

## **Schools Forum**

### **Minutes of the meeting held on Monday, 18 March 2019**

**Secondary Sector Headteachers:** - Gillian Houghton

**Secondary Sector Governors:** - vacancy

**Primary Sector Headteachers:** Mike Cooke, Patricia Adams

**Primary Sector Governors:** Nichola Davidge, Tony Daly

**Special School Headteachers:** Alan Braven

**Special School Governor:** - Walid Omara,

**Academy Representatives:** Elizabeth Fritchley, Emma Merva, Ian Fenn, Andy Park

**Pupil Referral Unit Representative:** - Helen McAndrew,

**Nursery School Representative:** - Joanne Fenton

**Non-school members:** Councillor Stone, Isobel Booler, Cath Baggaley

**Council Officers:** Amanda Corcoran (Director of Education), Reena Kohli, (Directorate Financial Lead - Children and Families), Anne Summerfield (Principal Finance Officer – Schools)

**Apologies:** Saeeda Ishaq Sarah Navin, Michael Flanagan, John Morgan, Hatin Kapacee, Joshua Rowe, Michael Carson

#### **SF/18/1. Election of Chair and Vice Chair**

The Forum received nominations to appoint Ian Fenn to Chair the Forum for the next twelve months, and for Andy Park to be appointed as Vice Chair for the same period. Both nominations were seconded and the Forum voted by acclamation. The Forum unanimously voted to appoint both nominees.

#### **Decision**

To appoint Ian Fenn as Chair of the Forum for twelve months and to appoint Andy Park as Vice Chair for the same period.

#### **SF/18/2. Minutes**

Antonio De Paolo highlighted that he had been incorrectly recorded as absent at the last meeting.

#### **Decision**

To agree the minutes of the meeting held on 14 January 2019 as a correct subject to the amendment above.

#### **SF/18/3. Exclusions - Individual School Budget Exclusions**

The Forum considered a report of the Directorate Finance Lead – Children and Schools which discussed the intention to change the way the budget allocation for a school (be that maintained, Academy or Free School) that has permanently excluded

a pupil is redetermined in accordance with the Schools Finance (England) Regulations 2018 ('The Regulations'). The proposal to change the mechanism would bring the Authority in line with Department for Education's (DfE) operational guidance, a copy of which was appended to the report.

The changes centred on an intention that, from 2019/20, the calculation for re-determining the excluding school's budget allocation for that particular pupil will be based on the funding that a pupil of the same age and personal circumstances would have received through the Council's Local Funding Formula and Pupil Premium for the applicable financial year. The calculation for re-determining the budget allocation would be based on the individual school's per pupil unit value as opposed to the basic entitlement and the number of weeks left in the financial year. The report also stated that the Regulations clearly stipulated that these arrangements were applicable to Academies and it was asserted that the basis on which the Education Skills and Funding Agency (ESFA) funds an individual Academy would not be taken into account when determining exclusion charges. It went on to say that if an Academy did not restore funding through the exclusion charge, all Dedicated Schools Grant funding to support the education of the excluded pupil in the following financial year would be lost.

The Forum was asked to note that the changes would lead to increased exclusion charges of an average of £4,110 for primary sector pupils and £5736 for secondary sector pupils. The amount that the pupil would have attracted as a result of Pupil Premium would also be deducted, if indicated. Charges would be calculated on a pro rata basis from the point in the academic year that they were permanently excluded.

There was a discussion about the exclusion of pupils from out of area schools and the extent to which other school's followed the same guidance. The Directorate Finance Lead - Children and Schools confirmed that currently deductions were calculated on the basic amount per pupil but, in future, greater clarity would be sought around pupil characteristics. She also said that a benchmarking exercise had revealed that the majority of other North West Education Authorities were deducting more than the basic amount per pupil although it was as yet unclear whether this applied to Manchester pupils who had been given an Out of Area placements.

There was also a discussion around deductions for pupils that had been excluded from an Academy and whether appropriate levels of funding were successfully being deducted. The Directorate Finance Lead - Children and Schools said that, for some earlier established Academies, funding withdrawals pertaining to exclusions sat outside of their funding agreements with the ESFA. However, changes were subsequently made to those funding agreements to enable deductions to be facilitated. She also said that she understood that most, if not all, of Manchester's academies particularly those in the secondary sector were paying their exclusion charges.

The Forum held mixed views on the new methodology, some members felt it felt unfair to deduct funding irrespective of whether the pupil had not been included in the school's census figures, although it was subsequently acknowledged that whilst it was a now a higher average figure in principle it remained broadly in line with existing practices. A member highlighted that the cost to school that had permanently

excluded a pupil was high since it was also subject to an additional one-off charge ('the exclusion levy') by the PRU. This meant that the financial penalty of an exclusion was far greater than the amount of funding that had been allocated for the pupil. However, other members gave their support for the revised practice, acknowledging that the Authority was simply aligning itself with DfE guidance.

Discussions then moved to what happens to the funding once it had been withdrawn. The Directorate Finance Lead - Children and Schools explained that, in Manchester where a child is permanently excluded, they are almost without exception moved to either a primary or secondary Pupil Referral Unit. (PRU). The deduction is then allocated to the HNB where the majority of the allocated fund is then directed to the PRU to support funding for the needs of that child. However, where a pupil is excluded and moves on to another Academy or maintained school, the Regulations stipulate that the money must follow the child. She added that, where a pupil is excluded from a special school and the child moves to another special school, no charge is made. She explained that this was due to funding adjustments being made on a termly basis with regard to pupil numbers in that particular sector, meaning that the process that is in place for special schools sat outside of the arrangements under discussion today.

The Chair then spoke about the prevalence of home education being used as an alternative to permanent exclusion, which he asserted frequently left parents poorly placed to undertake such a significant responsibility for anything more than a short term measure and ultimately leaving the child to seek a new school place. This, he said, placed the responsibility to permanently exclude with another school, as well as placing the associated financial penalty on another school and left some pupils unaccounted for in the education system.

## **Decisions**

1. To note the intention to reduce an excluding school's budget share by the amount of funding that that is attributable to a pupil with a similar characteristic to the excluded pupil.
2. To also note that schools will be notified of this planned change and will be asked for comments that will be reported to a future meeting of the Schools Forum.

## **SF/18/4. Excessive School Balances Mechanism**

The Forum considered a report of the Directorate Finance Lead - Children's and Schools which set out a proposal to review the existing mechanism to recoup surplus and uncommitted / un-earmarked school balances (with surplus defined as a balance of greater than 8% of the budget share for nursery, primary and special schools, and 5% of the budget share for secondary schools). The decision to review the mechanism had been taken following a reported comparative increase in surplus balances across Manchester's maintained schools of £2.1M over the period 2016/17 and 2017/18. It was highlighted that amongst the schools with the highest level of balances, fourteen were in an excessive balance position for a period of more than two years and one Manchester school was reportedly in the top ten highest balances

for primary schools nationally. A further seven Manchester Primary schools were in the highest (revenue) balances in the North West. It was asserted that Manchester's increasing level of school balances did not support the city's case for sufficient funding for additional need, following the full implementation of National Funding Formula reforms that are scheduled for 2020/21.

The report stated that Manchester's maintained schools projected an overall revenue surplus balance of £16.97m and capital balance of £0.9m at quarter three. It was also reported that many schools predicted a deficit or low balance by year three of the multi-year budgeting requirements. The current offer that is available to maintained schools in terms of support concerning financial issues was described as:

- A 'support and challenge' mechanism
- Regular briefings/updates at head teachers, school business managers & governors conferences.
- Detailed budget guidance documentation going out to schools with their indicative budgets, to support with budget planning.
- Where a school is causing significant concern the Council would arrange for an experienced business manager to help support and resolve issues.
- The provision of a 'Welcome Pack' for Headteachers which includes a schedule of financial tasks of which the Head teacher needs to have oversight.
- There is continuous communication with finance, quality assurance and audit, although formal Assurance meetings
- Continuous improvement of the good working relationship with schools and their budget officers.

In essence the proposed new process for recouping uncommitted excess balances was described as set out below:

"The proposed change to the mechanism is for the Council to clawback of balances above the allowable threshold that have been held for more than 2 years. It is proposed that the change apply to balances as of the 31 March 2019 and is phased 50% for 2018/19 excessive surplus balances (to be reviewed in 2019/20) and 100% for 2019/20 excessive surplus balances (to be reviewed in 2020/21)."

The Forum had been invited to comment on the proposed new mechanism for excessive surplus balance control and provide its views on the proposed consultation across Manchester maintained schools.

The Forum discussed the proposed new mechanism. A member of the Forum commented that there may be an increased likelihood that local authority maintained schools would seek to transfer to academy status to avoid having their excess balances recouped. The Directorate Finance Lead – Children and Schools indicated that there had been a suggestion that a similar mechanism to recoup excess balances existed within the ESFA's powers, although this was not clear. It was also suggested that there was now a requirement that schools seeking to transfer must do so on a multi-academy basis which may complicate the decision to take such action for the sole purpose of avoiding the clawback.

The Forum touched again upon the retention of excess balances weakening the argument about appropriate levels of funding for Manchester's schools to deliver high quality education and extra-curricular activity in view of the continued reduction in school funding over the last nine years. The Executive Member for Schools, Culture and Leisure stressed the importance that all schools, irrespective of their status, should spend the money that given by Government on delivering highest quality education and provision for the city's school population.

The Chair then spoke about the importance of schools having ongoing dialogue with the Local Authority and the significance of the 'support and challenge' offer, where financial management and robust guidance on appropriate sources of funding may be explored. In particular, where a school may, for example, have been inappropriately advised that their funding body would no longer consider capital expenditure requests and instead have been guided to seek revenue funding for that work.

There was acknowledgement amongst the Forum that, mindful of significant concerns about the implementation of the NFF, schools had been exercising caution and had quite naturally, sought to mitigate the impact of those reforms. However, it was also recognised that the retention of larger and more long term surpluses did not support Manchester's case for sufficient funding for additional need. There was therefore broad support for the proposed new clawback methodology and the Forum agreed that the matter should go out for consultation to Manchester's maintained schools, the findings of which would be reported back in due course.

## **Decision**

To note that Local Authority maintained schools will be consulted on the proposed clawback mechanism and that those findings will be reported back to the Forum for consideration.

## **SF/18/5. Scheme for Financing Schools**

The Forum considered a report of the Directorate Finance Lead – Children and Schools that discussed changes to the legal agreement that is the Scheme for Financing Schools for Local Authority maintained schools. The purpose of the Scheme is to set out the financial relationship between a school and the Local Authority and the proposed changes largely related to budget submission requirements for maintained schools alongside some other smaller refreshes (such as job titles, updated website links). However, there were also some directed revisions from the DfE to bring it in line with current guidance, Maintained School Forum members only were asked to endorse the proposed changes.

Subject to the Forum's consent, the proposed changes would go out to consultation across maintained schools with the results reported back to a future meeting of the Forum with a view to endorsement or otherwise of the changes. The changes were outlined as

- changing the requirement for schools to submit a budget with underlying assumptions by the 30th June and a financial forecast for the following two

years.

- making a number of changes to remove obsolete text, align the Scheme with the Department for Education (DfE) outline Scheme and update roles and references to legislation or regulations.
- loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.
- cash advances and not loans will instead be used as a means of ensuring a school has sufficient funds where it has arisen because a school's recurrent costs exceed current income.

The changes were set out in full in an appendix to the report.

A member expressed concern about rationale behind the request for payments for school budget share payments being moved to twelve equal instalments at the start of the month. This, she felt, could lead to financial difficulties for schools who are already managing significantly stretched budgets. The Directorate Finance Lead - Children and Schools said that the Authority needed to manage its own finances and align the way schools are funded with the way the DSG is passed to the Authority. She also confirmed that a number of schools had requested that particular change.

It was emphasised that the consultation findings would be reported back to the Forum in due course.

### **Decision**

1. To agree the proposed changes to the Scheme for Financing Schools and note that it would come into effect immediately.
2. To note that a consultation on changes to the Scheme for Financing Schools (which would also include the excessive school balances mechanism) would be launched shortly and targeted at Headteachers in maintained Manchester schools

### **SF/18/6. Dedicated Schools Grant Budget Monitoring**

The Forum considered a report of the Directorate Finance Lead – Children and Schools that discussed the monitoring position for the centrally held Dedicated Schools Grant (DSG). The forecast year-end position on the centrally retained DSG was reported as a net overspend of £1.3m which would be carried forward to 2019/20 and set against the grant.

It was explained that the current projected overspend related to overspends in the High Needs Block and an Early Years Block income shortfall, though there had been a small underspend in the Schools Block. The main headlines for each of the blocks were described as follows:

- **Early Years block: £2.4m overspend.** This included projections concerning clawbacks for the Two, Three and Four year old offer, the Three and Four year olds entitlement and the Working Parents additional 15 hours adjustment. It was emphasised that exact amounts were not yet confirmed as information on take-up was yet to be finalised.
- **Schools block: £3.0m underspend.** There had been a £2.5m underspend in this budget due to reduced expenditure in the Growth Fund largely attributable to pupil growth now being instead funded through the individual school budgets. There had been a reduced spend on mobile classrooms and in-year expansions were lower than previously anticipated. Additionally, academy recoupment adjustments from the ESFA were also lower than anticipated.
- **High Needs block: £2m overspend.** It had been recognised that there was a need to grow high needs placements both in mainstream and special schools. There had been a growth in the number of pupils with high needs in mainstream schools and additional special school places which as a result of operating at capacity had led to a pressures in 'out of area' placements, Education Health and Care Plans (EHCPs) and post 16 budgets.
- **Central Services block: £100k underspend.** The 2018/19 budget in this area was underspent by £100k in Admissions.

The Forum was invited to comment on the projected overspend.

There was a discussion about the need for additional special needs places. The Directorate Finance Lead – Children and Schools said that proposals were being explored through the use of capital funding and how those funds may be invested to ease future pressures and bring about less reliance on expensive out of area placements. The Head of Inclusion added that options to develop a post-19 offer were under consideration which would also alleviate pressures on the HNB.

A member of the Forum said that it was important to recognise that the DFE had responded in part to the Authority's representations about the need for additional funding in the city, although it was clear that the additional resources that had been allocated were not sufficient to match the need within the city. In response, the Directorate Finance Lead – Children and Schools said that it had been indicated that the HNB will be prioritised in the next Comprehensive Spending Review but how that would manifest remained to be seen.

There was discussion about the growth in the population of high needs pupils in Manchester which was at a rate that is higher than other cohorts in the city – some members were keen to explore the underlying reasons for this. The Head of Inclusion said that there had been a piece of work commissioned by health partners as part of a strategic review which had concluded that this was due to population growth.

The Forum was asked to note that a report that specifically focussed on high needs block pressures would be submitted to a future meeting of the Forum.

## **Decisions**

1. To note overall the current projection for the DSG retained budget is a forecast overspend of £1.3m. The balance is to be carried forward to 2019/20 and will be set against the grant
2. To note that a report which specifically focusses on pressures within the High Needs block will be submitted to a future meeting of the Forum

### **SF/18/7. Schools Forum Constitution 2019**

The Forum considered a report of the Directorate Finance Lead – Children's and Schools which presented the Constitution and Procedural Rules of the Forum following a proposal to adjust the membership by removing a secondary school governor representative and replacing that place with an additional academy representative. It was explained that this would better reflect the proportion of children who are educated in maintained schools and academies across the city.

The Forum was invited to comment upon and agree the proposed changes.

A member commented that the figures for the proportionality membership was not accurately reflected in the report. The Chair suggested that the report be resubmitted to a future meeting of the Forum for further consideration. The Forum agreed to this.

## **Decision**

To agree to that the report be resubmitted to the next meeting of the Forum