

SCHOOLS FUNDING FORMULA 2020-21

To: Children and Young People's Committee

Meeting Date: 10 March 2020

From: Jonathan Lewis, Service Director – Education
Martin Wade, Strategic Finance Business Partner

Electoral division(s): All

Forward Plan ref: n/a **Key decision:** No

Purpose:

- a) To update the Committee of the 2020/21 Schools Budget allocations and impact on High Needs Block.
- b) To outline the proposals for reducing spend on the high needs block in light of the shortfall in funding identified in 2020/21.

Recommendation: Members are asked to:

- a) Note and comment on the contents of the report.
- b) Agree that Officers commence consultations on changes for high needs funding as outlined in the report.

Officer contact:		Member contacts:	
Name:	Martin Wade	Names:	Councillor Bywater
Post:	Strategic Finance Business Partner	Post:	Chair CYP Committee
Email:	martin.wade@cambridgeshire.gov.uk	Email:	Simon.Bywater@cambridgeshire.gov.uk
Tel:	01223 699733	Tel:	01223 706398

1. BACKGROUND

- 1.1 As reported at the January meeting there were still several outstanding issues in respect of the Schools Budget setting process for 2020/21, not least the required decision from the Secretary of State in respect of the proposed transfer of 1.8% / £6.66m from the School Block to the High Needs Block to support the increasing pressures.
- 1.2 The following list provides an update on the key meetings and decisions which have been taken in the last month:
- The Service Director: Education has met with a number of local MPs to discuss the funding issues facing Cambridgeshire Schools
 - Officers have met with the DfE SEND Advisor and the Education and Skills Funding Agency (ESFA) to review our recovery plan. Feedback in the meeting was positive.
 - The Service Director: Education met with Nick Gibb – Minister for Schools Standards to highlight the particular pressures in respect of High Needs.
 - The LA received notification on 11th February that the disapplication request to transfer 1.8% of the Schools Block to support High Needs pressures has been declined.
 - Based on information from other LA's we understand only 2 of 29 transfer requests were accepted due to very unique area specific circumstances.
 - Schools Forum voted against a 0.5% transfer of funding from the Schools Block to the High Needs Block at an emergency meeting on the 25th February.
 - The final budgets for Primary and Secondary Schools were submitted to the ESFA on 25th February and sign off received.
 - Budget allocations for Primary and Secondary Schools were published on 26th February.

2. 2020-21 BUDGETS

- 2.1 Alongside these decisions the DfE also confirmed that the Minimum Per Pupil Levels (MPPL) of £3,750 for Primary and £5,000 for secondary will be mandatory and as such LA's will have no flexibility to amend in their final budgets.
- 2.2 As a result of the factors set out above there can be no transfer between the Schools Block and High Needs Block (HNB) which results in a final Schools Block distribution total of £368.2m (after allowing for the £2m centrally retained growth fund). This compares to the £345.1m distributed in 2019/20.

The table on the following page shows the final distribution totals and changes between 2019/20:

Source of Funding	2019/20 Budget Allocations £m	2020/21 Budget Allocations £m	Change £m	Change %
2020/21 Base Schools Block	£349.288	£370.204	£20.916	6.0%
Less Retained Growth Fund	(£2.500)	(£2.000)	£0.500	-20.0%
Transfer to High Needs Block	(£1.700)	£0	£1.700	-100.0%
2020/21 Schools Block for distribution	£345.088	£368.204	£23.116	6.7%
2020/21 Base High Needs Block	£68.843	£75.013	£6.170	9.0%
Transfer from the Central Schools Services Block	£0.500	£1.217	£0.717	143.4%
Transfer from Schools Block	£1.700	£0	-£1.700	-100.0%
2020/21 High Needs Block for distribution	£71.043	£76.230	£5.187	7.3%

- 2.4 The increase in the Schools Block for 2020-21 totals £20.9m. This consists of a number of different elements as follows:
- Approximately £17.3m is as a result of the uplift to Cambridgeshire's Schools Block allocation from the additional investment through the national funding formula (NFF).
 - Approximately £3.8m increase resulting from the increase in pupils between October 2018 and October 2019.
 - Approximate £0.2m reduction in funding for growth based on the revised DfE formula.
- 2.5 The final Schools Block budget has then been allocated to Primary and Secondary schools based on the formula factors and unit values approved previously. This generates an initial school level budget based on the October 2019 census data. In instances where the per pupil funding (excluding premises factors) is below the MPPLs of £3,750 for primary and £5,000 for secondary additional funding is allocated to the school to bring the funding up to this level.
- 2.6 Alongside the MPPL there is also a protection factor known as the Minimum Funding Guarantee (MFG) which is set at 1.84% and ensures all schools will see a minimum increase in per pupil funding of 1.84%. The total cost of applying the MPPL and MFG is in the region of £3.6m.
- 2.7 In order to ensure overall affordability within the available funding a cap is applied which limits overall gains of those schools already above the MPPL. Based on the final allocations this cap has been set at 5.92%.
- 2.8 **Appendix A** shows final budget allocations for each school compared to 2019/20. It is important to note however that academy figures are for illustrative purposes only as final

budgets will be published by the ESFA. These figures have been sent to schools ahead of the statutory deadline of the 27th February 2020.

3. HIGH NEEDS BLOCK RECOVERY PLAN

- 3.1 At the end of 2019/20 the cumulative Dedicated Schools Grant (DSG) deficit, excluding Early Years, is forecast to be in the region of £18m+. This pressure can be outlined in the latest position below –

Expenditure Area	2018/19 Expenditure £000	2019/20 Forecast Expenditure £000	% Increase
Special Schools (Place and Top-Up Funding)	23,733	25,488	7.39%
Mainstream Top-Up	11,585	12,201	5.32%
Education Placements	9,753	10,273	5.33%
Further Education Top-Up	7,281	8,453	16.10%
BAIP and AP	6,017	6,443	7.08%
SEND Specialist Support	5,982	5,487	-8.27%
High Needs Units	3,579	4,160	16.23%
Out of School Tuition	3,144	4,969	58.05%
Sensory Support	1,436	1,461	1.74%
Early Years Top-Up	444	631	42.12%

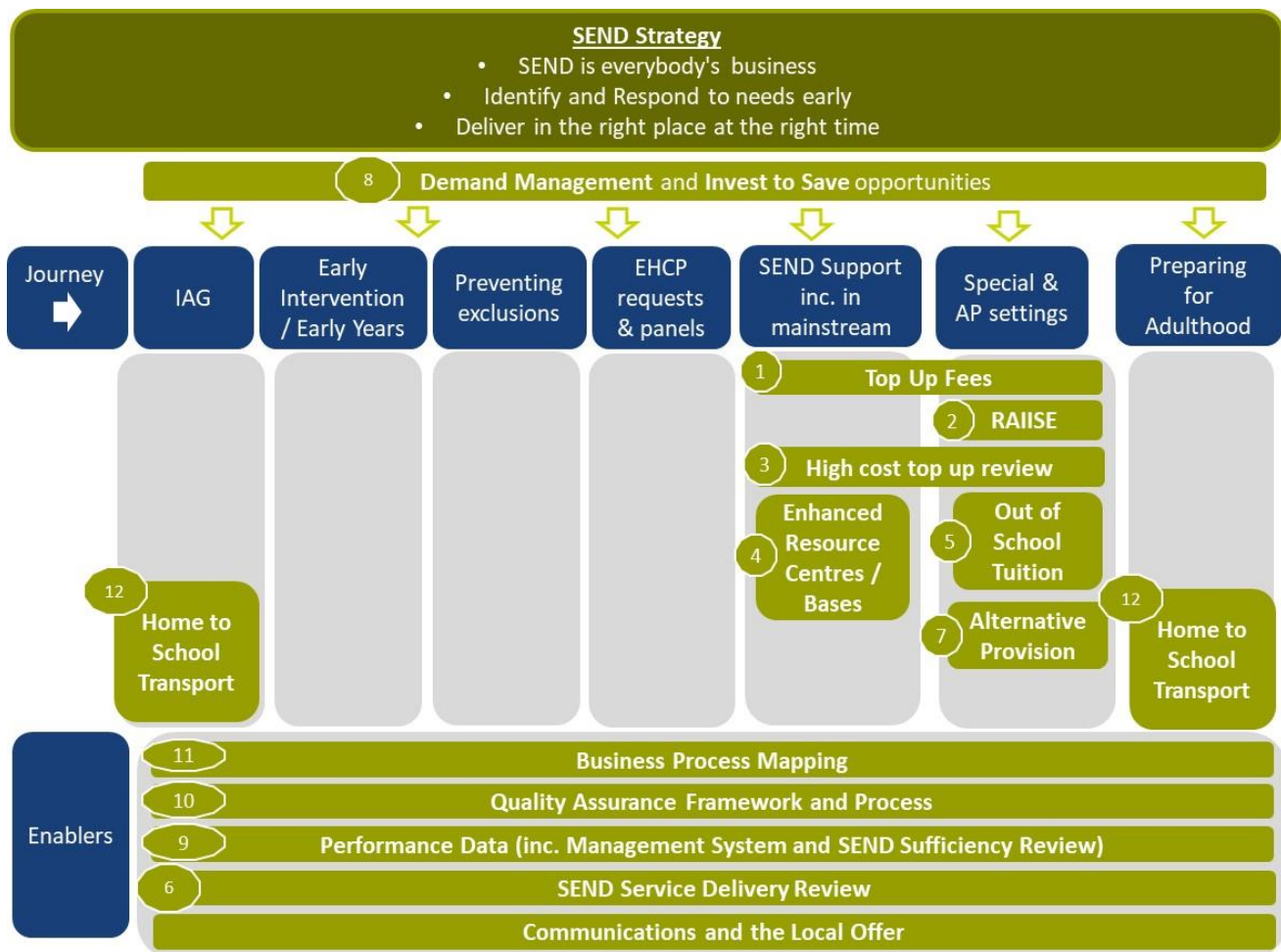
- 3.2 In response to the increasing national deficits on the DSG due to pressures on High Needs the DfE have recently updated statutory guidance to make it clear that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the Local Authority not to do this.
- 3.3 The DfE have also confirmed that where a local authority has a substantial in-year overspend or cumulative DSG deficit balance at the end of the financial year, its management plan should look to bring the overall DSG account into balance within a timely period.
- 3.4 As noted above due to the lack of approval for any transfer between the Schools Block and HNB the final available High Needs budget available for 2020/21 totals £76.23m, a £5.187m increase from 2019/20. However the current forecast in-year spend for 2019/20 is in the region of £82m-£83m, and as a result there will be a significant baseline pressure as we move into 2020/21. The Authority has just submitted its annual SEN2 return to the Department for Education and the changes in activity in this return can be seen in the table below.

Description	2016	2017	2018	2019	2020	% Change From 2019 to 2020
Number of EHCPS (and statements) maintained at census day - Under 5	134	127	157	192	215	11.98%
Number of EHCPS (and statements) maintained at census day - 5 to 10	1119	1129	1192	1304	1482	13.65%
Number of EHCPS (and statements) maintained at census day - 11 to 15	1443	1424	1408	1419	1563	10.15%
Number of EHCPS (and statements) maintained at census day - 16 to 19	484	671	871	1001	1054	5.29%
Number of EHCPS (and statements) maintained at census day - 20 to 25	24	78	194	282	376	33.33%
Number of EHCPS (and statements) maintained at census day - Total	3204	3429	3822	4198	4690	11.72%

The return also shows a significant improvement in the amount of Education Health and Care Plans issued within timescale. This reflects significant hard work by staff and the increased investment made into the Statutory Assessment Team.

- 3.5 If unchecked the High Needs block deficit this is likely to increase to £28m at the end of the 2020/21 financial year. The funding sits within a ring-fenced grant but the deficit is carried forward by the Council in its balance sheet. The opportunity cost of holding this deficit (i.e. the cost of lost investment) is in excess of £400k (based upon borrowing of around £16m). The Chief Financial Officer wrote to the Department for Education requesting a cashflow loan / advance of grant so the council was not disadvantaged. We are awaiting a response to this request.
- 3.6 The Department for Education has recently updated the High Needs operational guidance provides details of the minimum funding guarantee which applies to special schools and is set at 0% compared to the minus 1.5% applicable in 2019/20. Therefore, in order to implement a reduction in funding, LA's are required to apply for an exemption to the MFG using the disapplication request form. Any such request will be expected to have the agreement of the local schools forum and the schools concerned. At the Schools Forum meeting on 25th January, members of Forum voted against the proposal to reduce the Special School funding rates by 5%. As the Special School budgets accounts for approximately 30% of the total HNB spend this potentially further limits the service areas to which savings can be applied.
- 3.7 As previously outlined, a recovery plan was submitted to the Department for Education in June 2019. A meeting was held with officials from the DfE in January where the action plan was shared. The proposed recovery plan can be found in the diagram over. It shows the interrelationship between our SEND Strategy and the focus of the recovery plan areas. It is important the two processes dovetail as we have an obligation to bring financial balance alongside improving outcomes for children and young people with SEND.

3.8



3.9

The key workstreams are outlined below. We have been working with the High Needs Subgroup for Schools Forum (one of three sub groups that operate – the others being Schools and Early Years) to develop these workstreams. The views of these groups are included in the narrative below.

3.10 Workstream 1: Top Up Fees

Purpose: Universal Reduction of Top Up Fees by Reviewing Banding and bringing our level of funding in line with our statistical neighbours.

Timescales: Implementation new banding system for funding by Sept 2020

There is a need to put more structure around the way we allocate funding and develop appropriate criteria on which to base funding. Every child should be matched against this criteria and moderation of need should take place to ensure consistency. The cost of support in schools is not currently adequately funded even under our current arrangements but a banding system will ensure a more equitable best fit model. It will also allow a methodology for review as needs and funding change. Ideally any funding system we develop will put more money into early support to reduce demand later in the system i.e. before an Education, Health and Care Plan is issued. We have been looking at a range of other local authorities approaches to funding children with high needs.

3.11 Workstreams 2 & 3 : RAIISE and High Cost Top Up Reviews

Purpose: To review and challenge the current level of current planned expenditure on all support purchased from the independent sector (RAIISE) and a comprehensive review of all high cost placements across Special Schools (Phase 1) and Mainstream settings (phase 2)
Timescales: June 2020 (RAIISE), December 2020 (High Cost Top Ups)

Project RAIISE (Resilience and Independence in SEND Environment) was set up to achieve the following objectives:

- To ensure that high cost education and care support packages are appropriate to meet need, are of a high quality and offer value for money for the Council.
- To raise young person independence, by supporting individuals to acquire, develop and maintain independence ahead of transition to Adult Social Care.
- To raise provision resilience and budget resilience.
- To raise and support the use of managed risk taking by professionals and providers, in order to ensure that placements offers the right support at the right time, without limiting or restricting independence and/or compromising individual and family resilience.
- To raise the Council's ability to respond to and engage in a commercial market and maximises on the economic benefits of operating in a commercial environment.

The project's objectives of the project will be fulfilled by

- a) reviewing the needs of individual young people in placement
- b) reviewing the commercial arrangements between the Authority and Providers
- c) testing our provider market, its stability and its financial position
- d) providing a holistic, multidisciplinary approach to practice.

The project is currently on target to deliver around £225k of ongoing savings in this year and the intention is to deliver around £1.3m of savings when the project ends in 2021/22.

A similar process of review will take place with all high cost top up placements in our schools in the Summer term and further updates will be shared with the committee. We will also focus on spot purchasing in special schools in line with Education and Skills Funding Agency advice on the levels which Local Authorities should fund at.

3.12 Workstream 4: Enhanced Resource Centres

Purpose: Review of quality and consistency of provision and action plan in enhanced resource centres/bases

Timescales: June 2020

Our work looking at the need for SEND provision, the review of SEMH (social and emotional mental health needs) and our benchmarking of provision against our statistical neighbours suggest we have a need for further develop our enhanced resource centre provision which provide a gap between mainstream and special schools. In the first phase we are going to complete our review of existing provision (which includes our successful Cabin in secondary schools) including the current levels of funding. The second phase will focus upon establishing further provision across the county to meet emerging needs (an example of a pressure area is SEMH provision for girls).

3.13 Workstream 5: Out of School Tuition

Purpose: To implement alternative and more effective models of delivery

Timescales: End of 2020

As outlined in the table in 3.1, the increase in costs of pupils the LA is having to support, either due to medical needs or unable to place in school due to a pupil needs, continues to increase. We are in the process of tightening our guidance on medical tuition requests from schools and we need to look at how we could use more outreach from our specialist provision to support children to re-integrate back into mainstream schools more effectively. We are also reviewing the current providers for tuition to assess both quality and value for money. This may lead to a different approach to support children who need this support.

3.14 Workstream 6: SEND Service Restructure

Purpose: To identify efficiencies within senior management and review the district teams and review SEND Sensory Support

Timescales: Summer 2020

The majority of the high needs block is allocated directly to schools. However the LA does retain a small amount of funding to provide specialist support to schools and families in line with our statutory responsibilities. It is our intention to review all our structures and oversight and look at different models by which we may deliver support. The initial focus has been upon the senior management structure.

3.15 Workstream 7: Alternative Provision

Purpose: To understand and address the need for the use of alternative provision

Timescales: Recommissioning of BAIPs model by September 2020

The Behaviour and Attendance Partnership (BAIP) has been a well-regarded and effective way of ensuring inclusion and effective support for behaviour in the secondary sector. Money is delegated to schools to deliver locally the support the need to prevent exclusions and ensure every child with behavioural challenge can succeed. Our overall level of spend is above our statistical neighbours and in light of the funding challenges, we need to reduce our expenditure in this area. Part of this workstream will include review how we support inclusion in primary schools. A peer review of this area is taking place in March 2020.

3.16 Workstream 8: Demand Management in SEND

Purpose: To design, test and deliver opportunities to positively influence demand

Timescales: Commissioned by April 2020, embedded by the end of 2020.

In light of the successful work that has been taking place in Adult Social care around positive challenge programme, the council is proposing look undertake a similar process which includes a review of demand for services. Changing the culture and behaviour across the whole system will be required to ensure the demand for more complex services are reduced.

We are proposing to undertake the following steps -

- Introducing a changing the conversation workforce development approach (behavioural science led framework) by delivering workshops on strengths based practice and behavioural science techniques with specific CCC and partner staff. This will develop strengths based practice at key interaction points across a family and child's journey, building positive relationships and identifying appropriate support and independence focused outcomes for children and young people
- Reviews of higher cost placements, using strength-based conversations (as above) and a tool to codify needs, to ensure provision is appropriately matched to needs and consider where changes to existing placements and support could better meet outcomes at lower cost. This will link closely with the RAISE project already underway
- Using behavioural science techniques to design and trial changes to decision-making processes around Education, Health and Care Plan (EHCP) requests, approvals and plans and panel processes. This will ensure these are robust and transparent to parents/carers and professionals, contain appropriate needs based and outcomes focused challenge prompted through chair and attendee prompts, and that plans are the best way forward to appropriately meet a child or young person's needs

The overall outcome is to deliver and demonstrate positive impact on the DSG deficit through reduced demand and cost, highlight the positive outcomes delivered, and build confidence in the demand management approach, however other outcomes could include:

- Revisions to the website and communication materials to develop a clear offer that is accessible to parents/carers and professionals, encouraging self-serve information and advice, positive behaviours and appropriately set expectations
- Increased robustness and transparency of decision making to ensure EHCP plans and support is appropriate to achieve better outcomes for children with SEND
- Through effective workforce development, empowered schools and professionals working with children with SEND which enhances support in mainstream settings and supports families to intervene effectively at home
- Improved use of resources and quality of support provided

3.17 Workstream 9: Performance Data

Purpose: To measure service performance and give oversight including identifying changes in demand for services and the complexity and area of primary need.

Timescales: March 2020

3.18 Workstream 10: Quality Assurance Framework and Process

Purpose: Framework and tools to report on the quality of provision to enable the local authority and partners to improve the quality of service provided including the effectiveness of Education, Health and Care Plans (EHCPs).

Timescales: March 2020

3.19 Workstream 11: Business Process Mapping

Purpose: To understand the way we work and opportunities for improvement – we will also consider the introduction of a new system for our EHCP process.

Timescales: March 2020

3.20 Workstream 12: Home to School Transport

Purpose: Review of home to school mainstream, SEND, LAC and social care transport – focus include route optimisation, procurement, independent travel and reviewer safer walking routes (non-SEND)

Timescales: Route optimisation opportunities realised by end summer term 2020

3.21 The table below shows the illustrative impact of reductions of top-up (workstream 1) and BAIP funding (workstream 7) based on 2019/20 allocations:

Illustrative Impact	% Reduction	Estimated 12 month Saving £	Estimated 20/21 Saving £ (5/12th)	Estimated 20/21 Saving £ (7/12th)
Reduction in Mainstream Top-Up	10.00%	£1,140,552	£475,230.14	£665,322.19
Reduction in Unit Top-Up	10.00%	£224,823	£93,676.13	£131,146.58
Reduction in BAIP Funding	10.00%	£497,027	£207,094.73	£289,932.62
Total		£1,862,402	£776,001	£1,086,401

3.22 Any changes in funding will only become live once the appropriate consultation takes place. All of these workstreams will save around £3.8m if fully delivered. As a result of the continued increasing deficit and decision not to approve any transfer from the Schools Block to the HNB a number of savings initiatives to reduce spend will need to be accelerated and further workstreams will be developed on top of those already outlined.

4. **Next Steps**

4.1 It is our intention to now develop a consultation paper during March around changes to our funding for high needs and the services we provide. Further information will be shared at the next committee meeting in April. We are seeking advice on how this consultation will be undertaken and the changes we are proposing and we are meeting with our DfE SEND advisor in March to share the proposals prior to consultation.

4.2 The results of any consultation will be shared at the next CYP committee meeting on either the 21st April (reserve meeting date) or the 26th May depending on the timings of the consultation.

5. **ALIGNMENT WITH CORPORATE PRIORITIES**

5.1 **A good quality of life for everyone**

There are no significant implications for this priority.

5.2 **Thriving places for people to live**

There are no significant implications for this priority.

5.3 **The best start for Cambridgeshire's children**

The following bullet points set out details of significant implications identified by officers:

- The funding formula endeavours to allocate funding to schools in as fair and equitable way as possible to support the needs of all young people in Cambridgeshire.

5.4 **Net zero carbon emissions for Cambridgeshire by 2050**

There are no significant implications for this priority.

6. **SIGNIFICANT IMPLICATIONS**

6.1 **Resource Implications**

The following bullet point sets out details of significant implications identified by officers:

- There are no immediate resource implications for the Authority from this report.
- The ongoing demand for services in the High Needs Block is likely to result in further financial pressures that will need to be funded from the DSG High Needs Block.
- The opportunity cost of holding a deficit of around £18.5m is likely to be over £450k annually. This will have to be met within existing resources if the DfE do not offer a cashflow loan or advance of grant.

6.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

6.3 **Statutory, Legal and Risk Implications**

The following bullet point sets out details of significant implications identified by officers:

- Any changes to High Needs Funding allocations will need to follow a period of consultation.
- Legal advice will be sought on any proposed changes to the High Needs funding allocations.

6.4 **Equality and Diversity Implications**

The following bullet point sets out details of significant implications identified by officers:

- The NFF for schools will continue to redistribute funding between schools, which in theory could impact on the equality and diversity of certain pupils. However the operation of the minimum funding guarantee protection should enable any impacts arising from such a redistribution to be managed.

6.5 **Engagement and Communications Implications**

The following bullet point sets out details of significant implications identified by officers:

- Any changes to High Needs Funding allocations will require a period of consultation with key stakeholders.
- Consultation will take place with Headteachers in March 2020.

6.6 **Localism and Local Member Involvement**

The following bullet point sets out details of significant implications identified by officers:

- Members of the Committee are also local authority representatives on the Schools Forum where the subject of this report is also discussed in detail.

6.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Martin Wade
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes / No Name of Officer: Gus de Silva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes / No Name of Legal Officer: Debbie Carter-Hughes
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Jon Lewis
Have any engagement and communication implications been cleared by Communications?	Yes / No Name of Officer: Jo Dickson
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Jon Lewis
Have any Public Health implications been cleared by Public Health	Yes / No Name of Officer: Tess Campbell

Source Documents	Location
DfE Announcement for the 2020-21 Dedicated Schools Grant	https://www.gov.uk/government/publications/dedicated-

[schools-grant-dsg-2020-to-2021](#)