of Corporate Management Team

**Margaret Whellans, Corporate Director of Children and Young
People's Services**

John Hewitt, Corporate Director of Resources

**Councillor Olwyn Gunn, Portfolio Holder for Children and Young
People's Services**

Councillor Alan Napier, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To agree the local funding formula for mainstream primary and secondary schools for 2019/20, which will apply to maintained schools from 1 April 2019 and academies from 1 September 2019.¹
- 2 The report follows on from the report to Cabinet in 17 October 2018 where a number of options were considered and a preferred option was agreed, subject to the outcome of consultation.
- 3 This report provides Cabinet with the outcome of the consultation that has been undertaken, sets out details of the application that has been made to the Secretary of State for Education to agree to a transfer of funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block DSG, equivalent to 0.5% (£1.535 million) and the

¹ References in this report to schools should be read to include both maintained schools and academies.

impact on the local funding formula for mainstream primary and secondary schools for 2019/20.

- 4 Finally, the report sets out proposals for the use of council reserves in 2019/20 to augment the High Needs budget, in response to the significant budget pressures being experienced in this area and to reduce the size of the transfer from the Schools Block for which the Council will need to seek Secretary of State for Education approval.

Executive summary

- 5 Funding for the mainstream primary and secondary schools formula is provided through the Dedicated Schools Grant (DSG) and since 2013-14, the DSG has been split into different funding blocks, Early Years, Schools and High Needs (for Special Educational Needs and Disabilities - SEND) and from 2018-19 a Central School Services Block (CSSB) - the latter includes funding formerly included in the Schools Block and Education Services Grant.
- 6 The DfE had previously announced that local formulas would be replaced by the National Funding Formula (NFF) from 2020-21, however, in July 2018, the DfE announced that this has been postponed and local authorities will continue to set local formulas for 2020-21.
- 7 In setting the funding formula for mainstream primary and secondary schools for the current financial year, the Council took the decision to use a transitional formula, intended to smooth the transition from the local formula in place in 2017/18 to the National Funding Formula based allocations for individual schools over three years (2018/19 to 2020/21), with the plan to converge in 2020/21.
- 8 In October, Cabinet considered a range of options with regards to the local formula that could be applied in 2019/20 and resolved to continue with the strategy agreed last year, subject to the outcome of consultation.
- 9 From 2013-14 to 2017-18 funding for the High Needs Block (HNB) was largely based on historic patterns of budget allocation in County Durham. The HNB is now based on a national formula. However, the amount of funding being provided by Government is insufficient to meet demand, where pressure on this area of the budget has increased significantly as a result of the SEND Reforms in 2015/16.
- 10 In 2017-18 there was an overspend against the HNB of £4.652 million. For the current year, the updated forecast overspend is indicating a £5.431 million overspend. The QTR2 outturn forecast reported to Cabinet on 14 November shows a c£5.284 million overspend. In

2019/20 HNB spending is forecast to exceed the budget by circa £5.6 million.

- 11 No additional High Needs DSG funding allocations were announced in the Budget on 29 October 2018. The grant settlement is expected on 6 December 2018 and the final DSG allocations are expected later in December.
- 12 In the absence of additional government funding, to help alleviate some of these continuing pressures, Cabinet (17 October) considered and approved proposals to seek to transfer funding up to the maximum permissible from the DSG Schools Block to the HNB in 2019/20, to help address the current shortfall, subject to the outcome of consultation.
- 13 An application to transfer funding from the Schools Block needed to be submitted to the Secretary of State for Education by 30 November.
- 14 On 5 November 2018 the Schools Forum met to consider the options available with regards to the formula and the proposals to transfer funding from the DSG Schools Block to the HNB in 2019/20.
- 15 The Schools Forum resolved to ask the Council to consider slowing down the rate of transition towards the National Funding Formula and instead of reaching convergence in 2020/21 aim to reach convergence a year later. In addition, whilst sympathetic to the financial pressures being experienced in the HNB, the Schools Forum resolved not to support any transfer from the DSG Schools Block.
- 16 On 30 November 2018 an application was submitted to the Secretary of State for Education to transfer funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block DSG, equivalent to 0.5% (£1.535 million). This is insufficient to meet the financial pressures within the High Needs Budget next year, but represents the amount that could have been agreed locally by the Schools Forum without the need to apply to the Secretary of State for Education.
- 17 In making this application, the Council has recognised the financial pressures all schools are under as a result of real terms cuts to the DSG. A review of HN spending is underway and the Council will continue to lobby Government for additional DSG. As a one-off measure, the shortfall in the HN Budget will be met from the Council's Budget Support Reserve in 2019/20. This is not however a sustainable long term solution.

Recommendation(s)

- 18 Cabinet is recommended to:

- (a) Agree to adopt a local funding formula for mainstream primary and secondary schools for 2019/20 that continues the transition towards the National Funding Formula, but at a slower rate of transition, with convergence of the local formula factors in 2021/22;
- (b) Note the significant financial pressures being experienced in the High Needs DSG budget and the need to set a balanced budget in 2019/20, which has necessitated an application to the Secretary of State for Education to transfer funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block DSG, equivalent to 0.5% (£1.535 million);
- (c) Agree to apply up to £4.1 million of Budget Support Reserve to augment the High Needs budget in 2019/20 and allow a balanced budget to be set;
- (d) Note that further lobbying will be undertaken to try and secure more funding from Government to address these pressures in the High Needs DSG budget and that further reports will be submitted following the completion of the High Needs review.
- (e) Note that the position will be reviewed in 12 months' time, in advance of agreeing the local funding formula for mainstream primary and secondary schools for 2020/21.

Background

- 19 The main source of funding for mainstream primary and secondary schools and academies is the local schools funding formula. Each local authority currently sets its own formula, within the restrictions imposed by the Department for Education (DfE), after consultation with schools and the Schools Forum.
- 20 The DfE had previously announced that local formulas would be replaced by the National Funding Formula (NFF) from 2020-21, however, in July 2018, the DfE announced that this has been postponed and local authorities will continue to set local formulas for 2020-21.
- 21 The DfE has cited the progress made by local authorities in aligning local formulas to the NFF as the main reason for this decision. The DfE has expressed confidence that in the light of the progress made to date, local authorities will continue to increase the alignment between local formulas and the NFF in 2020-21 without the need for a statutory deadline of convergence in that year.
- 22 In the DfE's view, the NFF is fairer to schools than local formulas, because it is consistent between local authority areas, but in the short-

term it sees local formulas as a way to allow a smoother transition from local formulas to the NFF. The argument for this is presumably that each local authority is best placed to determine the appropriate transition to the NFF from its local formula.

- 23 Members will recall that in setting the funding formula for mainstream primary and secondary schools for the current financial year, the Council took the decision to use a transitional formula, intended to smooth the transition from the local formula in place in 2017/18 to the NFF allocations for individual schools over three years (2018/19 to 2020/21), with the plan to converge in 2020/21. The strategy agreed last year would see continuing the transition in 2019-20, which would have been the last year a local formula would have needed to be set if the replacement of local formulas had not been delayed.

Mainstream School Funding

- 24 Funding for the mainstream primary and secondary schools formula is provided through the Dedicated Schools Grant (DSG).
- 25 Until 2013-14 this funding was provided as a single allocation and local authorities had significant freedom as to how this was used, with the caveat that it was ring-fenced for spending on schools / education.
- 26 Since 2013-14, the DSG has been split into different funding blocks, Early Years, Schools and High Needs (for Special Educational Needs and Disabilities - SEND) and from 2018-19 a Central School Services Block (CSSB) - the latter includes funding formerly included in the Schools Block and Education Services Grant.
- 27 The allocations for academies, as determined by the local formula, is recouped from the overall DSG allocations for the local authority area and paid by the DfE directly to academies in County Durham. The remaining DSG is paid to the Council, who then distributes (delegates) the funding received to individual maintained schools in line with their formula funding allocations.
- 28 Mainstream schools and academies also receive funding for pupils with SEND, early years, (where primary schools have nursery units), post-16 funding and also the Pupil Premium, which in the current year is worth circa £20 million. From 2013/14 there were also changes to how SEND is funded, which affected the amounts provided through formula funding.
- 29 Since 2013-14, local discretion over the local funding formulae has been significantly restricted, with local decision making limited to the application of a relatively small number of permissible formula factors, most of which are pupil-led, (i.e. an amount per eligible pupil), with the

rest being either school-led, (i.e. an amount per school), or relating to specific premises related costs, for example rates). There is still, however, significant variation between local authorities in terms of the proportions of funding allocated to different factors within the formula.

- 30 Local authorities must consult Schools Forums and schools about their local formula before deciding on the final version. The final version of the formula is determined in early January, by adjusting the agreed formula to take account of the actual amount of funding received and updated pupil numbers and data for schools, including the proportions of pupils deemed to have additional needs, for example, because of deprivation.
- 31 Between 2013-14 and 2017-18, the local schools funding formula in County Durham did not change significantly from year-to-year in respect of either the formula factors or the proportions allocated to each factor and in general there was little appetite by either schools or the Council to make significant changes to the formula. This was a conscious decision to try and restrict turbulence within the schools funding regime in County Durham. One exception was in respect of the primary lump sum, which was reduced over the two years 2016-17 and 2017-18, with the funding released being used to increase the allocation of pupil-led funding for secondary schools.
- 32 For 2018-19, the Council decided to begin to make changes to the formula, to reduce differences between the local formula used in previous years and the NFF, with the intention of smoothing the transition to the NFF over the remaining two years of the local formula. That decision does not preclude the Council making a different decision for 2019-20, and now that the statutory implementation of the NFF has been delayed, for 2020/21 as well.

Government Funding for Schools

- 33 Funding per pupil provided through the DSG has increased only marginally over the last seven years and has not kept pace with inflation.
- 34 In terms of real terms cut to schools funding it is possible to extrapolate what additional DSG would have been received in 2018/19 if funding per pupil across the period 2011 to 2018 had kept pace with either RPI or CPI inflationary increases.
- 35 This shows that if either RPI or CPI indices had been used to determine funding levels per pupil, the amount available for the mainstream school funding formula for the current financial year would be circa 15% higher than the actual amount received. For Durham this is equivalent to circa

£46 million, or around £120,000 per primary school and £600,000 per secondary school.

DSG Funding for 2019-20

- 36 The majority of funding for individual schools is provided through the mainstream primary and secondary schools funding formula. DSG funding for this formula is provided as an amount per primary and secondary pupil.
- 37 The amounts per pupil are set each year by central government and are calculated using notional NFF allocations to each school using pupil numbers from the previous financial year.
- 38 For 2019-20 the amounts per pupil allocated to Durham have increased slightly when compared to 2018-19 as set out in the table below, but not in line with the inflationary pressures being experienced in schools:

<i>DSG amounts per pupil (£)</i>	Primary	Secondary
2019-20	4,227.34	5,253.15
2018-19	4,183.61	5,236.06
Increase (£)	43.73	17.09
Increase (%)	1.045%	0.326%

- 39 The final funding will be determined by the pupil numbers recorded in the October 2018 Schools Census. Total allocations for 2019-20 using the £/pupil amounts and estimated October Census numbers are as follows:

	Estimated October 2018 Pupils	DSG amounts per pupil £	Total £ (rounded)
Primary	39,062	4,227.34	165,128,000
Secondary	25,459	5,253.15	133,740,000
Total	64,521		298,868,000

- 40 In addition to this, funding is provided for premises-related costs and growth. A further adjustment is that, subject to decisions of the Schools Forum, an amount is de-delegated from funding for maintained schools in respect of support for looked after children, contingencies for schools in financial difficulty and trade union facility time. The estimated total funding and the funding net of de-delegation (decisions taken by the Schools Forum on 5 November 2018) is shown below:

	£ (rounded)
£.pupil funding	298,868,000
Add - Funding for premises	6,665,000
Add - Funding for growth	1,700,000
Less 2017-18 rates adjustment	-146,000
Estimated total funding for 2019-20	307,087,000
Less - De-delegation	-582,000
Estimated funding net of de-delegation	306,505,000

- 41 The figures in the above table are higher than the estimates provided in the October Cabinet report. They have been revised to take account of new estimates from the DfE of funding for growth and also includes an adjustment in respect of business rates.
- 42 Growth funding is provided to recognise the need to fund additional places to meet basic need that are not reflected in October School Census pupil numbers. In 2018-19 funding was based on the growth implied by adjustments to pupil numbers for the 2017-18 formula.
- 43 For the first time in 2019-20, growth funding is based on changes in pupil numbers recorded for Middle-Layer Super Output Areas, which are sub-divisions of each local authority area. Based on the estimated pupil numbers used for modelling formula options, the 2019-20 growth funding is estimated to be £1.7 million, compared to the £0.4 million used in the October report.
- 44 An adjustment has been made for the difference between the estimated cost of rates used in the 2017-18 formula and the actual cost of rates for that year.
- 45 A comparison of funding between 2018-19 and 2019-20 is shown below and a more detailed breakdown is shown in Appendix 2:

	£
2019-20 net funding (estimated)	306,505,000
2018-19 net funding	298,317,000
Change in net funding	8,188,000

- 46 Members should note that the overall increase in funding does not mean that all schools will see an increase in their funding, particularly if there has been a significant reduction in the overall number of pupils on

roll or a reduction in the number of pupils who are eligible for additional needs funding (deprivation and low prior attainment).

- 47 It is also important to note that over half of the increase is due to increases in pupil numbers, which for some schools will mean that they will have to increase expenditure in order to have adequate resources to cope with the larger number of pupils on roll. The increase in required expenditure in some schools could exceed the additional resources generated by the additional pupil numbers. Schools are also, of course, subject to other financial pressures through increased costs brought about by inflation and pay awards etc.

Setting the Local Formula for 2019-20

- 48 The final decision about the formula rests with the Council, but it must consult schools and the Schools Forum and must apply for permission to transfer funding to or from the High Needs Funding Block.
- 49 Officers have been working on options for the mainstream primary and secondary schools funding formula for a number of months. The timetable for decision-making is set out below:

	Recipient	Content
9,10,13 July 2018	Schools Forum Working Groups	<ul style="list-style-type: none"> Initial discussions about formula options and HNB transfer - prior to announcement of delay to replacement of local formulas
20-21 Sept 2018	Schools Forum Working Groups	<ul style="list-style-type: none"> Options for formula for 2019-20 Outline of HNB transfer information and impacts on schools formula / individual schools
September 2018	Extranet consultation with schools	<ul style="list-style-type: none"> Options for formula for 2019-20 Outline of HNB transfer information and impacts on schools formula / individual schools
17 October 2018	Cabinet	<ul style="list-style-type: none"> Options for formula for 2019-20 HNB transfer - decision as to whether to apply
5 November 2018	Schools Forum	<ul style="list-style-type: none"> Options for formula for 2019-20 – will include de-delegation decisions Proposals for HNB transfer
7 November 2018	CYPS O&S Cttee	<ul style="list-style-type: none"> Presentation on options for formula for 2019-20 & overview of proposals for HNB transfer
30 November 2018	Secretary of State	<ul style="list-style-type: none"> Deadline for submission of application for HNB transfer
5 December 2018	Schools Forum	<ul style="list-style-type: none"> Update on options for formula 2019-20
12 December 2018	Cabinet	<ul style="list-style-type: none"> Decision on formula for 2019-20
Mid-December 2018	DCC (from DfE)	<ul style="list-style-type: none"> Final funding and data provided for use in final local formula
21 Jan 2019	DfE	<ul style="list-style-type: none"> Submission of final version of formula to DfE
20 February 2019	Council	<ul style="list-style-type: none"> Details of final schools formula reported to Council as part of the budget report

Options for 2019-20 Formula

50 A number of options were identified for the 2019-20 formula. These were considered in detail as part of the October Cabinet report.

51 All the options would be affected by a potential transfer of funding to High Needs, which is discussed later in this report.

52 As member will recall, the options which had been identified and for which detailed modelling had been undertaken were as follows:

OPTION 1: Accelerate the pace of change and move to implement the NFF as closely as possible from 2019-20

53 This would involve the use values in the formula as close as possible to the indicative NFF values.

54 The local formula would not replicate the NFF exactly, because, as described, funding is based on 2018-19 funding levels and is not updated to take account of changes affecting 2019-20, which means that the amount that would be allocated using the NFF would not match the funding available.

55 The NFF also incorporates a funding floor, which guarantees a 1% increase in funding compared to a baseline amount per pupil from 2017-18. This will form part of the funding for schools when the NFF replaces local formulas, but at present it is not clear that this could actually be applied in Durham without significantly distorting the formula and this option has been modelled without the baseline adjustment.

OPTION 2: Continue with the strategy implemented with effect from 2018/19: a transitional formula which moves schools to a NFF based allocation from 2020/21

56 This would continue the path established in setting the 2018-19 formula, but would reduce the differences between that formula and the NFF, with the intention of a further reduction in 2020-21, which would eliminate the differences and replicate the NFF as far as possible. (As with the NFF option above, it would not be possible to replicate the NFF exactly at this stage, because it is based on historic data and is not updated for 2019-20 data).

57 The table below shows the difference between the local and national formulas in each year of the transition years leading up to a NFF equivalent formula in 2020/21:

Year	Difference between local formula and NFF
2017-18	100%
2018-19	67%
2019-20	33%
2020-21	0%

OPTION 3: Continue with a transitional formula approach, but at a slower rate than currently planned i.e. aim for a NFF equivalent formula from 2021/22 instead of 2020/21

- 58 This would result in a slower pace of change to reduce the differences between the current formula and the NFF.
- 59 The slower rate would be set to implement a smooth transition from the 2018-19 transitional formula on the basis that the NFF would be implemented from 2021-22. (As with options 1 and 2 above, it would not be possible to replicate the NFF exactly at this stage.)
- 60 The table below shows the difference between the local and national formulas in each year of the transition and the first year in which the NFF replaces local formulas:

Year	Difference between local formula and NFF
2017-18	100%
2018-19	67%
2019-20	45%
2020-21	22%
2021-22	0%

OPTION 4: Retain the 2018/19 formula factors and halt the transition to the NFF in 2019/20

- 61 This would update the 2018-19 formula for changes in funding and data, (pupil numbers, pupils eligible for additional needs funding, numbers of schools and premises factors), but make no changes to the lump sums or the relative allocations between pupil-led factors, which are required to converge with the NFF.

62 In October, Cabinet considered these options and resolved to continue with the strategy agreed last year (Option 2 above), subject to the outcome of consultation.

Transfer of funding to the High Needs Block

63 The High Needs Block of the DSG funds provision for pupils and students with Special Educational Needs, including those in mainstream and special schools and out-of-county placements.

64 Funding for High Needs is provided through the High Needs Block (HNB) of the DSG. The HNB funding is determined by a national formula.

65 From 2013-14 to 2017-18 funding for the HNB was largely based on historic patterns of budget allocation in Durham. The HNB is now based on a national formula and the 2018-19 allocation is £0.6 million more than it would have been had the 2013-14 allocation been increased in line with inflation. However, the amount of funding being provided by Government is insufficient to meet demand, where pressure on this area of the budget has increased significantly as a result of the SEND Reforms in 2016.

66 In 2017-18 there was an overspend against the HNB of £4.652 million. For the current year, the updated forecast overspend is indicating a £5.431 million overspend. The QTR2 outturn forecast reported to Cabinet on 14 November shows a c£5.284 million overspend.

67 Durham is not unique in experiencing these pressures and over the past year this has been highlighted across the country by a number of local authorities and education leaders. Recent data published by the County Councils Network (CCN) indicates that 22 county councils are projecting an over spend in their HN DSG in 2018-19. In the North East a number of neighbouring councils are also reporting overspends against their HNB allocations.

68 The pressures on the HNB are driven by increasing demand to meet the requirement of young people with special education needs and disabilities:

Increasing numbers of children and young people with SEND

69 There has been a significant increase in the number of children with SEND who require high needs support due to:

70 The extension of support to young people up to the age of 25. The number of young people with complex needs engaging in further education has increased from 160 in 2015 to 830 currently.

- 71 Early identification of additional needs, particularly in the early years. EHCP requests for pre-school children increased from 90 three years ago to 250 last year.

Complexity of need

- 72 The needs of children with special educational needs and/ or disabilities are becoming more complex.

Inclusiveness of the system

- 73 Financial pressures mean that many mainstream schools have difficulties in providing additional support and are not always able to gain parental preference
- 74 There has been an increase in the number of students at risk of or being permanently excluded. Pupil Referral Unit numbers have increased in the last three years from 60 to 90.
- 75 In 2017 18 the overspend in the HNB was covered by centrally held DSG Reserves and in 2018 19 an element of the forecast overspend can be absorbed by the DSG reserves, however, there are insufficient DSG reserves to cover this in total and the Council's DSG reserves will be in deficit by the end of the financial year, as outlined below:

Centrally held DSG Reserves	High Needs Block [£'000]	Early Years Block [£'000]	Schools Block [£'000]	Total DSG [£'000]
Balance as at 1 April 2017	6,070	2,361	2,728	11,159
Use [-] / Contribution [+] in 2017/18	-4,652	-286	-1,488	-6,426
Balance as at 31 March 2018	1,418	2,075	1,240	4,734
Planned Use [-] / Contribution [+] in 2018/19	-5,431	-820	-450	-6,701
Projected balance as at 31 March 2019	-4,013	1,255	790	-1,967

- 76 In October 2018 the Council completed a re-financing of the Schools PFI. This transaction resulted in a gain share of circa £2.8 million, net of the transaction costs. This one off income will be credited to the High Needs DSG Reserve as part of the quarter 3 forecast of outturn report to Cabinet in March in order to partially mitigate the negative DSG reserve balance that will otherwise manifest in the final accounts this year. The revised forecast would therefore be as follows:

DSG Reserves	High Needs Block [£'000]	Early Years Block [£'000]	Schools Block [£'000]	Total DSG [£'000]
Balance as at 1 April 2017	6,070	2,361	2,728	11,159
Use [-] / Contribution [+] in 2017/18	-4,652	-286	-1,488	-6,426
Balance as at 31 March 2018	1,418	2,075	1,240	4,734
Planned Use [-] / Contribution [+] in 2018/19	-2,631	-820	-450	-3,901
Projected balance as at 31 March 2019	-1,213	1,255	790	833

77 For 2019-20, Durham's provisional HN DSG allocation has increased by 2.84% (£1.42 million). The current rate of inflation is around 3.4%. The shortfall in HN spending next years is estimated to be circa £5.6m.

Schools Block to HN Block Transfer

- 78 Children and Young People's Services are currently undertaking a review of HN SEND service delivery, reviewing how the needs of these young people are met now and into the future based on future demographic demand modelling. Options in terms of securing value for money and cost reductions against current HN DSG spending and routes to secure additional funding continue to be explored, including representations to central government.
- 79 No additional HN DSG funding allocations were announced in the Budget on 29 October 2018. The grant settlement is expected on 6 December 2018.
- 80 In the absence of additional government funding, to help alleviate some of these continuing pressures, Cabinet (17 October) considered and approved proposals to seek to transfer funding from the DSG Schools Block to the HNB in 2019/20, up to the maximum permissible, to help address the current shortfall, subject to the outcome of consultation.
- 81 Any transfer from the DSG Schools Block to the HNB would reduce the funding available for the mainstream funding formula and thus reduce allocations to mainstream primary and secondary schools and academies. This accentuates the financial problems being faced by those schools whose funding is being reduced as the local formula is aligned to the National Funding Formula based allocations.
- 82 Transfers of up to 0.5% of the Schools Block can be actioned locally provided they are approved by the Schools Forum. Transfers in excess of 0.5% cannot be agreed locally and must be approved by the Secretary of State for Education.
- 83 There is a statutory deadline of 30 November in terms of making an application to the Secretary of State for Education.

84 Any agreement to transfer funding between these blocks is for one year only and a further application must be made if the authority wishes to repeat the transfer in the following year.

85 In terms of the two transitional formula options, the following table models the potential impact on schools and the Council (in terms of any shortfall in funding) at various levels of DSG funding transfer:

Formula Funding Option	% DSG Funding Transferred from Schools Block to HN Block	Cut to Schools Block / Schools (£)	Estimated Shortfall in HN Block in 2019/20 (£)	Budget Pressure on DCC in 2019/20
OPTION 2: Continue current transition (convergence with NFF in 2020/21)	No transfer	-	5,600,000	5,600,000
	0.5% transfer	1,535,000	5,600,000	4,065,000
	Max. transfer with a positive ceiling	4,769,000	5,600,000	831,000
OPTION 3: Revised transition formula (convergence with NFF in 2021/22)	No transfer	-	5,600,000	5,600,000
	0.5% transfer	1,535,000	5,600,000	4,065,000
	Max. transfer with a positive ceiling	£4,987,000	£5,600,000	£613,000

86 The Council is permitted to have a negative DSG reserve provided there is a plan in place to recover the position within two years. The plan needs to be agreed by the Corporate Director, Resources in his capacity as s151 Officer. In this respect the Council's spending on HN SEND is controlled much the same way as that of a delegated schools budget.

87 The Council can choose to augment the HN DSG budget (or the DSG Schools Block for that matter) with General Fund Resources, but cannot directly allocate funding to a particular school and any funding provided through the School Block would benefit proportionately all schools, including academies.

88 Any additional funding provided through the Councils General Fund could be either one off / non-recurrent (funded from reserves e.g. the Budget Support Reserve) or recurrent i.e. built into the MTFP as a base budget pressure.

89 In terms of the two transitional formula options and their impact on schools budgets, the following tables show the impact on schools at the various levels of DSG Schools Block transfer:

OPTION 2: Continue with current Transitional Formula (convergence with NFF in 2020/21)					
Impact of 2019-20 formula options compared to 2018-19 net formula funding			Proportion of Schools Block transferred to High Needs Block		
			0%	0.5%	Max.
Schools with reduced funding	Primary	No. of schools	106	113	138
		Average reduction (£)	-17,900	-19,900	-22,400
	Secondary	No. of schools	5	7	8
		Average reduction (£)	-114,500	-96,700	-118,800
Schools with increased funding	Primary	No. of schools	108	101	76
		Average increase (£)	27,900	25,500	24,100
	Secondary	No. of schools	26	24	23
		Average increase (£)	293,900	291,500	245,000

OPTION 3: Slower Rate Transitional Formula (convergence with NFF in 2021/22 – SCHOOLS FORUM PREFERENCE)					
Impact of 2019-20 formula options compared to 2018-19 net formula funding			Proportion of Schools Block transferred to High Needs Block		
			0%	0.5%	Max.
Schools with reduced funding	Primary	No. of schools	99	109	137
		Average reduction (£)	-17,200	-18,800	-21,900
	Secondary	No. of schools	5	6	8
		Average reduction (£)	-117,700	-113,800	-121,000
Schools with increased funding	Primary	No. of schools	115	105	77
		Average increase (£)	27,000	25,300	23,200
	Secondary	No. of schools	26	25	23
		Average increase (£)	283,500	268,900	233,600

- 90 Changes in funding for individual schools compared to 2018-19 funding levels currently received are shown in Appendix 3. Details of the numbers of pupils funded in the current year and an estimate of the numbers that will be funded in 2019/20 are also shown in Appendix 3.

Consultation

- 91 Schools Forum Working Groups met in July and September to consider options for the formula and were advised that the Council would need to consider applying to the Secretary of State for Education to transfer funding from the Schools Block to the High Needs Block in 2019/20.

- 92 Those attending the working groups expressed concern about the impact that a transfer would have on schools at a time when they are facing significant budget pressures and noted that this could lead to a reduction in their capacity to offer support to pupils with Special Educational Needs, leading to more requests for top-up funding.
- 93 The Durham Association of Secondary Head Teachers are opposed to a transfer and have expressed their reasons for this in writing:
- (a) It would have an adverse impact on academic outcomes and support we are to students;
 - (b) School budgets are already over-stretched;
 - (c) Schools are facing significant increases in costs;
 - (d) There would be a direct impact upon the support available to the most vulnerable students;
 - (e) Secondary schools already suffer underfunding compared to other phases of education in Durham;
 - (f) The Council is in a far better position than schools to support a projected over-spend;
 - (g) A persuasive and holistic vision for the use of High Needs funding is required to justify such a transfer;
 - (h) National data suggests that Durham Secondary Schools currently receive the least amount of top-up funding and students in Durham Secondary Schools are already significantly underfunded;
 - (i) Secondary School EHCP rates are significantly lower than the national average and significantly lower than rates in primary schools.
- 94 As part of the consultation, a briefing note on the formula and impacts of a potential transfer of funding to the HN Block was added to the Schools Extranet on 19 October and was updated during the week commencing 29 October. Schools can continue to respond during November and a summary of responses will be provided to Cabinet in December.
- 95 On 5 November the Schools Forum met to consider the options in terms of the Local Formula to be used in 2019/20 and the Council's proposals with regards to transferring funding from the DSG Schools Block to the HNB.

- 96 The Schools Forum was informed of the feedback from the Cabinet meeting on 17 October 2018, that it supported Option 2 (continue with the strategy implemented with effect from 2018/19: a transitional formula which moves schools to a NFF based allocation from 2020/21) and that it was minded to seek permission from the Secretary of State for Education to transfer funding from the DSG Schools Block to the DSG High Needs Block in 2019/20.
- 97 There was no support for accelerating the pace of change and moving straight to a NFF based formula next year, nor was there any appetite to regress back to the 2017/18 formula or any other variation thereof.
- 98 The forum voted in favour of Option 3 (continue with a transitional formula approach, but at a slower rate than currently planned i.e. aim for a NFF based allocation from 2021-22 instead of 2020-21). Voting was as follows:
- Option 2 (Current Transitional Formula) – 1 vote
 - Option 3 (Slower Rate Transitional Formula) – 22 votes AGREED
- 99 In addition, whilst recognising and sympathising with the difficult position the Council finds itself in with regards to its HN SEND budget, there was strong representation that the Council should not seek to place additional pressures on schools by seeking to transfer DSG funding away from the DSG Schools Block.
- 100 In respect of the proposal to transfer funding for High Needs, the Forum did not support this, with 21 members of the forum voting against and 2 abstaining.
- 101 Members of the Schools Forum asked that a fully costed HN SEND plan, modelling the pressures and options to address this across the next 3 to 5 years is prepared and that the Council give serious consideration as to whether it could utilise its reserves in the short term to avoid a cost shunt to schools, particularly where they were mindful of the potential for these pressures to be addressed as part of the grant settlements or the Comprehensive Spending Review next year, given the national spotlight on this area.
- 102 The Forum asked for these results to be reported to Cabinet along with the rationale for slowing down the rate of transition being that it will slow reduce the impact on smaller schools in particular, who are likely to be worse-off as a result of the NFF.
- 103 On 7 November 2018 a presentation was made to the Children and Young Peoples Overview and Scrutiny Committee. The Committee recognised the difficult position the Council was in and was sympathetic

to the pressures schools were under. Questions were raised regarding what lobbying had been undertaken of central government; what would be the implications if the Government refused any application to transfer funding from the Schools Block and whether local communities fully understood these issues. There was support for Cabinet to consider a slower convergence in line with the views of the Schools Forum.

Equality Impact Assessment

- 104 An Equality Impact Assessment has been completed and is attached at Appendix 5. In summary, with the exception of age, the formula does not differentiate according to any of the protected characteristics from an Equality Act perspective.
- 105 The differentiation in respect of age is in accordance with the factor values attached to each key stage in the education lifecycle, which is common practice and a key feature of the existing local formula across the country and the NFF, and recognises differences in the provision required by pupils of different ages.
- 106 There is a small positive impact in relation to disability as the transitional formula will increase the proportion of funding allocated to Low Prior Attainment (LPA), which is one of the DfE's proxy indicators for Special Educational Needs (SEN).
- 107 Compared to the 2018-19 formula allocations, faith schools generally see smaller average increases in funding than non-faith schools regardless of the option and transfer to the High Needs Block.
- 108 However, it should be noted that the formula does not differentiate between schools in terms of religion but does take account of additional needs in calculating allocations. A comparison of faith and non-faith schools supports a view that differences between these types of school is a result of differences in the proportion of pupils who are eligible for additional needs funding.
- 109 Where funding reduces from year-to-year schools will continue to be supported to understand the implications, to forecast any budget shortfall and to identify appropriate savings that can be made to balance the budget. Where a staff restructuring is necessary schools will also continue to be supported through this process.

Conclusion

- 110 This report follows on from the report to Cabinet in 17 October 2018 where a number of options were considered in terms of the local funding formula for mainstream primary and secondary schools for

2019/20 and a preferred option was agreed, subject to the outcome of consultation.

- 111 Members will be aware that in 2017-18 there was an overspend against the DSG High Needs Block of £4.652 million. For the current year, the updated forecast overspend is indicating a £5.431 million overspend. The quarter 2 outturn forecast reported to Cabinet on 14 November shows an estimated c£5.284 million overspend.
- 112 Durham is not unique in experiencing these pressures and over the past year this has been highlighted across the country by a number of local authorities and education leaders. Recent data published by the County Councils Network (CCN) indicates that 22 county councils are projecting an over spend in their HN DSG in 2018-19. In the North East a number of neighbouring councils are also reporting overspends against their HNB allocations.
- 113 The report to Cabinet in October considered the option to top-slice the schools core DSG block to fund the deficit, which effectively moves funding from the core schools block into the high needs block – cutting the funding available to allocate to schools. The Schools Forum can agree to a top slice up to 0.5% of this funding, however any top-slice above 0.5% has to be approved by the Secretary of State for Education – an application for which needed to be submitted regard by 30 November.
- 114 Consultation has been taking place with all schools and the Schools Forum met on 5 November 2018 to consider the options to address the current position in terms of the overspending against the high needs block and the need to find a sustainable solution. A presentation was also made to the Children and Young People’s Overview and Scrutiny Committee meeting on 7 November.
- 115 The Schools Forum have supported a transitional formula, but at a slower rate given the announcements made by the DfE in July 2018. This was also supported by the Children and Young People’s Overview and Scrutiny Committee. Given this feedback, the proposal is to adopt a formula in line with the wishes of the Schools Forum in 2019/20.
- 116 The Schools Forum, whilst sympathetic to the position the Council finds itself in, did not however support any top-slice to support the high needs funding block, due to their concerns about the real terms cuts they are facing and the pressures already prevalent across many of our schools.
- 117 As a result of the Government underfunding of High Needs and the real terms cuts to wider school funding, the Council finds itself in a very difficult position. The HN SEND budget must be balanced next year, therefore the Council needs to find a way of topping up the DSG funding

received for High Needs, whilst continuing to lobby for more funding and undertaking a review of High Needs expenditure.

- 118 Taking into account the feedback from the Schools Forum and the significant pressure that the high needs block is under, an application was submitted to seek Secretary of State for Education approval for a top-slice of 0.5% of the DSG schools block in 2019/20. This represents circa £1.535 million of funding, which is significantly below the estimated £5.6 million shortfall in funding required in 2019/20 and which could have been covered by applying for the maximum amount of transfer permitted.
- 119 As a temporary measure, for next year only, the Council will agree to fund the remaining deficit on the high needs block in 2019/20 from its reserves (Budget Support Reserve). The Councils MTFP will therefore factor in a £4.1 million budget pressure in 2019/20, funded through a one off application of Budget Support Reserve to augment the High Needs budget in 2019/20 and allow a balanced budget to be set.
- 120 It is important to note that this is only a temporary solution and will require the Council to use general fund resources to meet Education expenditure which should be funded through DSG. If the Council was to permanently meet the pressure in this area from its own resources this would require further savings from general fund services of between £5m and £6m to be found in addition to the estimated savings of circa £25m to £30m required over the MTFP9 planning period.
- 121 A sustainable solution will have to be found in partnership with schools to this issue and further reports will be considered by cabinet over the coming months on this issue.
- 122 Appendix 3 sets out details of the sets out details of the impact on the local funding formula for mainstream primary and secondary schools for 2019/20, including the impact of the application to Secretary of State for Education to agree to a transfer of funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block DSG, equivalent to 0.5% (£1.535 million). Comparative figures with no transfer and with the maximum transfer possible are also provided to put the 0.5% transfer in context.
- 123 Appendix 4 provides details of the local formula factors to be applied in 2019/20, which are draft at this stage. The final formula factors will be determined in January following receipt of the final conformed pupil numbers and DSG funding allocations.

Background papers

Schools Forum, 5 November 2018, Item No 7, Mainstream Primary and Secondary Funding Formula 2019-20 & transfer to High Needs Block

Other useful documents

Cabinet, 17 October 2018, Mainstream Primary and Secondary Formula Funding 2019-20 and Transfer to High Needs Block

Contact:	Paul Darby	Tel: 03000 261930
	David Shirer	Tel: 03000 268554

Appendix 1: Implications

Legal Implications

Schools are largely funded by Dedicated Schools Grant (DSG).

The Dedicated Schools Grant is issued by the Department for Education, with the terms of grant given governed by section 16 of the Education Act 2002, which states that it is a ring-fenced specific grant that must be used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations.

Local authorities are currently responsible for establishing a local formula for distributing the funding to individual schools. This is subject to national regulations and statutory restrictions established by the Education and Skills Funding Agency.

Since 2013/14, local discretion over the funding formulae that can be applied has been significantly restricted, with local decision making limited to the application of a relatively small number of formula factors, most of which are pupil-led, with the rest being either school-led or relating to specific premises related costs.

The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation, the council is required to publish a Scheme of Financing for Schools.

The scheme sets out the financial relationship between the authority and the maintained schools that it funds, including the respective roles and responsibilities of the authority and schools. Under the scheme, deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year are charged against the school and deducted from the following year's budget share to establish the funding available to the school for the coming year.

The HN DSG allocation comes with relatively loose grant conditions – which are that the Council must meet its statutory duties under SEND legislation and cannot spend the DSG on General Fund activities. The Council can apply centrally retained DSG reserves on top and have a negative DSG Reserve within restrictions, provided there is a plan to recover this within 2 years.

The Council can also, with the approval of the Schools Forum, locally augment it with Schools Block DSG (up to a max of 0.5%) and apply to the Secretary of State for Education for anything beyond that.

The HN DSG block doesn't work like the Schools DSG Block in that there is no formula or regulation over how the HN DSG block allocated in terms of top up funding passed to mainstream schools or how special schools are funded and how we commission out of county placements etc.

The Council has the powers to augment the HN DSG budget using its general power of competence. There is nothing in the legislation to prevent us from doing this. The Council is however restricted by legislation from allocating funding to a particular mainstream school as its funding must come from the local formula.

Finance

The Dedicated Schools Grant (DSG) is a specific earmarked grant provided by the Government which provides the major source of funding for schools and the provision of support to them. It is notionally split into four 'blocks': Early Years, High Needs Central School Services and Schools.

All DSG funding must be spent on schools or support to them.

Starting in 2018-19, funding allocations to each local authority's Schools Block of the DSG are based on notional funding for each school using the National Funding Formula, which is determined by the DfE. Individual local authorities use the Schools Block funding to set a local formula using the available funding and in accordance with funding regulations, which limit the discretion of authorities.

Following the announcements in July 2018, local authorities will continue to set local formulas until at least 2020-21. DfE policy is that in the longer term local formulas will be replaced by the NFF, which will determine allocations to individual schools. The Government are encouraging local authorities to align their local formula with the NFF.

The NFF puts more funding into pupil-led factors than school-led factors, which could create longer-term challenges for smaller schools, because the increase in pupil-led funding will be of less benefit to schools with smaller numbers of pupils. The NFF will include minimum funding levels which may reduce the amount that can be allocated through factors such as deprivation.

Estimated funding for 2019-20 is £306.5 million.

There was an overspend against the DSG High Needs Block of £4.652 million in 2017/18 and in the current year, the updated forecast overspend is indicating a £5.431 million overspend. The QTR2 outturn forecast reported to Cabinet on 14 November showed a c£5.284 million overspend.

In 2017/18 the overspend was covered by centrally held DSG Reserves and in 2018/19 an element of the overspend can be absorbed by the DSG reserves, however, there is insufficient DSG reserves to cover this in total and on this basis the Council's DSG reserve will be in deficit by the end of the financial year.

On 5 November 2018 the Schools Forum refused to agree to the transfer of any funding from the DSG Schools Block. Nevertheless, an application was submitted to seek Secretary of State for Education approval for a top-slice of 0.5% of the DSG schools block in 2019/20. This represents circa £1.535 million of funding, which is significantly below the estimated £5.6 million shortfall in funding required in 2019/20 and which could have been covered by applying for the maximum amount of transfer permitted.

As a temporary measure, for next year only, the Council will agree to fund the remaining deficit on the high needs block in 2019/20 from its reserves (Budget Support Reserve). The Council's MTFP will therefore factor in a £4.1 million budget pressure in 2019/20, funded through a one off application of Budget Support Reserve to augment the High Needs budget in 2019/20 and allow a balanced budget to be set.

This is only a temporary solution and will require the Council to use general fund resources to meet Education expenditure which should be funded through DSG. If the Council was to permanently meet the pressure in this area from its own resources this would require further savings from general fund services of between £5m and £6m to be found in addition to the estimated savings of circa £25m to £30m required over the MTFP9 planning period.

Consultation

The Council must consult with schools and the Schools Forum before setting its local funding formula for mainstream schools. The latter is a statutory consultative body, mainly consisting of representatives of head teachers, governors and academy trusts, plus Trade Unions.

The Schools Forum received a report about these issues in June and initial consultation with Schools Forum Working Groups took place in July.

A more detailed consultation with working groups took place in September and a consultation document was made available to schools through the Schools Extranet.

Further consultation with schools took place in November and December, including scheduled Schools Forum meetings, (5 November and 5 December).

A presentation was made to the Children and Young People's Overview and Scrutiny Committee meeting on 7 November 2018.

There was no support for accelerating the pace of change and moving straight to a NFF based formula next year, nor was there any appetite to regress back to the 2017/18 formula or any other variation thereof.

The forum voted in favour of Option 3 (continue with a transitional formula approach, but at a slower rate than currently planned i.e. aim for a NFF based allocation from 2021-22 instead of 2020-21).

Whilst recognising and sympathising with the difficult position the Council finds itself in with regards to its HN SEND budget, there was strong representation that the Council should not seek to place additional pressures on schools by seeking to transfer DSG funding away from the DSG Schools Block. The Schools Forum did not agree to any proposed transfer of DSG from the Schools Block.

The Durham Association of Secondary Head Teachers are opposed to a transfer and have expressed their reasons for this in writing, with full details included in the body of the report.

Equality and Diversity / Public Sector Equality Duty

An Equality Impact Assessment screening has been undertaken on the options set out in this report and is attached at Appendix 5.

In summary, with the exception of age, the formula does not differentiate according to any of the protected characteristics from an Equality Act perspective.

The differentiation in respect of age is in accordance with the factor values attached to each key stage in the education lifecycle, which is common practice and a key feature of the existing local formula across the country and the NFF, and recognises differences in the provision required by pupils of different ages.

There is a small positive impact in relation to disability as the transitional formula will increase the proportion of funding allocated to Low Prior Attainment (LPA), which is one of the DfE's proxy indicators for Special Educational Needs (SEN).

Compared to the 2018-19 formula allocations, faith schools generally see smaller average increases in funding than non-faith schools regardless of the option and transfer to the High Needs Block.

However, it should be noted that the formula does not differentiate between schools in terms of religion but does take account of additional needs in calculating allocations. A comparison of faith and non-faith schools supports a

view that differences between these types of school is a result of differences in the proportion of pupils who are eligible for additional needs funding.

Where funding reduces from year-to-year schools will continue to be supported to understand the implications, to forecast any budget shortfall and to identify appropriate savings that can be made to balance the budget. Where a staff restructuring is necessary schools will also continue to be supported through this process.

Human Rights

None

Crime and Disorder

None

Staffing

There are likely to be consequential restructuring and potential redundancies in schools where funding is reduced.

Accommodation

None

Risk

The National Funding Formula increases the proportion of funding allocated on pupil based factors, by reducing the amounts of funding allocated through schools led factors such as lump sums.

The NFF also distributes deprivation linked funding differently to the previous local formula arrangements, with greater proportions of funding being distributed on the basis of low Prior Attainment. Small schools and those schools receiving a proportionately higher proportion of deprivation linked funding currently distributed via the existing local formula will face a greater financial challenge as a result of the move towards a National Funding Formula for schools.

The long-term policy of replacing local formulas with the NFF requires local authorities to consider the implications for schools when local formulas are replaced by the NFF.

There is a risk of significant turbulence for schools if there is a 'cliff-edge' change in funding when their funding changes to the NFF.

Procurement

None

Appendix 2: Change in funding from 2018-19 to 2019-20

	Primary	Secondary	Total
October 2018 pupils (estimated)	39,062	25,459	
October 2017 pupils	39,165	24,447	
Change in pupil numbers	-103	1,012	
2018-19 units of funding (£/pupil)	4,183.61	5,236.06	
Change in funding because of change in pupil numbers (£)	-431,000	5,299,000	4,868,000
2019-20 units of funding (£/pupil)	4,227.34	5,253.15	
2018-19 units of funding (£/pupil)	4,183.61	5,236.06	
Change in units of funding (£/pupil)	43.73	17.09	
October 2018 pupils (estimated)	39,062	25,459	
Change in funding because of change in units of funding (£)	1,708,000	435,000	2,143,000
Total change in pupil funding (£)			7,011,000
	2018/19	2019/20 Estimate	
Premises (£)	6,328,000	6,665,000	337,000
Growth (£)	397,000	1,700,000	1,303,000
2017-18 rates adjustment (£)			-146,000
Adjustment for Apollo funding (£) [See Note 1]			-352,000
Total change in formula funding (£)			8,154,000
De-delegation (£) [See Note 2]	-616,000	-582,000	34,000
Net change in funding (£)			8,188,000

- 1 The adjustment for Apollo funding is an adjustment for this school, which ceased to be a mainstream school in September 2017. The adjustment took the form of additional funding in 2018-19 which is not repeated in 2019-20.
- 2 The change in de-delegation is because of changes in pupil numbers and the conversion of maintained schools to academies since last year's formula was determined.

Appendix 3: Impact on Schools – Formula Funding Options

Appendix 4 - Formula Funding Factors - Options

Appendix 5: Equality Impact Assessment

NB: The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Assessing impact on equality and recording this is one of the key ways in which we can show due regard.

Section One: Description and Screening

Service/Team or Section	Financial Services, School Funding Team
Lead Officer	David Shirer
Title	Mainstream Primary and Secondary Formula Funding 2019-20 and Transfer to High Needs Block
MTFP Reference (if relevant)	N/A
Cabinet Date (if relevant)	17 October 2018 & 12 December 2018
Start Date	November 2017, Reviewed October and November 2018
Review Date	October / November 2019

Subject of the Impact Assessment

Please give a brief description of the policy, proposal or practice as appropriate (a copy of the subject can be attached or insert a web-link):

The Council is required to set a formula to distribute funding to mainstream primary and secondary schools, including academies and will continue to set a local formula for at least the next two years. Government policy is to replace local formulas set by local authorities with the National Funding Formula (NFF). For 2018-19, the Council set a transitional formula, intended to reduce the differences between the local formula and the NFF

over a three-year period, culminating in 2020-21 when the NFF was expected to replace local formulas.

At the end of July 2018, the DfE announced that the replacement of local formulas was being delayed and that local authorities would set local formulas for 2020-21. The Council is considering options for the local formula for 2019-20 and is consulting schools and the Schools Forum during the autumn term, prior to taking a final decision in December.

The options under consideration were:

- Option 1: Implement the NFF as closely as possible from 2019-20
- Option 2: Continue with the transitional formula to converge in 2020/21
- Option 3: Continue with the transitional formula, but at a slower rate – to converge in 2021/22
- Option 4: Using existing formula, with no further transition

At the same time, Cabinet will be recommended to approve an application to transfer funding from the Schools Block of the Dedicated Schools Grant (DSG), to the High Needs Block.

The Schools Block provides the funding for the mainstream primary and secondary formula, so a transfer will reduce the amount distributed through the formula.

The High Needs Block provides the funding for provision for pupils and students with Special Educational Needs and there is a substantial shortfall in funding for this provision.

A national equality impact assessment for the NFF is available through the gov.uk website:

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-equalities-impact-assessment>

This is relevant, because the option that is recommended for the formula is the transitional option, which is partly based on the NFF.

Transition to the NFF will increase the funding allocated to pupil-led factors and reduce the lump sum provided to all schools, which could create longer term challenges for smaller schools which is relevant to the County due to its semi-rural nature. Pupil-led factors include factors linked to deprivation, English as an Additional Language and Low Prior Attainment. The transition to the NFF will reduce the amount allocated to deprivation, albeit

using a wider range of measures, and will significantly increase the funding allocated to Low Prior Attainment.

Who are the main stakeholders? (e.g. general public, staff, members, specific clients/service users):

Pupils, their families and school-based staff. Also affected are the Council, which is responsible for maintaining schools, academy trusts and Roman Catholic and Church of England diocese, in respect of voluntary controlled and voluntary aided schools.

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics?

Protected Characteristic	Negative Impact Indicate: Y = Yes, N = No, ? = unsure	Positive Impact Indicate: Y = Yes, N = No, ? = unsure
Age	?	N
Disability	?	Y
Marriage and civil partnership (workplace only)	N	N
Pregnancy and maternity	N	N
Race (ethnicity)	N	?
Religion or Belief	N	N
Sex (gender)	?	N
Sexual orientation	N	N
Transgender	N	N

Please provide **brief** details of any potential to cause adverse impact. Record full details and analysis in the following section of this assessment.

The impact on schools is varied and for those that lose out financially there are potential negative impacts for both pupils and staff. In relation to staff there may be greater potential impact in terms of age (older) and gender (women) where staffing profiles for some schools indicate higher proportions of female and/or older staff.

How will this policy/proposal/practice promote our commitment to our legal responsibilities under the public sector equality duty to:

- eliminate discrimination, harassment and victimisation,
- advance equality of opportunity, and
- foster good relations between people from different groups?

The formula includes factors which act as proxy measures for pupils who are likely to need additional support to achieve the expected level of attainment, which will contribute to increasing equality of opportunity.

The formula does not differentiate between pupils from different groups and allocates funding on the basis of factors that are likely to be relevant to their educational needs.

Evidence

What evidence do you have to support your findings?

Please **outline** your data sets and/or proposed evidence sources, highlight any gaps and say whether or not you propose to carry out consultation. Record greater detail and analysis in the following section of this assessment.

NFF EIA: <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-equalities-impact-assessment>

Report to Cabinet on 13.12.17 detailed the factors considered in determining the transitional formula recommended to Cabinet to approve. The report appendices contain detail on how each school in the County will be financially impacted by all three implementation options. This EIA is based on the recommended transitional model.

Report to Cabinet 17.10.18 to agree submission of an application for a transfer of funding from the Schools Block of the Dedicated Schools Grant of the maximum permissible, without creating a negative ceiling.

Consultation Oct/Nov 2017

Feedback from the Schools Forum working groups (Oct/Nov 2017) has been mixed but overall has tended to favour a transitional option.

On 7th Nov 17, Children's and Young People's Overview and Scrutiny committee received a report and presentation on the schools funding formula options and the impact of NFF. The committee recognised that the impact on schools varied and that change would inevitably be to the benefit of some schools, but to the detriment of other schools. They also recognised that no moment towards the NFF would potentially create significant challenges for a number of schools in 2020/21. In conclusion the committee was supportive of the proposals to use a transitional model recognising this was something the Education and Skills Funding Agency was encouraging and this seemed the fairest solution to a difficult issue.

Consultation Update November 2018

Schools Forum Working Groups met in July and September 2018 to consider options for the formula and were advised of the Council's intention to apply to transfer funding from the Schools Block to the High Needs Block.

Those attending the working groups expressed concern about the impact that a transfer would have on schools at a time when they are facing significant budget pressures and noted that this could lead to a reduction in their capacity to offer support to pupils with Special Educational Needs, leading to more requests for top-up funding.

Subsequently, this issue has been discussed by the **Durham Association of Secondary Headteachers**, who are opposed to a transfer as they feel this would have an adverse impact on academic outcomes and support we are to students. Also that school budgets are already over-stretched and a persuasive and holistic vision for the use of High Needs funding is required to justify such a transfer (full details are contained within the report to Cabinet on 12 December 2018).

The **Schools Forum met on 5 November 2018** and was informed of the feedback from Cabinet on 17 October 2018, that it supported Option 2 (Continue with the strategy implemented with effect from 2018 19: a transitional formula which moves schools to a NFF based allocation from 2020 21).

The forum voted in favour of Option 3 (Continue with a transitional formula approach, but at a slower rate than currently planned i.e. aim for a NFF based allocation from 2021 22 instead of 2020 21). Voting was:

Option 1 (NFF version) – 0 votes

Option 2 (Transitional Formula) – 1 vote

Option 3 (Slower Rate Transitional Formula) – 22 votes AGREED

Option 4 (Updated 2018-19 Formula) – 0 votes

The Forum asked for this result to be reported to Cabinet along with the rationale for this being that it will slow down the change to the NFF and reduce the impact on smaller schools in particular, who are likely to be worse-off as a result of the NFF.

In respect of the proposal to transfer funding for High Needs, the Forum did not support this, with 21 members voting against and 2 abstaining.

Feedback from the Forum was that they were concerned about a lack of detail in respect of plans for SEN funding and about the impact of the transfer on schools.

The Council has carefully reflected on this feedback.

Taking into account the feedback from the Schools Forum and the significant pressure that the high needs block is under, an application was submitted to seek Secretary of State for Education approval for a top-slice of 0.5% of the DSG schools block in 2019/20. This represents circa £1.535 million of funding, which is significantly below the estimated £5.6 million shortfall in funding required in 2019/20 and which could have been covered by applying for the maximum amount of transfer permitted.

As a temporary measure, for next year only, the Council will agree to fund the remaining deficit on the high needs block in 2019/20 from its reserves (Budget Support Reserve). The Councils MTFP will therefore factor in a £4.1 million budget pressure in 2019/20, funded through a one off application of Budget Support Reserve to augment the High Needs budget in 2019/20 and allow a balanced budget to be set.

This decision will result in a much lower impact on schools than would be the case had the Council sought approval for the maximum amount permissible to be transferred.

Screening Summary

On the basis of this screening is there:	Confirm which refers (Y/N)
Evidence of actual or potential impact on some/all of the protected characteristics which will proceed to full assessment?	Y
No evidence of actual or potential impact on some/all of the protected characteristics?	N

Sign Off

Lead officer sign off: David Shirer	Date: November 2018 (Updated)
Service equality representative sign off: Research and Equality Manager	Date: November 2017 Updated October 2018 and November 2018

If carrying out a full assessment please proceed to section two.

If not proceeding to full assessment please return completed screenings to your service equality representative and forward a copy to equalities@durham.gov.uk

If you are unsure of potential impact please contact the corporate research and equalities team for further advice at equalities@durham.gov.uk

Section Two: Data analysis and assessment of impact

Please provide details on impacts for people with different protected characteristics relevant to your screening findings. You need to decide if there is or likely to be a differential impact for some. Highlight the positives e.g. benefits for certain groups, advancing equality, as well as the negatives e.g. barriers for and/or exclusion of particular groups. Record the evidence you have used to support or explain your conclusions. Devise and record mitigating actions where necessary.

Protected Characteristic: Age		
What is the actual or potential impact on stakeholders?	Record of evidence to support or explain your conclusions on impact.	What further action or mitigation is required?
<p>Public authorities do not have to comply with the Public Sector Equality Duty in relation to age for the provision of education and services to pupils in schools.</p> <p>In relation to potential impact on staff for schools experiencing funding reductions there could be implications for older staff.</p> <p>Following agreed HR procedures will ensure fair treatment.</p>	<p>Basic funding per pupil increases from primary (reception to Year 6) to KS3 (Years 7 to 9) to KS4 (Years 10 to 11). This is in line with normal practice in most authorities and the NFF and recognises the increasing cost per pupil as they get older: <i>As pupils progress through key stages, the breadth and complexity of the curriculum increases, requiring more subject experts, specialist teaching facilities and examination fees expenditure. (NFF EIA, paragraph 19, DfE).</i></p> <p>The table below shows the allocations in the 2018-19 formula and those for the options for 2019-20, assuming that the maximum amount permissible is transferred for each option.</p>	<p>Where funding reduces from year-to-year schools are supported to understand the implications, to forecast any budget shortfall and to identify appropriate savings that can be made to balance the budget. Where a staff re-structuring is necessary schools are supported through this process.</p>

Proportions of funding allocated through formula factors	Option 2 (Transition)			Option 3 (Slower Rate Transition)			1819 formula
	Proportion of Schools Block transferred to High Needs Block			Proportion of Schools Block transferred to High Needs Block			
	0%	0.5%	Maximum	0%	0.5%	Maximum	
Pupil-led factors							
Basic amount per pupil	71.14%	71.08%	70.97%	70.87%	70.81%	70.69%	70.34%
Deprivation	11.71%	11.70%	11.68%	11.80%	11.79%	11.77%	11.96%
English as an Additional Language	0.11%	0.11%	0.11%	0.09%	0.09%	0.09%	0.06%
Low Prior Attainment	4.60%	4.60%	4.59%	4.37%	4.36%	4.36%	3.49%
Minimum per-pupil funding	0.02%	0.02%	0.03%	0.00%	0.01%	0.01%	0.01%
School-led factors							
Lump Sum	10.19%	10.24%	10.35%	10.65%	10.70%	10.82%	11.90%
Sparsity	0.08%	0.08%	0.08%	0.06%	0.06%	0.07%	0.04%
Premises-related factors							
Rates	1.53%	1.54%	1.56%	1.53%	1.54%	1.56%	1.59%
Split-site	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
PFI	0.48%	0.48%	0.48%	0.48%	0.48%	0.48%	0.47%
Joint-use Leisure	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%

Protected Characteristic: Disability		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
Limited positive impact. The transitional formula will increase the proportion of funding allocated to Low Prior Attainment (LPA), which is one of the DfE's proxy	Most funding to meet the needs of children with disabilities is provided separately to this formula. The proportion of funding allocated for LPA will increase from 3.49% in the 2018-19 formula to at least 4.33%. Schools contribute the first £6,000 of the cost	As above

<p>indicators for Special Educational Needs (SEN).</p> <p>Increasing the proportion of funding provided through LPA should increase the correlation between the number of pupils with disabilities and the notional SEN budget, which should improve the efficiency of the allocation of targeted support in reaching schools with the most pupils with disabilities.</p> <p>In relation to potential impact on staff for schools experiencing funding reductions there could be implications for disabled staff and reasonable adjustments will be made where required.</p>	<p>of SEN provision and receive targeted support to offset these costs if the contributions for High Needs SEN pupils (those whose provision costs more than £6,000) exceeds the school's notional SEN budget. The SEN budget is a notional share of formula funding, based on a target of £350/pupil in each phase (primary/secondary) and includes all of the LPA funding with the balance from deprivation funding.</p>	
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Protected Characteristic: Marriage and civil partnership (workplace only)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
N/A		

Protected Characteristic: Pregnancy and maternity		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
None	This is not relevant to school funding	None

Protected Characteristic: Race (ethnicity)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>Limited positive impact.</p> <p>The transitional formula does not include a mobility factor, which is potentially relevant to Gypsy/Roma pupils and pupils of Irish traveller heritage.</p>	<p>The proportion of funding allocated for pupils recorded as having had with English as an Additional Language in the past three years increases under all options except the existing formula option, (Option 4).</p> <p>No funding is included in the funding allocation to Durham in respect of mobility because it has not been used in the past and the data can be unreliable due to issues with recording of data on pupils' previous schools after academy conversion.</p>	<p>Support for Gypsy/Roma pupils and pupils of Irish traveller heritage is available through centrally funded service provided by the Council, which responds to specific needs, as opposed to a formula allocation based on lagged data.</p>

Protected Characteristic: Religion or belief		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>The formula is applied to Roman Catholic primary and secondary schools and Church of England primary schools (there are no Church of England</p>	<p>The proportion of pupils who are eligible for funding through additional needs factors is generally higher for non-faith schools in all categories except English</p>	<p>As above</p>

<p>secondary schools). The formula does not differentiate between schools according to whether they are faith schools or not.</p> <p>Compared to the 2018-19 formula allocations, faith schools generally see smaller average increases in funding than non-faith schools regardless of the option and transfer to the High Needs Block, but this is a result of applying the formula, which takes account of additional needs (deprivation, English as an Additional Language and Low Prior Attainment), where faith schools tend to have fewer eligible pupils.</p>	<p>as an additional language which is predominately why faith schools will see a smaller increase in funding per pupil.</p>	
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Protected Characteristic: Sex (gender)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>The formula does not differentiate between pupils on this basis and there are no single-sex schools affected by the formula.</p> <p>In relation to potential impact on staff for schools experiencing funding reductions there could be disproportionate impact on</p>	<p>Higher proportions of female staff are employed within the primary school sector.</p>	<p>As above</p>

female staff especially within primary education. Following agreed HR procedures will ensure fair treatment.		
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Protected Characteristic: Sexual orientation		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
None	The formula does not differentiate between pupils on this basis	None

Protected Characteristic: Transgender		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
None	The formula does not differentiate between pupils on this basis	None

Section Three: Conclusion and Review

Summary

Please provide a brief summary of your findings stating the main impacts, both positive and negative, across the protected characteristics.
With the exception of age, the formula does not differentiate according to protected characteristics. The differentiation in respect of age is in accordance with usual practice and recognises differences in the provision required by pupils of different ages. There is a small positive impact in relation to disability as the transitional formula will increase the proportion of funding allocated to Low Prior Attainment (LPA), which is one of the DfE's proxy indicators for Special Educational Needs (SEN).

Compared to the 2018-19 formula, faith schools generally will see smaller increases in funding than non-faith schools. The formula does not differentiate between schools but does take account of additional needs. A comparison of faith and non-faith schools illustrates that funding differences between these types of school is a result of differences in the proportion of pupils who are eligible for additional needs funding.

Will this promote positive relationships between different communities? If so how?

No impact expected

Action Plan

Action	Responsibility	Timescales for implementation	In which plan will the action appear?
Consultation with schools and the Schools Forum on 5 November	David Shirer	30 November	N/A

Review

Are there any additional assessments that need to be undertaken? (Y/N)	Refresh of faith school analysis
When will this assessment be reviewed? Please also insert this date at the front of the template	November 2019

Sign Off

Lead officer sign off: David Shirer	Date: 22.11.17 Updated 19.11.18
Service equality representative sign off: Research and Equality Manager Corporate Equality and Strategy Manager	Date: 22.11.17 Updated 19.11.18

Please return the completed form to your service equality representative and forward a copy to equalities@durham.gov.uk