



Schools Forum

Date: Monday, 22 March 2021

Time: 4.00 pm

Venue: To be held virtually

Everyone is welcome to attend this meeting.

Membership of the Schools Forum

Secondary Sector Headteachers (1) Gillian Houghton

Primary Sector Headteachers (4) Patricia Adams, Mike Cooke, Hatim Kapacee, Saeeda Ishaq

Primary Sector Governors (4) Nichola Davidge, Tony Daly, Michael Flanagan

Special School Headteachers (1) Alan Braven

Special School Governor (1) Walid Omara

Academy Representative (6) Andy Park, Emma Merva, Joshua Rowe, Michael Carson, Edward Vitalis

Pupil Referral Unit Representative (1) Helen McAndrew

Nursery School Representative (1) Joanne Fenton

Non-School Members (9) Isobel Booter, Councillor Stone, Cath Baggaley, John Morgan, Elizabeth Cummings, Antonio de Paola

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 submit the minutes of the last meeting for consideration as a correct record. 5 - 8
- 4. Excess Balances Clawback 2021/22**
The report of the Directorate Finance Lead – Children and Families is attached. 9 - 14
- 5. Manchester Growth Fund Concerns**
The report of the Directorate Finance Lead – Children and Schools is attached. 15 - 18
- 6. High Needs Block Consultation**
The report of the Directorate Finance Lead – Children and Schools is attached. 19 - 28

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.

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
Level 3, Town Hall Extension,
Albert Square,
Manchester, M60 2LA

Further Information

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

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This agenda was issued on **Tuesday, 16 March 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Mount Street Elevation), Manchester M60 2LA

Manchester Schools Forum

Minutes of the meeting held on 18th January 2021

Present: Gill Houghton, Mike Cooke, Hatim Kapacee, Gavin Shortall, Nichola Davidge, Tony Daly, Philip Geldard, Alan Braven, Walid Omara, Joseph Brownridge, Helen Child, Andy Park, Joshua Rowe, Michael Carson, Edward Vitalis, Phil Hoyland, Isobel Booter, Cath Baggaley, Jimmy Buckley, Antonio De Paola, Emma Merva

Also Present: Councillor Bridges (Portfolio Holder)

Apologies: Michael Flanagan, John Morgan, Bernard Stone

SF/21/01 Minutes

The minutes of the meetings held on 14 March 2020 and 16 November 2020 were submitted for consideration as correct records.

In considering the minutes for the meeting on 16 November 2020, Mr Shortall advised that his name had been incorrectly spelt.

Decisions

1. To agree the minutes of the meeting held on 14 March 2020 as a correct record.
2. To agree the minutes of the meeting held on 16 November 2020 as a correct record, subject to the amendment above.

SF/21/02 Dedicated Schools Grant 2021/22

The Forum received a report of the Directorate Finance Lead – Children and Schools which provided confirmation of the Dedicated Schools Grant (DSG) allocation as announced by the Department for Education (DfE) on 17 December 2020. In addition to information about the amounts received across each of the four blocks, the report provided an outline of the allocation across individual school budgets (ISB) and local authority (LA) retained schools budgets (RSB).

The report summarised that:

- all Manchester schools should see a per-pupil related increase in their individual school budget shares. In line with what had previously been agreed, the Local Authority recommended that this would best be achieved under Model G of the local formula. This would enable a larger proportion of the funding to be funnelled out through core formula factors and provide protection under the Minimum Funding Guarantee (MFG) as much as is affordable within the formula. Under this model, schools should receive between 2% minimum and up to 3% per pupil increase.

- The amount allocated to the Local Authority as part of the Growth Fund does not fully meet the demand for additional places and has led to £1.259m unfunded pressure in the Schools block. The Local Authority will contact the DfE and set out the funding pressures created by the current growth funding methodology.
- Central School Services block funding had reduced on a per pupil basis by 2.5% despite there being no reduction in functions that Local Authorities are required to provide.
- Funding for the High Needs Block had increased by £11.456m in 2021/22, this should enable the Council to manage some existing pressures and anticipated pressures next year but would not fully cover the previous year shortfalls. It was proposed that the deficit is recovered over a three-year period.
- Funding for Early Years rates had increased by 8p and 6p per hour in the two and three & four year old offer. All of the 2 year old increase will be passed to schools and private, voluntary and independent providers. For 3 and 4 year olds, 4p of the 6p increase will go to providers. 2p of the increase will be held back to manage risk of funding from DfE not fully covering funding to be paid to early providers. Final notifications of the adjustment to funding of the two, three and four year old offer will be received in July 2021 and July 2022.

The Forum was invited to provide a view and comment on the Grant.

There was a discussion about the ongoing High Needs funding shortfall which would remain despite the increased funding allocation. Some members felt that the special schools sector had been disproportionately affected by no increase to per pupil funding on over the last decade despite rising costs that are associated with educating those young people. It was asserted that the sector had consistently and carefully managed budgets, particularly over the last 3 – 4 years however the strain had become increasingly apparent and due to significant financial pressures, some services that had previously been available had subsequently had to be withdrawn. Complexities with the banding system of fixed amounts were also raised. This, set within the context of the rapidly changing needs of the SEMH cohort, was said to cause strain and present challenges with regard to the extent that support could swiftly be provided. There was acknowledgment that creating a system that could encompass such complexity would be difficult however it was felt that the Local Authority should speak to the DfE with specific reference to Element 1 and 2 funding since it was felt to be driving a lot of the funding pressures in light of there being no change to per pupil funding.

With regard to the yet to be confirmed amount to be allocated for Early Years funding, the Forum noted the Local Authority's concerns regarding vulnerability in respect of funding being dependent on January 2021 census data. There was felt to be a significant challenge for schools in being well placed to claim fully for nursery pupils and secure funding. Eligible members of the Forum confirmed that they had undertaken arrangements to provide evidence of offers. The Forum supported the Local Authority's assertion to make representations to the DfE about the potential

significant impact this would place on funding of nursery places in the city. The Directorate Finance Lead – Children and Schools also said that since the report had been published, there was now greater concern that the LA may not be able to pass on the increase to providers. This was in order to manage risk of the loss of a significant amount of funding (circa £8M) for next year. This would be reviewed following confirmation of the final allocation following January census data.

There was a discussion about the absence of a government-funded pay award, due the public sector pay freeze which would result the onus lying with individual schools in terms of funding pay increases.

Decision

To note the report.

SF/21/03 Any Other Business: Question regarding the Excess Balances Clawback mechanism

A member of the Forum asked what the Local Authority's intention was with regard to the currently suspended Local Authority Excess Balance Clawback mechanism.

The Directorate Finance Lead – Children and Schools outlined the mechanism in its current form, including sector specific thresholds. She added that the scheme had been suspended in March 2020 in light of the pandemic in recognition that schools would face unforeseen costs in providing a COVID-safe school environment.

The Director of Education said that the total amount attributed to the surplus had fallen but that the amount outstanding remained significant and detracted from the ongoing dialogue with the DfE about the significant impact that the introduction of the National Funding Formula will have on Manchester's schools and would diminish the case for additional need in the city.

The Forum was asked to provide a view on whether to resurrect the mechanism at either 50% or 100% of the excess balance, noting the decision ultimately lay with the LA. Questions were asked about the requirement to bring another paper to the Forum, the need to undergo a further consultation were significant changes to scheme be proposed, the impact of COVID on delaying both capital and revenue projects and the impact of other funding streams on school budgets. The feasibility of suspending the mechanism for a further 12 months was also suggested. The Forum was asked to take into consideration that other LA's had undertaken clawbacks in the current COVID climate with more rigour. It was also asked to take into consideration that the surpluses had been accrued long before the pandemic.

The Forum held mixed views: some members felt the mechanism should be suspended for a further year, others felt that retrieval process should mirror the rigour found in other LAs. It was resolved that timescales would not permit a consultation on a significant change to the mechanism before the financial year end. With regard to monies being held for the specific purpose of a capital project, the Directorate Finance Lead – Children and Schools said that those funds could be retained by the LA until such time that those funds were needed. She gave emphasis to the onus

lying with schools to initiate the dialogue with the LA with regard to taking certain school-specific factors into consideration when determining whether or not the threshold has been exceeded.

Decision

To note that the decision in respect of the reinstigation of the Excess Balances Clawback mechanism lies with the Local Authority.

**Manchester City Council
Report for Resolution****Report to: Schools Forum****Subject: Excessive Schools Balance Clawback 2021/22****Report of: Directorate Finance Lead – Children Services and Education**

Summary

Manchester's approved Scheme for Financing Schools includes a school's balance control mechanism, which is designed to control and claw back, where appropriate, schools' excessive surplus balances. The automatic clawback is based on excessive balances above the allowable threshold that have been held for more than four years.

Schools Forum decided that for 2019/20, the first year of the automatic clawback mechanism would be at a rate of 50%. In 2020/21 it was decided not to action the excessive clawback mechanism due to the unknown impact of COVID on schools. This report seeks School Forum's decision on the rate of the automatic clawback mechanism for 2021/22.

Recommendations

All maintained Schools Forum members are asked to comment and vote on the two options for the school's automatic clawback for 2021/22 only:

- Option one: 50% of all excessive surplus balances held for more than four years in 2021/22

Or

- Option two: 100% of all excessive surplus balances held for more than four years in 2021/22

The Local Authority intends to review the level of clawback 2022/23 onwards and period that excess balance without it being subject to clawback next spring.

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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.

Previous Reports:

14 May 2018	Schools Forum - Dedicated Schools Grant and School Balances 2017/18 Outturn Report
16 July 2018	Schools Forum - Analysis of Excessive School Balances 2017/18
19 November 2018	Schools Forum - Schools Excessive Balances update Report
18 March 2019	Schools Forum – Excessive Schools Balances Mechanism
13 May 2019	Schools Forum - Dedicated Schools Grant and School Balances 2018/19 Outturn Report
13 May 2019	Schools Forum – Consultation Outcome for the changes to the Scheme for Financing Schools
17 June 2019	Schools Forum – Excessive School Balance Mechanism Revised Proposal
18 November 2019	Excessive Schools Balance Clawback Update and Consultation on the arrangements of DSG Deficits and use of Local Authority General reserves.
16 March 2020	Excessive School Balances Clawback Review

1. INTRODUCTION

- 1.1 The Scheme for Financing Schools stipulates that schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. School balances are part of the City Council's general reserves and may be used to support the overall financial requirement of the City Council but subject to the absolute undertaking that the balances will always be available for the use of school governing bodies when required.
- 1.2 The approved schools' balance control mechanism, as agreed by Schools Forum is included in the Scheme for Financing schools, which allows the authority to clawback balances above the allowable threshold that have been held for more than 4 years, at the percentage rate agreed by Schools Forum.
- 1.3 Schools balances 2018/19 was at £24.2m, following the surplus balance control mechanism was introduced in 2019/20 schools' overall balances have reduced by £9.4m, to £14.8m as at 31 March 2019/20. The projected balance 2020/21 based on school's period 9 monitoring is £14.1m.

2. SURPLUS BALANCE CONTROL MECHANISM

- 2.1 The clawback mechanism was first applied in 2019/20 at an agreed rate of 50% against all excessive balances held for more than four years. The mechanism was not applied 2020/21 due to the uncertainty schools faced with the impact of the pandemic and the corresponding funding available from Department of Education (DfE).
- 2.2 Under the mechanism schools can appeal the application of the approved control mechanism via an appeal panel that considers evidence provided from individual schools subject to clawback.
- 2.3 The DfE has re-confirmed that it is committed to moving to the hard National Funding Formula (NFF) 2025/26, by progressively restricting control over the local funding formula. The first of two DfE consultations on the hard NFF is expected early June 2021. Given the potential impact of these funding revisions, it is imperative that urban areas like Manchester do not undermine their case for adequate funding pre-implementation of the NFF and given this the Council recommends that the excess surplus balance mechanism remain in place.
- 2.4 The excessive clawback is based on balances held for more than four years (examples in appendix one), there are 85 schools (76%) where they have not held an excessive balance since 2016/17, therefore will not be affected by the automatic clawback mechanism in 2021/22. Using school's period 9 monitoring returns as an indication for balances at year end, 15 schools (thirteen primary and two special schools) could be subject to the mechanism, with an estimated clawback of £785k at 100% or £393k at 50%, as shown in table one below.

Table One: Estimated Clawback based on School's Period 9 monitoring

Excessive Balances - Projections as at Period 9 2020/21			
	No. of Schools	Total Clawback 100% £'000	Total Clawback 50% £'000
Above £300k	1	£301	£151
Between £100k - £200k	1	£174	£87
Between £50k - £99k	3	£199	£100
Between £20k - £49k	1	£30	£15
Less than £20k (includes two special sch.)	9	£81	£41
TOTAL	15	£785	£393

2.5 Where schools have not been able to progress with capital schemes, the Council can hold these funds in a reserve on behalf of the school.

2.6 Maintained schools historically traditionally under-project their year-end balance and it is likely that school balances will be higher than what has been reported to the Council at this stage.

3. RECOMMENDATION AND CONCLUSION

3.1 Schools Forum has previously expressed concerns regarding the level of school balances in the City. It has been previously recognised that the current level of school balances could incorrectly signal capacity to manage funding shortfalls through schools finding further efficiencies. Given the current risk to Manchester's funding levels, there is a need to continue to maintain the recently strengthened current balance control mechanism and recognising the impact of the pandemic on school's ability to spend as planned at the start of the financial year. Therefore, the Council would recommend continuing with a 50% clawback of excessive balances held for more than four years as at 2021/22.

3.2 All maintained Schools Forum members are asked to comment and vote on the two options for the school's automatic clawback for 2021/22:

- Option one: 50% of all excessive surplus balances held for more than four years in 2021/22

Or

- Option two: 100% of all excessive surplus balances held for more than four years in 2021/22

3.3 The Local Authority intends to review the level of clawback 2022/23 onwards and period that excess balance without it being subject to clawback next spring.

Appendix A: Illustration of Excessive Clawback mechanism.

Table one below gives an illustration of the automatic clawback calculation at school level. All three schools have demonstrated robust plans to spend the excess balance, and all have the same excessive balance of £250k at the end of the current financial year. Each school is subject to a different clawback due to the lowest excessive balance over the five years.

	School A	School B	School C
	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)	Excessive Balance (above 5% or 8% threshold)
Year one: 2019/20	£250,000	£250,000	£250,000
Year two: 2018/19	£8,500	£150,000	£780,000
Year three: 2017/18	£0	£95,000	£785,000
Year four: 2016/17	£0	£10,000	£700,000
Year five: 2015/16	£56,000	£100,000	£650,000
Excess Balance held for 5 years	£0	£10,000	£250,000
Option 1: Clawback at 50%	£0	£5,000	£125,000
Option 2: Clawback at 100%	£0	£10,000	£250,000

Where a school has not held an excess balance above the threshold for more than four years, like school A in the table above, and has demonstrated robust plans to spend (Analysis of Reserves) there will be no clawback. But if School A has **not** demonstrated sufficient robust plans to spend the excess balance, the clawback will be applied prior to the lapse of the allowable balance retention period of more than four years. In this example, the school would be subject to clawback of a maximum of £250k.

The appeals panel will continue under both options as this gives schools subject to a clawback an opportunity to present evidence of their extenuating circumstances which have led to individual schools holding excessive balances over five years.

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**Manchester City Council
Report for Resolution**

Report to: Schools Forum

Subject: Manchester Growth Fund Concerns

Report of: Directorate Finance Lead – Children Services and Education

Summary

Manchester's population has continuously grown over the last decade, and whilst demand for new schools and in-year expansions has risen and been met by the Local Authority, the LA's growth fund allocations from the Department for Education (DfE) have continued to decrease year-on-year.

The LA presented a report of its growth fund concerns to DfE colleagues and requested comments.

Recommendations

All Schools Forum members are asked to comment on growth fund concerns raised in this report.

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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.

Previous Reports:

1. INTRODUCTION

- 1.1. Manchester's population has continued to grow since the 2011 census figure of 503,000, and our forecasts for population growth are estimating that by the mid-2020s the city of Manchester will have a population of circa 644,000, a 28% increase. In order to accommodate the growth, Manchester has expanded most of its primary schools and supported the opening of new schools. The growth is currently feeding through to the secondary sector. The Local Authority has also supported opening secondary academies through the free school route and LA presumption route. There will be 8 new secondary schools in the City potentially by 2025. The revenue costs of primary and secondary mainstream expansions is met through the growth fund. Special schools are also expanding, in September 2021 there will be 210 additional special school places, the revenue costs of special school expansions are met from the high need block.

2. PRESSURES

- 2.1. The Council's 2021/22 growth fund budget allocation is £3.634m, a reduction of £1.711m to the 2020/21 growth allocation. In line with DfE requirements, the Council intends to budget for 1,080 places in new and growing schools through the schools funding formula, which is estimated to cost £3.793m and already represents an 'overspend' of £159k on Manchester's 2021/22 growth fund budget of £3.634m.
- 2.2. In addition to this, a further sum of money is required to be retained centrally to fund explicit growth for in-year expansions. This is expected to fund at least 90 primary and 230 secondary places and has been budgeted at £1.1m. Table one below summarises growth pressures for 2021/22.

Table one: Growth Fund Pressures 2021/22

Growth Fund	£m
2021/22 Allocation	3.634
Implicit Growth (new and growing)	-3.793
Explicit Growth (in-year expansions)	-1.100
Funding required in excess of allocation	-1.259

- 2.3. Whilst it recognised that the reduction in the growth allocation is a result of slowed down pupil growth between October 2019 and October 2020 censuses, Manchester's spend is significantly higher than funding. This is due to the cost of new and growing schools being higher than expanding existing schools. Most existing schools are at capacity and cannot be expanded any further. The pressure is also due to the requirement to fund pre and post opening costs of new and expanding schools.

3. IMPLICIT GROWTH

- 3.1. The DfE growth funding methodology does not fully recognise that the amount LAs are required to fund new and growing schools is at a higher rate than what

is received. The LA is funded on a per pupil basis £1,455 primary and £2,175 secondary plus £68,700 lump sum for new schools. Local Authorities are required to fund new and growing schools via our APT at a higher rate. Please see table two below:

Table two: Growth funding rates DfE vs LA

Growth Fund	DfE funding to Growth Fund Per child (£)	Academy Funded at New and Growing Schools via APT Per child (£)
Primary	1,455	3,218
Secondary	2,175	3,835

3.2. This will add significant pressure to the LA's Growth Fund budget in 2021/22.

4. POST AND PRE OPENING GRANTS

4.1. Manchester has aligned its post and pre-opening grant methodology to the one the EFSA applies to free schools. The Local Authority have received a one-off grant of £250k but need to pay out £0.992m over the course of the next 5 years to the Academy Trust. The shortfall adds to the growth fund pressure.

5. NEW ACADEMY SEPTEMBER 2021 – Risk of Double Funding

5.1. In addition to this, the LA is now being advised that the EFSA want the Authority to potentially double fund year 7 of a new school. The academy is opening in September 2021 with 120 places. We have included this on our APT and expect EFSA recoupment to be in line with this. The LA has been asked to underwrite the 120 places, which we understood we had done as the 120 were included in the LA's APT. We have now been advised that if actual NOR (number on roll) is below 120 at Oct 21 census the EFSA:

- will recoup the 120 place budget
- pass on a budget based on NOR at census
- expects the LA to fund the academy for the difference between NOR and 120 places in order to give the Academy trust a budget they start the school on.

5.2 If this is correct, there is a risk of double funding.

6. CONCLUSION AND RECOMMENDATION

6.1. To summarise, the pressure is due to the DfE funding methodology operating on a lagged basis and not fully recognising that LAs need to budget for new and growth funding schools in-year and before the actual growth has been picked up via the census and been translated into a higher growth fund budget allocation. This creates an unrelenting pressure year on year as local authorities are never able to catch up our actual growth with the lagged funding being

provided.

- 6.2. This is unsustainable and adds to existing DSG pressures. The LA has reached out to the DfE for a review of these concerns, and it is anticipated that a response from the DfE will be received in time for the March 2021 Forum meeting to add to discussions.
- 6.3 All Schools Forum members are asked to comment on growth fund concerns raised in this report.

**Manchester City Council
Report for Resolution**

Report to: Schools Forum

Subject: High Needs Block Consultation reviewing High Needs National Funding Formula allocations

Report of: Directorate Finance Lead – Children Services and Education

Summary

The Department of Education (DfE) published a consultation document on the 10th February 2021 for consideration and response on key changes to the high need block National Funding Formula (HNNFF) for financial years 2022/23 onwards.

If a school, school representative or Schools Forum would like to complete a response to the high needs block consultation please see below link:

<https://consult.education.gov.uk/funding-policy-unit/high-needs-nff-proposed-changes/>

The deadline for responding to the consultation is 24th March 2021.

The consultation responses are still being formulated through collaboration with Education and Finance. Any further updates will be provided in the meeting.

Recommendations

All Schools Forum members are asked to note and comment on HNNFF consultation raised in this report.

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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.

Previous Reports:

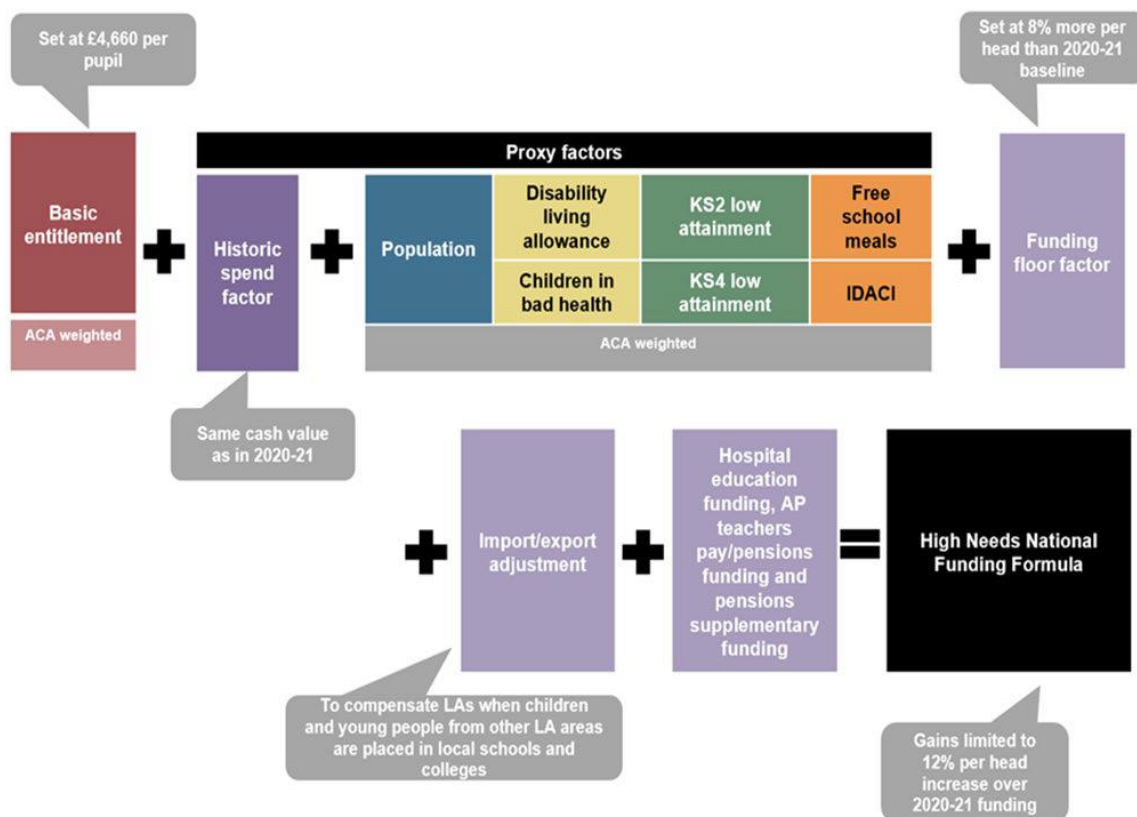
18 th January 2021	Dedicated schools Grant 2021/22
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1. INTRODUCTION

1.1 The high needs block is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEN resource unit or a special school. It enables both councils and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools and further education placements where pupils remain in education up to 25 years.

1.2 The HNNFF considers a number of weighted factors that combine to create the block allocation, please see Figure 1 below. Previously it was based on historical allocations plus small annual amounts of growth. This is the second year of the three-year schools funding settlement announced in September 2019, the high needs block has received significantly increased grant allocations to support the recognised growing SEND pressures.

Figure 1: Breakdown of the HNNFF for financial year 2021/22



2. Summary of Key Considerations

- 2.1 The consultation can be split into two themes:
- Primarily focused on the historic spend factor in the high needs national funding formula used to distribute high needs funding to individual local authorities. These proposals have a potential to impact on financial year 2022/23 funding allocations.
 - Longer term review of all funding factors within the high needs funding formula which will support further consultation linked in with the SEND review in Spring 2021.
- 2.2 To provide further context, during the introduction of the national funding formula in financial year 2018/19 it was decided that part of the funding should be based on historic levels of funding. This was based on planned or budgeted expenditure on the high needs block in 2017/18. This was originally intended to be a short-term measure.
- 2.3 The DfE are now suggesting that rather than be based on budgeted expenditure it should be based on actual expenditure in 2017/18. For Manchester this is a higher figure as there was an overall overspend on the high needs block in 2017/18. In addition, as 2017/18 expenditure is now lower in relative terms as a proportion of overall high need funding it is being suggested the weighting of this factor should increase.
- 2.4 For Manchester using actual expenditure would increase the 2017/18 historic spend from £70.934m to £73,934m and the historic spend factor element within HNNFF from £31,740m to £32,950m. This overall increase in the historic spend factor element would lead to an increase £1.210m (0.3%) in Manchester HNNFF if all other funding factors remained unchanged. This actual increase is due to Manchester not being subject to funding floor or capping.
- 2.5 The DfE are suggesting that the historic spend factor could be replaced from 2023/24 and are asking for views as to other possible funding factors that could be used.
- 2.6 The consultation also asks for views on the composition of the prior attainment factor this currently uses the last 5 years KS2 and KS4 assessment data. The DfE has highlighted that for both 2020 and 2021 this data is no longer a reliable indicator; their suggestion is to repeat 2019 data, but they are seeking views on this.
- 2.7 The final question focuses on longer term changes to the funding formula in 2023/24 following on from the wider consultation promised for Spring 2021. The DfE are asking for views on both existing proxy indicators and options for new proxy indicators that could be used that will better reflect Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) in local areas. The

DfE have highlighted that these need to use data that is reliable and consistent and not create perverse incentives.

3. Draft Consultation

I. Updating the historic spend data to 2017/18 actual rather than using planned 2017/18 spend used previously. (Implications relate to 2022/23)

The historic spend factor in the high needs national funding formula is the main proxy we currently use for local circumstances that can significantly affect local authorities' levels of spending on high needs, and that take time to change. This formula lump sum is calculated using 50% of each local authority's planned expenditure on high needs in 2017-18, reported by local authorities.

We now have access to actual spending data from 2017-18. We therefore propose replacing the current lump sum included in the formula calculation with an amount calculated on the basis of actual expenditure in 2017-18, as reported by each local authority.

Do you agree that we should replace the current lump sum included in the formula calculation with an amount calculated on the basis of actual local authority expenditure, as reported by each local authority?

Response:

Agree

Manchester Council agrees to this proposal.

Comments

Changing the lump sum basis to actual local authority expenditure for financial year 2017/18 seems more reasonable as it outlines the most recent High Needs Block position for all local authorities before moving to the National Funding Formula for financial year 2018/19. This will provide support for the significant number of special school places that have been established in Manchester year on year to support demand pressures.

By continuing to use the planned expenditure for financial year 2017/18 would not be reflective of all local authority current financial circumstances and could cause further inequality across high need funding nationally before future changes are made.

II. Changing the proportion that historic spend represents in the overall HN formula. (Implications relate to 2022/23)

The historic spend element of the high needs national funding formula has remained at a cash-flat level since the introduction of the national formula in 2018-19, moving from 44% of the overall formula funding in 2018-19 to 34% in the 2021-22 formula as that total funding has increased. Some local authorities

may not have been able to change their spending patterns to keep pace with the percentage reduction in this factor, despite the protection afforded by the funding floor minimum increase of 8% this and next year. We are therefore considering whether to increase the proportion of funding allocated through this factor, alongside using actual expenditure amounts.

Using actual expenditure from a more recent year, and leaving the percentage at 50%, would increase the amount of the lump sum, but we are not proposing to do this as we are clear that local authorities' actual spending now or in future should not determine how much funding they receive. We could, however, increase the significance of this factor in the 2022-23 formula, by increasing the percentage of 2017-18 spending that is applied, allowing for a more gradual rate of change in the local pattern of spending.

Do you think that we should increase the percentage of actual expenditure in 2017-18 included in the funding formula calculation, or leave it at 50%? Use the comments box to propose a particular increase or reduction in the percentage.

Response:

Maintain at 50% level

Currently only 50% of the historic spending factor on financial year 2017/18 is provided within the HNNFF. The consultation asked for views on whether the proportion of historic spend funding should be reduced, increased or maintained at 50%.

Manchester Council should ensure that the proportion of historic spend remains at 50%. There would be too much uncertainty on which elements of funding would reduce in proportions to cover change on the historic spend.

Comments

The percentage of actual expenditure for financial year 2017/18 should be maintained at 50%. I understand that local authorities will want certainty of funding and budget stability but increasing the significance on historic spending on current budget calculations does not seem to be an effective model.

This will reduce the significance of local factors (e.g. population growth or deprivation) and proxy measures. By increasing the significance on historic spending does not align with the targeted funding model which all organisations are striving for as funding should be provided where required.

There are already protection mechanisms in place within the national funding formula (e.g. funding floor) to ensure all local authorities have at least 8% increase per head of funding on financial year 2020/21.

- III. Considering extent to which historical factors should be included in funding formula that reflect local demand for and supply of SEND and AP provision. Then provide ideas for alternatives to historic spend to replace that element in formula. (Implications relate to 2023/24)**

We are aware that the continued use of historic spend is not the perfect long term solution for reflecting the patterns of local demand and supply that affect spending on high needs, as those patterns will naturally change over time. As part of the funding formula review that we are carrying out, and for consideration as we develop that formula in the years after 2022-23, we are therefore seeking views on potential alternatives to the historic spend factor. Any new factors would need to be appropriate for a funding formula (e.g. the data used should be collected on a consistent basis) and would also need to avoid creating a perverse incentive (e.g. to spend more on a certain type of provision so as to gain more funding, rather than to improve the quality or appropriateness of provision).

To what extent do you agree that the funding formula should include factors that reflect historical local demand for and supply of SEND and AP provision? If you have any suggestions for such factors that could eventually replace the historic spend factor, please provide these in the comments box.

Response:

Agree

Comments

Historical factors should still be part of the funding formula in financial year 2023/24 onwards as it will continue to explain most of the funding spent by local authorities outlined by providing place and top-up funding for local authority schools for SEND and AP provision.

Spending trends in local authorities related to High Needs funding have altered in recent years in striving for value for money and due to the current financial circumstances local authorities see themselves in.

Ideas for alternatives to historical factors need to be considered in further detail by Education leads and I will be asking for special school headteachers views. It would be useful to understand from current pupil data collected and reported to the ESFA what information could better quantify SEND and AP provision in local areas.

One consideration without introducing any alternative factors would be to reduce the significance of the historical spend factors whilst increasing the funding rates and weightings on the current proxy measures. This should allow for a more targeted model with inclusion of the historical spend factor which should not subject local authorities to significant swings year on year.

Another consideration is that actual numbers of High Needs places in an area should be reflected in funding allocations whether in specialist provision or mainstream SEN units. This should not be seen as a perverse indicator as Manchester has built in-house capacity for SEND provision to prevent use of costly Independent placements.

IV. How to fill gaps in attainment data in formula. (Implications relate to 2023/24)

The high needs national funding formula uses low attainment at both key stage 2 and key stage 4 as a proxy indicator for SEND. This figure is calculated using an average of results over the most recent 5 years of tests and exams, which for the 2022-23 formula would have meant using test and exam results from 2016 to 2020. Due to the COVID-19 pandemic, the 2020 key stage 2 tests and GCSE exams were cancelled. This has resulted in no key stage 2 data, and GCSE data that would be inappropriate to use because of the inconsistencies with the results from previous years.

We have considered using the same data as used to calculate last year's attainment formula factors, but this would mean data from more than 5 years ago. Instead, we propose to calculate low attainment by using data from 2016 to 2019, but then to double the weighting of the most recent exam data from 2019. This method could be used for a further year, assuming the 2021 test and exam results are also not able to be used for this purpose.

Do you agree with our proposal to update the low attainment factors using data from 2016, and to substitute the most recent 2019 data in place of the missing 2020 attainment data?

Response:

Agree

Comments

In the current circumstances this seems a fair approach to take given there is a high correlation between low attainment and SEND.

Other attainment data that has still be collected during pandemic may support more accurate allocation of low attainment:

- i. Early Years Foundation Stage Assessments
- ii. Phonics Assessments

V. What proxies might be used for SEND and AP metrics. (Implications relate to FY 2023/24)

The high needs national funding formula uses six indicators which together act as a proxy for the level of more complex SEND and need for alternative provision (AP) in an area. These indicators include: a measure of the local population of children and young people, the two low attainment measures (key stage 2 and key stage 4) referred to in question 4, two health and disability measures (the number of children in bad health and the number of families in receipt of disability living allowance), and two deprivation indicators (the number of children eligible for free school meals and a local area deprivation measure).

Numbers of EHC plans are not be used as a robust indicator of underlying need

because the way they are used varies considerably across local areas, and the number of plans is therefore not necessarily directly associated with the local authority's need to spend. The ongoing SEND review is considering whether system changes are needed, to provide more consistency in EHC needs assessment and planning process, and to improve other aspects of the SEND arrangements.

Following the SEND review, we will consider whether consequent changes to these proxies that we use in the funding formula, as well as other funding changes, would be appropriate, as it is important that the proxies used support local authorities to deliver the outcomes of the review. At this stage we are keen to understand whether there are new factors either that could replace existing factors that have become out of date or otherwise unreliable, or that could be added to the formula to address types or prevalence of identified need, and we would welcome views.

If you wish to offer ideas on factors that could be added to the current formula, or that could replace the current proxies, please provide further details in the comments box below.

Comments

As outlined in question 3 that the current proxy measures could also be given more significance in the funding formula.

A broad range of factors should be considered, in particular that deprivation should be given a greater weighting. There are clear links between deprivation and developmental and behavioural issues. Should we be including factors relating to the health and deprivation of the whole population in an area as some types of SEND correlate strongly with poverty.

What would be most helpful is to find a way of rewarding the most inclusive schools. The current system (as recognised by the SEND review) provides schools with perverse incentives to apply for EHCPs, so I agree that we should not use numbers of EHCPs as one of the proxy factors.

Growth in the Further Education and Post 16 sector should be taken into consideration including up to the age of 25. This is one of the significant pressures within our high need block and it is not currently considered as part of the generating funding allocations within HNNFF except as part of recoupment deductions. Currently the demographic proxy factor only incorporates children and young people aged 2 to 18.

4. RECOMMENDATIONS

- 4.1 The Local Authority has provided a draft of their response Forum may wish to consider if their own response to the consultation outlined in the report.
- 4.2 All Schools Forum members are asked to note and comment on High Needs National Funding Formula.

