

SCHOOLS FORUM MEETING

7th November 2019

14.00 to 16.00 Committee Room 4, Civic Centre, Uxbridge

Membership: Jim Edgecombe (Chair), Phil Haigh (Chair of Sub Groups), Ludmila Morris, Duncan Greig, Kris O’Sullivan, Tony Eginton, Jo Palmer, Liz Horrigan, John Goddard, Bob Charlton, Joan Greening, Tracey Hemming, Robert Jones, Peter Ryerson, Sudhi Pathak, Laurie Cornwell, Elaine Caffary, Lesley Knee, Helen Manwaring, Rachel Anderson, Sophia Shaikh, Sandra Voisey, David Patterson.

Shadow Reps/Observers: Rachel Blake, Debbie Gilder, John Buckingham, Graham Wells, Jenny Rigby.

Officers: Peter Malewicz, Graham Young, Dan Kennedy, Kate Boulter (Clerk)

AGENDA

	Item	Time	Lead	Update
1.	Apologies	14.05 – 14.10	KB	
2.	Membership Update	14.10 – 14.15	JE	Verbal
3.	Minutes of meeting held on 26 th September 2019	14.15 – 14.20	Chair	Report
4.	Matters arising from meeting on 26 th September 2019 a) Pupil Place Planning	14.20 – 14.30	DK	Verbal
5.	Feedback from sub-groups/working groups a) DSG	14.30 – 14.45	PH	Report
6.	DSG Budget 2019/20 a) Month 6 DSG Monitoring Report	14.45 – 15.00	GY	Report
7.	DSG Budget 2020/21 a) Deficit Recovery Plan Feedback b) Funding Announcements c) Funding Consultations i) Schools Funding Block ii) High Needs Funding (2% threshold) iii) Minimum Funding Guarantee Disapplication iv) De-delegation	15.00 – 15.50	PM GY PM GY PM GY	Report Report Report Report Report Report
8.	AOB	15.50 – 16.00		

Schools Forum and Sub Group Planned Meetings 2019/2020

School's Forum Meetings 2019-20		
Meeting	Date & Time	Venue
Schools' Forum	Thursday 12th December 2019 at 14:00	Civic- Committee Room 6
Schools' Forum	Thursday 16th January 2020 at 14:00	Civic- Committee Room 6
Schools' Forum	Wednesday 25th March 2020 at 14:00	Civic- Committee Room 6
Schools' Forum	Thursday 21st May 2020 at 14:00	Civic- Committee Room 5
Schools' Forum	Tuesday 30th June 2020 at 14:00	Civic- Committee Room 6
Schools' Forum	Wednesday 23rd September 2020 at 14:00	Civic- Committee Room 6
Schools' Forum	Wednesday 21st October 2020 at 14:00	Civic- Committee Room 6
Schools' Forum	Thursday 10th December 2020 at 14:00	Civic- Committee Room 6

Notes from the Schools Forum meeting 07/11/2019

<p>Minutes 26/09/19</p>	<ol style="list-style-type: none"> 1. Sandra Voisey and Helen Manwaring were both present. 2. Section 7-11 insert: “Harlington, which includes a designated unit for autism” 3. Commented that papers for this meeting were made available quite late. Several mitigations including; late receipt of information from the DfE, holidays and timetables that are beyond the control of all. 	
<p>Arising</p>	<p>PH: Suggests Heathrow should fully underwrite any losses suffered by the DSG as a result of the Heathrow expansion proposal.</p> <p>DK: The councils position is that the expansion will be opposed, however developments are being closely followed.</p>	
<p>Place Planning</p>	<p>DK:</p> <ul style="list-style-type: none"> • Current projections anticipate eight additional forms of entry for secondary over the next 5 years. Discussions are taking place with secondary heads as to how these can be accommodated now and managed in the future. • Primary numbers seem to have plateaued although there are some localised pressures, especially around Uxbridge. These seem to be driven by parental choice. • Several schools are looking at both ‘soft’ and permanent PAN reductions. • LA would like to develop a ‘Core Plan’ with some contingency to allow for ‘flex’ in the system. • Secondary deadline has passed (31/10/19) this is being processed. Waiting on out of borough applications. • Cabinet have been briefed regarding the temporary caps to PAN <p>PH:</p> <ul style="list-style-type: none"> • Queried the situation regarding ‘Special School’ places. <p>DK:</p> <ul style="list-style-type: none"> • Working with Vikram, looking at the Capital Building Programme and also in discussions with the Special Schools Heads looking to increase places. <p>DG:</p> <ul style="list-style-type: none"> • Queried why this has been discussed several times; how many places have been created to date? What is the actual need for places? Why are we not keeping pace with requirements? <p>Various responses including: The LA cannot create new special schools. Specials were not included in the expansion programme. Creating the places is a complex and lengthy process.</p>	

	<p>Question was raised as to expected primary vacancies in 2020 – 21.</p> <p>DK: Stated expectation is 8 – 10% of capacity.</p>	
DSG Report	<p>GY: Presented the report – Highlighted the adverse increase in the High Needs Block deficit. This is the result of projections being built into the forecast.</p> <ul style="list-style-type: none"> • PM Commented LAC placements were stable at approx. 20 although they are more complex with a longer duration. <p>JP: <ul style="list-style-type: none"> • Following recent stories in the press, can we be assured that all of placements are into registered homes? </p> <p>PM: <ul style="list-style-type: none"> • To confirm. </p> <p>EC: <ul style="list-style-type: none"> • Commented on Early Years funding in that even with the recently announced increases to the hourly rate, PVIs are unable to attract staff to work in Nurseries, as they are unable to offer a competitive salary. A combination of low funding and a high staff / child ratio is making nurseries unviable. There are many unsafe practices being used to ensure ratio compliance but to the detriment of staff conditions. • Recruitment is now a major issue. For note, demand is still very high and there are considerable waiting lists. </p> <p>PM: <ul style="list-style-type: none"> • Commented that there was / is a similar issue in social care where and that £5M was injected to alleviate the problem. </p> <p>Chair: Add as an agenda item for next Early Years Sub Group meeting.</p>	<p>PM Action</p> <p>Clerk Action</p>
7A	<p>PM: <ul style="list-style-type: none"> • Commented on the feedback from the ESFA regarding the deficit recovery plan. </p> <p>All were disappointed at the response and that valid suggestions were roundly dismissed. There was discussion around various areas of the plan.</p> <p>PM: <ul style="list-style-type: none"> • Suggested that the positive was in being able to open a dialogue with the ESFA and that in due course there would be a meeting to explore the plan further. • PM asked how forum would wish to feed into the meeting discussions. </p>	

	<p>Forum wanted the ESFA to be aware that the plan was drawn up and submitted with their full participation and approval.</p> <p>LA awaiting further contact regarding timing of the ESFA visit.</p>	
7B	<p>GY:</p> <ul style="list-style-type: none"> • Stated that as expected we would be seeing a reduction in the 'Central Schools Services Budget' of £225K in 20/21 this is where the ESFA expect LA's to rationalise central services over the medium term. • In our circumstances, this will cause issue in setting a balanced budget for 20/21 as our delegation is already extremely high. 	
7C	<p>PM:</p> <ul style="list-style-type: none"> • Will be looking to send out the consultations ASAP. <p>Following some discussion, it was agreed the SEND deficit recovery plan would also be circulated. As this has been a confidential document to date PM will endeavour to contact those schools referenced in the document to forewarn them of its contents.</p>	PM Action
AOB	<p>The next meeting does fall on election day, 12/12/19, but will go ahead as planned. Although the venue will be CR5</p>	

Meeting closed 16:10

SCHOOLS BUDGET

Dedicated Schools Grant (£5,125k overspend, £1,672k adverse)

- The Dedicated Schools Grant (DSG) outturn position is an in-year overspend of £5,125k at month 6, a significant adverse movement of £1,672k on the month 5 position, which is due to a continued increase in the number of pupils that are being issued with an Education, Health and Care Plan, where these pupils cannot be placed in borough and in fact are now more likely to be placed in Independent and Non Maintained Special Schools as other local authority provision is also at capacity. This growing pressure is also evident in the cost of SEN Transport. This overspend is due to continuing pressures in the cost of High Needs placements, where growth remains at between 10% and 11% and pupils are being placed in more costly Independent and Non Maintained Special Schools. When the £8,492k deficit brought forward from 2018/19 is taken into account, the cumulative deficit carry forward to 2020/21 is £13,617k.

Table: DSG Income and Expenditure 2019/20

Original Budget	Budget Changes	Funding Block	Month 6		Variance		
			Revised Budget	Forecast Outturn	Variance (As at Month 6)	Variance (As at Month 5)	Change from Month
			£'000	£'000	£'000	£'000	£'000
(278,655)	(414)	Dedicated Schools Grant Income	(279,069)	(279,069)	(0)	(0)	0
215,155	0	Schools Block	215,155	215,075	(80)	(80)	0
24,821	107	Early Years Block	24,928	24,910	(18)	(16)	(1)
3,173	14	Central Schools Services Block	3,187	3,944	757	780	(24)
35,506	293	High Needs Block	35,799	40,265	4,466	2,769	1,697
(0)	0	Total Funding Blocks	(0)	5,125	5,125	3,453	1,672
8,492	0	Balance Brought Forward 1 April 2019	8,492	8,492			
8,492	0	Balance Carried Forward 31 March 2020	8,492	13,617			

Dedicated Schools Grant Income (nil variance, no change)

- The DSG has been adjusted to reflect the actual uptake of the free entitlement for eligible two, three and four year olds. This adjustment was based on the January 2019 census and includes a retrospective change to the 2018/19 funding, as well as a recalculation of the 2019/20 Early Years block funding. This has resulted in an increase to the Early Years block allocation following an uptake in the number of eligible children accessing the additional hours free entitlement. There has also been an amendment to the High Needs block allocation following confirmation of the import/export adjustment for 2019/20 which updates funding to reflect the local authority in which pupils with SEND are resident.

Schools Block (£80k underspend, no change)

- The Schools Block includes all funding paid directly to mainstream schools as part of their delegated budget share, including the funding recouped by the ESFA and paid to mainstream academies.
- There is also a growth contingency fund which is funded from the Schools Block. Schools that are expanding, in agreement with the local authority, to meet basic need pupil population growth, receive additional funding to provide financial recompense to schools throughout the relevant financial year to cover the cost of this agreed and planned growth.

5. Schools Forum took the decision to withhold growth contingency allocations for two schools due to insufficient projected pupil growth in September 2019. Based on projected Reception class numbers for September, it is therefore anticipated that there will be an underspend relating to this allocation, however, officers are still in negotiation with one school on the level of diseconomies of scale funding that is being requested, which could significantly affect this position.

Early Years Block (£18k underspend, £2k favourable)

6. Two year old funding has been adjusted to reflect the number of children accessing the free entitlement recorded on the January 2019 census. This has resulted in a decrease in funding of £140k relating to 2019/20. This potentially could cause an additional pressure in the Early Years block if the number of children accessing the free entitlement increases, as any funding adjustment will be based on numbers recorded in the January 2020 census.
7. The 3 and 4 year old funding for both the universal and the additional free entitlement has also been adjusted in July following the January 2019 census. As anticipated the funding allocation has increased as the number of children accessing the additional free entitlement has increased significantly over the past year. There was also a retrospective adjustment relating to 2018/19, however, this was lower than anticipated.

Central School Services Block (£757k overspend, £23k favourable)

8. The overspend is predominantly as the result of an increase in the number of placements of looked after children. These placements are generally high cost out of borough residential placements, and if the setting is providing education, a proportion of the cost is funded from the DSG.
9. There is also a projected overspend in relation to the number of young people accessing alternative provision. The local authority currently commissions fifty places at the in-borough alternative provision setting and the historic trend is for numbers at the start of the academic year to be below this number before gradually building up. Currently numbers are projected to be in excess of the commissioned number, resulting in an additional cost pressure. As a result of this, the local authority are working with the provider to review the number of commissioned places.
10. There is also a projected overspend in the Admissions team, where the additional workload as a result of the growth in the secondary pupil population along with a secondment covering a maternity, has resulted in a cost pressure.

High Needs Block (£4,466k overspend £1,697k adverse)

11. There continues to be significant pressure in the High Needs Block in 2019/20, with an increase in the number of pupils with SEN resulting in an overspend of £4,466k being projected at month 6. This is a significant adverse movement of £1,697k on the month 5 position as it is very evident that the growth in the number of pupils with an EHCP is continuing to grow at the same rate and it is also clear that it is becoming increasingly more difficult to place in borough and indeed in other local authority provision as they are at full capacity. This then restricts the level of choice, where the Council is now having to place in Independent and Non Maintained Special Schools, who themselves are starting to reach full capacity.

12. Putting this into context, the latest SEN 2 Data analysis indicates that across England the number of pupils with a plan has grown from a baseline of 287,290 plans in 2016/17 to 353,995 plans in 2018/19 an increase of 66,705 plans over the two year period, equivalent to an increase of 23%. Additionally, the proportion of the pupil population that have a plan has increased from 3.31% in 2016/17 to 4.1% in 2018/19. There is an expectation that this trend will continue into 2019/20.
13. Month 6 has seen further pressure in expenditure on the placement of pupils with SEN in independent or non-maintained schools. Due to a continuing lack of capacity in-borough and across other local authority provision, there is a requirement to place pupils in more costly school placements, with a further increase in the number of children commencing new placements in Independent special schools for the new academic year. This is resulting in significant additional pressure on the High Needs block. There is an expectation that this will become the only route that the Council will be able to take, which is reflected in the significant adverse movement of £1,697k reported for this month.
14. The new academic year has seen a further increase in the number of in-borough special schools that are now over their commissioned place number. Where a special school is over its planned place number there is a requirement to fund £10k per place plus the agreed top-up funding which is placing additional pressure on the High Needs block.
15. There was a further increase in the cohort of post-16 SEN placements in 2018/19. This increase is expected to continue in the current year and has also been factored in to the month 6 projections.
16. There has been an increase in the number of mainstream schools applying for exceptional SEN funding to address the needs of pupils before and during the EHCP process. The increase is a consequence of the increasing complexity being seen in some cases with schools needing additional resource in order to maintain the placement in mainstream provision.
17. In addition to the cost of pupils with an EHCP, the High Needs Block is now funding Extra Support Funding (ESF) as an alternative to the allocation of statutory funding for children with SEN who experience significant barriers to learning. This funding allows schools to access funding quicker to enable them to intervene early and have the greatest impact. The current projected spend on ESF in 2019/20 is £325k.

School Academy Conversions

18. The Academies Act 2010, allows schools to convert to academy status and by doing so will receive funding directly from the Education & Skills Funding Agency (ESFA). Schools can convert at any point in the year, once they have converted, a number of adjustments are required to realign the DSG income budget and the amount delegated to maintained schools. The local authority has not been made aware of any academy conversions planned for the current financial year. In Hillingdon the last time that a school converted to an academy was in September 2017, when two schools converted.

Maintained School Balances & Budgets

19. A review of balances at the end of the 2018/19 financial year identified two schools which ended the year in deficit. Additionally 13 schools had an in year deficit. Any schools that fall into deficit are subject to more focused monthly monitoring by LA officers to ensure that everything possible is being done to address the situation.
20. Maintained schools ended the 2018/19 financial year with a cumulative closing surplus balance of £12.3 m (£11.2 m revenue and £1.1 m capital). This was a £2.2m increase from the previous year total. Despite the relatively healthy total balance, there is a wide spread across individual school balances, with a number of schools having low balances that are expected to experience financial difficulties in 2019/20 due to reductions in pupil numbers and funding not keeping up with actual year-on-year increases in costs. Early indications suggest that revenue balances could drop to below £10 million by the end of the 2019/20 financial year.
21. The table below provides an update on the financial position of schools maintained by the Council (this excludes academy schools), based on school outturns for 2017/18 and 2018/19.

School Type	Total Number of Schools	Number of Schools In Deficit 2018/19	Value of Deficit 2018/19 £000	Number of Schools In Deficit 2017/18	Value of Deficit 2017/18 £000
Nursery	1	0	0	0	0
Primary	49	1	13	3	83
Secondary	2	1	3,233	1	2,475
Special	2	0	0	0	0
Total	54	2	3,246	4	2,558

22. It is known that 6 academy schools out of a total of 45 schools are also in deficit as at 31 August 2018. This is an increase of 2 on the previous years' position. Additionally, 31 of these schools had an in year deficit.
23. The majority of maintained schools (91%) have submitted budgets for the 2019/20 financial year with an in-year deficit, resulting in an anticipated budgeted reduction in school revenue balances of £6.0m for 2019/20. This is a concern, as the use of balances is one-off and continued in-year deficits are unsustainable in the medium term. The table below summarises the budgeted revenue balances position for maintained schools. However, based on the outturn position and the trend over the last few years, it is highly likely that the reported position for Primary schools will not be as high as those reported;

School Type	Total Number of Schools	Value of Balances 01/04/2019 £000	Budgeted Balances 31/03/2020 £000	In-year Movement 2019/20 £000
Nursery	1	180	157	(23)
Primary	49	11,989	6,677	(5,312)
Secondary	2	(2,878)	(3,407)	(529)
Special	2	1,860	1,736	(124)

Total	54	11,151	5,163	(5,988)
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24. There are currently 20 maintained schools that are RAG risk rated red as a consequence of their current financial position and are therefore being more closely monitored. Three of these schools have set a deficit budget, where the local authority has agreed for them to set a licenced deficit budget. The remainder have managed to set a balanced budget but with very low balances, meaning that any significant unplanned change in expenditure could result in the school being in a deficit position. In addition there are a number of schools which are of concern as they are currently projecting to be in deficit by the end on 2020/21.
25. All red rated schools are being closely monitored and given support to identify areas of the budget that may need to be reviewed further. The Schools Finance team are currently reviewing the quarter two position of all maintained schools and a further update will be given on the financial position of those schools causing concern in the month 7 monitoring report.

Deficict Recovery Plan Feedback

26. Introduction

The Council received feedback on the Dedicated Schools Grant Deficit Recovery Plan on 30 October 2019, which is attached. This note provides an initial interpretation of the response and the action that the Council are taking to respond to the feedback

27. Recommendation

Schools Forum are asked to:

- i) Note the content of the feedback and the action that the Council is taking
- ii) Consider how Schools Forum wish to respond to the feedback

28. Background

There are a number of themes that come across in the feedback which can be summarised as follows:

- i) There appears to be an expectation that the DfE were looking for more savings to be identified
- ii) It appears that the DfE are not convinced that the growth in Education, Health and Care Plans will continue and they appear not to understand the cumulative effect of the cost of placements that have been made.
- iii) It appears the DfE feel that one of the solutions that we have not focused on is the building of more provision
- iv) It appears that the DfE anticipate that the additional funding being provided (£4,906k for Hillingdon) is sufficient to avoid the need for a transfer from the Schools Block.
- v) It appears that the DfE are not prepared to look into those areas where the Deficit Recovery Plan considers the whole Hillingdon School community, such as the clawback mechanism.
- vi) It appears that the DfE have not fully understood that Hillingdon is a proportionately high delegator of funds and has limited scope to deliver savings from the retained budgets

29. Initial Response

A working group has been set up headed by the Director of Finance, to be in a position to respond to the DfE's feedback. The first meeting was on 5 November 2019. A response has been sent back to the DfE asking for a meeting as soon as possible, which also requests the DfE to share other authority Plans or highlight areas of best practice that they have picked up following the review of all 32 plans, with an expectation that this will indicate areas that we might have missed or not considered.

As the DfE have not published the list of the 32 authorities required to submit a Deficit Recovery Plan, officers are contacting other authorities who are likely to be included, to ascertain whether they have received feedback and would be willing to share it.

Officers will work on providing more detail that has been requested and feed this into the meeting with the DfE

Funding Announcement 2020/21

1. Introduction

It was announced at the end of August 2019, that Schools across England are set for a significant cash boost, with investment of over £14 billion in primary and secondary education between now and 2022/23. There will be a three year settlement for schools and the funding that has been announced is £2.6 billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23 compared to 2019/20.

Further detail was provided in October 2019, and this report provides an update on these announcements and the impact on Hillingdon Schools Funding for 2020/21.

2. Recommendation

Schools Forum are asked to note the contents of this report

3. Background

On 11 October 2019, Central Government published the 2020/21 Dedicated Schools Grant budgets covering the Schools, High Needs and Central School Services funding blocks. These are the baseline figures and exclude any adjustment for pupil growth, as this will be updated in December 2019. Additionally the funding for Early Years was published on 31 October 2019.

Schools Block (£225,454k)

The published DSG Budget for 2020/21 confirms that the Schools Funding Block for Hillingdon will increase by £8,992k (equivalent to 4.15%). It is now known that this will cover the shortfall in funding for the Teachers Pay Award from September 2019 and any future pay award in September 2020.

The Hillingdon Schools Block Units of Funding (SBUF) for 2020/21 have increased for both Primary and Secondary as per the table below;

	2019/20 £	2020/21 £	Increase £	Increase %
Primary	4,278	4,454	176	4.1%
Secondary	5,698	5,953	255	4.5%

Based on the latest pupil number data, it is anticipated that the Schools Block will increase by a further £3.5 million in December 2019 for pupil growth.

High Needs Block (£45,390k)

The published DSG Budget for 2020/21 confirms that the High Needs Block for Hillingdon will increase by £4,906k (equivalent to 12.12%).

Based on the latest pupil number data, it is anticipated that the High Needs Block will increase by a further £0.5 million in December 2019 for growth in the 5 to 19 pupil population that have a plan.

Central Schools Services Block (£2,583k)

The published DSG Budget for 2020/21 confirms that the Central Schools Services Block for Hillingdon will reduce by £235k (equivalent to 8.3%) as Central Government have introduced a reduction of 20% to the historical commitments element of the funding formula, which appears to be an ongoing reduction until the funding for this element is zero.

For Hillingdon, this covers Alternative Education Provision, support for Looked After Children including the Virtual School, the Admissions Team, previous services funded from the Education Services Grant and a contribution towards the Council's Support Services. For 2019/20 the projected cost of these is £4,105k.

Early Years Block

Early Years funding rates were published on 31 October 2019 with increases in the funding rates for 2 years olds and 3 & 4 year olds for most local authorities. The following funding rates will be used to generate the Hillingdon Early Years Block funding in 2020/21;

	2019/20 £ (per hr)	2020/21 £ (per hr)	Increase £ (per hr)	Increase %
2 Year olds	5.92	6.00	0.08	1.4%
3 & 4 Year olds	5.83	5.91	0.08	1.4%

It was also announced that the supplementary funding for Maintained Nursery Schools would continue in 2020/21 at the same funding rate as 2019/20.

Growth Contingency Funding

Actual growth allocations will be based on the October 2019 census data and therefore have not yet been released. In 2019/20 Hillingdon received transitional protection following the introduction of the mechanism to calculate growth funding as previously the allocations had been based on historic spend. There could therefore be a further reduction in the Hillingdon growth allocation in 2020/21 as the transitional protection reduces. In 2019/20 the growth funding allocated was sufficient to meet the growth requirement

Teacher Pension Grant

The funding announcement comes on top of an additional £1.5 billion for the next three years to fund the additional pension costs for teachers. This will be allocated to schools based on number of pupils.

There will also be a Supplementary Fund available for schools to apply for where the grant allocation falls short of the actual pension cost increase between September 2019 and March 2020 by more than 0.05% of overall budget

- i) Whether to make changes to the local funding formula from April 2020 (as set out in Section 3), and
- ii) On a transfer of funds from the Schools Block to the High Needs Block to address continued pressures in the cost of High Needs placements (as set out in Section 4).

Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response co-ordinated by Primary Forum, Hillingdon Association of Secondary Heads or other representation group.

The release of this paper allows just a short period of time for consultation with stakeholders (approximately 4 weeks) as responses will be required to be returned by midnight on 8 December 2019. Schools Forum will then review the responses when they meet on 12 December 2019. However, it should be noted that the deadline for submitting any disapplication request to move funds between the Schools Block and the High Needs Block is 30 November 2019.

2. National Funding Formula

A key design principle of the NFF is that it maximises the proportion of funding allocated to pupil-led factors. This is to ensure that as much funding as possible is distributed in relation to pupils and their characteristics. At the beginning of October 2019, the Department for Education released a statement, setting out the funding settlement for Schools and High Needs. As a result, there are a number of changes to the NFF for 2020/21:

- The minimum per-pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools.
- There will be an increase of 4% to the formula's core factors. Exceptions to this are the free school meals factor, which will be increased by inflation, as it is intended to broadly reflect actual costs, and premises funding.
- Local authorities will have the freedom to set the MFG in local formulae between +0.5% and +1.84% per pupil, as well as to use a gains cap.
- Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required for transfers above 0.5%, or any amount without schools forum approval.

3. Hillingdon Funding Formula

One of the areas that the local authority and Schools Forum are required to consult on each year is any proposed changes to the local funding formula. The indicative DSG Budget for 2020/21 confirms that the Schools Funding Block for Hillingdon will increase by £8,992k (equivalent to 4.15%). The expectation is that there will be a further £3.5m as a consequence of pupil growth.

For 2020/21, Schools Forum has decided that the only proposed changes to the formula are in relation to the distribution of the additional Schools Block funding. The consultation is asking stakeholders for views on the following two options:

- 1) To distribute the additional funding by increasing pupil led factors by 4% (except for the free school meals factor which will be increased by 1.84%) in line with the changes to the NFF,
- 2) To distribute the additional funding by increasing the Age Weighted Pupil Unit (AWPU) rates and retaining all other factors at the 2019/20 LBH rates.

4. Schools Block Transfer

The Schools Block will again be ring-fenced in 2020/21, but there will remain some flexibility to transfer funding. Local authorities may transfer up to 0.5% of schools block funding into another block, with the approval of their schools forum. Any requests to transfer above 0.5% require a disapplication, regardless of any previously agreed transfer amounts. Where local authorities need to make any transfer for 2020/21, there must be new discussions with schools forum and consultation with schools. This includes cases where schools forums have agreed recovery plans, submitted to the department, assuming future year transfers. It is important that any consultation sets out the full amount of the proposed transfer, not just further transfers in addition to 0.5% or previous years' transfers.

Hillingdon is one of 32 local authorities that was required to submit a deficit recovery plan as it had a cumulative deficit of greater than 1% of the total DSG at the end of the 2018/19 financial year. This is attached in Appendix A to provide background and context. As part of the deficit recovery plan, the Council had to provide a financial analysis covering the period 2019/20 to 2021/22. This analysis has been updated based on the latest 2019/20 monitoring position as well as the additional funding of £4,906k that has been allocated to the High Needs Block as part of the funding settlement announced at the beginning of October 2019 and is set out in Appendix B.

The latest 2019/20 monitoring position indicates that the DSG budget will overspend by £5,125k in 2019/20, resulting in a cumulative deficit on the DSG of £13,617k. It should be noted that this position includes the transfer of £3,499k from the Schools Block in 2019/20. The 2019/20 position has then been used to estimate the growth in the cost of High Needs placements for 2020/21 and 2021/22. This indicates that before any transfer of funds from the Schools Block is agreed, taking into account the additional funding of £4,906k and growth funding of £500k, the pressure on the DSG budget is estimated to be £6,959k in 2020/21 increasing to £10,391k in 2021/22.

This position assumes that the growth in the number of Education, Health and Care Plans increases at the current rate of between 10% and 11% and that a higher proportion of placements are made in Independent Non Maintained Special Schools.

As the amount required is above 0.5% of the DSG (the maximum level at which Schools Forum can agree a transfer) and in order for the Council to be in a position to set an in year balanced budget, it will need to submit a disapplication request to the Secretary of State on or before 30 November 2019. However, the Department for Education expect the Council to consult with schools.

The Council therefore wish to consult with schools on a planned transfer of funding from the Schools Funding Block to the High Needs Funding Block, to enable the Council to set a balanced in year Dedicated Schools Grant (DSG) budget for 2020/21. These funds are required to assist with supporting the significant growth experienced in Hillingdon in the

number of Education, Health and Care Plans (EHCP) that have been issued and also to recognise the increase in the complexity of need that these children and pupils have.

The following proposals in relation to a Schools Block transfer are being consulted on, where it should be noted that the values are cumulative;

- 1) The transfer of 1.6% (£3,499k) as approved by the Secretary of State in 2019/20, where this would result in the full £8,992k being retained in the Schools Block,
- 2) The transfer of an additional 1.6% (£3,460k), a total of £6,959k, in order to allow an in-year balanced High Needs budget for 2020/21 to be set, where this would result in a reduced increase of £5,532k being retained in the Schools Block,
- 3) The transfer of an additional 1.25% (£2,800k), a total of £9,759k, in order to start recovering the cumulative deficit on the DSG, should no new additional funding be allocated by the Department for Education, where this would result in a reduced increase of £2,732k being retained in the Schools Block.
- 4) No Schools Block transfer.

5. Modelling of the Financial Impact

Modelling has been completed in order to determine the potential financial impact of each of the above proposals. The impact by school and by sector of each of the proposals are summarised in the attached appendix.

There are a few things to note when considering the results of this modelling;

- a) The funding distribution is based on October 2018 pupil numbers, as we are still waiting on finalised numbers for 2019,
- b) The Minimum Funding Guarantee (MFG) has been set at +0.5% (so each school will see a minimum 0.5% per pupil funding increase)
- c) The modelling does not include the estimated additional £3.5m of funding as a consequence of pupil growth.
- d) The modelling assumes that the DfE has not approved the Minimum Funding Guarantee (MFG) disapplication submission.

6. Appendices

Appendix A – Deficit Recovery Plan Submitted to the DfE in June 2019

Appendix B – Updated DSG Budget Estimate 2019/20 to 2021/22

Appendix C – Financial modelling of the impact of the different proposed options for the school funding formula in 2020/21.

Dedicated Schools Grant Deficit Recovery Plan

1. Introduction

This note is the draft response to the Department for Education's request for Hillingdon to submit a Deficit Recovery Plan setting out how it plans to address the current cumulative deficit position and the in year deficit position.

2. Hillingdon's Response

Set out below is the extract from the DfE form, which is an excel spreadsheet, for ease of reference.

What plans have you put in place to reduce the deficit in increments over the next 3 years?

The Council and Hillingdon's Schools Forum are working on a number of proposals to address the projected in-year pressures on the Dedicated Schools Grant (DSG) Budget and the resulting cumulative deficit. However, despite having a programme of efficiency related work in all areas of the DSG Budget, it is highly unlikely that the in year position can be balanced, let alone deal with the cumulative deficit, which at the end of 2018/19 was £8.5 million. The only real viable option open to the Council would be to transfer funds permanently from the Schools Funding Block.

However, this action erodes the benefits that have been received through the implementation of the National Funding Formula, which recognised that the funding provided to Hillingdon's Schools had been below the national average level. Over the last two years covering 2018/19 and 2019/20, Hillingdon's baseline budget, ignoring pupil growth, increased by £7,356k. However, a significant proportion of this has been transferred to support the pressure in the High Needs budget and by definition has not been used for its intended purpose. There is a view that this is having a direct impact on the educational outcomes of pupils, which is evidenced through the results for Key Stage 1, 2, 3 and 4, where Hillingdon has shown signs of improvement, but not at the same pace as other London Boroughs.

The pressure on the High Needs budget, is a national issue, as demonstrated in the latest SEN 2 Data analysis, where it is evident that the EHCP population across England has grown from a baseline of 287,290 plans in 2017 to 353,995 plans in 2019 an increase of 66,705 plans over two years, equivalent to an increase of 23%. Assuming an average cost of £18,500 per placement, would equate to an increase in costs of £1.234 billion in 2018/19 and over the two year period an increase of £1.836 billion. This compares to a growth in the High Needs budget of circa £800 million over the same period (2016/17 to 2018/19), resulting in a funding shortfall of £1.036 billion. Additionally, the proportion of the pupil population that have a plan has increased from 3.31% in 2016/17 to 4.1% in 2018/19.

The pressure on the High Needs budget can, therefore, only be addressed through a significant fall in the number of children that have an Education, Health and Care Plan

(EHCP), which the SEN 2 Data suggests is not achievable in the short term, or through appropriate funding being provided, to reflect the new burdens placed on Councils, as set out in the Children's and Families Act 2014.

Set out below are the proposals that the Council are working on, which in total will deliver a maximum saving of £1.6 million by the end of 2021/22, compared to an anticipated growth in the DSG, most of which predominantly relates to High Needs Costs of £7,840k, requiring a transfer of approximately £6.3 million from the Schools Block on top of the £3,499k transferred in 2019/20, to enable the Council to set an in year balanced budget:

- i) **Review of High Needs Placements and Contributions from the CCG** – The Council are undertaking a review of the 80 highest cost placements to determine whether the CCG are providing an appropriate level of health funding contributions to meet the needs of pupils that have an Education, Health and Care Plan. This review is expected to generate additional annual income from the CCG totalling £470k in 2020/21.
- ii) **Review of FE College Placements** – The Council are developing a banded funding model for FE placements, which will need to be agreed with the top 5 colleges that the Council uses. It is anticipated that this will deliver a saving of £134k in a full year, and effective from September 2020, a part year saving of £78k.
- iii) **SEND Pathway** – The proposed restructure of the SEND Team and the Educational Psychologist Team will significantly change the way in which the service works with schools and parents, with a view to reducing the number of Education, Health and Care Plans that are issued. It is anticipated that this will generate a net saving to the DSG of circa £1 million over a period of 3 years, where there will be an additional cost in 2020/21 of £118k for staffing netted down by a part year saving of £214k in 2020/21 and increasing by £367k in each of the next two years.
- iv) **Review of Special Resource Provision (SRP)** – The service is undertaking a review of all SRP to ensure that the spaces are being fully utilised and are meeting the needs of the children. An analysis of the data indicates that there is an opportunity to reduce planned place numbers by 16 places in September 2020, delivering a part year saving of £93k in 2020/21 and a full year saving of £160k in 2021/22.
- v) **Best Use of Additional SEND Capital Grant Resources** – The service has also undertaken a review of High Needs provision in total and determined that the best approach is to develop a satellite model to provide more local provision through the use of the SEND Capital grant and by doing so avoid higher cost out of borough placements. However, the timeframes for achieving this would result in the benefit not materialising until 2021/22, where it is anticipated that this will generate a saving and avoid higher cost placements, where the benefit will be £90k in 2021/22 increasing to £300k in 2022/23 and to £630k by year 2023/24.

- vi) **Review of 2% Additional Educational Needs Threshold Funding** – The review of the SEND Staffing structure and the introduction of a new SEND Pathway, provides an opportunity to review the funding allocated through the 2% Threshold mechanism, which has a budget of £604k. A review of other Council's schemes suggests that a threshold of 3% would be more appropriate, which could deliver a saving of £200k in a full year and a part year saving of £117k from September 2020.
- vii) **Review of 2 Year Old Free Entitlement Funding** – The funding allocated for this overspent in 2018/19 and is likely to overspend again in 2019/20, as the funding rate of £6.00 per hour is greater than the rate that the DfE provides Councils with, which is based on £5.92 per hour. If the current rate is reduced to the DfE rate, this should deliver a saving of £28k.
- viii) **Review of Maintained Nursery School Lump Sum Payment** – The school has maintained a surplus balance of £180k over the last four years, it is therefore proposed to consider introducing a clawback mechanism, which could deliver a saving of £40k.
- ix) **Review of Minimum Funding Guarantee (MFG) protection** – The value of the MFG in 2019/20 is £1,256k, which affects 10 schools. However, 2 schools will receive between them £903k (equivalent to 72% of the allocation). Officers understand that a disapplication request can be submitted to the Secretary of State to ignore the historic MFG protection when determining the following years MFG, if sufficient evidence can be provided.
- x) **Review of Per Pupil Funding levels and relationship to surplus balances** – There appears to be a correlation between schools with high rates of per pupil funding and the level of balances that they hold. Additionally there also appears to be a correlation between this and the MFG.
- xi) **Review of Centrally Retained Budgets** – For 2019/20 the budget for this is £5,468k, which includes funding for the Admissions Team, the Virtual Schools and the Specialist Advisory Service. It also includes the associated Support Service Recharges and the Retained Education Services Grant Duties funding. In the context of savings made in previous years and the relatively low level of these retained budgets, there is expected to be limited opportunities to reduce these further.
- xii) **Review use of School Balances** – The Council wish to investigate the potential to introduce a clawback mechanism that would also include Academy schools. Nationally, a recent research study conducted by the Education Policy Institute in January 2019, identified that across England, schools had a net surplus balance of £1.561 billion. In Hillingdon consolidated school balances currently stand at £42.8 million (where maintained schools have surplus balances of £11.1 million and Academy schools have surplus balances of £31.7 million).

Currently, the Council could consult on introducing such a scheme, but this would only affect maintained schools, however, if this was agreed, any funds clawed back would benefit all schools, as the funding would be built into the total funding formula resource distribution amount. The Council has no power to introduce a clawback mechanism for Academy schools, who in Hillingdon hold 74% of the total surplus balances. The intention would be to clawback the equivalent level of funding that would be required to support the cost of High Needs by transferring funding from the Schools Block to the High Needs Block. The current estimated gap, net of any savings is in excess of £6 million.

- xiii) **Construct a robust argument for the DfE to fund post 18 SEND provision appropriately** – A review of the High Needs Funding Formula highlights that it does not fairly reflect the significant increase in numbers and costs in the post 18 age group, where the costs have increased by £3 million per annum since the introduction of the Children's and Families Act 2014. As this relates to post 19 school based education, would it not be more appropriate to fund this from Further Education rather than the schools budget?
- xiv) **Review sustainability of schools** – To undertake a review of school occupancy levels and explore the financial challenges that individual schools are experiencing, specifically where a school does not have full year groups or where schools are accumulating excessive in year and cumulative deficits. This would include looking at opportunities to amalgamate schools, as well as a serious consideration on whether to close schools, where it is evident that the funds provided to the school are insufficient for them to be viable or sustainable in the long run. Officers have identified that the Studio Colleges and University Technical Colleges fall in this latter category, where it is highly likely that the level of deficits across the four schools will exceed the total level of funding provided for those schools through the funding formula.
- xv) **Review the Need for and Use of Alternative Provision** – Over the last few years, Hillingdon has seen an increase in the number of permanent exclusions and managed moves. It is clear that the Alternative Education market is not sufficiently well developed to support the different needs of these pupils, resulting in Hillingdon effectively relying on one provider to educate them. The cost of this provision have escalated over the last few years as a result, which is not an efficient use of resources. This area will be reviewed, to assess what support is required and how the Council will need to engage with the market place to procure a cost effective solution for the future.
- xvi) **Investigate possibilities where schools can work more collaboratively together** – The Council will work proactively with schools to promote school federations and the sharing of support service functions. Additionally, schools have identified that Teacher recruitment is a challenge for all schools.

Can you specify how continuous improvement has reduced the deficit/ is going to reduce the deficit? This could include sharing best practice, new contracts, efficiency savings

Set out below are a range of actions taken by the Council and Schools Forum as part of their review of the DSG Budget over the last 6 years.

- i) Following the roll out of the new Top-up funding mechanism for High Needs placements, the Council introduced a Banded Funding model, which allocated resources to schools based on the need of a child. This was well received by schools and indeed was adopted by one of Hillingdon's local Independent Non-maintained Special Schools.
- ii) The Council undertook a major review of all Out of Borough and Independent School placements, and has been very successful in reducing the number of children placed in these establishments, which has resulted in a reduction in costs of £1,143k over the period 2013/14 to 2017/18.
- iii) The Council took an opportunity to investigate the feasibility of including a Special Resource Provision (SRP) for every new school build or school extension, which resulted in a number of new SRP's being built, increasing local capacity. Additionally the Council is reviewing how it will use the additional circa £4.9 million SEND capital funding that has been provided to increase local capacity.
- iv) The Council has supported a number of new free school bids, which will provide additional local capacity to meet the needs of children with a ASD primary need.
- v) The Council has and continues to work with all key stakeholders on the development of an Additional Needs Strategy.
- vi) The Council works collaboratively with the West London Alliance to review and manage the cost of Independent School placements, which has ensured that any price uplifts are managed across a number of local authorities.
- vii) Over the last two years, the Council has delivered savings totalling £2,944k (£1,017k in 2017/18 and £1,927k in 2018/19). In addition, a transfer of £1,078k (the full allowable 0.5% of the School Funding Block) was required in order for the Council to be able to set an in year balanced budget in 2018/19 and a transfer of £3,499k in 2019/20 in order to set an in year balanced budget.

One of the savings in 2018/19, took out the entire contingency of £500k, which the Council retained to manage any in year variances, this is no longer available, which is not good practice, but demonstrates the steps that have had to be taken to try to set an in year balanced budget. However, despite these actions, the deficit has been growing, as summarised in the following table:

Year	High Needs (Surplus)/	In Year (Surplus)/	Cumulative (Surplus)/
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	Deficit £000	Deficit £000	Deficit £000
2013/14	(1,009)	(3,072)	(3,781)
2014/15	(824)	(302)	(4,083)
2015/16	539	3,217	(866)
2016/17	901	2,002	1,136
2017/18	2,348	2,989	4,125
2018/19	3,430	4,367	8,492

- viii) In 2015/16 and 2016/17, Hillingdon chose to include £3,454k of the surplus balances that existed at the end of the 2014/15 financial year in the school funding formula. The majority of this surplus related to Early Years Funding. It is now evident that other Councils across London did not follow the regulations in the same way that Hillingdon did, which has provided them with sufficient surplus balances to manage the increase in the cost of High Needs over the period up to 2017/18. Had Hillingdon chosen to retain its surplus balances over the period 2015/16 to 2017/18, the Council would be in a similar position as most other Councils at the end of 2017/18, where the cumulative deficit would have stood at only £671k.
- ix) The Council has embarked on a major review of High Needs funding, to understand why Hillingdon has experienced such significant High Needs population growth. Hillingdon's percentage level of plans per the total pupil population, has, over the last three years, been above the England Average, as demonstrated in the following table:

Year	Hillingdon	England
2016/17	3.39%	3.31%
2017/18	3.77%	3.66%
2018/19	4.20%	4.10%

- x) A review of the High Needs National Funding Formula demonstrates that across the 32 London Boroughs, Hillingdon's unit cost per placement, based on the total High Needs Budget, is the penultimate lowest, standing at £16,914, the lowest is £16,487. Comparatively the highest is £53,207 and the average is £21,227. Even if you add in the projected high needs deficit for 2019/20, Hillingdon's unit cost would increase to £19,422, which is still way below the average, even assuming that all other London Council High Needs budgets are sufficient, which we know they are not.

It is difficult to suggest that Hillingdon is actually demonstrating good value for money, but this analysis does point in that direction. It also indicates that Hillingdon has been inadequately funded for the cost of High Needs placements, as the review of the Schools National Funding Formula resulted in a significant increase in Hillingdon's Schools Block, but did not extend to the High Needs Block.

Please provide details of any previous movements between blocks, what current cost pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures

The total level of funds transferred from the Schools Block to the High Needs Block are set out in the following table:

Year	Transferred Amount £000	Cumulative Amount £000
2013/14	2,657	2,657
2014/15	2,593	5,250
2015/16	2,525	7,775
2016/17	2,753	10,528
2017/18	962	11,490
2018/19	1,077	One off
2019/20	3,499	One off

This indicates that Hillingdon has always had to transfer funds from the Schools Block to the High Needs Block and up until 2017/18, these would have been permanent transfers, which equates to a cumulative transfer of £11,490k. However, the move towards the National Funding Formula and the introduction of the ring fencing of the Schools Block, restricts the transfer of funds to one year, which Hillingdon has had to do in order to set a balanced budget in both 2018/19 and 2019/20.

These funds were required to support the growth in the number of children with a EHCP and the increased complexity of need and more recently the significant increase in the number of post 19 students attending FE Colleges, where the number of pupils supported has increased by 314 pupils since 2014/15, with a corresponding increase in costs of £3,061k. Having reviewed the High Needs Funding formula, it is evident that the funding formula does not adequately fund the true cost of post 19 placements.

Please provide details of contributions coming from the health and social care budgets towards the cost of high needs provision

In 2018/19 the Council received a contribution of £1,217k from Health and Social Care to fund the cost of Education, Health and Care Plan placements:

Social Care - £897k

Health - £320k

As noted above, the Council are undertaking a review of the 80 highest cost placements to ascertain whether Health are contributing a reasonable and fair contribution, as there is a view that based on benchmarking data, the Council should be receiving a higher contribution.

Please explain how the LA has discharged its duties under the Equality Act 2019, C&F Act 2014 and common law to consult with those affected by the changes proposed

The Council will ensure that it undertakes all relevant and required consultations in line with the duties set out in the Equality Act 2019, the Children's and Families Act 2014 and

common law. To date all of the proposals set out in this document are being developed and are not at implementation stage.

Please provide any further detail here if required, including any attachments that support your recovery plan and any disapplication reference number.

In order to fully understand the movements in the DSG, it is worth starting at the point where the Schools Fair Funding Formula was introduced in 2013/14, highlighting what changes have been made since the introduction of the new system and the impact on the DSG budget. Within this timeline, the Children and Families Act 2014 was enacted, which has also had a significant impact on the DSG Budget.

The London Borough of Hillingdon has undertaken a review of the cost pressures that exist within the Dedicated Schools Grant (DSG) and has identified that the reasons for the deficit in the DSG can be traced back and attributed to the introduction of the Children's and Families Act 2014 and the new burdens imposed on local authorities.

It is evident that there is a shortfall in the funding provided by the Department for Education (DfE) when compared to the true cost of providing support to the extended age range. A recent survey highlighted that out of 136 Councils that responded to an FOI request, 123 had a deficit in the 2018/19 High Needs budget, which totalled £324 million. Hillingdon Council had an in year deficit of £3,430k in the High Needs budget and an overall in year deficit of £4,367k.

It is also evident that the Council cannot address this funding gap by delivering savings of this magnitude from the retained DSG budget, which in 2019/20 equates to £5,468k. It is also clear that this level of savings cannot be made by reducing funding to Early Years providers or to the funding of high needs placements without having a significant impact on pupils, schools and providers and potentially placing the authority at risk of legal challenge, which has happened recently with other local authorities. This is not to say the Council has not reviewed these areas, in fact the Council consulted with all Early Years providers on a proposed reduction to the base rate level of funding provided as part of the budget build for 2019/20. However, this proposal was not agreed, as it was felt that the level of saving generated of £200k, would be outweighed by the additional costs of providing additional support at school level, when these children move into statutory education.

Explanation for the Current Cumulative Deficit Balance

At the end of 2018/19, the Outturn position for the DSG, was an in year overspend of £4,367k, resulting in a cumulative deficit of £8,492k.

To understand how the DSG is in deficit to the tune of £8,492k, it is worth looking back historically at the position of the DSG over the last 7 years, following the implementation of the Schools Fair Funding Formula, the move towards the National Funding Formula and the introduction of the Children and Families Act 2014. This is set out in table 1 below:

Table 1

Year	Balance Brought Forward £000	In Year (Surplus)/ Deficit £000	Balance Carried Forward £000
2012/13	(226)	(483)	(709)
2013/14	(709)	(3,072)	(3,781)
2014/15	(3,781)	(302)	(4,083)
2015/16	(4,083)	3,217	(866)
2016/17	(866)	2,002	1,136
2017/18	1,136	2,989	4,125
2018/19	4,125	4,367	8,492

This indicates that between the period 2012/13 to 2014/15, the DSG was in surplus, both in year and cumulatively. However, from 2015/16 the position changes to an in year deficit, resulting in a cumulative deficit position by the end of 2018/19.

The main movements are set out in more detail in Table 2 below, which breaks down the in year position further into the relevant funding streams from 2012/13. This also includes the transfer of surplus balances into the Schools Funding Block, which the Council is required to review, where it holds excessive balances:

Table 2

Year	Early Years £000	Centrally Retained £000	High Needs £000	Additional Funds Delegated To Schools £000	Total £000
2012/13 Closing Balance	(283)	(426)			(709)
2013/14	(2,063)	0	(1,009)	0	(3,072)
2014/15	(1,838)	1,066	(824)	1,294	(302)
2015/16	341	628	539	1,709	3,217
2016/17	389	261	901	451	2,002
2017/18	368	273	2,348	0	2,989
2018/19	629	308	3,430	0	4,367
Total	(2,457)	2,110	5,385	3,454	8,492

Based on this further analysis, Early Years contributed an underspend of £2,457k, which is due primarily to the additional funding provided for the roll out of the two year old free entitlement offer, where the take up was lower than the sums provided. As a result of this, surplus balances totalling £3,454k were transferred into the Schools Budget across a three year period 2014/15 to 2016/17.

The overspend in Centrally Retained budgets in years 2014/15 and 2015/16 related to additional funding provided to schools from the Growth Contingency, predominantly for the new basic need academy schools. The overspend in 2017/18 relates to copyright licences, which continued into 2018/19, additionally there is a further pressure of £254k in 2018/19 relating to the Skills Hub, which provides alternative education provision.

What is more interesting is that up to 2014/15, High Needs budgets actually underspent in both years, however, from 2015/16 onwards, the High Needs budget has consistently overspent, which has worsened each year up to 2018/19. This would appear to tie in with the introduction of Education, Health and Care Plans, and the change to the applicable age range, which was extended to include 0 to 25 from 5 to 19, introduced as part of the Children and Families Act 2014, that came into effect on 1 September 2014.

High Needs Pupil Numbers

In 2014/15, Hillingdon's High Need population stood at 1,503 pupils. This figure has increased significantly over the last 4 years, where, as at March 2019, the number of pupils that have a EHCP stood at 2,336 (SEN2 Data), an increase of 833 pupils (equivalent to a 55% increase). Assuming an average cost of £18.5k per placement and an even distribution across the year, this would equate to an increase of £7.7 million (833 pupils * £18,500 per place / 2). The May 2019 data indicates that the number of children on a plan continues to increase and stands at 2,367 pupils.

Table 3 sets out the distribution of the growth across the type of placement from 2014/15 to May 2019:

Table 3

Type of Setting	Change in Pupil Numbers from 2014/15	Change %	May 2019 Pupil Numbers	2014/15 Pupil Numbers
Mainstream Schools	220	33.5%	876	656
Maintained & Academy Special Schools	170	28.2%	772	602
SRPS within Mainstream Schools	33	42.3%	111	78
Non-maintained & Independent Schools	9	6.1%	157	148
Other (EOTAS)	95	1,357.1%	102	7
FE Settings/ISP	317	3,170.0%	327	10
Early Years Settings	20	1,000.0%	22	2
Total	864	57.5%	2,367	1,503

This demonstrates that of the total 864 growth in pupil numbers, 390 pupils (45.1%) are placed in Hillingdon mainstream schools and special schools. However, it is also evident that 317 pupils (36.7%) are placed in FE Settings, 95 pupils (11%) are in EOTAS provision and 20 pupils (2.3%) are in Early Years settings. This demonstrates the impact of the extension of the age range in the Children's and Families Act 2014, where the figures have grown from a baseline in 2014/15 of 19 pupils, to 451 pupils as at May 2019.

Table 4 sets out a slightly different analysis based on the number of pupils placed in each sector over the period 2013/14 to March 2019:

Table 4

Sector	Change in Pupil Numbers from 2013/14	Change %	March 2019 SEN2 Data Pupil Numbers	2013/14 Pupil Numbers
Nursery	32	228.6%	46	14
Primary	303	45.4%	971	668
Secondary	157	26.1%	758	601
16-18	44	21.1%	253	209
19-25	308	-	308	0
Total	844	58.7%	2,336	1,492

This demonstrates that there has been growth in all of the sectors. It also demonstrates the significant disproportionate growth experienced in both nursery and 19 to 25 provision, which can be attributed to the introduction of the Children and Families Act 2014, which extended the age range to cover 0 to 25 year olds.

It is then useful to consider the financial impact of these changes based on a high level placement analysis over the period 2013/14 to 2018/19, which is set out in Table 5:

Table 5

Setting	Change in Actuals from 2013/14	Change %	2018/19 Actual £000	2013/14 Actual £000
School	12,161	95.3%	24,924	12,763
FE	3,604	621.4%	4,184	580
Independent	-494	-7.8%	5,878	6,372
Total	15,271	77.5%	34,986	19,715

This demonstrates that the pupil growth in the FE Sector translates into a significant increase in costs, but it also demonstrates that the Council has taken steps to reduce the cost of Independent School placements, albeit, the opportunity is diminishing due to local capacity being at saturation point.

Table 6 sets out the number of Special Educational Needs (SEN) pupils in Hillingdon based on the primary need of the child over the period 2014/15 to May 2019:

Table 6

Primary Need	Change in Pupil Numbers from 2014/15	Change %	May 2019 Pupil Numbers	2014/15 Pupil Numbers
ASD	375	76.2%	867	492
Speech, Language and Communication Needs (SLCN)	31	9.3%	364	333
Moderate Learning Difficulties (MLD)	31	17.6%	207	176
Severe Learning Difficulties (SLD)	25	18.4%	161	136
Social Emotional and Mental Health Needs (SEMH)	-36	-31.3%	79	115
Physical Disability (PD)	51	67.1%	127	76
Other/medical	43	138.7%	74	31
Hearing Impairment (HI)	4	9.3%	47	43
Profound and Multiple Learning Difficulties (PMLD)	15	48.4%	46	31
Specific Learning Difficulties (SpLD)	3	9.1%	36	33
Visual Impairment (VI)	1	4.5%	23	22
Multi-Sensory Impairment (MSI)	1	33.3%	4	3
Unclassified	320	2,666.7%	332	12
Total	864	57.5%	2,367	1,503

This indicates that there has been a significant increase in the number of children with an ASD Primary Need, which has grown by 375 pupils (equivalent to 76.2%).

DfE Funding Allocations

A review of the funding provided by the DfE demonstrates that Councils have been provided with additional funding, which is set out in Table 7, which is compared to the actual cost in each given year. It should be noted that the DfE figures exclude any technical adjustments:

Table 7

Year	DfE Allocation for Growth £000	Hillingdon Actual Growth £000	Difference From DfE Allocation £000
2015/16	662	1,928	+1,266
2016/17	559	1,460	+901
2017/18	1,100	3,448	+2,348
2018/19	2,485	5,915	+3,430
Total Funding	4,806	12,751	+7,945

This indicates that the DfE have provided Councils with additional funding, which for Hillingdon totals £4,806k, over the 4 year period 2015/16 to 2018/19. This is quite significant in 2018/19 as this includes the additional allocation of £775k announced in December 2018. However, this has not kept pace with the actual growth experienced by Hillingdon, leaving a gap of £7,945k (of this £3,604k relates to growth in the Post 16 funding), which on its own almost explains why the DSG Retained Budget has a cumulative deficit of £8,492k.

A review of the High Needs National Funding Formula highlights that the base entitlement (based on the number of pupils in special schools and special post-16 institutions) does not take into account FE College placement numbers (for Hillingdon this equates to 167 places), nor does it take into account the true cost of those in special post-16 institutions, where the formula only allocates £4,000 per place but the actual cost is £40,000 per placement. For Hillingdon this equates to a potential funding shortfall of £1,964k.

Additionally, Hillingdon Council has always been a high delegator of funds to schools and by doing so retains a comparatively small budget centrally to support schools. The majority of this relates to the provision of resources to support children with Education, Health and Care Plans.

At the end of 2018/19, the retained DSG budget had an in year deficit of £4,367k and a cumulative deficit of £8.5 million, whilst schools in total increased balances by £3,019k and had surplus balances of £42,838k. Taking this into account, in overall terms the DSG does have sufficient surplus balances to deal with both the in year deficit and the cumulative deficit, if the Council was able to clawback surplus funds from individual schools including academy schools in a sympathetically planned and managed way, but currently has no power to do so.

This has prompted a review of the funding formula and the actual mechanics included within the guidance to ascertain whether there is scope to access these resources. As a result, three areas of review have been identified, which could release resources into the Schools Block:

i) Surplus Balance Clawback Mechanism (Potential to generate £6.3 million)

The level of school balances, which in Hillingdon stand at £42,838k, provides an opportunity to consider recycling all school surplus balances to enable the Council to permanently move funds of at least £6 million, between the Schools Block and the High Needs Block. This could be achieved by introducing a clawback mechanism in 2020/21 across all schools (academies and maintained), the sum of which would then be built into the Schools Funding Formula to keep the schools budget at its existing level. This approach could be sustained over at least 3 years and would still ensure that in overall terms the school balances would in total still be in surplus to the tune of £24,838k, all things being equal.

Officers have worked with representatives from Schools Forum to agree a mechanism that it is felt could be supported by all schools. The current proposed model works on the introduction of two caps. The first cap maintains school balances at the suggested recommended level of 8% for Primary schools and 5% for Secondary schools. Once this level is determined, a cap of 20% is then applied to the balance remaining. This mechanism would enable the Council to clawback £6.3 million of surplus balances, which would then offset the anticipated transfer of a similar amount to fund the cost of High Needs.

However, this does not address the underlying issue that the cost of High Needs has not been adequately funded, following the introduction of the Children and Families Act 2014 and needs to be addressed to be sustainable. A recent survey highlighted that out of 136

Councils that responded to an FOI request, 123 had a deficit in the 2018/19 High Needs budget, which totalled £324 million, indicating that Hillingdon is not unique in the financial difficulties that it faces. The SEN2 Data also indicates that there has been growth of 66,705 in the number of plans issued over the period 2016/17 to 2018/19, equivalent to an increase of 23%.

Additionally, the use of balances is by their very nature a one off option and comes with risks, one of which could result in more schools falling into deficit with no means of recovery, effectively shifting the problem onto individual schools, which could then have a direct impact on the quality of education that schools can deliver.

A spreadsheet is attached setting out the proposed model.

ii) Reset the Minimum Funding Guarantee Protection (Potential to redistribute £903k)

An analysis of Hillingdon's Funding Formula indicates that there is a correlation between those schools that have a significant level of Minimum Funding Guarantee (MFG) protection, a high level of surplus balances and have experienced in year increases in their school balances. Two schools in particular evidence this and account for £903k of the total £1,256k MFG in the 2019/20 budget, where these schools had surplus balances totalling £6,866k and generated an in year surplus of £1,410k in 2018/19. This suggests that the level of protection afforded by the MFG is no longer required or is no longer fit for purpose, especially for these two schools.

Officers have again worked with representatives from Schools Forum to agree the most appropriate mechanism. Having reviewed the funding formula, the proposed approach would be to set the current MFG value to zero when determining the MFG level of protection for the 2020/21 budget, rather than continuing to include the MFG value in the calculations. This would then reduce the per pupil level of funding that would be protected, which would be more in line with the average per pupil rate of funding across Hillingdon schools.

Officers understand that the disapplication process can be used to seek agreement to reset the MFG.

A spreadsheet is attached setting out how the mechanism will work and the impact of applying this to the new model.

iii) Review of School Sustainability and Viability (Potential to redistribute £560k)

It is clear that the Studio Colleges and the University Technical Colleges are no longer a sustainable education provision, where based on the latest set of data available, these schools in total had deficit balances of £2,476k and an in year deficit of £1,296k, compared to a total budget share of £2,877k. Based on the trajectory of the in year deficits, it is highly probable that by the end of the 2018/19 academic year, the total cumulative deficits in these schools will be greater than the actual individual school budget shares, indicating that it will be very challenging to bring the schools budget back into balance in the foreseeable future.

One option would be to accept that these schools are no longer a viable education provision and that they should be closed down. The pupils currently attending these schools could then be absorbed across the other secondary schools and would then free up 4 lump sums totalling £560k, which would be released back into the schools budget.

Schools Forum are consulting with schools on a proposed increase to the 2% Threshold Mechanism where the proposal is:

- i) **To increase the Threshold to 3% across both Primary and Secondary, reflecting the average percentage of pupils with an EHCP, which is now closer to 3%.**
- ii) **To increase the Threshold to 2.5% across both Primary and Secondary, reflecting the average percentage of pupils with an EHCP, which is now closer to 3%.**
- iii) **To increase the Threshold to 3% in Primary and retain 2% for Secondary, reflecting the average percentage of pupils with an EHCP in Primary schools, which is now closer to 3%.**

Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response co-ordinated by Primary Forum, Hillingdon Association of Secondary Heads or other representation group.

The release of this paper allows just a short period of time for consultation with stakeholders (approximately 4 weeks) as responses will be required to be returned by midnight on 8 December 2019. Schools Forum will then review the responses when they meet on 12 December 2019.

8. 2% Threshold Mechanism

Local authorities are able to provide additional funding outside the main funding formula for mainstream schools on a consistent and fair basis where the number of pupils with SEND and/or high needs cannot be reflected adequately in the funding they receive through the local funding formula. In Hillingdon, the 2% threshold mechanism recognises those mainstream schools that have a disproportionate number of pupils with SEN. The mechanism distributes additional funding to schools where the number of pupils with an EHCP is more than 2% of the total pupil population. The additional funding allocated is £6k for each pupil over the 2%, which is funded from the High Needs Block.

The threshold was set a number of years ago and when the mechanism was introduced the number of pupils with a Statement of SEN in a mainstream schools was on average 2% of the total school population. Given that the recently published SEN 2019 data indicates that the average percentage of pupils with an EHCP is now closer to 3%, consideration needs to be given to whether the threshold is increased.

There has been increasing pressure on the High Needs budget and as the number of EHCPs in mainstream schools has grown, the budget requirement has increased. In 2019/20 a budget of £604k was allocated for the 2% threshold which was based on the total spend in the previous year. This was an increase of £155k (34%) when compared with the 2018/19 budget. The current projected spend on the 2% threshold in 2019/20 is £990k, an overspend of £386k. Increasing the threshold to 3% will better reflect the current percentage of the pupil population that have an EHCP that attend mainstream school and will result in a reduction to the pressure on this budget.

As the average number of pupils with an EHCP within secondary schools remains closer to 2%, further consideration is needed as to whether there should be a different threshold for Primary and Secondary. The financial impact of the proposed changes to the threshold have been modelled and are summarised in the table below;

Financial Year	Primary	Primary	Secondary	Secondary	Total	Budget	Variance
	%	£	%	£	£	£	£
2018/19	2.0%	394,000	2.0%	212,000	606,000	449,300	156,700
2019/20	2.0%	804,000	2.0%	186,000	990,000	604,000	386,000
2019/20	2.5%	426,000	2.5%	78,000	504,000	604,000	-100,000
2019/20	3.0%	180,000	3.0%	30,000	210,000	604,000	-394,000
2019/20	2.5%	426,000	2.0%	186,000	612,000	604,000	8,000
2019/20	3.0%	180,000	2.0%	186,000	366,000	604,000	-238,000

The number of schools that would attract the threshold for each of the models is detailed in the table below. This is compared with the 2013/14 baseline which is the year that the mechanism was first introduced. This demonstrates that the number and proportion of schools has increased significantly over time.

Financial Year	%	Primary	% of Total Primary	Secondary	% of Total Secondary	Total	% of Total
2013/14	2.0%	13	19%	6	27%	19	21%
2018/19	2.0%	31	45%	7	32%	38	42%
2019/20	2.0%	36	52%	5	23%	41	45%
2019/20	2.5%	25	36%	3	14%	28	31%
2019/20	3.0%	10	14%	1	5%	11	12%

9. Summary

The modelling indicates that by increasing the threshold the budget requirement based on current numbers of pupils with an EHCP would reduce to £504k (if the threshold for both primary and secondary was set at 2.5%, highlighted in green) and £210k (if the threshold for both primary and secondary was set at 3%, highlighted in yellow).

Alternatively, if a different threshold was implemented based on 3% for Primary and 2% for Secondary, the budget requirement would reduce to £366k, highlighted in blue. This would reduce the pressure on the High Needs block, though given the continuing increase in the number of pupils with an EHCP in mainstream schools the budget required is likely to increase in 2020/21.

allow for technical adjustments to the calculation of the MFG where over protection would otherwise occur. It was therefore considered that a disapplication request be submitted to the ESFA to disapply and re-baseline the MFG for 2020/21, the deadline for which was 11 October 2019.

2. Background

In 2019/20 the MFG was set at -1.5% meaning no school had a per pupil reduction of more than 1.5% per pupil. In 2019/20 the total MFG protection was £1.3m, distributed across 10 schools as per the table below;

School	2019/20 MFG £
Rosedale College	481,276
Northwood School	422,068
John Locke Academy	163,059
Laurel Lane Primary School	48,023
Parkside Studio College	44,757
Nanaksar Primary School	40,622
Hewens Primary School	28,148
Harlington School	16,173
De Salis Studio College	11,103
Oak Farm Infant School	971
Total	1,256,202

As can be seen, 72% of the MFG is paid to just two schools (Rosedale College and Northwood School). This MFG is historic protection that goes back a number of years.

Per Pupil Funding rates

	2019/20 Average £	2019/20 per Pupil Rate £	2019/20 per Pupil Rate (with re-baselined MFG) £
Primary Schools			
Laurel Lane	3,894.94	4,520.74	4,374.33
Hewens Primary	3,894.94	4,095.48	4,095.48
John Locke Primary	3,894.94	3,946.46	3,581.27
Oak Farm Infant	3,894.94	3,856.61	3,856.61
Nanaksar	3,894.94	3,736.58	3,736.58

	2019/20 Average £	2019/20 per Pupil Rate £	2019/20 per Pupil Rate (with re- baselined MFG) £
Secondary Schools			
Rosedale College	5,395.65	6,255.24 (1)	5,551.61
Harlington School	5,395.65	5,874.18 (2)	5,874.18
Northwood School	5,395.65	5,777.90 (4)	5,223.28

	2019/20 Average £	2019/20 per Pupil Rate £	2019/20 per Pupil Rate (with re- baselined MFG) £
14-19 Schools			
Parkside Studio College	6,134.44	7,126.88 (1)	6,313.11
De Salis Studio College	6,134.44	6,008.66 (2)	5,897.63

The table above indicates that with MFG, generally the per pupil rates for those schools in receipt of an MFG are significantly higher than the average per pupil rates. If the per pupil funding was adjusted by re-baselining the MFG then in most cases the per pupil funding rates would be brought more in line with average.

Surplus Balances

School (Maintained)	Balance as at 31.3.19 £	Balance as at 31.3.18 £	In Year Increase/ Decrease £
Oak Farm Infant	208,144	163,071	45,073
Harlington	508,922	448,297	60,625

Schools (Academies)	Balance as at 31.8.18 £	Balance as at 31.8.17 £	In Year Increase/ Decrease £
Laurel Lane Primary	519,000	631,000	-112,000
Hewens Primary School	2,078,000	1,819,000	259,000
Nanaksar Primary School	894,466	749,975	144,491
John Locke Primary School	9,000	25,000	-16,000
Parkside Studio College	-200,000	161,000	-361,000
De Salis Studio College	-967,000	-738,000	-229,000
Northwood School	2,267,213	1,141,166	1,126,047
Rosedale College	4,599,000	4,315,000	284,000

The above tables provides information on the surplus balances in each of the schools and indicates that in the majority of cases the schools have significant balances which have increased in the last reported accounting period (except for the two Studio Colleges, although the financial stability of these facilities is being investigated). This would evidence that the MFG protection is not needed in these cases and the funding for the majority of schools has been over protected.

3. Summary

The analysis indicates that for the two schools with the highest level of MFG, they have healthy surplus balances and in fact have increased those balances when comparing 2017/18 to 2018/19. For 2020/21, the Minimum Funding Guarantee has to be set between +0.5% and +1.84%, which would protect the funding of these schools and increase the level of the existing MFG at a time when it is evident that school balances are increasingly reducing. Additionally these two schools are in the top 4 when considering the per pupil level of funding.

As a consequence, of the above a disapplication request has been submitted to the ESFA. There is now a requirement to consult with schools in order to get views on this proposal. The following question will be asked as part of the consultation;

Question: Do you agree with the proposal to re-baseline the MFG in 2020/21?

- a. Yes
- b. No

1. Introduction & Background

- 1.1 The Department for Education (DfE) requires local authorities to consult with primary and secondary LA maintained schools every year about the de-delegation of a number of central budgets. De-delegated funds are a deduction from a school's budget share and are held centrally to fund relevant services and can only apply to maintained primary and secondary school budgets.
- 1.2 Decisions on de-delegation have to be taken by Schools Forum and will be taken separately in respect of maintained primary and maintained secondary schools and in each case the decision requires the agreement of a majority of the maintained representatives for the relevant phase on the Schools Forum.
- 1.3 For all these budgets, the total amount de-delegated depends on the number of LA maintained schools in Hillingdon, and how many pupils they have on roll.

2. De-delegation Funding Proposals

- 2.1 Following discussions at the Schools Forum meeting on 7th November 2019 it was agreed that maintained schools would be consulted on the following de-delegation proposals

Trade Union duties staff supply cover

- 2.2 Staff costs for trade union duties funds the salaries of officials of the various unions representing staff in schools. All schools and academies within Hillingdon are part of a Trade Union Recognition Agreement (TURA), and as such have a responsibility to provide facility time to union representatives. Under a Facilities Time arrangement, local secretaries are nominated and if de-delegation is agreed time is paid for out of a centrally managed fund.
- 2.3 If the trade union facilities arrangements are not managed this way then schools would need to make local plans to cover the costs of trade union facilities directly from their budgets. The benefits of de-delegation is that it is a more efficient and cost effective way of managing facilities time with schools able to pool resources to cover the cost in a way that avoids costs falling unpredictably or unevenly across schools.
- 2.4 The proposal is that funding for this is de-delegated again in 2020/21. The financial impact of this for maintained schools is £2.19 per pupil (in line with previous years). The budget is supplemented by income from a traded service that enables academies to contribute to these costs.

Teacher Pensions Administration

- 2.5 Following the removal of the ESG from 1 September 2017, local authorities needed to agree with maintained schools whether they wished funding to be retained to fund the continuation of services previously funded by the ESG with the mechanism for this through de-delegation.
- 2.6 Following consultation with all maintained schools in January 2017, Schools Forum agreed that funding should be de-delegated for Teachers Pensions Administration. The proposal is that this de-delegation continues in 2020/21 with the financial impact of this being approximately £1.24 per pupil (this is a 2% increase on 2019/20 to reflect the support staff pay award). This reflects a contribution to the cost of the post responsible for the maintenance and reconciliation of Teachers Pensions payments, the identification and follow-up of any queries with schools and payroll providers and the payment of deductions to the Teachers Pensions Agency. Should this proposal not be supported by schools and Schools Forum do not agree to de-delegate, schools will be required to deal with any queries that the Council receives from Teachers' Pensions, as the Council will no longer be able to liaise directly with the Payroll provider.