



Schools Forum

Date: Monday 11th April 2016

Time: 4.00pm

Venue: Scrutiny Room, Town Hall Extension

Everyone is welcome to attend this committee meeting.

Membership of the Forum

Secondary Sector Headteachers (1) Gillian Houghton

Secondary Sector Governors (2) Fergus Kilroy, Fiaz Riasat

Primary Sector Headteachers (4) Patricia Adams, Mike Cooke, Sarah Navin, Saeeda Ishaq

Primary Sector Governors (4) Brendon Jones, Gabrielle Higham, Robin Pinner, John Janulewski

Special School Headteachers (1) Alan Braven

Special School Governor (1) Peter Tite

Academy Representative (5) Peter Mulholland, Andy Park, Liza Carr, Ian Fenn, Collette Plant

Pupil Referral Unit Representative (1) Helen McAndrew

Nursery School Representative (1) Mary Metcalf

Non-School Members (9) Amanda Corcoran, Councillor Stone, Harry Spooner, Steve Scott, Mary Hunter, Cath Baggaley, Joshua Rowe, John Morgan, vacancy

Agenda

1. Urgent business
To consider any items which the Chair has agreed to have submitted as urgent.
2. Appeals
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.
3. Minutes
To approve as a correct record the minutes and notes of the meeting held on 18th January 2016 (enclosed).
4. National Funding Consultation
5. Date of next meetings :
 - 28th September 2015
 - 16th November 2015
 - 14th December 2015
 - 18th January 2016
 - 22nd February 2016
 - 16th May 2016
 - 13th June 2016
 - 11th July 2016
6. Any other business

Information about the Forum

Schools are represented on the Forum by headteachers and school governors, elected to reflect all categories of school. In Manchester; there are non-school representatives from the teacher associations; additional non-voting places are reserved for invited elected members and representatives of other interested bodies.

The Forum members work together to provide a clear consensus of professional advice to education decision-makers, to achieve a transparent deployment of available resources. The Forum provides a formal channel of communication between the Council and schools for consultation concerning the funding of schools, and aims to agree recommendations which present the best possible compromise between competing claims on limited resources; has strategic oversight of ALL funding decisions affecting schools, and is involved in annual consultation in respect of the Council's functions relating to the schools budget in connection with the following:

- pupils with SEN (Special Educational Needs)
- early years
- revisions to the Council's scheme for the financing of schools
- administration of central government grants to schools including Standards Funds
- arrangements for free school meals

The Forum must be consulted on any proposed changes to the Council's school funding formula, and the financial effects of any proposed changes.

Sir Howard Bernstein
Chief Executive
Town Hall, Albert Square
Manchester, M60 2LA

Further Information

For help, advice and information about this meeting please contact:

Carolyn Whewell

Tel: 0161 234 3011

Email: c.whewell@manchester.gov.uk

Manchester Schools Forum

Minutes of the meeting held on 18 January 2016

Present:

Members of the Forum

Secondary Sector Head Teachers: Gillian Houghton

Secondary Sector Governors: None

Primary Sector Head Teachers: Mike Cooke, Sarah Navin

Primary Sector Governors: Brendon Jones

Special School Head teacher: Alan Braven

Special School Governors: None

Academy Representative: Andy Park, Elizabeth Fritchley Ian Fenn

Pupil Referral Unit Representative: Helen McAndrew

Nursery School Representative: Liz Hardy

Non-School Members: Councillor Bernard Stone, Amanda Corcoran, Harry Spooner, Steve Scott, Cath Baggaley, Mary Hunter

Executive Member: None

Council Officers:

Reena Kohli, Directorate Financial Lead, Children and Families

Richard Shirley, Senior Finance Manager, Children and Families

John Edwards, Director of Education and Skills

Adel White – Senior Finance Manager, Children and Families

Apologies: Councillor Rosa Battle, John Morgan, Joshua Rowe, Collette Plant, Saeeda Ishaq, and Patricia Adams

SF/16/01 Minutes

Decision

To approve the minutes of the Schools Forum meeting on 14 December 2015 as a correct record.

SF/16/02 Vacancies

The Directorate Financial Lead, Children and Families explained that the Council had attempted to fill the governor vacancies but had not been able to do so. She advised that the Council would write to governors again to advertise the vacancies.

SF/16/03 DSG Consultation

The Directorate Financial Lead, Children and Families informed members that the government had launched the consultation on the Education Services Grant to local authorities and academies. A further meeting of a group of Forum members was necessary to formulate the Forum response to the consultation. The Senior Finance Manager agreed to confirm meeting details via email and all Schools Forum members who were able to attend could do so.

SF/16/04 Dedicated Schools Grant Update 2016/17

The Forum considered a report of the Interim Head of Finance – Children, Adults and Public Health which provided details of the 2016/17 Dedicated Schools Grant (DSG) settlement of £471m received on the 17 December 2015. The report explained the intention to distribute £2.3m of unallocated DSG across mainstream schools and the high needs block. Forum members were invited to comment on the settlement and the proposed budget before they will be presented to the Council's Executive for approval in February 2016.

The Forum noted that the Council was not seeking to change the composition of the schools and early years funding formula to schools. Measures had been put in place to mitigate the impact of the changes to the Department for Education deprivation unit values (IDACI) which formed part of the basic funding formula. This would have a knock on effect on the amount of funding that some schools received, so the Council adapted the formula to redistribute funding to prevent large scale changes to those schools affected.

A Forum member asked about whether the changes to the IDACI data were as a result of fewer people applying for free school meals. Officers advised that the fluctuation in deprivation levels identified in the IDACI data had affected a number of authority areas and there was a national review to find out why. Work was also underway to identify specific areas of the city that would be disadvantaged by the changes to the formula.

Members supported the intention to redistribute £1.8m of the £2.3m unallocated DSG funding to the high needs block to relieve some of the pressures in that area. They also supported the intention to redistribute £0.5m to the base funding for schools on a per pupil basis. The Forum noted that there was a need to review the high needs block funding due to substantial pressures on that budget. This would be undertaken in the next year and funding distribution would be adapted accordingly if necessary.

The Forum discussed resourcing of special educational needs (SEN) places and the pressures on the high needs block funding. Members noted the increase in special school places and that this would maintain the exiting ratio of special school places to the number of mainstream places.

Of key importance was the need to recognise SEN in pupils and to get them through the assessment process as quickly as possible so that the right support could be identified. School members described their frustrations with the current system explaining that it could take some time for a child to go through assessment for an Education and Healthcare Plan. Members recognised that the SEN team was very small and had a high number of cases so it was important that the processes were streamlined as much as possible. A member suggested that schools should look at whether they could fund short term secondments of school staff into the team to support them and gain a better understanding of the work they do. School members agreed that this was a good idea and could be explored further.

The Forum discussed the various budget pressures facing schools, including the expansion of provision for two and three year olds, demand for SEN and resourced provision, and the need to maintain good quality SEN provision post 16. The need for partnership working across schools was needed. A good example of this was school place funding pupils in the Pupil referral Units.

Decision

1. To note the following:

- The 2016/17 Dedicated Schools Grant settlement.
- Notification of adjustment to funding of the two, three and four year old offer will be received in June 2016.
- Formula funding of 235 DSG unfunded primary places and 104 DSG unfunded secondary places, in line with Department for Education guidance.
- Potential risk with the high needs budget for 2016/17 due to Department for Education not fully recognising pressures on the high needs block budget.
- Approach to allocate deprivation funding.
- The creation of an additional 160 special school places.

2. To support the intention to allocate £2.3m of unallocated DSG funding to the high needs block pressures (£1.8m) and schools block individual school budget shares (£0.5m).

Decision

1. The Forum agreed to elect Ian Fenn as Chair, and Andy Park as Vice Chair or Forum for the year.
2. To note the resignation of Mr Janulewski as Primary Sector Governor representative on the Forum.

FF/15/37 Dedicated Schools Grant 2016/17

The Forum considered a report of the Interim Head of Finance – Directorate for Children and Families which summarised the Spending Review education funding announcements that impact on Schools Fora. Due to its statutory role in the management of the schools block element of the Dedicated Schools Grant (DSG), the Forum was asked to approve the amounts for specific budget headings which would in turn form part of the overall budget planning process for 2016/17.

The Forum noted that the formula for the schools block element was compliant with the DSG's current requirements and, in view of the Government's commitment to introduce funding formulae from 2017/18 onwards, no changes to the formula for 2016/17 had been proposed. The Directorate Financial Lead, Children and Families informed the Forum that Manchester Schools were unlikely to gain as a result of reform.

Discussions turned to the further reduction of the Education Services Grant to Local Authorities and Academies and the forthcoming consultation to be launched in the New Year. The Forum discussed ways in which to gather information in order to

prepare and establish its formal response. It also discussed ways in which to illustrate the interrelated factors that impact on pupils/families who experience multiple levels of deprivation or present with complex needs, and how as a consequence this is reflected across Manchester schools. Officers were therefore asked to explore the most appropriate ways in which to illustrate the predicted significant effects on outcomes for Manchester's school children in the approach to the opening of the consultation. A suggestion was made that an interim meeting of the Forum could be convened in order to finalise its response. The Forum also stressed the importance of encouraging as many people as possible to engage in the consultation as it was acknowledged that response rates have been historically low.

Decision

1. To note the annual redistribution of early years block funding formerly used to fund the targeted full time early years funding (£10m) back to primary schools in the schools block funding formula.
2. To approve de-delegation for Trade Union Duties at a level of £278, 000
3. To agree to retain the following budgets
 - Admissions Team at a level of £1,582,000
 - Schools Forum (including associated operating cost) at a level of £5, 000 -
 - Revenue Capital Expenditure at a level of £737, 000
 - Special Educational Needs transport at a level of £500, 000
 - Growth Fund budget at a level of £6.7m
4. To request that officers explore the most appropriate ways in which to illustrate the predicted significant effects on outcomes for Manchester's school children as part of the Forum's formal response to the consultation.

FF/15/38 Early Years Funding Update

The Forum considered a report of the Interim Head of Finance – Children, Adults and Public Health which discussed the findings of a benchmarking exercise to compare early years hourly funding rates across the North West Authorities. The Forum had been asked to compare rates of pay for registered childminders with neighbouring authorities by the Young People and Children's Scrutiny Committee.

The Senior Finance Manager (School Budgets) explained to members, the difficulties that are associated with comparing rates of pay in a clear and transparent way. This was largely due to variations in the ways in which authorities fund early years settings, as no standardised funding criteria had yet been introduced for this particular block. As result the information had been expressed at group provider level into categories of private, voluntary and independents (PVI) school nurseries and nursery schools with estimated average hourly rates.

There was a discussion about the methodology of the exercise – a member felt that the figures demonstrated that Manchester's rates of pay could be viewed as being average when compared with other North West Authorities. Another member felt that when compared with statistical neighbours Manchester paid the lowest rates. He indicated that there was a growing sense of dissatisfaction amongst the PVI sector with regard to the current rates of pay. The Forum noted however that the Government's recent spending review had announced additional investment to increase average hourly rates for childcare providers on which the Forum would be informed. In addition, a national Early Years Funding Formula would be introduced in 2017/18 and the Authority was planning to undertake a review of the formula in the interim.

Decision

To note the update.

FF/15/39 Consultation outcome for the change to the scheme for financing schools

The Forum considered a report of the Interim Head of Finance Children, Adults and Public Health which summarised the consultation outcome on changes to the Scheme for financing schools some of which were either directed or proposed. The revised changes would affect the register of business interests of the Governing Body, borrowing by schools, provision of financial information, purchase cards and loan schemes, with effect from January 2016. The Forum noted that the majority of schools that had responded to the consultation were in agreement to both the directed and proposed changes to the Scheme and members who were representatives of maintained schools approved the revisions.

Decision

To approve the directed and proposed changes.

FF/15/40 Date of next meetings

Decision

To approve the dates of the meetings for the forthcoming year:

- 14th December 2015
- 18th January 2016
- 22nd February 2016
- 16th May 2016
- 13th June 2016
- 11th July 2016

**Manchester City Council
Report for Resolution**

Report to: **Schools Forum**

Subject: **Dedicated Schools Grant Funding Consultation**

Report of: **Head of Finance - Children, Adults and Public Health**

Summary

The Dedicated Schools Grant is the source of funding for the majority of school related operational expenditure. It is made up of three funding blocks: schools, early years and high needs.

On 7 March 2016, the Department for Education issued the first stage of a consultation on a new national formula that will be used for the distribution of funding. This document is available at <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula> Alongside the consultation, the government has issued a case for change and consultation summary; a summary of the current funding system and an equality analysis.

This report details the main points of the consultation and provides the draft local authority response to it.

Recommendations

Schools Forum is requested to comment and note the consultation and draft response.

Contact Officer:

Name: Reena Vandhna Kohli
Position: Directorate Finance Lead Children Services
Telephone: 0161 234 4235
E-mail: r.kohli@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

- 1.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant and may only be applied to meet costs that fall within the Council's Schools' Budget. Any under or over spend of grant from one year must be carried forward and applied to the budget in future years. Currently government provides the DSG to councils and each council distributes the grant to the schools and local educational establishments based on the local funding formula.
- 1.2 The Department for Education (DfE) has announced a two-part consultation on its plan to deliver a national funding formula (NFF) for schools. The first stage of the consultation will run from 7th March to 17th April, primarily seeking input on the principles that will underpin the NFF and the pupil characteristics and school factors to be included. The consultation also includes appeals for input on transition plans and the finer details of new funding arrangements. The second stage of the consultation will seek to set the detail of the formulae (e.g. the weightings of the factors to be included) and to illustrate the impact on schools. A consultation on the introduction of a high needs formula for children and young people with special educational needs (SEN) is running in parallel.

2. PROPOSED REFORMS

- 2.1 The proposal sets out a vision for a 'hard' school-level national funding formula to be introduced from 2019/20, after a two year transition period where the schools block will continue to be allocated to local authorities, aggregating the budgets of the schools within each authority (each calculated according to the national formula) to create authorities' schools blocks. From 2019-20 the local authority will no longer have a role in setting local funding formulae.
- 2.2 The DfE will make an announcement later this year on the plans for a national funding formula for early years. High needs funding for Special Educational Needs (SEN) and alternative provision (AP) will also be calculated in a more formulaic manner, however local authorities will continue to manage the majority of high needs funding. Any national formula for high needs funding will contain an element of current spending on SEN and AP, based on 2016/17 planned spending levels, and will continue to be included for the next five years.

Table one: Timeline of Proposed Reforms

Financial year	Funding provision
2016-17	Local authority level funding formulae
2017-18	Schools block funding allocated at local authority level, according to the national formula High needs funding formula-driven, allocated by local authority
2018-19	Schools block funding allocated at local authority level, according to the national formula High needs funding formula-driven, allocated by local authority
2019-20	Schools block allocated directly to schools through a national funding formula High needs funding formula-driven, allocated by local authority

Table one NFF Schools Block components

A	Per pupil costs	Basic per-pupil funding			
B	Additional needs	Deprivation	Low prior attainment	English as an additional language	
C	School costs	Lump sum Sparsity	Rates	Premises*	Growth
D	Geographic costs	Area cost adjustment			

- 2.3 Under the current proposal, the school-level NFF will be comprised of four blocks: a basic per-pupil allocation; additional funding depending on the needs of the pupils and the additional costs associated; a separate block of funding reflecting the schools' characteristics and circumstances; and an adjustment based on geographic costs.
- 2.4 The DfE proposes to use 12 factors, keeping 11 of the 14 that local authorities can currently include, and to add a new factor to recognise in-year growth in pupil numbers. Mobility, LAC and post-16 funding factors are all to be removed under current proposals, though no significant changes to the factors that are currently allowable in local formulae are proposed for 2017/18, except for the removal of the post-16 factor.
1. **Basic per-pupil funding** is to be set at three different rates for primary (KS1 and 2), KS3 and KS4.
 2. **Socio-economic deprivation** will use FSM Ever6 as the primary measure, but will also take IDACI into account and will reflect the actual cost to schools for the current level of FSM pupils. The issues highlighted by the recent IDACI refresh have been acknowledged and the DfE is welcoming suggestions for changes to the current IDACI banding methodology.
 3. **Low prior attainment** is due to be allocated to both primary and secondary schools based on pupils' prior attainment.
 4. **English as an additional language (EAL)** is to be included, though it has been noted that the EAL factor doesn't take into account the actual level of English spoken and a more effective factor would take into account the language proficiency of EAL pupils. As is currently the case, all pupils registered as EAL at any point in the last 3 years (EAL3) will be the continued metric.
 5. All schools will continue to receive a **lump sum** and evidence to inform proposals will be welcome in stage 2 of the consultation.

Agenda Item 4

6. **Sparsity** will continue to be calculated using the current methodology, taking into account the combination of the distance pupils would need to travel to their nearest appropriate school and school size.
7. **Business rates** will reflect the actual charge to schools, as schools have no effective means to affect them.
8. **Split site** costs will continue to be allocated at the historic spend for 2017-18 and 2018-19, with a more formulaic distribution to be considered from 2019-20.
9. As with split site costs, **private finance initiative** costs will continue to be allocated at the historic spend for 2017/18 and 2018/19, with a more formulaic distribution to be considered from 2019/20.
10. **Exceptional premises circumstances** (e.g. rent for buildings or facilities) costs will continue to be allocated to local authorities for 2017/18 and 2018/19 based on historic levels. The DfE are considering how to manage this through an NFF, potentially from 2019/20.
11. **Growth** will be funding in 2017-18 and 2018-19 based on historic spend. The DfE acknowledges that this is not the ideal solution as this assumes growth will follow historic trends. An approach that more accurately targets funding that reflects growth will be investigated for implementation in 2019/20, with suggestions welcome.
12. **Area cost adjustment** to take into account variation in costs by geographical location. The DfE are looking for input as to whether to use a general labour market measure to reflect the differences in labour costs or to use a hybrid area cost adjustment consisting of 2 elements: teachers pay costs and non-teaching staff costs.

The 'soft' formula system – how local authority and school funding will be calculated

- 2.5 The DSG is currently divided into 3 blocks: schools; high needs; and early years. A fourth block in the DSG called the 'central schools block' is proposed, containing funding for central schools services, historic LA spending commitments on schools and the retained rate of the education services grant (ESG).
- 2.6 The DfE will 're-baseline' the 4 blocks of the DSG for each local authority in March 2016 so that each block aligns with the pattern of each authority's spending in 2016-17, rather than the allocated funding. The amount each authority receives from the government for its schools block in 2017/18 and 2018/19 will be determined by running a 'shadow' school level formula and applying the minimum funding guarantee (MFG) and a cap on gains. Local authorities will be required to pass on all of the funding they are allocated through the schools block to schools. The DfE is considering allowing local authorities, in agreement with the schools forum and local schools, to set a local MFG as part of the transition period. The central schools block will be distributed on a per-pupil formulaic basis.
- 2.7 Provided in appendix one of this report is a DfE presentation pack outlining key

changes of the proposed reforms.

Changes to Education Services Grant

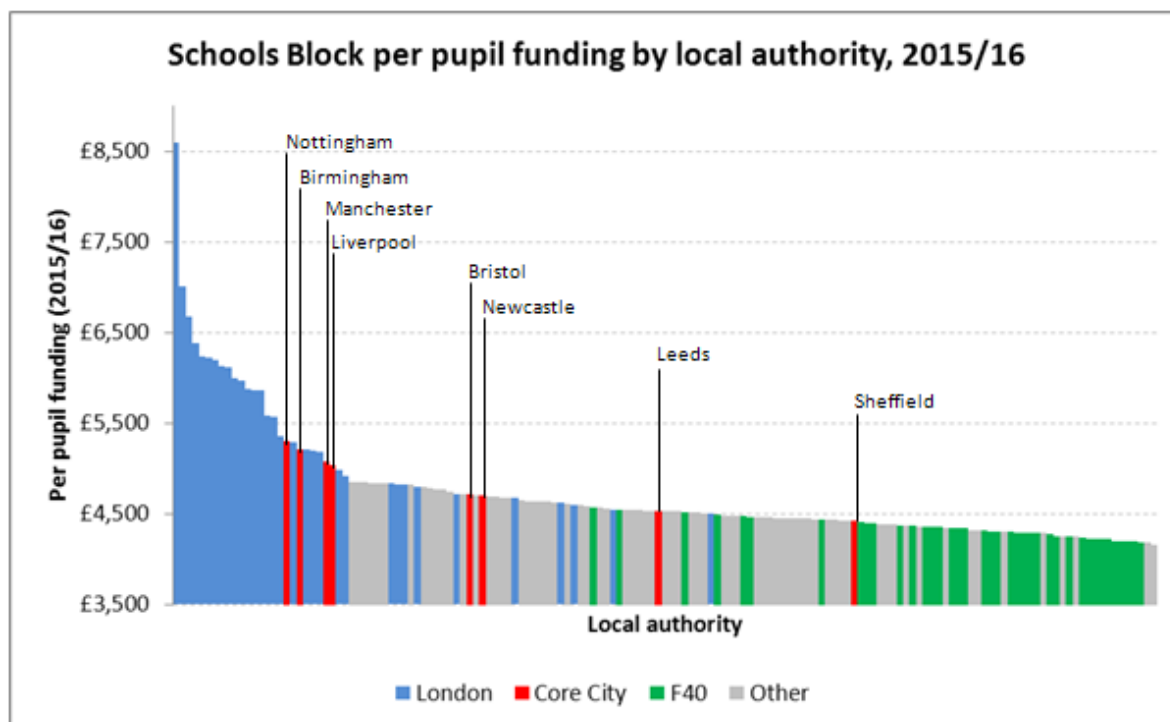
- 2.8. The general funding rate (£77 per pupil in 2016/17) paid to both academies and local authorities to fund duties that academies are responsible for delivering for their pupils, and that local authorities deliver for maintained school pupils will be removed from 2017/18. School improvement policy is being reformed to be more school-led, and local authorities are expected to step back from running school improvement from the end of the 2016/17 academic year.
- 2.9. The DfE acknowledges that regulations will be amended to allow local authorities to retain some of their maintained schools' DSG to cover their statutory duties, following the removal of the general funding. This would be the equivalent of multi-academy trusts top-slicing funding for the services they provide to academies. Academies will be protected to limit the reduction to their funding, with the methodology for 2015/16 and 2016/17 rolled forward until the end of 2019/20. Local authorities are expected to use the 2016/17 financial year to plan for reforming their services alongside manageable efficiencies that they will need to make that year.

Implications on Manchester

2.10 Manchester's Schools Block

Manchester is currently relatively highly funded and it is not likely it will gain under a national funding formula.

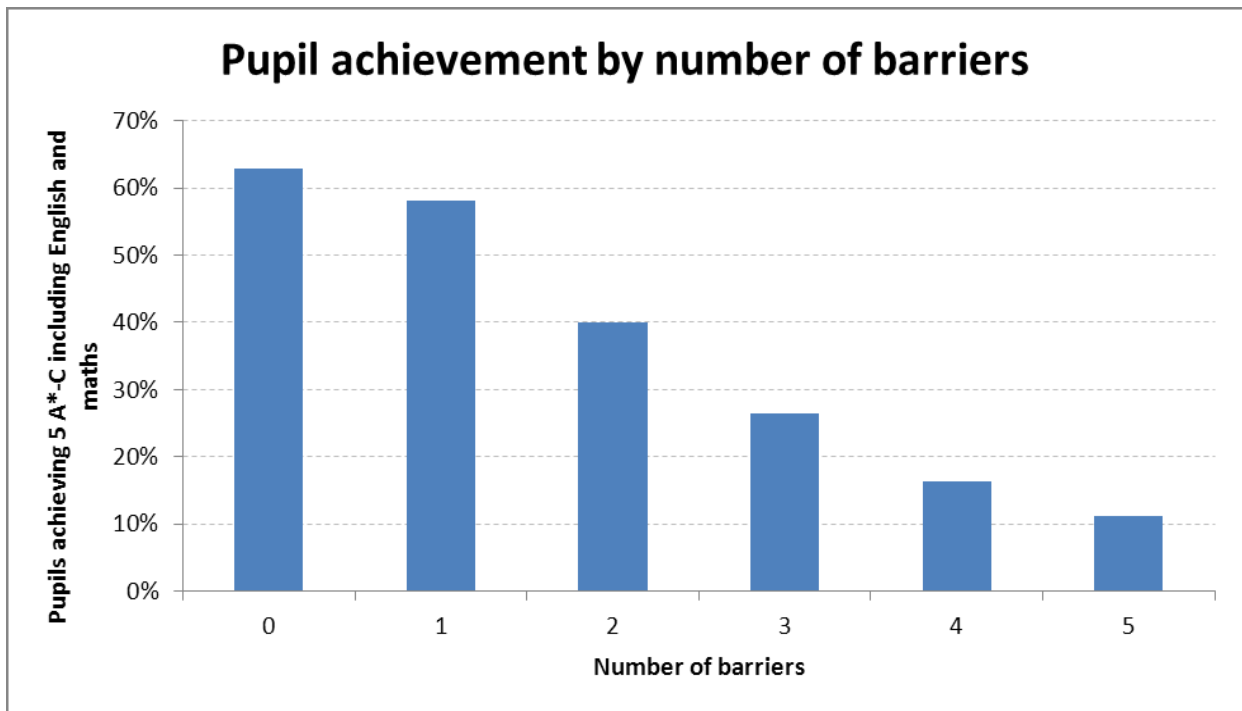
Table two: Schools Block



- 2.11 In order to ensure the new system adequately reflects Manchester's level of need the response will need to make the case that sufficient weighting is given to deprivation, growth funding and transience/mobility.

- 2.12 Schools have provided feedback that the costs associated with multiple factors of disadvantage does not follow a simple linear formula. For example, it is not as simple as adding additional bands of funding for english as an additional language, special educational needs and financial deprivation because, as additional factors are added, the cost of effectively educating a pupil compounds and multiples. The more factors a pupil faces, the more likely it is that they will require specialist resources with higher associated costs.

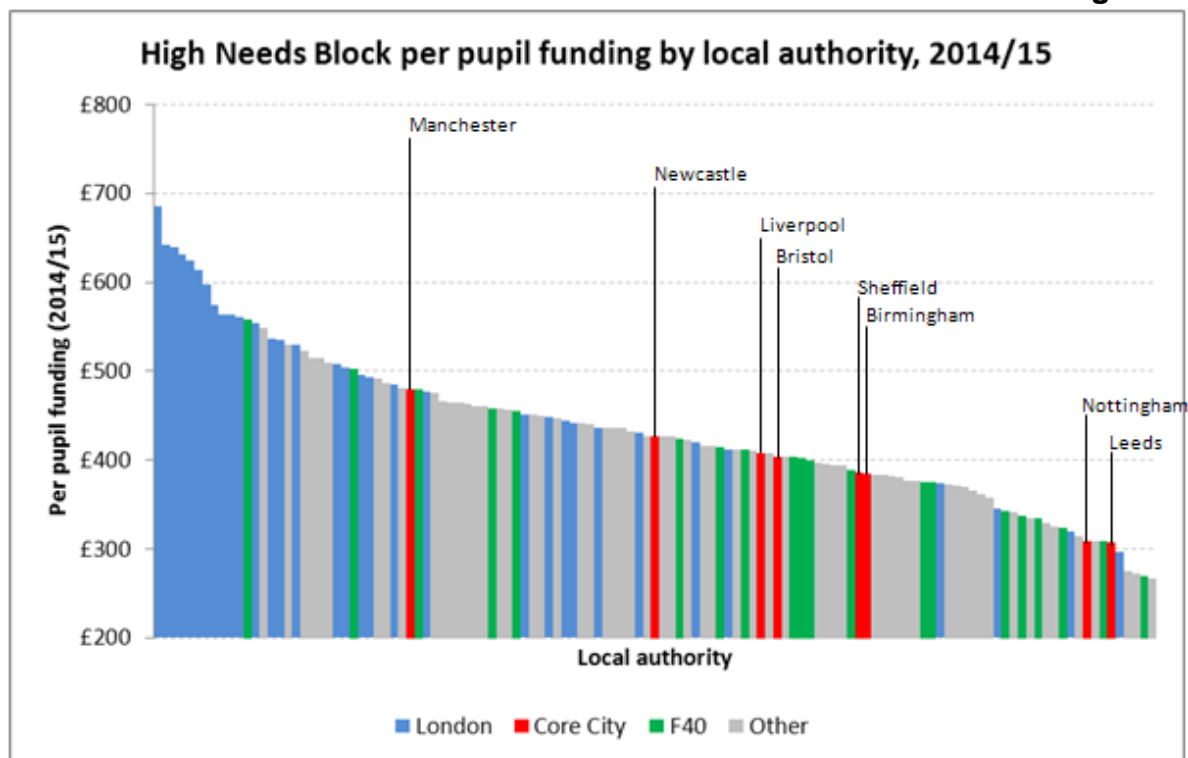
Table three: Barriers to pupil achievement



Manchester's High Needs Block

- 2.13 Department for Education have not provided any modelling but at this stage the change in funding allocation to a formulaic approach in the high needs block is unlikely to lead to the same level of funding reductions expected in the schools block.

Table four: High Needs block



3. CONSULTATION RESPONSE

- 3.1 The Chair and Vice Chair of the Schools Forum drafted a response to the consultation and sent it out to schools before the easter holidays. The draft local authority response can be tabled at the meeting on the 11th April.

4. RECOMMENDATIONS

- 4.1 Schools Forum members are asked to comment on the report.

Proposals for a schools national funding formula

Funding Policy Unit

March 2016



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What we'll cover today

- Our proposals for:
- the principles that should underpin funding reform
- the structure of the school funding system
- the building blocks and factors in the formula
- the approach to transition
- the new central schools block
- the education services grant



The principles of the funding system

- **We want to develop a funding system that supports every child to achieve their potential, whatever their background**
- **We think it should**
 - be fair
 - be efficient
 - get funding straight to schools
 - be transparent
 - be simple
 - be predictable



The structure of the funding system

We are consulting on proposals to:

- Move to a school-level ('hard') national funding formula from 2019-20
- Use the 'hard' national funding formula to determine local authorities' schools block allocations in 2017-18 and 2018-19, but leave them to set formulae locally (a 'soft' formula)
- 'Re-baseline' local authorities' DSG blocks to reflect current practice
Ringfence the schools block from 2017-18 onwards so that all schools block funding goes to schools
- Introduce a new 'central schools block', so the Dedicated Schools Grant will have four blocks in total (schools, central schools high needs and early years)

Alongside these changes, the pupil premium will remain a separate grant.



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The schools national funding formula

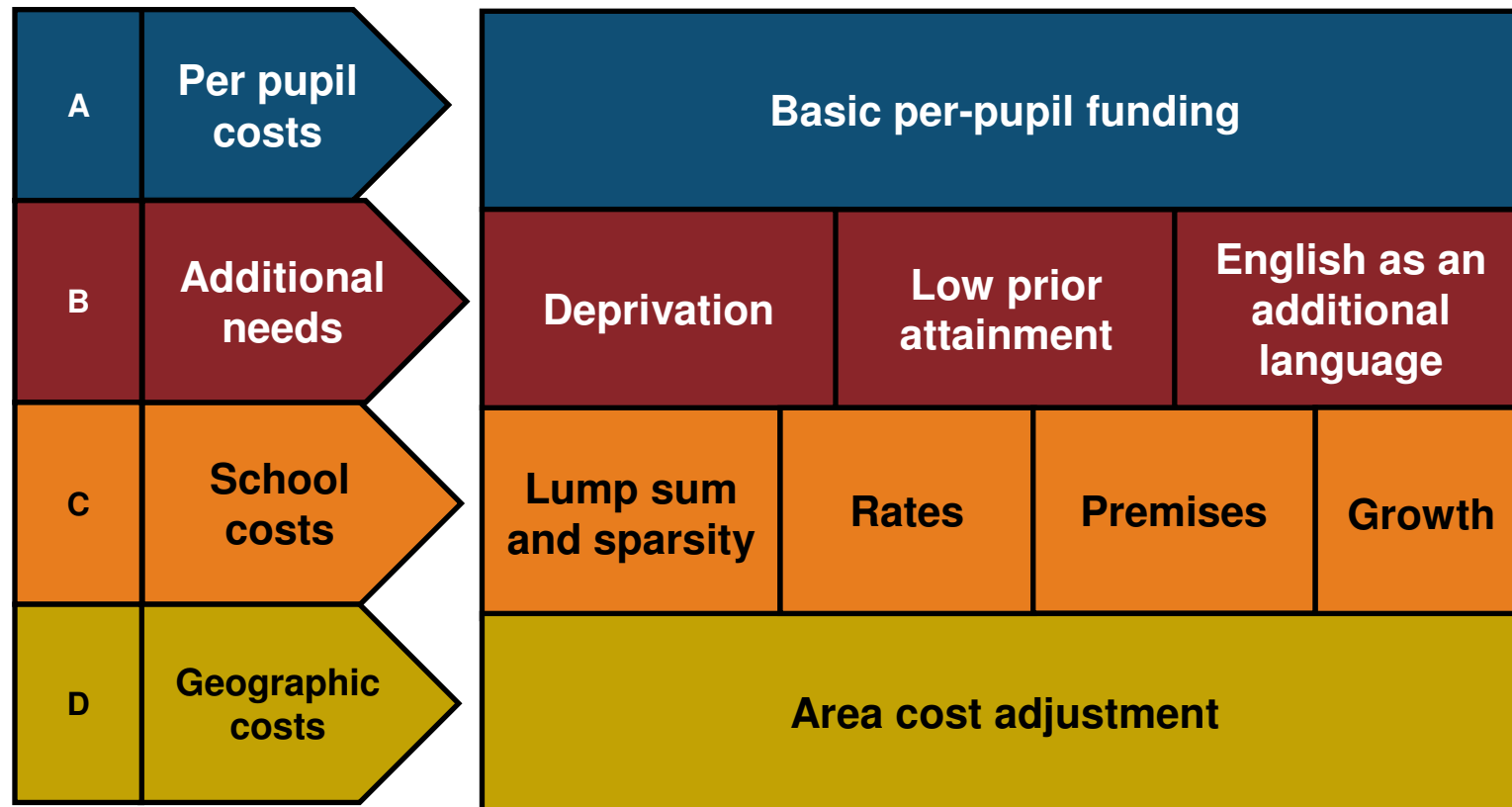
Our starting point for the school national funding formula is the factors currently allowed in local formulae. To be included in the formula, we believe a factor should:

- be linked to significant costs in schools – not necessarily costs faced by every school, but things that are commonly recognised as significant drivers of cost at national level
- make a significant difference to the distribution of funding between schools
- be based on data which is accurate at school-level, up to date and appropriately quality-assured, with no perverse incentive to increase funding
- be clearly tied to pupil characteristics, as far as is possible.



The building blocks and factors

We have grouped the proposed formula factors into four ‘building blocks’:



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The ‘premises’ box includes split sites, PFI and exceptional circumstances.

Basic per-pupil and additional needs factors

- **Basic per-pupil:** different basic rates for primary, key stage 3 and key stage 4
- **Deprivation:** pupils' current and past free school meal eligibility
area-level deprivation data (IDACI)
- **Low prior attainment:** pupils who didn't reach the expected standard at the previous stage (EYFSP and key stage 2)
- **English as an additional language:** EAL pupils who entered the state education system within the last 3 years



School and area cost factors

- Lump sum for every school
- Sparsity funding for some schools, based on current criteria (average year group size and distance from second nearest appropriate school)

- Rates
- Private finance initiative
- Split sites
- Exceptional circumstances
- Growth

These factors are particularly difficult to formularise. We propose to allocate to LAs based on historic spend in 2017-18 and 2018-19 and work on a longer term solution.

- Area cost adjustment, either based on a general labour market measure or DfE's 2015-16 'hybrid' methodology (GLM and a specific teacher labour market measure).



How the NFF factors vary from local formula factors

New additions:

- A new 'growth' factor in the formula taking into account LAs' growth funds, adjustments for growth in the authority proforma tool and the falling rolls fund. Allocated on basis of historic spend at first.
- Area costs handled explicitly through the formula

Currently allowable factors that are **omitted** from the national formula:

- Looked After Children factor – instead we propose to increase targeted support through the pupil premium plus
- Mobility factor
- Post-16 factor



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Implementation proposals

- We are proposing to phase in the national funding formula by putting in place a national Minimum Funding Guarantee, funded through a national cap on gains.
- We will use the national funding formula to allocate funding to local authorities (who will continue to allocate funding locally) in 2017-18 and 2018-19. Schools block allocations will be calculated as follows:
 - i. calculate each school's allocation using the formula factors (basic per-pupil, additional needs, lump sum, sparsity and ACA)
 - ii. apply the national minimum funding guarantee to each school
 - iii. add together all the resulting individual school allocations to give a local authority total
 - iv. add funding for premises and growth factors based on historic spend at local authority level.



Implementation proposals

- In 2017-18 and 2018-19, local authorities will continue to set local formulae.
- The rules around local formulae will remain largely as 2016-17, but we are consulting on three proposed changes:
 - removing the post-16 factor from the list of allowable factors
 - ringfencing the schools block, so that all the funding for schools goes to schools
 - whether local authorities should have discretion over the level of MFG locally.



The baselines exercise

We are asking local authorities to provide information on their planned spend for 2016-17 so that we can re-set DSG baselines for each authority and for the overall DSG.

- Local authorities can move money between DSG blocks in the current system. DSG allocations to local authorities do not match actual spend
- Under the national funding formula, the size of each authority's schools block will be determined by the sum of its individual school allocations. The new ringfence will apply to the schools block, which we are proposing should include growth and premises funding.
- The baselines exercise will start in mid-March and run until 17 April.

We will publish guidance for local authorities.



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The new central schools block

We are proposing to introduce a fourth 'block' to the Dedicated Schools Grant – the central schools block, to reflect ongoing duties that LAs hold for both maintained schools and academies:

- the central schools block brings together two existing funding streams through which local authorities receive funding for their responsibilities:
 - centrally retained Dedicated Schools Grant
 - retained duties Education Services Grant
- we propose to distribute funding using a simple per pupil formula
- we will be collecting evidence from local authorities about historic commitments this spring.



Education Services Grant – general funding rate

At the 2015 Spending Review the Chancellor announced plans to make a saving of £600 million from the Education Services Grant general funding rate (paid to both academies and local authorities):

- the first step towards this is an efficiency saving of £72m in 2016-17. Stage 2 of the consultation will set out proposals for 2017-18 and beyond
- we are seeking views on statutory duties that could be removed or reformed to support the move to a school-led system
- we are also consulting on a proposal to allow local authorities to retain some of their maintained schools' DSG to cover the statutory duties they carry out for them.



National funding formula consultation

- The national funding formula stage 1 consultation comprises three key documents:
 - Summary and case for change
 - Schools national funding formula
 - High needs national funding formula
- The first stage of the consultation runs until **17 April 2016**
- The local authority baselines and historic commitments exercises will run in parallel
- The second stage of the consultation – on the proposed weightings of the formulae and impact on school and LA allocations – will follow later this year
- **Contribute your views at <https://consult.education.gov.uk/>**



Department
for Education

High needs funding reform

Funding Policy Unit



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The context for changes to high needs funding

Special educational needs (SEN) and disability

- The Children and Families Act 2014
- The SEN and disability Code of Practice
- Local authorities' implementation of the SEN and disability reforms

Alternative provision

- A mixed landscape of provision
- Considering options for future changes to make AP more rigorous

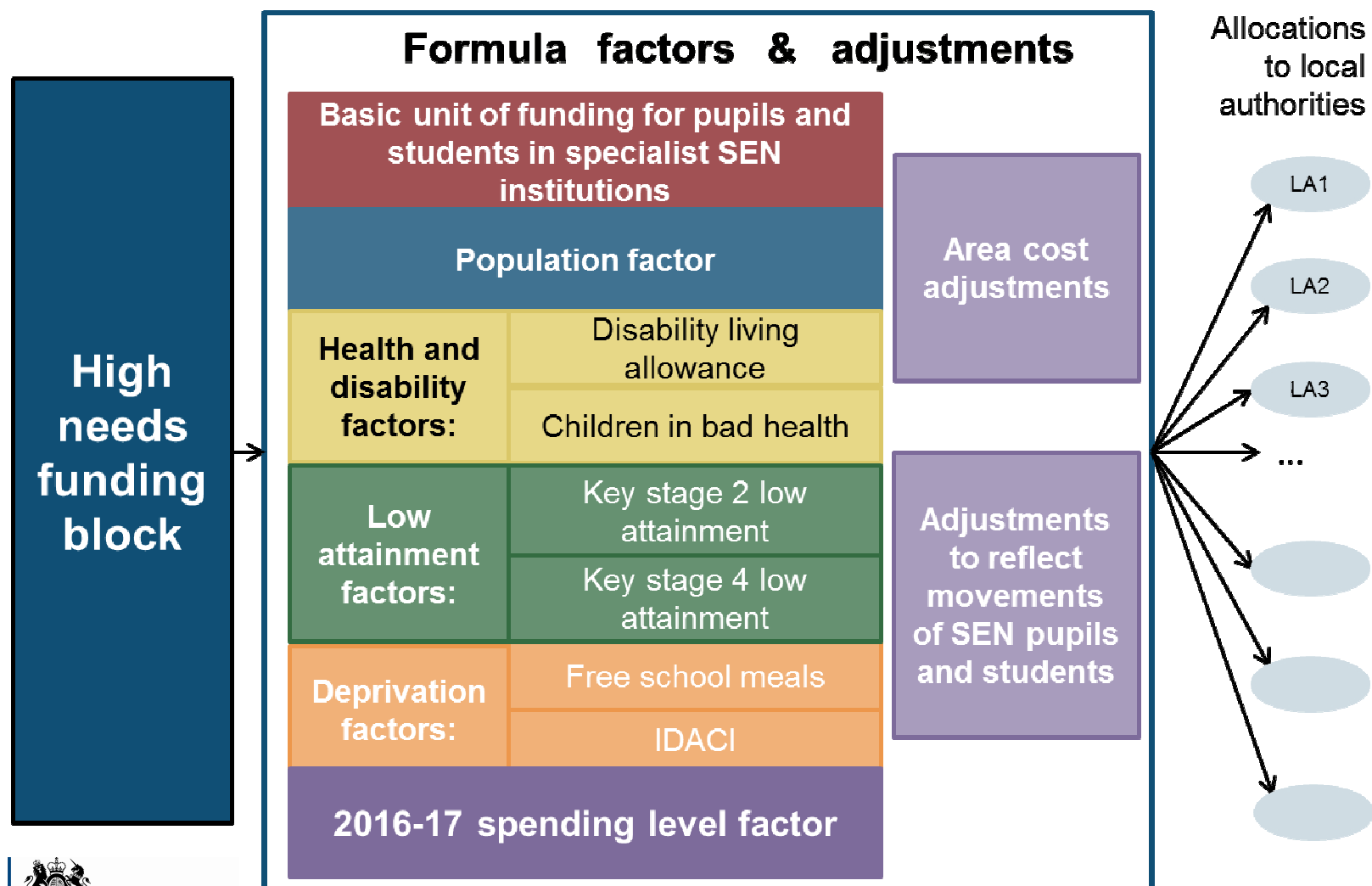


Rationale for reform

- Current high needs spending levels have evolved partly as a result of the variation which the local authority has developed with the schools, colleges and early years settings in its area
- Isos Partnership undertook research and reported with proposals published in July 2015
- We concluded that in order to support the improvement of outcomes for children and young people with SEN and those in alternative provision, further changes to high needs funding should be made:
 - a distribution of high needs funding from central to local government that is more formula-driven
 - other improvements to the current funding arrangements at local level.



High needs funding formula design



High needs funding formula factors (1)

We propose a high needs formula based on the following factors:

- **Low attainment factors:** pupils not achieving level 2 in reading at the end of KS2, and pupils not achieving 5 A*-G GCSEs at KS4, or equivalent standards as changes are made
- **Health and disability:** use of “children not in good health” population census data and disability living allowance data as indicators
- **Deprivation:** use of pupils eligible for free school meals (FSM), and the IDACI measure currently used in local schools formulae
- **Population factor:** use of ONS data – estimated number of children and young people in the 2 to 18 range. Increases in population will be reflected in increased allocations to local authorities



High needs funding formula factors (2)

- **Basic entitlement for pupils/students in special schools and post-16 institutions:** to provide a basic per pupil/student entitlement (e.g. £4k per pupil/student) for each child or young person in a special school, special academy and special post-16 institution (SPI)
 - Funding for maintained special schools and academies goes to local authorities, and for non-maintained special schools and SPIs to the EFA
- **Adjustments for net “imports/exports”:** to reflect costs/savings to a local authority’s high needs budget of any imbalance created by cross-border placements
- **Area cost adjustment:** general labour market data or taking account of the relative costs of teachers’ pay in different areas



Alternative provision funding

- Areas with higher proportions of pupils eligible for FSM, and the most deprived areas according to the IDACI measure, are more likely to have higher proportions of excluded pupils
- **We therefore propose** to use the population and deprivation factors in the allocation of funding for alternative provision
- We do not have specific proposals on hospital education yet, but are currently working with sector representatives to develop a way forward
- **We propose** to continue distributing hospital education funding on information about local authorities' and academies' current spend



Transition

In order to ensure a smooth transition we propose:

- to include an element of 2016-17 planned spending on SEN and AP in the national formula for at least the next 5 years to give local authorities time to plan and implement changes, and so they don't have to disrupt current placements and provision. We will shortly be collecting information from local authorities on their 2016-17 high needs budgets to use for this formula factor;
- to set an overall minimum funding guarantee that would not reduce local authorities' high needs funding by more than a specified percentage in each year (paid for as necessary by capping/damping gains;
- to help local authorities control their high needs spend



Reviewing and developing high need provision

To help local authorities and institutions where adjustments to high needs spending need to be made, we propose:

- to provide more capital funding for the creation of new special schools through the free school programme;
- to make available capital funding for the expansion of existing SEN provision – at least £200m available;
- to promote collaborative working between local authorities, to achieve more effective commissioning of specialist provision, sharing of services, etc;
- to share examples of funding approaches that encourage schools and colleges to include pupils with SEN;
- to help institutions ensure they are as efficient as possible.



High needs funding for schools

We are not planning any changes to:

- the way special schools and special academies are funded for pupils with SEN and disabilities, and the places they need for them;
- top-up funding from the commissioning local authority, paid to any school or academy for individual pupils/students with high-level SEN to reflect additional support needed;
- the flexibility that local authorities have to retain funding to encourage mainstream school inclusion;
- the notional SEN budget – but we intend to work with SENCOs, school business managers and headteachers on how best to help schools decide for themselves how much to spend on SEN support;
- the local arrangements for alternative provision funding.



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Changes to the way high needs funding supports schools

We are proposing to:

- simplify the mainstream schools formula by including pupils in special units within the school's pupil count so that they attract the per pupil amounts due to the school, plus per place funding of £6,000. Schools should not lose out from this adjustment;
- give those independent special schools on the section 41 list the opportunity to receive place funding directly from the EFA, at the rate of £10,000 per place, with the balance in the form of top-up funding from local authorities



High needs funding for early years providers

- Local authorities should be clear how early years providers who cater for young children with SEN and disabilities can access the support they need
- We will consult later in 2016 on:
 - how we intend to help improve early years provision for young children with SEN and disabilities – those with both lower-level and high-level needs – through changes to funding arrangements;
 - how the overall system should work to ensure they are given the best start in education



Changes to the way high needs funding supports post-16 providers

We are proposing:

- that specialist provision that has been developed by FE colleges for significant numbers of students with high level SEN should be identified by reference to the number or proportion of such students in the college. There would be no change to the funding of these units;
- to explore the role of local authorities in designating such units;
- to consider further, and consult later on, how the post-16 funding formula would work for mainstream post-16 providers with a small number of high needs students, and what the threshold would be;
- that special post-16 institutions receive a flat rate £10,000 per place. Later consultation will consider the impact of these changes



Other Isos proposals: government response

We are asking for views on:

- what any national guidelines on what schools provide might cover (to support local transparency and the local offer);
- how local authorities help their schools to be more inclusive, so we can publish more guidance and examples;
- how collaborative arrangements and partnership working can help local authorities, and what good practice we can share

The Department of Health is:

- exploring how future guidance to clinical commissioning groups (CCGs) can give a clearer message about what health budgets should pay for



Next steps

Read the consultation documents

- <https://consult.education.gov.uk/>

Respond online

- by 17 April 2016

Consultation stage 2

- later in 2016 – date to be decided



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Baselines exercise



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Purpose of exercise

- Funding reforms in 13-14 split DSG into three blocks
- LAs submitted baseline returns and we based the blocks on these
- However the returns may have contained inconsistencies and the balance between the blocks may have shifted since
- We need new baselines to use for transitional protection in the new blocks for 17-18 We are using spend, rather than the existing funding blocks, as the baseline, constrained to the total DSG.
- We are asking LAs to complete templates for 15-16 and 16-17, and to confirm their historic commitments



2015-16

- **We have looked at s251 returns for 15-16**
- **It is clear that there are inconsistencies in the treatment of things like academies and special units**
- **It is important that we arrive at a nationally consistent basis.**
- **We have prepopulated a template with some assumed adjustments for one-off funding; where we think HN place funding needs to be added and to apportion any total over or underspend between the blocks**
- **We want LAs to submit a revised split if the assumptions are incorrect and explain any significant variances – this will help our future guidance**
- **The total needs to come back to the total DSG as at November 2015 and exclude one-off funding**



2016-17

- **We have prepopulated the schools block figure from APTs – includes growth and falling rolls funds but excludes one-off funding where there is an MFG exclusion**
- **We want LAs to complete the totals for the other blocks and tell us of reasons for any significant changes from 15-16**
- **The total needs to add back to the DSG announced in December 2015 and exclude any one-off funding**
- **The template is not part of the s251 return but should be consistent with it**
- **The baselines exercise takes priority over the s251 if there are competing priorities**



Historical commitments

- We will only fund the historical commitments element of the central block up to the level of evidenced ongoing commitments which are compliant with the regulations
- We are collecting these in a separate template with a later deadline
- As well as figures we will want to see evidence of decisions, contractual commitments and information on end dates
- We would expect some lines (CERA, termination of employment costs) to be zero by now because the regulations require the commitment to have been made prior to April 2013 and will start from that assumption
- As with the baselines exercise, the figures should exclude one-off funding

