

AGENDA

Herefordshire Schools Forum

Date: **Friday 15 April 2016**

Time: **2.00 pm**

Place: **Council Chamber, The Shire Hall, St. Peter's Square,
Hereford, HR1 2HX**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

Tim Brown, Governance Services

Tel: 01432 260239

Email: tbrown@herefordshire.gov.uk

If you would like help to understand this document, or would like it in another format or language, please call Tim Brown, Governance Services on 01432 260239 or e-mail tbrown@herefordshire.gov.uk in advance of the meeting.

Agenda for the Meeting of the Herefordshire Schools Forum

Membership

Chairman	Mrs J Rees	Local Authority Maintained Primary School
Vice-Chairman	Mrs S Catlow-Hawkins	Secondary Maintained Schools
	Mrs S Bailey	Special Schools
	Mr P Barns	Pupil Referral Unit
	Mrs W Bradbeer	Academies
	Mr P Burbidge	Roman Catholic Church
	Mrs J Cohn	Special School Governor Representative
	Mr A Davies	Academies
	Mr J Docherty	Academies
	Mr M Farmer	Academies
	Mr J Godfrey	16-19 provider representative
	Mr NPJ Griffiths	Academies
	Ms A Jackson	Early Years Representative
	Mrs L Johnson	Local Authority Maintained Secondary School Governor
	Mr T Knapp	Academies
	Ms T Kneale	Locally Maintained Primary School (Nursery)
	Mr C Lewandowski	Trade Union Representative
	Mr M Lewis	Local Authority Maintained Primary School
	Mrs S Lines	Church of England
	Mrs R Lloyd	Early Years Representative
	Mrs A Pritchard	Trade Union Representative
	Mrs M Stevens	
	Mrs K Weston	Local Authority Maintained Primary School
	Mr P Whitcombe	Academies
	Mr K Wright	Local Authority Maintained Primary School

AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on 15 January 2016.	5 - 10
5. SCHOOLS NATIONAL FUNDING FORMULA AND HIGH NEEDS FUNDING REFORM To consider the draft response to the government consultation on the schools national funding formula and high needs funding reform which has been prepared to reflect the joint views of the council and schools forum.	11 - 50
6. BUDGET WORKING GROUP To consider the report of the budget working group (BWG) on the following matters: summary of school budget proposals and special school funding.	51 - 56
7. WORK PROGRAMME To consider the Forum's work programme.	57 - 60
8. MEETING DATES The following meetings have been scheduled: 10 June 2016 (9.30 am) 8 July 2016 (9.30 am) 21 October 2016 (9.30 am) 2 December 2016 (9.30 am) 13 January 2017 (9.30 am) 10 March 2017 (9.30 am)	

HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Herefordshire Schools Forum held at Council Chamber, The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Friday 15 January 2016 at 9.30 am

Present: Mrs J Rees (Local Authority Maintained Primary School) (Chairman)

Mrs S Bailey	Special Schools
Mr P Barns	Pupil Referral Unit
Mrs W Bradbeer	Academies
Mr P Burbidge	Roman Catholic Church
Mr J Docherty	Academies
Mr M Farmer	Academies
Mr N Griffiths	Academies
Mrs L Johnson	Local Authority Maintained Secondary School Governor
Mr T Knapp	Academies
Mr C Lewandowski	Trade Union Representative
Mrs S Lines	Church of England
Mrs A Pritchard	Trade Union Representative
Mrs K Weston	Local Authority Maintained Primary School
Mr K Wright	Local Authority Maintained Primary School

226. APOLOGIES FOR ABSENCE

Apologies were received from Mrs S Catlow-Hawkins, Mrs J Cohn, Mr A Davies, Mr J Godfrey, Ms A Jackson, Ms T Kneale, Mr M Lewis and Mrs R Lloyd.

227. NAMED SUBSTITUTES

There were no named substitutes.

228. DECLARATIONS OF INTEREST

There were no declarations of interest.

229. MINUTES

RESOLVED: That the Minutes of the meeting held on 23 October 2015 be confirmed as a correct record and signed by the Chairman.

230. DEDICATED SCHOOLS GRANT 2016/17

The Forum considered final budget proposals for school budgets and the high needs block for the dedicated schools grant (DSG) for 2016/17.

A supplementary report from the Budget Working Group (BWG) containing some additional recommendations and some presentation slides had been circulated separately.

The Chairman of the BWG introduced a presentation. He thanked members of the Group and officers for their work. He summarised the position to date that, in response to a forecast overspend on the high needs budget, a savings plan had been agreed by the high needs task group. The DSG settlement had been better than expected meaning that there was no need to top slice school budgets to fund high needs. The BWG had supported the preferred option for allocating the additional resources to the high needs block. He also highlighted a list of guiding principles that had evolved to underpin the BWG's approach and invited the Forum to endorse them.

The School Finance Manager continued the presentation. This included some draft guiding principles for high needs, which it was noted were to be considered by the high needs task group before a recommendation was made to the Forum; the final DSG settlement of £114,379k, the high needs forecast overspend of £906k for 2016/17, and the proposed high needs savings of £941k as set out in the published report. The SFM noted that many authorities nationally were experiencing similar pressures on the high needs budgets.

The SFM identified that the outstanding issues for consideration were: funding for special school costs in part or in full, funding for the Primary School SEN threshold protection scheme, extra delegation for secondary schools to support Pupil referral unit (PRU) charges to help reduce exclusions, funding of the multi-agency support hub – noting that the Secretary of State had not yet agreed to grant approval to vary the base Dedicated Schools Grant (DSG) budget to fund posts at the hub; and the need for investment in more in-county places to reduce the future costs of expensive out-county placements.

He reported that a member of the Forum, who was unable to be present, had submitted concerns about the introduction of a £6,000 charge for medical needs/visual impairment/hearing impairment, when previously these had been regarded by schools as separate to other high needs, and had also commented on the importance of retaining an SEN protection scheme for primary schools. The SFM commented that the view had been taken that all special needs should be treated the same. The proposal provided a modified SEN protection scheme for primary schools for 2016/17 only. All the medical, visually impaired and hearing impaired high needs pupils would be included within the SEN protection scheme. He noted that this matter would have to be considered in the light of the forthcoming DfE consultation on high needs and any changes required would be the subject of a further report to the Forum.

He invited the Forum to identify if there were any other issues of concern. None were forthcoming.

The SFM noted that a short consultation exercise had been undertaken with schools before the end of the last term in the expectation that funding would be required to be transferred from school budgets to support the primary SEN protection scheme, extra delegation to high schools to support PRU charges and to help meet the impact of higher pension costs. Subsequently, additional Dedicated Schools Grant funding of £342k had been made available by Government meaning that it was no longer necessary to consider taking funding from school budgets to support the high needs budgets. The consultation had therefore to a degree been overtaken by events.

He outlined three options for using the additional DSG funding of £342k: option 1: Transfer from Schools Block, half funded pension and investment for the future, but breaks DSG funding block principle; option 2: Transfer from Schools Block fully funded pension and no investment, but breaks DSG funding block principle; and Option 3: (the preferred option), half funded pension, investment, retains DSG funding block principle. He commented that a degree of mixing of the options was possible but only option 3 met

the BWG's guiding principles. The primary SEN protection was for 2016/17 only and would need to be subject to review, having regard also to the forthcoming DfE consultation papers.

The published recommendations invited approval of the high needs savings plan, the allocation of additional high needs funding, and the confirmation of the school funding formula at the values endorsed by the Forum in October 2015 and submitted to the Education Funding Agency with the addition of £22 per pupil to the funding of low prior attainment for high schools.

In addition, with reference to the additional recommendations set out in the BWG supplementary report the SFM highlighted that as the Secretary of State had not yet decided to grant approval to vary the base Dedicated Schools Grant (DSG) budget to fund posts at the MASH it had been proposed to the BWG that, in the absence of such agreement, a further £3 would be added to the per pupil amount in the funding formula. However, this would mean that an administratively cumbersome service level agreement would be necessary from April 2016. Given the burdensome nature of that arrangement, subsequent to the BWG meeting, the SFM had identified that an alternative course that might be preferable would be for Schools Forum to agree an extension until midday on the 21st January for the submission of the funding formula values to the Education Funding Agency (i.e. the last day for submitting the funding formula) and that if no approval for MASH had been received by that point then £3 per pupil be added to the formulas on submission to the EFA.) The Assistant Director – Education and Commissioning reported that the Director of Children's Wellbeing was seeking to achieve a pragmatic outcome from the DfE.

The SFM also drew attention to the BWG's proposal for taking forward the Forum's plan to review school budget plans as part of the "looking to the future" initiative, and the BWG's invitation to the Forum to endorse the BWG's guiding principles. He highlighted the BWG's view that all schools, including academies, should be invited to submit budget plans.

In discussion, in relation to the draft high needs guiding principles it was acknowledged that it might be necessary to ensure that the principles had regard to both capital and revenue expenditure.

RESOLVED: That it be recommended to the cabinet member for young people and children's wellbeing that the dedicated schools grant allocation for 2016/17 be as follows:

- (i) In order to meet a forecast overspend in 2016/17 of £906k, the following savings plan for the high needs budgets be approved

	£'000
Fund special school places at actual numbers	(28)
Less 50% for in-year admissions 4 places	23
Medical/VI & HI £6,000 threshold charge from April 2016	(60)
Independent special school fees- reduced costs	(50)
SEN support teams – absorb cost pressures and vacancy savings	(50)
Phase out Bishop's out of catchment grant over 3 years reducing to £110k in 2016/17, £55k in 2017/18, £0 in 2018/19	(55)
Mainstream top-ups – more rigour in applications to save 10%	(100)
Primary SEN protection scheme – fund from schools block	(276)
Secondary PRU income delegation – fund from schools block	(150)
No tariff increases for special school pension costs	(195)
Total high needs budget reductions	(941)

- (ii) That the £342k additional funding received in the high needs block is allocated as follows:
- (a) the disproportionate impact of local government pension scheme pension cost increase on special schools is funded from the high needs block by an increase in tariff values at a cost of £98k and that high needs tariffs be increased for 2016/17 (and suitably rounded) as follows Tariff A: £1,300+0.75% B: £3,200 +1.5% C: £5,375+2.15% D £8,400 +2.75% E £11,975+3.5% F: £16,100 +4.25%;
 - (b) the primary school SEN threshold protection (option B) is implemented at £120 cap per pupil for all primary schools at an estimated cost of £151k for 2016/17 only and is reviewed for 2017/18 following the DfE's consultation on the national fair funding formula;
 - (c) the secondary school additional delegation to help meet PRU charges is ceased from 1 April 2016 and replaced with increased delegation for low prior attainment from the schools block – as set out in resolution (iv) below); and
 - (d) start-up development funding of £100k be approved to expand in-county provision for high needs pupils in order to reduce future expenditure on out-county placements.
- (iii) the interim proposals for the local application of the National Funding Formula for 2016/17 as submitted to the Education funding agency as below, be approved as follows, subject to (iv) below:

1. Basic entitlement per primary pupil	£2,875
2. Basic entitlement per secondary Key stage 3 pupil	£3,843
3. Basic entitlement per secondary key stage 4 pupil	£4,436
4. Deprivation per primary ever-6 free school meals pupil	£2,192
5. Deprivation per secondary ever-6 free school meals pupil	£1,419
6. Low prior attainment per primary pupil	£615
7. Primary lump sum	£87,000
8. Secondary lump sum	£143,000
9. Looked after children, primary and secondary	£1,300
10. Primary sparsity, on a taper basis, over 2 miles and less than 105 pupils.	£42,000
11. English as additional language per primary pupil	£505
12. English as additional language per secondary pupil	£1,216
13. PFI contract	£242,500
14. Business rates	At cost

- (iv) the funding for low prior attainment for secondary schools be increased by £22 per pupil from the £1,099 previously submitted to the Education Funding Agency to a sum of £1,121.

(Only school and early years members were eligible to vote on recommendations iii and iv above.)

- (v) if the Secretary of State does not grant approval to vary the base Dedicated Schools Grant (DSG) budget to fund posts at the MASH then a further £3 be added to the per pupil amount in the funding formula for submission to the EFA;

- (vi) all schools be invited to submit outline action plans and savings proposals on a proforma as part of a third letter on the “looking to the future” theme; and
- (vii) the following guiding principles for the operation of the Budget Working Group be endorsed:
- Act promptly on financial issues
 - Retain integrity of DSG funding blocks for schools, high needs and early years
 - Funding drives improved outcomes for all children
 - Final school budgets set at published values
 - Listen to school views
 - Financial stability whilst moving to national formula
 - Clear approach to supporting vulnerable pupils.

231. WORK PROGRAMME

The Forum considered its work programme.

The School Finance Manager highlighted the significance of the consultation papers expected to be issued by the DfE in February 2016. It was confirmed that these would be made available to all schools and to Forum members individually upon receipt.

He also highlighted that the Education Services Grant was to be reduced nationally by 75% from April 2017. This meant the Council’s budget for a range of strategic services to schools would be reduced by some £1m. This would have significant implications and a report was scheduled for Schools Forum in July 2016.

RESOLVED: That the work programme be noted, with the addition of a report on school balances added to the agenda for the meeting on 10 June 2016.

232. MEETING DATES

The Forum noted the programme of meetings.

The meeting ended at 10.15 am

CHAIRMAN



Meeting:	Schools forum
Meeting date:	15 April 2016
Title of report:	Schools national funding formula and high needs funding reform
Report by:	School finance manager

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide.

Purpose

To consider the draft response to the government consultation on the schools national funding formula and high needs funding reform which has been prepared to reflect the joint views of the council and schools forum. The closing date for the submission of the response is Sunday 17th April 2016. No further amendments will be possible after the schools forum meeting. The report does not comment on the White Paper: Educational Excellence Everywhere as it is not included within the consultation.

Recommendation(s)

THAT:

- a) Jointly with the council, schools forum welcomes the introduction of a national school funding formula that will ensure schools and Herefordshire receive fair funding and wishes to see implementation as soon as practicable and no later than the proposed April 2019;**
- b) Within the context of (a) above agrees or amends the detailed responses to the questions 1-25 as set out in the DfE's schools national funding formula consultation paper;**
- c) Within the context of (a) above agrees or amends the detailed responses to the questions 1-14 as set out in the DfE's high needs funding formula and other reforms consultation paper; and**

d) **The joint response be submitted by the 17 April 2016 closing date.**

Alternative options

- 1 The alternative is not to support the introduction of the national schools funding formula and high needs funding reform. Given the long standing low funding of Herefordshire schools and the longstanding involvement of the Council in lobbying for change, this is regarded as untenable. Constructive comments that may further improve future funding for Herefordshire schools are set out in the proposed responses to the consultation papers.

Reasons for recommendations

- 2 Both Herefordshire council and schools forum have supported the introduction of a national schools funding formula for many years and the council has, with school forum's support, been a long standing member of the f40 campaign group, actively lobbying government on behalf of the forty lowest funded local authorities. For many years Herefordshire was the third lowest funded authority nationally although this has improved in recent years. Herefordshire schools are expected to gain from a new national formula by an estimated 4% over time. If the government fails to implement these national funding proposals it will be a missed opportunity that is unlikely to be revisited within a generation of school children.

Key considerations

3. On 7 March the Department for Education (DfE) published lengthy consultations on Schools national funding formula and High needs funding formula and other reforms. Summaries, as helpfully prepared by the Society of County Treasurers, are set out below for both consultation papers.
4. Suggested responses to the consultations are set out in Appendix 1 (Schools national funding formula) and Appendix 2 (High needs funding formula and other reforms).

Schools national funding formula – Summary

Background

5. The consultation's foreword by Sam Gyimah MP, the Parliamentary under Secretary of State for Department for Education, gives the reasons for this review. It highlights the additional £300m for Early Years as well as the real terms protection to the national schools and high needs budgets but goes on to say that the '...system we have for distributing funding to schools is holding us back. It is out of date, arbitrary and unfair. Schools receive very different levels of funding, often for no good reason. There is no level playing field: it matters where you live.'
6. The consultation has been broken into two stages. The first (this one) looks at the principles which should underpin a fair funding formula, before the second stage will set out the formulae and illustrate the impact on schools. There will be an additional consultation later this year to produce a national funding formula for Early Years.
7. The pupil premium grant is unaffected by these reforms.

The Principles

8. The consultation document contains the 7 principles which the DfE say underpin their proposals:

1. **A funding system that supports opportunity** – reliable and robust data about pupil characteristics should determine the resources available to their school.
2. **A funding system that is fair** – variations in funding should be due to differences in pupil characteristics and circumstances, not historic allocations.
3. **A funding system that is efficient** – at the moment some schools are underfunded relative to others. Fairer funding makes it easier for head teachers, governors, multi academy trusts (MATs) and local authorities to compare spending and outcomes.
4. **A funding system that gets funding straight to schools**
5. **A funding system that is transparent** – a single national funding formula will mean schools know the funding they are going to receive and how likely it is to change over time.
6. **A funding system that is simple** – the new formula will aim to achieve the right balance between simplicity and responsiveness to changing needs.
7. **A funding system that is predictable** – introduced at a ‘pace of change that is manageable’ and giving schools and local authorities sufficient notice so that they can plan for changes.

Question 1: Do you agree with our proposed principles for the funding system?

Creating a Fourth Block

9. Currently Dedicated Schools Grant (DSG – the main grant that government gives to local authorities for education provision in their area) is split into three blocks: schools, high needs and early years.
10. The first change would be to create a fourth block called the ‘central schools block’ for central school services, historic LA spending commitments of schools and the retained rate of Education Services Grant (ESG).

Reforming the Schools Block

11. The consultation proposes a school-level funding formula (the ‘hard’ national funding formula) for use from 2019-20. The result would be that the vast majority of funding each pupil attracts to their school would be determined nationally, not locally. This move to hard funding (and the corresponding removal of the requirement for local authorities to set local formula) would require a change to the School Standards and Framework Act (1998).
12. In 2017-18 and 2018-19 DfE would continue to allocate the schools block to local authorities, aggregating the budgets of the schools within each authority (each calculated according to the national funding formula) to create authorities’ schools block. This is referred to as the ‘soft’ national funding formula. The local formula would be used to allocate the funding to local schools as well as academies. The DfE are not planning on making any significant changes to the factors that are currently allowable in local formula in 2017-18.

Question 2: Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirements for local authorities to set a local formula?

13. From 2017-18 onwards, local authorities will be required to pass on their entire schools block funding to schools. Current arrangements allow the total DSG to be split across the three blocks (schools, high needs and early years) as the schools forum sees fit. It is this flexibility that led to odd results when the DfE attempted to

partially address the unfair funding of schools in 2014 with an additional £350m of funding.

The Schools National Funding Formula (NFF)

14. The construction of the NFF has been split into 'building blocks' and 'factors'. The building blocks represent the major types of costs schools face:
 - Per-pupil costs;
 - Additional needs – based on pupil characteristics. This will not need to be pass-ported in individual schools and will be left to the discretion of school leaders;
 - School costs – currently a lump sum to contribute towards the fixed costs but schools also receive additional funding for very small pupil numbers, specific costs (e.g. PFI) and additional classrooms when pupil numbers are growing; and
 - Geographic costs – an Area Cost Adjustment

15. Since 2013-14 local authorities have been limited in the factors they can use in their local formula. As you would expect, not all local factors are used in all local authorities.

16. The current allowed factors are:
 1. Per-Pupil (mandatory) – a basic unit of funding for every pupil weighted by age
 2. Deprivation (mandatory) – Free School Meals entitlement and/or IDACI (low income measure)
 3. Low Prior Attainment
 4. English as an Additional Language (EAL)
 5. Looked-after Children (LAC)
 6. Mobility
 7. Lump sum
 8. Sparsity
 9. Other school costs – PFI, Rates, Split sites, Post 16 and exceptional circumstances.
 10. Area Cost Adjustment (ACA)

17. These 10 factors are the starting point for the new formula, but DfE want to use the minimum number of factors relating to pupil and school characteristics in order to be 'clear and understandable'. Therefore the factors that make it into the formula should:
 - be linked to significant costs (not necessarily for all schools),
 - make a significant difference to the distribution of funding,
 - be based on accurate school-level data,
 - contain no perverse incentives for schools and
 - be tied to pupil characteristics where possible.

18. DfE are proposing excluding "looked-after children", "mobility" and "post 16" other costs. The following graphic visually shows the way the proposed formula would be constructed.

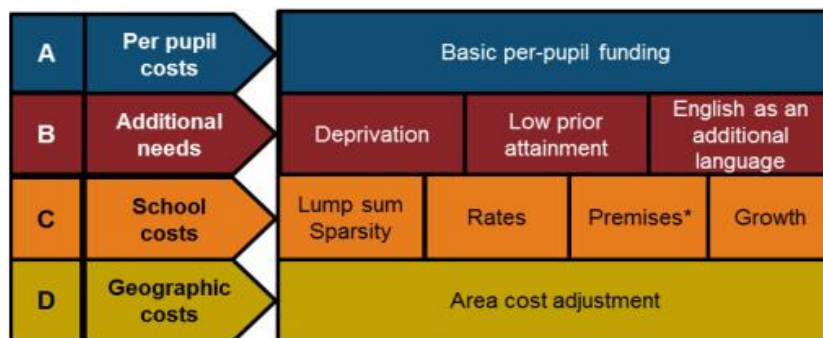


Figure 2: The proposed building blocks and factors of the schools national funding formula

*Private finance initiative commitments, split sites and exceptional premises circumstances.

Building Block A: Per pupil costs

- Factor 1: Basic per-pupil funding

19. The DfE are proposing three different year groupings for a basic amount:
- Basic funding for each primary pupil (Key stage 1 and 2)
 - Basic funding for each key stage 3 pupil
 - Basic funding for each key stage 4 pupil

Question 3: Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?

Building Block B: Additional needs

20. The consultation states that that “pupils with additional needs can particularly benefit from additional teaching, specialist intervention or materials, extra pastoral support, involvement in multi-agency working and many other types of support from their school”. The consultation acknowledges that it will never perfectly match funding to each child’s needs, it simply aims to direct funding to areas where there is likely to be additional needs. School leaders will still be free to spend their funding allocation as they see fit.

- Factor 2: socio-economic deprivation

21. The consultation paper says that deprivation acts as a proxy for a range of barriers including low parental education, low aspirations and special educational needs. Schools will still be receiving a separate grant for Pupil Premium – in order to close the attainment gap between deprived pupils (FSM eligibility) and their peers. The consultation proposes using the Ever6 FSM measure (the child was eligible for free school meals in the last 6 years) for the pupil-level deprivation indicator.
22. DfE want to combine the pupil-level data with an area-based deprivation measure. They propose using the IDACI measure which measures the proportion of children in an area living in income-deprived families, and uses Lower Super Output Areas – an area covering approximately 1,500 residents with varying geographical sizes. However, the paper recognises that updated data and therefore updated bandings could increase turbulence in allocations.

Question 4a): Do you agree that we should include a deprivation factor?

Question b): Which measures for the deprivation factor do you support?

- Pupil-level only (currently FSM and Ever6 FSM)
- Area-level only (IDACI)
- Pupil and area-level

- Factor 3: Low Prior Attainment

23. This factor is being proposed because DfE believe it is important for a national funding formula to adjust schools' funding in response to the attainment characteristics of their pupils. Currently primary school low prior attainment is determined by whether pupils failed to meet the expected level of development in the Early Years Foundation Stage Profile (EYFSP). For secondary schools the measure is the attainment at the end of key stage 2. A significant number of LAs currently use both measures in their local formula.

Question 5: Do you agree we should include a low prior attainment factor?

- Factor 4: English as an additional language (EAL)

24. In 2015-16, 132 of the 152 LAs chose to use EAL but as with previous factors, local formula values varied significantly. EAL funding is determined on the basis of census data and as such, it is not a precise measure of language proficiency at pupil-level. EAL does not necessarily indicate a lack of proficiency in English. DfE are looking at whether there is scope to target funding more effectively by gathering and utilising data on the English language proficiency of EAL pupils. They believe that there is a strong case for including EAL as it increases costs for schools and they propose to use EAL3 (pupils registered as EAL at any point during the last 3 years) indicator.

Question 6a): Do you agree that we should include a factor for English as an additional language? Question 6b): Do you agree that we should use the EAL3 indicator (pupils registered at any point during the last three years as having English as an additional language)?

Building Block C: School costs

25. There are currently no mandatory school cost factors but all LAs used at least 2 school cost factors in 2015-16. The consultation has split these costs into two groups:
- Costs which should form part of the national funding formula – Factors 5-6.
 - Costs which cannot easily be allocated on a formulaic basis (proposing to allocate on a local authority basis of historic spend in 2017-18 and 2018-19) – Factors 7-11.

- Factor 5: Lump sum

26. The consultation proposes that every school should receive a lump sum, mainly to protect very small schools. Currently LAs have some freedom to decide the value of lump sums. The consultation paper says that DfE have tried to find a pattern in the size of lump sums and are unable to.

Question 7: Do you agree that we should include a lump sum factor?

Factor 6: Sparsity

27. DfE propose retaining the 'sparsity' factor which can be used to support small schools without which pupils would have to travel a long way to their nearest appropriate school. Such schools can rely more heavily on a source of funding that does not vary. Currently, LAs can choose to apply a fixed sparsity sum or to taper the amount relative to school size. To protect schools from significant funding changes each year, DfE propose tapering the amount. Current arrangements for requesting changes to the distance criteria are expected to continue in 2017-18 and 2018-19.

Question 8: Do you agree that we should include a sparsity factor?

Other school cost factors (Factors 7-11)

28. Some factors depend on very specific information about a school. DfE know little about the basis of allocations for these factors and therefore plan to allocate funding to LAs on the basis of historic spend in 2017-18 and 2018-19. They (while recognising the complexities involved) would like to explore whether this funding could be distributed on a formulaic basis from 2019-20.

Factor 7: Business rates

29. All schools pay business rates, based on their eligibility for charitable relief and their premises' rateable values. LAs currently fund schools to meet these costs based on the actual charge and the consultation proposes that this continues.

Question 9: Do you agree that we should include a business rates factor?

- Factor 8: Split sites

In many LAs, schools with more than one site are compensated for the extra costs incurred.

Question 10: Do you agree that we should include a split sites factor?

-

Factor 9: Private finance initiative (PFI)

30. Schools rebuilt under building schools for the future and PFI schemes are tied into long contractual arrangements through the LA, affecting basic school running costs. Each school in each LA has a different arrangement for meeting these costs and so DfE want to look on a scheme-by-scheme basis at the interaction at school level between the national funding formula and top-up funding for said costs.

Question 11: Do you agree that we should include a private finance initiative factor?

- Factor 10: Exceptional premises circumstances

31. Exceptional circumstances are only approved by the Education Funding Agency (EFA) if the amount is more than 1% of the school's funding and it affects less than 5% of schools in the local authority. The EFA would continue to approve new cases in 2017-18 and 2018-19. The extra funding required for these exceptional circumstances may change as the national funding formula begins and DfE will consider this interaction.

Question 12: Do you agree that we should include an exceptional circumstances factor?

Question 13: Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend of these factors?

- *Business rates*
- *Split sites*
- *Private finance initiatives*
- *Other exceptional circumstances*

- **Factor 11: Growth**

32. The funding system needs to be able to respond to significant in-year pupil growth, which is not recognised by the lagged funding system. Currently growth is dealt with in two different ways: a) the LA top-slices DSG to create a growth fund or b) pupil numbers are adjusted before being used in the funding calculation. Both of these require agreement with the individual schools and the EFA. Additionally a much smaller budget is often retained to fund a good or outstanding school with temporary falling rolls.
33. In 2017-18 and 2018-19, the consultation proposes that LAs would receive the total of the previous year's spending on these three allocations thus removing the need for LAs to top-slice their schools block to fund growth. DfE recognise however that this assumes future growth follows the same pattern as historic growth. From 2019-20 they would like to target funding in a way that better reflects growth, taking into account the interaction with basic need and estimates of growth in individual schools

Question 14: Do you agree that we should include a growth factor?

Question 15: Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?

Building Block D: Geographic costs

- **Factor 12: Area cost adjustment (ACA)**

34. Schools spend over 80% of their budgets on staffing and so DfE believe the national funding formula should use an area cost adjustment to reflect variation in labour market costs. The ACA, which would act as a multiplier, would not apply to the factors that DfE are proposing to allocate on the basis of historic spend – rates, premises factors and growth. They propose two different methodologies, the general labour market (GLM) methodology and the hybrid methodology.
35. The GLM methodology uses a GLM measure to reflect differences in labour costs between different areas.
36. The hybrid methodology consists of two elements:
- Teachers' pay costs - notional averages are calculated for four regional pay bands (inner London, outer London, the fringe and the rest of England) by converting the pay of every teacher across the country to the corresponding rates in each band. The notional averages for inner London, outer London and the fringe are then compared with the notional average for the rest of England and adjusted accordingly.
 - Non-teaching staff costs - based upon DCLG's labour cost adjustment, which is a general labour market measure used to allocate funds to local authorities.

- 37 Each element is then weighted according to the total school funding spent on employing teachers and non-teaching staff, reflecting that teacher pay costs are by far the biggest element of a school's spending. The hybrid area cost both reflects that the costs of teachers are lower in higher cost areas than the GLM indices would suggest and mitigates against the fact that some local authorities were better funded.

Question 16a): Do you agree that we should include an area cost adjustment?

Question 16b): Which methodology for the area cost adjustment do you support? a) General Labour Market methodology or b) Hybrid methodology

Factors currently allowed in LA' formulae that DfE do not propose to include in the NFF

- 38 Of the 14 factors that LAs can currently include, three are excluded from the NFF proposal. The Isos Partnership suggested adding a factor based on pupils' Disability Living Allowance status but this has also been excluded. Additionally, DfE propose removing the Post-16 factor.

Looked-after children and children who have left care

- 39 Because of the small proportion of the school population who are looked-after children (0.8%), this would be a relatively small element of a school's overall funding. Given the particularly poor outcomes of looked-after children it is proposed that funding allocated to support this group should be visible and linked to clear accountability requirements. DfE therefore believe that the NFF would not be the most effective route and have proposed using the 'pupil premium plus'.
40. The pupil premium plus is additional funding for schools to support children and those who have left care through certain defined routes (adoption order, special guardianship order, child arrangements order). It is currently allocated directly to schools based on census data. Schools receive this separately to their DSG funding. The funding for looked-after children is managed by the virtual school head (VSH) in the authority that looks after them. DfE believe the funding system should treat both children in care and those who have left care equally and are therefore proposing to increase the pupil premium plus rates for both groups instead of including a looked-after children factor in the national funding formula.

Question 17: Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?

Mobility

- 41 Currently, LAs can include a mobility factor to support schools with over 10% of their pupils entering outside the normal times of year. Since mobile pupils are more likely than other pupils to have at least one of the characteristics that are covered by the additional needs factors and because of the prioritisation of formula factors that are based directly on pupil characteristics (as well as concerns about the underlying data), DfE propose to not include a mobility factor in the NFF.

Question 18: Do you agree that we should not include a factor for mobility?

Post-16

- 42 Since post-16 pupils are funded directly through the post-16 funding formula, DfE want to move to a position where there is no DSG funding for them. They propose the

removal of this factor from 2017-18. In 2015-16 £16m was allocated through this factor of which £13.5m went to schools with pre-16 pupils. It is proposed that this £13.5m should be included in the schools' baselines whilst the funding works its way out. DfE are looking at options for phasing out the £2.5m allocated to sixth form only schools.

Question 19: *Do you agree that we should remove the post-16 factor from 2017-18?*

Disability

- 43 The Isos Partnership suggested the exploration of a new disability factor. DfE therefore looked carefully at the data. However, they concluded that it is not sensible or feasible to include a DLA factor in the formula. DfE said the published DLA data lacks sufficient detail to be used as a characteristic for individual pupils and would not allow them to create an accurate area factor. As the high needs funding formula and other reforms consultation explains, local authorities would still have flexibility to provide extra funds from their high needs budget in cases where there are disproportionate numbers of pupils with SEN and disabilities.

Next steps: constructing the national funding formula for schools

44. During the next stage of consultation, DfE will set out proposals for the relative weighting of the NFF and show the impact on funding at school and LA level. The formula weightings will be guided by the seven principles given at the start of this consultation. Complex design decisions ahead include the ratio in funding between primary and secondary phases, the balance between the basic level of funding for all pupils and funding for additional needs, and the extent to which funding should be driven by pupil characteristics rather than on a per-school basis.

Chapter 3: Transition to a reformed funding system

- 45 The transition to a reformed funding system has been split into three major aspects.
1. The role of LAs in the transitional period
 2. The approach to phasing in gains and losses for schools over time
 3. Supporting schools to become more efficient

A transitional period

- 46 For the first 2 years of the formula – 2017-18 and 2018-19 – DfE would allocate schools block funding at local authority level, according to the national formula in order to meet their principle of predictability. Funding for academies would also be determined by reference to the local formula. The post-16 factor will be the only factor removed in 2017-18. They plan to take local decisions made in these two years into account in refining the formula each year.

The soft formula system: how local authority funding is calculated

- 47 DfE plan to use the pattern of what authorities are actually spending as the starting point, rather than how the government funds the blocks. The consultation gave their plan to ask LAs to set out their 2016-17 baselines across the four blocks of the DSG, aligning each block with the LA's specific spending.
- 48 The schools block, the amount that each authority receives in 2017-18 and 2018-19 would be calculated by running a 'shadow' school level formula and applying the minimum funding guarantee (MFG) and cap on gains. The notional funding for each

school in an authority (including an area cost adjustment) would then be added to the funding from factors based on previous year spending (premise factors and growth).

The soft formula system: how school funding is calculated

- 49 Through the transition period, the local authority would continue to be responsible for allocating its schools block to schools through a local formula, as now. In addition to the removal of the post-16 factor, DfE are proposing two further changes for 2017-18 and 2018-19.
1. To require LAs to pass all schools block funding to schools.
 2. To allow authorities greater flexibility in setting an MFG that reflects local circumstances.

- 50 LAs are currently able to divide their total DSG funding across the DSG blocks as they see fit but in moving towards a NFF DfE say that this flexibility should become less important due to the better allocation according to need. They do recognise though that for some LAs this removes one way of dealing with pressures on the other blocks, particularly high needs. So the parallel high needs funding formula and other reforms consultation sets out a number of ways in which LAs can shape special needs provision in their area. They are also making available capital funding to help with the infrastructure changes and have said that LAs would be able to use previously accumulated reserves across all 4 blocks of the DSG.

Question 20: Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?

- 51 For LAs receiving less school funding in 2017-18 than in 2016-17, setting a local formula that complies with current regulations and guidance will be harder. DfE recognise too, that there may still be specific local circumstances that authorities and schools forums want to reflect, requiring more flexibility. They are therefore consulting whether to allow LAs to set a local MFG lower than the one the government has used to calculate schools' notional funding. The limit of this would be covered in stage two of this consultation.

Question 21: Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?

Schools forums and de-delegation

- 52 DfE do not intend to make changes to the make-up or functions of the schools forums until the introduction of the 'hard formula' before which they will carry out a review of the forums from first principles. Also in 2019-20 DfE plan to withdraw the current de-delegation arrangements so that the responsibility for services that can currently be de-delegated will rest with individual maintained schools. If LAs wished to continue to provide these services to schools they would do so as a traded service, giving individual schools the choice. The removal of de-delegation for these existing school traded services e.g. free schools meals assessment and IT licences is not the same as the top-slice funding proposal for local authority statutory duties as set out in paragraph 69 onwards.

Phasing in gains and losses over time

- 53 So that schools have time to adapt, the length of time it takes to get to a position where all schools are funded according to the formula should not be fixed arbitrarily, but should instead be determined by what is manageable for schools. Schools are

protected against large changes to their funding through the MFG which is paid for by capping/scaling other school's gains. DfE are looking to adapt this to fit the change in structure and in 2017-18 and 2018-19 they will calculate school's funding including a national MFG and cap before aggregating to a local authority level. Again, LAs in conjunction with schools forum, can then use their own local MFGs and caps/scales to distribute their schools' funding.

Cap on gains

- 54 Setting the national MFG at a level that the schools that are due to lose funding can manage has to be balanced against the need of schools that are due to gain. DfE are considering two ways to distribute funding to gainers:
1. A single percentage cap on the gains of all schools.
 2. Have a lower cap and then distribute the remaining funding to those that have the most to gain before they reach their formula allocation.
- 55 DfE are currently leaning towards option 1 as it allows the maximum number of schools to reach their formula allocation in each year. This meets their objectives of getting to a fair funding system as quickly as possible and of principles 5-7 – transparent, simple and predictable.

Support for school efficiency

- 56 DfE want all schools to benefit from being able to compare themselves with other schools and being able to contact those schools to ensure value for money for every pound spent. In the run up to the introduction of the NFF they will continue to support schools to become financially healthier and more efficient. They will also launch an 'invest to save' fund in 2016-17, helping them manage the transition to the national formula. Schools will be free to decide how best to use this funding.

Chapter 4: Funding that will remain with local authorities

- 57 The role of LAs in supporting the provision of excellent education for all children of compulsory school age is to ensure that every child has a school place and ensuring fair access through admissions and transport arrangements. They also have a responsibility to champion high standards and ensuring safeguarding and other needs of vulnerable children are met. In addition they have a key role in shaping school provision in their area, and to encourage an increasing number of academies. DfE will continue to provide funding to LAs for these functions on an ongoing basis.
- 58 LAs currently receive funding from the government for their responsibilities from two different funding streams – DSG funding that is held centrally by the LA, and the retained duties element of the education services grant (ESG). DfE are proposing to bring these two funding streams together into a new central schools block, distributed on a simple formulaic basis.
- 59 In addition to the responsibilities that would be funded through the central schools block, LAs hold other responsibilities in respect of education. The consultation paper states that these will need to be funded from other sources, but beyond the top-slice proposals set out from paragraph 69 onwards, it is not clear exactly where the extra funding will come from.

Funding for ongoing local authority functions

- 60 DfE propose to distribute funding to local authorities for their ongoing functions using a simple per pupil formula. The per-pupil rate would be derived from the centrally retained DSG and the retained duties element of the ESG. ESG is already funded according to a 'per pupil rate' but DSG is currently not allocated on a formulaic basis. The schools forum decides how much DSG funding should be held centrally for some ongoing local authority functions.

Funding for historic commitments

61. Centrally retained DSG is also currently used to fund a number of historic commitments. DfE believe that funding for these commitments should be provided from the LA's core budget and that with a national funding formula, it is no longer appropriate to top-slice school budgets for these functions: if schools value a service they will be able to buy it from their delegated budgets. Spending on such commitments is only currently allowed where they were entered into before April 2013, and the expectation is that these costs would unwind over time. The department proposes to only allocate funding for historic commitments where they have evidence that they were entered into before 2013, and that there is an ongoing cost.

Transition

- 62 It is important that the move towards the formulaic central schools block distribution is at a manageable pace (LA planned expenditure varies from £6 to £83 per pupil). As funding is released from this block at a national level, due to completed historic commitments, it would be reinvested in the schools NFF. Some areas will receive a larger central schools block than they retain currently. A transparent and fair discussion with the schools forum to decide how to distribute any surplus funding is expected.

Question 22: Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?

Question 23: Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?

Chapter 5: The future of the Education Services Grant

- 63 The Education Services Grant (ESG) was introduced in 2013 and is paid to LAs and academies according to 2 national per pupil rates. The general funding rate (£77 per pupil in 2016-17) is paid to both academies and LAs to fund duties that academies are responsible for delivering for their pupils, and that LAs deliver for maintained school pupils. The retained duties rate (£15 per pupil in 2016-17) is paid only to LAs, to fund the duties that they deliver for all pupils. This chapter sets out DfE's plans to remove the remaining general funding rate from 2017-18 to achieve £600m savings.

Efficiency savings

- 64 The new general funding rate is based on the assumption that all LAs could reduce their spending to the median level of per pupil planned expenditure as reported by LAs in 2015-16, and that academies can spend at the same level. DfE has announced a £72m saving which they believe will be achieved by making manageable efficiencies.

Reform of school improvement arrangements

- 65 DfE expect LAs to step back from running school improvement from the end of 2016-17. They will review the statutory responsibilities that currently apply to LAs so that funding and accountability are aligned. They expect to provide LAs and schools with funding through the ESG in the period before the transition to the new approach. The transition period, identified as April to September 2017, would seem impractically short.

Removal of duties

- 66 LA's education functions, for children of compulsory school age, will focus on 3 main areas:
1. Securing that sufficient school places are available, ensuring fair access through admissions and working with schools to develop local transport policies, and taking a lead in crisis management and emergency planning.
 2. Ensuring the needs of vulnerable pupils are met.
 3. Acting as champions for all parents and families: ensuring children do not fall through the gaps
67. Removal of duties that are not consistent with this role may reduce financial pressures on LAs and schools, and therefore help them to manage with reduced funding. DfE have identified a small number of duties that they think could be removed. They are very interested to have suggestions for additional duties that could be removed or reformed.
- 68 The general funding rate notionally includes an amount to fund some non-statutory central support services. DfE recognise that authorities and academies may wish to continue to provide these services from existing budgets once the general funding rate has been removed, and they will be free to do so. They are currently reviewing whether LAs should continue to have a role in the oversight of school companies.

Arrangements for funding statutory duties previously covered by the general funding rate

- 69 To pay for education services, DfE propose amending regulations to allow LAs to retain some of their maintained schools' DSG to cover the statutory duties that they carry out for maintained schools. The level of the DSG to be retained would need to be agreed by the maintained schools members of the schools forum. As no new money is being made available, the proposed arrangement for LAs would result in an effective reduction to locally maintained school budgets, which would be equivalent to the arrangement for academies, who are also losing their share of the ESG.

Transitional Arrangements

- 70 Academies are protected from large reductions to their funding as a result of changes to their ESG. This protection is set in tapered bands. 3% is the maximum loss of funding as a result of changes in the ESG for academies. For those with a total allocation between the previous two year's ESG rates (£87 and £140 respectively) the loss is protected at 2% of total funding. For those with a total allocation at or below the previous year's rate the protection is 1%. DfE propose to continue to provide protection using this methodology for the remainder of the spending review period but to unwind this by 2020.

- 71 DfE expect that LAs will use the 2016-17 financial year to plan for reforming their services, alongside the manageable efficiencies that they will need to make in that year. To maximise the time that LAs have to plan, they propose to pay a reduced ESG general funding rate for the first 5 months of the 2017-18 financial year. This would act as a counterpart to the ESG funding that academies will receive from April 2017 to August 2017, as academies are funded on an academic year basis. The general funding rate would then be removed completely for both academies and maintained schools from September 2017 (subject to the protection arrangement for academies). It appears that the DfE does not intend to apply any similar protection to locally maintained schools.
- 72 They also expect that LAs will use some of the transitional ESG to support their remaining role in school improvement. This funding will be removed as local authority duties change.

Question 24: Are there other duties funded from the education services grant that could be removed from the system?

Questions 25: Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?

High needs funding formula and other reforms – Summary

- 73 The 'High needs funding formula and other reforms Government consultation – stage one', seeks views on proposed improvements to the distribution of high needs funding moving away from an "outdated funding distribution that is based on historic spending patterns, towards a fairer distribution more aligned to the needs of children and young people."
- 74 Any distributional changes will be phased in "to limit the scope for disruption". Additional capital funding will also be available "help local authorities invest in the right infrastructure."
- 75 The consultation also details possible improvements to the administration of funding for pupils and students with special educational needs (SEN) and disabilities, and for those who are in alternative provision (AP).
- 76 This consultation forms stage 1 of the consultation process covering high level proposals and options. Stage 2 will consult on the detail of the arrangement i.e. proposed factor weightings, exemplifying the effect on authorities including transitional arrangements.

High Needs Funding

- 77 High needs funding supports 0-25 year olds with SEN and disabilities. It also supports those of school age who are not in school because they are excluded or otherwise unable to attend. Alternative provision (AP) for such children and young people includes pupil referral units and hospital schools. More specifically:
- children aged 0 to 5 with SEN and disabilities, whom the local authority decides to support from its high needs budget. Some of these children may have EHC plans;
 - pupils aged 5 to 18 with high levels of SEN in schools and academies, FE colleges, special post-16 institutions or other settings which receive top-up

Further information on the subject of this report is available from
Malcolm Green, School Finance Manager, on Tel (01432) 260818

funding from the high needs budget. Most, but not all, of these pupils have either statements of SEN or EHC plans;

- those aged 19 to 25 in FE and special post-16 institutions, who have an EHC plan and require additional support costing over £6,000;
- pupils aged 5 to 16 placed in AP by local authorities or schools

78 A child has ‘high needs’ if their education costs more than approximately £10,000 per year.

Current Distribution

79 High needs funding is allocated to local authorities as part of the Dedicated Schools Grant (DSG) along with schools and early years funding. Allocations are based on authorities past spending patterns, with some adjustments to take into account the expanded 0-25 age range and to reflect other funding changes introduced in 2013.

80 Local authorities are free to redistribute their DSG allocations between the schools, high needs and early years blocks. The latest expenditure data reveals that the majority of high needs funding is allocated for children and young people with SEN and disabilities.

Case for change

81 The previous coalition government acknowledged that changes to the distribution of high needs funding were required, and commissioned research by Isos Partnership (“Isos”) to provide a “better evidence base”. The research and analysis showed that the current funding distribution between LAs did not correlate well with various measures of need.

82 Isos made the following recommendations on how the SEN funding system might be improved.

- a more formulaic approach to distributing high needs funding from national to local level;
- better communications on Government expectations; *and*
- proposals to enable better decision making by frontline professionals, both those in LAs responsible for commissioning SEN provision and those in schools and colleges who need to plan how to make the provision for their children and young people with SEN.

83 The current Government has concluded that the current funding distribution is not fair to children and young people with high needs across the country, because it directs money to the LAs with the highest historic spending, not the highest current needs. They are therefore consulting on this alongside improvements to the funding arrangements and guidance to help local authorities, early years providers, mainstream schools, colleges and other institutions with students aged 16-25 who have SEN and disabilities.

Consultation Proposals/Questions

84 The Government believes that the proposed funding system should meet the following 7 principles:

1. Support LAs and institutions in **extending opportunities** for all children and young people

2. Allocate funding “**fairly**” on the basis of objective measures or factors which drive costs, or act as appropriate proxy indicators for the need to spend.
3. Support provision that delivers the best outcomes and in the most **efficient** way
4. Get funding to the **front line**
5. Provide **transparency** in the way that funding is allocated, at each level
6. **Simplify** by combining funding streams as far as possible, and formulae but not at the expense of accuracy
7. Be **predictable** with a smooth transition to new funding levels

Q1: Do you agree with our proposed principles for the funding system?

- 85 The statutory EHC assessment process is designed to bring teachers, SEN co-ordinators (SENCOs), educational psychologists and other professionals together with parents, so that EHC plans can be produced, specifying the outcomes that are sought for each individual child, based on their individual needs and characteristics. LAs are responsible both for assessing individuals’ SEN and for commissioning provision to meet those needs.

Q2: Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?

- 86 The government believes that linking high needs funding directly to EHC plans would result in a perverse incentive and hinder LAs current flexibilities to be able to provide high needs funding without going through the statutory assessment process (for example to meet urgent need). The Government therefore propose a high needs formula that is based on proxy measures of need, not the assessed needs of individual children and young people.

Q3: Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?

87. Isos suggested a national to local authority formula composed of factors relating to health, disability, low attainment and deprivation. They suggested that this would be easier to understand and implement, and could be updated as population and demographics changed.
88. Isos reported that alternative indicators could be considered without compromising the strength of the correlation. The Government has looked at whether these alternatives could also address the movement of pupils and students with high needs who live in one area, but attend school or college in another, as well as how geographical cost differences should be taken into account. They have also made specific formula proposals for the elements of high needs funding that cover AP.
89. The Government is proposing a variant of the 5 indicator formula summarised in the table below

HIGH NEEDS FUNDING FORMULA

Basic unit of funding for pupils and students in specialist SEN institutions	
Population factor	
Health and disability factors	Disability living allowance
	Children in bad health
Low attainment factors:	Key stage 2 low attainment
	Key stage 4 low attainment

Further information on the subject of this report is available from Malcolm Green, School Finance Manager, on Tel (01432) 260818

Deprivation factors:	Free schools meals
	IDACI
2016-17 spending level factor	

Health and Disability

90. Isos suggested using “children not in good health” population census data and disability living allowance (DLA) data as indicators of health and disability. Their research found that these added more within a combined group of 5 low attainment, health and disability and deprivation indicators than other alternatives such as low birth weight data.

Low attainment

91. Reflecting that there is a strong correlation between some forms of SEN and low attainment; Isos proposed using a key stage 4 indicator – the number of pupils not achieving 5 A*-C grades at GCSE. They argued that using two attainment indicators, at the end of key stage 2 and 4, did not add much to the formula. However, as the datasets for these indicators are readily available and regularly updated, DfE think that it would be more understandable to use both primary and secondary indicators.
92. DfE propose to use pupils not achieving level 2 in reading at the end of key stage 2 (the skill that is most likely to hold children back from attainment in other areas such as writing or maths) and pupils not achieving 5 A*-G GCSEs at key stage 4, or equivalent standards as changes are made. The precise low attainment data that will be available, and the level which would trigger additional funding, will change as reforms to accountability and assessment policy take effect.

Deprivation

93. Isos proposed using eligibility for free school meals (FSM) as an indicator of deprivation. It is currently used in local schools funding formulae and in the allocation of pupil premium grant. The latest published statistics indicate that pupils with high level SEN are twice as likely to be eligible for (and claiming) FSM as other pupils.
94. Isos also suggested using the children in poverty indicator, Income Deprivation Affecting Children Index (IDACI) measure, which is also used in local schools formulae. However, at the time of their research, this was still based on 2010 data. This has now been updated.
95. The Government is proposing to use the two deprivation measures. This aligns with the deprivation factors being proposed for the schools national funding formula.
96. DfE consider the Ever6 FSM measure (identifying all pupils who have been eligible for FSM at any time in the last 6 years) to be the most appropriate pupil-led measure of deprivation for a school level distribution formula. As the high needs formula would use FSM data to reflect the overall characteristics of an area rather than an individual school, and given the strong correlation between Ever6 FSM and the latest FSM data at area level⁸, it would be simpler for a local authority level distribution to be based only on the cohort of pupils eligible for FSM at the time of the relevant school census.
97. The parallel schools national funding formula consultation includes a discussion of changes that may be needed to the way that IDACI is used to distribute funding. DfE would adopt the same broad approach for both high needs and schools formulae.

Other factors

- 98 DfE are also proposing to include a factor based on the number of children and young people in the 2 to 18 age range (as the age group most likely to be supported from the high needs funding, and given that childcare and educational participation in the 0 to 2 and 19 to 25 age ranges is likely to be much less) to reflect that within any size of population there is a minimum number of children and young people with high-level SEN and disabilities.
- 99 All the above factors relate to children and young people with high needs resident *in* the local authority area. Isos identified the need for further modelling, because some of the high needs funding allocated to LA is used to fund the schools in that authority, irrespective of where the pupils come from.
100. DfE are proposing to include a formula factor that provides each LA with a basic pupil/student entitlement amount for each child or young person in a special school, special academy or special post-16 institution that is funded from the high needs funding block. This would be at a similar level to the pre-16 pupil-led funding that LAs are allocated for their mainstream schools and academies, and the basic entitlement that schools and colleges receive through the post-16 national formula. The remainder of the £10,000 per place funding for institutions would be provided from within LAs' total high needs funding allocation.
- 101 To take account of LAs that are net "importers" of pupils and students from other areas into their schools, academies and colleges and similarly LAs that are net "exporters" formula adjustments are proposed.
- 102 The per pupil/student amounts would be determined each year on the basis of pupil and student numbers from the prior academic year. These would be collected through the school census for special schools and or individualised learner record (ILR) for special post-16 institutions. The other adjustments would use the school census and ILR to identify those pupils for whom the institutions receive top-up funding. More information about these proposed adjustments is set out in the technical note (paragraphs 9-16).

Alternative provision funding

- 103 Of the formula factors outlined above, those that are most relevant to AP (excluding hospital education) are overall pupil population and deprivation. DfE therefore propose to use the population and deprivation factors in the allocation of AP funding.

Q4: Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?

Hospital education funding

- 104 DfE propose to continue to distribute hospital education funding based on information about LAs' and academies' current spending levels, and any adjustments needed from year to year to reflect changes in hospital provision.
- 105 However, the Department are exploring the possible use of hospital inpatient data to reflect year-on-year changes that impact on the number of children and young people for whom hospital education is provided.

Q5: We are not proposing to make any changes to the distribution of funding for hospital education, but welcome views as we continue working with representatives of this sector on the way forward.

Area costs

- 106 The consultation proposes using an area cost adjustment, in the same way as in the mainstream schools formula, to reflect the higher costs in some parts of the country. The following possibilities are suggested:
1. General labour market cost factor;
 2. Hybrid – This includes the relative costs of teachers’ pay in particular areas of the country. This is explained in more detail in paragraphs 2.57-2.62 of the schools national funding formula consultation document.
 3. Adjusted hybrid – A modified hybrid adjustment to reflect the different proportions of expenditure on teaching and non-teaching staff in special schools and other specialist provision, to reflect the fact that such settings typically employ more teaching assistants and other non-teaching staff than mainstream schools and colleges.

Q6: Which methodology for the area cost adjustment do you support?

Transitional Arrangements

- 107 Introducing changes gradually is a key DfE priority to ensure special provision in existing settings (reflected in current spending levels) can be maintained where necessary. DfE therefore propose to include an element of current spending on SEN in the national formula, based on 2016-17 planned spending levels, for at least the next five years to give LAs time to plan and implement infrastructure and other changes in future provision. At the end of that five year period, DfE propose to review the formula and transitional arrangements.
- 108 LAs have developed different ways of managing AP: some have delegated much of the funding to schools; others have provided comprehensive central services and pupil referral unit provision for their schools. DfE are therefore proposing to include an element of 2016-17 planned spending on AP for at least the first five years as well to give LAs time to move towards a national formulae

DfE intend to carry out an exercise with local authorities during March and April to get an accurate amount of planned spending in 2016 17 on which this factor can be based.

Q7: Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?

- 109 DfE are also proposing overall protection that limits any year-on-year reductions for each LA. There would be an overall minimum funding guarantee; LAs’ high needs funding would not reduce by more than this in each year.

Q8: Do you agree with our proposal to protect local authorities’ high needs funding through an overall minimum funding guarantee?

- 110 This results in the following proposed formula for distributing high needs funding to local authorities.

HIGH NEEDS FUNDING FORMULA

Basic unit of funding for pupils and students in specialist SEN institutions	
Population factor	
Health and disability factors	Disability living allowance
	Children in bad health
Low attainment factors:	Key stage 2 low attainment
	Key stage 4 low attainment
Deprivation factors:	Free schools meals
	IDACI
2016-17 spending level factor	
Adjustments to reflect movements of SEN pupils and students	Area cost adjustments

Reviewing and developing high needs provision

- 111 DfE propose five main forms of help for LAs and institutions in reviewing the way they fund and commission high needs provision for all ages,
1. Developing new specialist provision to better meet existing pressures and emerging needs. Capital funding through the free school programme is already available to support the provision of new SEN provision where it is needed. Regional Schools Commissioners will encourage constructive conversations between LAs about their need for new provision.
 2. DfE will also make available capital funding to support the expansion of existing provision, as well as the development of new schools to create new specialist places. At least £200m will be available. Details of its distribution will be announced later in 2016.
 3. DfE will promote collaborative working between LAs in regional or sub-regional groups so that they can achieve more effective and efficient commissioning of provision, working in partnership to share administrative functions as well as services and provision. The Isos report proposed that such approaches would work particularly well for the commissioning of places for very high-need low-incidence SEN, but DfE think that they should extend to other areas as well. DfE will encourage this activity by identifying and sharing examples of good practice.
 4. Including pupils and students with high needs in mainstream provision can require less funding than that required by smaller institutions offering more specialist provision. DfE will therefore make changes to encourage schools and colleges to include pupils and students with SEN – see the proposals on changes for mainstream schools in chapter 4 below, and paragraphs 4.13-4.17 in particular.
 5. DfE will support special schools, pupil referral units, the equivalent academies and specialist colleges to reduce some of their costs. Support for schools to manage pressures on their budgets by becoming more efficient and financially healthy already includes:
 - being able to draw on some excellent practice in schools, and a wide range of training and tools offered by organisations in the sector.
 - a new collection of support and guidance for schools on GOV.UK, which has brought together financial health and efficiency information for schools to access.

Chapter 4: Changes to the way high needs funding supports institutions

- 112 This chapter sets out proposals for improvements to the current funding arrangements at local level, including changes to the ways funding is distributed to mainstream schools, colleges and special post-16 institutions.

Further information on the subject of this report is available from Malcolm Green, School Finance Manager, on Tel (01432) 260818

Schools

- 113 DfE are not planning any fundamental changes to the way that schools are funded for their pupils with SEN and disabilities. Mainstream schools will be funded through their mainstream formula, continuing the existing requirement that they meet from their budget the costs of additional support up to £6,000 per annum for all pupils with SEN.
- 114 Special school places will be funded at £10,000 per place per annum.
- 115 In all cases top-up funding from the commissioning LA will be paid to the school in respect of individual pupils with high-level SEN to reflect the costs of the additional support they need in excess of £6,000.
- 116 The following paragraphs set out proposed changes to the funding of mainstream schools and academies, and independent special schools. DfE are not proposing any changes to the funding of maintained and non-maintained special schools, or special academies.

Mainstream schools

- 117 The Children and Families Act 2014 confirms the general presumption that children and young people with SEN should be educated in mainstream provision unless they have a statement of SEN or EHC plan which specifies more specialist provision. The high needs funding system should ensure that resources and commissioning arrangements do not present a barrier to pupils with SEN having their needs met in mainstream rather than specialist provision.

Notional SEN budget

- 118 Isos proposed that the current concept of a notional SEN budget should be removed, because LAs calculate it in varied ways, the budgets do not necessarily correlate well with the needs in schools, and it is unhelpful for schools to view the amount as the only funding they can use for supporting SEN. At the same time they proposed that more should be done to clarify what mainstream schools are expected to provide for pupils with SEN and disabilities, from their budgets. They argued both that the local agreement on this should be published as part of the local offer, and that this should be in the context of a more defined national framework.
- 119 DfE agree that the LA calculation of schools' notional SEN budget varies and isn't particularly meaningful for schools. DfE think that some way of identifying how much of a school's budget might be appropriate to spend on children with SEN could be helpful to schools as they decide on their spending priorities, but it would be better to offer schools guidance and the tools to do this for themselves, rather than specifying that the LA has to calculate a notional SEN budget for each school. They do not think that it would be helpful to try and calculate at national level a notional SEN budget for each school (taking into account that we are consulting separately on a proposal to move from each local authority calculating their schools' funding through a local formula to a national formula that would, after two years, determine the funding for all mainstream schools directly).
- 120 DfE therefore propose to work with SENCOs, school business managers and head teachers to find out how best to help schools decide how much to spend on SEN support. In the meantime they are proposing to retain the current concept of the notional SEN budget.

Local offer

- 121 The Children and Families Act reforms give clarity for parents and young people about a “core entitlement” that mainstream schools can provide. Isos proposed national guidelines that would create more consistency in what mainstream schools offer across the country. However, DfE are not yet convinced that such guidance could adequately cover the variety of effective SEN provision which schools offer. Furthermore, DfE say that the new SEN and disability system focuses on outcomes for children and young people, and it is therefore important that schools think more about the best way of achieving these, rather than focusing on inputs.

Q9: Given the importance of schools’ decisions about what kind of support is most appropriate for their pupils with SEN, working in partnership with parents, we welcome views on what should be covered in any national guidelines on what schools offer for their pupils with SEN and disabilities.

Special SEN units and resourced provision attached to mainstream schools

- 122 Special units are currently funded in the same way as special schools, at £10,000 per place, and the pupils educated in those units are excluded from the calculation of the schools’ local formula budget. DfE propose that they receive the per pupil amounts that would be due to the school (these vary but are in the region of £4,000) by including the pupils in the units within the school’s pupil count, plus place funding of £6,000.
- 123 DfE believe this would simplify the mainstream schools formula by avoiding the need for adjustments to pupil numbers where the pupils in the school are part of the unit rather than the mainstream provision. It would also bring pre-16 funding into line with the way that post-16 students with high needs in these units are currently funded.
- 124 Given the local flexibility that DfE are planning to continue, whereby LA can decide with their schools and academies how many places to fund from their high needs budget, they do not anticipate that this would have an adverse impact on the creation and sustainability of these units.

Q10: We are proposing that mainstream schools with special units receive per pupil amounts based on a pupil count that includes pupils in the units, plus funding of £6,000 for each of the places in the unit; rather than £10,000 per place. Do you agree with the proposed change to the funding of special units in mainstream schools?

How local authorities can encourage appropriate mainstream inclusion

- 125 LAs currently have flexibility to retain funding, as part of their high needs budget within the overall schools budget, for the purposes of encouraging:
- collaboration between special and mainstream schools to enable children with SEN to engage in activities at mainstream schools;
 - the education of children with SEN at mainstream schools; and
 - the engagement of children with SEN at mainstream schools in activities at the school with children who do not have SEN.

- 126 DfE intend to continue to allow this flexibility.

Q11: We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome

barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an “invest-to-save” basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.

- 127 LAs can also retain funding in their high needs budget to support schools that are particularly inclusive, and have a particularly high proportion of pupils with SEN or high needs (which may be of a type that is not fully captured by the proxy measures in the formula), such that they cannot meet the costs of additional support costing up to £6,000 for those pupils.
- 128 Isos drew attention to a lack of consistency and effectiveness in LAs’ use of this funding and proposed clearer direction from DfE on the circumstances in which such funding can be made available to schools, and on the options for allocating the funding. DfE agree and will include this in the guidance that is published for 2017-18.
- 129 EFA guidance already includes some examples, but DfE would like to hear of any further good examples of where this funding is used to best effect.

Q12: We welcome examples of where centrally retained funding is used to support schools that are particularly inclusive and have a high proportion of pupils with particular types of SEN, or a disproportionate number of pupils with high needs.

Independent special schools

- 130 Currently maintained special schools, special academies and non-maintained special schools all receive funding of £10,000 per place from either the LA (in the case of maintained schools) or the EFA. This forms part of their overall budget, along with the top-up funding provided by LAs for individual pupils with high needs. Any provision in independent schools (including provision in independent special schools) is funded wholly by LAs.
- 131 The SEN and disability reforms have tried to promote greater consistency e.g. joining the list of approved institutions under section 41 of the Children and Families Act allows independent special schools and special post-16 institutions to come under the same statutory admission arrangements as maintained special schools, special academies and non-maintained special schools.
- 132 DfE propose to offer those independent special schools on the s41 approved list the opportunity of receiving a grant from the EFA for the place funding, at the rate of £10,000 per place. This would reduce the top-up funding required from LAs. To do this DfE would need to identify those pupils who are funded by a LA, and would need to know their home address postcode so that we know which LA they come from.
- 133 If this proposal is supported the EFA will contact all those schools on the s 41 Secretary of State approved list.

Q13: Do you agree that independent special schools should be given the opportunity to receive place funding directly from the EFA with the balance in the form of top-up funding from local authorities?

Early years providers

- 134 Early identification of SEN when children are young, and high quality early years provision to meet the needs identified, can help with the transition to school and

prevent problems escalating later. LAs have been able to use the early years and high needs allocations within their DSG to prioritise support for this age group, and the Isos report provided some good examples of what could be achieved.

- 135 Isos proposed that LAs should work with providers to establish clear expectations about the support pre-school settings are expected to provide from within their core funding, and the circumstances in which additional advice, training or resources would be provided. DfE believe that LAs should do this as soon as they can, if they have not already done so.
- 136 Isos also proposed that the department should do more to set out the ways in which LAs can fund SEN provision in pre-school settings. They will consult on this later in the year. In the meantime DfE are allowing LAs to use both early years and high needs allocations to provide SEN support.

Post-16 providers

- 137 Isos identified that the post-16 sector was still adapting to the high needs funding and SEN and disability reforms, both of which had meant LAs and post-16 providers developing a new set of funding and commissioning relationships and processes.
- 138 Following their own research Isos proposed that:
- a. mainstream post-16 providers should receive, through the post-16 funding formula, the funding that is currently paid to them as place funding of £6,000 per place;
 - b. as in the school system, LAs should have a role in determining approaches to distributing additional funding outside the formula to providers who admit a higher proportion of students with SEN, and to incentivise more inclusion. This role would also include the designation of special units attached to FE colleges, which would continue to attract £6,000 per place in addition to the formula allocation for any students in the units;
 - c. all specialist places in special post-16 institutions should be funded at £10,000 per place as is currently the case in special schools.
- 139 DfE consider that there is merit in these proposals;
- A common set of funding arrangements pre- and post-16 better reflects that one of the aims of the SEN and disability reforms is the introduction of a system of support that extends as seamlessly as possible throughout the education system and through the age range up to 25.
 - Such arrangements would encourage better partnership working between LAs and institutions, and discourage over-identification of students with high needs – which tends to happen in mainstream settings unless proxy factors are used to calculate the funding allocations.
 - A formulaic allocation would be most appropriate for institutions which have a small number of students with high needs. DfE would no longer need to collect information from LAs and a large number of institutions about the places required for very small numbers of students with high needs, reducing the bureaucracy for all involved. For FE colleges which have a significant proportion or number of students with high needs, an approach comparable to special units in mainstream schools is likely to be more appropriate, as proposed by Isos.
 - Such proposals would also fit well with the way they are proposing to allocate funding to LA, and the adjustments that would be made to reflect demographic changes and the movement of students between institutions and areas.

- 140 The Children and Families Act 2014 and associated code of practice set out the duties, responsibilities and expectations of certain types of mainstream post-16 provider – schools, sixth form colleges and FE colleges – in admitting young people with SEN and meeting their needs, including those with high needs. However, some schools and sixth form colleges, and many FE colleges, have developed specialist provision to cater for groups of students with high level SEN, sometimes focusing on a particular type of need, and that these institutions cater for a larger proportion or number of students with high needs than other post-16 mainstream settings.
- 141 In schools, this provision is designated as a special unit or resourced provision, but in the current FE funding and commissioning arrangements, special units are not defined, other than by the institutions themselves. DfE propose to introduce the concept of such provision in FE and sixth form colleges. DfE are attracted to an approach in which LAs play a part in designating these units. LAs commissioning places at a college would then have to work together and with the college to agree on how many places in the unit were to be funded.
- 142 DfE intend to indicate a proportion or number of students with high needs beyond which colleges could be considered as having such specialist provision. Such provision would attract funding of £6,000 per place, in addition to the amount the national formula allocates for all the college's students; and there would need to be a process for collecting information from LAs about how many high needs places are to be funded each year in these institutions, to inform the EFA's funding allocations.
- 143 Under the Isos proposals, provision in specialist institutions that cater wholly or mainly for students with high needs, who normally have an EHC plan, would all receive a flat rate £10,000 per place as their core funding. Special schools' post-16 provision falls into this category, and already attracts £10,000 per place. Other post-16 specialist providers are formally constituted as FE colleges or are identified on the section 41 approved list. A flat rate amount per place would considerably simplify the funding for these institutions. As now, we envisage that the number of places to be funded in maintained special schools and special academies would be determined by local authorities as a result of their strategic planning and partnership with institutions. Non-maintained special schools and special post-16 institutions would be funded for their places using the latest available data on student numbers available to the EFA. DfE intend to do further work on how these new arrangements would operate. The results of that further work will be shared in the second phase of this consultation.

Q14: We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.

Community impact

144. The national school funding formula will be set by the Department for Education and is designed to be fair and equitable nationally so that similar sized schools with similar catchment areas will be funded fairly by a funding system that is transparent, simple, predictable and gets funding straight to schools. The governing bodies of schools are responsible for decisions to commit expenditure accordingly to meet pupils' individual needs.

Equality and human rights

145. There are no implications for the public sector equality duty. This is being considered nationally by government.

Financial implications

146. The recommendations support the implementation of the national school funding formula as the evidence available from the f40 group and elsewhere strongly indicates that Herefordshire schools will benefit. Herefordshire believes in fair funding not low funding. It is too early to assess the financial implications as these will follow in the later stage two consultation.

Legal implications

147. The purpose of this report is to seek Schools forum's agreement to the proposed joint response from the council and schools forum to the government's consultation papers on the schools national funding formula and high needs funding reform.

Risk management

148. The DfE will issue a stage two consultation later in the summer term setting out the detailed formula values after having taken account of the responses to the stage one consultation. Schools Forum and the council will have a further opportunity to comment on the detailed national formula proposals before national implementation by government.

Consultees

149. None - Schools forum is being asked as representatives of Herefordshire schools to support the council's proposed joint response to the consultation.

Appendices

Appendix 1: draft response to the DfE's Schools national funding formula consultation paper

Appendix 2: draft response to the DfE's High Needs funding formula and other reforms

Background papers

- None identified.

Herefordshire council & Herefordshire schools forum's joint response to the schools national funding formula consultation (stage one) and High needs funding formula and other reforms (stage one)

In advance of responding to specific questions, Herefordshire wishes to make the following statements:

- We unequivocally welcome the introduction of a national school funding formula that will ensure schools receive fair funding nationally. The sooner the better because schools in Herefordshire have been underfunded for too long.
- In principle we agree with the ring-fencing of the Schools Block separately from the other blocks in the DSG. Herefordshire has adopted this practice since April 2013 and believes this provides an essential budget discipline that supports good management. However, it will only be successful nationally if supported by a proper and fair formulaic allocation of the early years block and high needs block which fully reflects increasing costs from both growth in pupil numbers and the increasing complexity and cost of individual cases. Without common implementation timescales there is a real danger of cost shunting high needs pressures onto the local authority, which will be unable to cope within diminished funding.
- It is difficult to comment constructively on the individual factors in the formula and until the DfE publishes the stage two consultation, it is not possible to see whether the proposals actually meet the declared principles.
- We would wish to see the evidence base that supports the stage two consultation and the individual factor values. As a small rural authority the value of the primary lump sum and sparsity factor are crucially important in ensuring that Herefordshire is able to sustain the many small and viable primary schools in our most rural areas. We would not welcome the inevitable school closures should the DfE set these critical factors too low. Herefordshire is happy to work with the DfE to establish an appropriate lump sum amount.
- Since inception in 1998 Herefordshire has been a high delegator of funds to schools and welcomes the greater fairness implicit in a national funding formula. Herefordshire has no legacy of historic cost commitments for combined services, prudential borrowing, CERA and expensive long-run pension commitments. Having delegated the maximum to our schools we would not want our national formula entitlement to be reduced to pay for other authorities historic commitments whilst those authorities continue to receive such benefits.
- The proposals to fund LA statutory duties for maintained schools by top-slicing maintained school budgets seem in particular to be designed to create conflict between maintained schools and supportive local authorities like Herefordshire. Local authorities should be properly and fairly funded for their responsibilities, for example it is not yet clear what "championing parents" will mean in practice but to perform this service well for local parents, will require the gathering and processing of significant local intelligence at a cost and then the ability to use this with a range of partners to champion children's outcomes. The function requires more than simply responding to the local newspaper headlines and cannot be done on the cheap nor can it be provided by a remote and undemocratic regional schools commissioner from Birmingham or Whitehall. The funding proposals needs to be altered to reflect such work.

Schools national funding formula

Question 1

Do you agree with our proposed principles for the funding system? YES NO

We agree in principle, but the definition of ‘fair’ has yet to be defined and it will not be clear until the factor values are published in the second consultation. Inevitably there has to be a trade-off between many of these principles, e.g. fairness and simplicity

This means for example, that the basic entitlement and lump sum will need to be justified and fairly based on the actual cost of service provision. The lump sum should reflect the fixed costs of running a school and the basic entitlement should reflect a national pupil teacher ratio. To gain widespread national acceptance (which should surely be an additional eighth principle), the published evidence must support the values chosen by DfE in stage two.

Question 2

Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?

YES NO

A national school funding formula cannot be a true national formula if it continues to include the local flexibilities implicit in a local authority ‘soft’ formula, and which will inevitably distort the fairness principle for similar funding for similar schools in similar areas.

The upheaval and risk in these changes is only warranted if the national formula and its supporting processes are significantly better/cheaper than the system that is being replaced. It will be essential that the national formula provides sufficient flexibility to ensure that local needs are included as fairly as possible. Ultimately there may have to be an on-going need for the Secretary of State to make exceptions decisions for the very few schools that do not easily fit the national formula model.

The Education Funding Agency (EFA) will clearly need to be staffed and funded appropriately to ensure the successful implementation to accurately distribute funding to over 23,000 schools be they academies or maintained schools.

Question 3

Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4? YES NO

Funding for the different values needs to be based upon evidence and a clear rationale for the amounts chosen. There may be merit in including a separate KS1 factor to allow different funding rates for KS1 and KS2 if necessary in future. The same applies in reflecting higher funding for KS1 for higher reception class costs and to encourage early intervention, which is proven to be cost effective in the long term. We trust the DfE will provide the appropriate evidence base in stage two.

Question 4

a) **Do you agree that we should include a deprivation factor?** YES NO

b) **Which measures for the deprivation factor do you support?**

- Pupil-level only (current FSM and Ever6 FSM)
- Area-level only (IDACI)
- Pupil-and area-level

(b) Funding for the different values needs to be based upon evidence and a clear rationale for the amounts chosen.

Herefordshire (and other rural authorities) remain concerned that IDACI is not accurate in very large rural non-homogenous postcode areas (or Super Output Areas) and we have chosen not to use IDACI for this reason.

The significant turbulence in deprivation funding at a school level in 2015 that followed an (arbitrary) five year review of IDACI indicators surely warrants a degree of caution by DfE. Either annual revaluation is required or a degree of smoothing so that the old values are smoothed out over 5 years.

Herefordshire uses Ever6 free school meals as a factor, which is updated annually. We agree with the use of the FSM indicator but that it should be limited to the cost of free school meal provision.

Question 5

Do you agree we should include a low prior attainment factor? YES/ NO

Funding for the different values needs to be based upon evidence and a clear rationale for the amounts

We are concerned that use of Low Prior Attainment could be perceived as rewarding failure and there should be some element of "success" funding by using value added. It continues to be a concern that the DfE School funding branch still uses the Early Years Foundation Stage Profile indicator even though the DfE early years policy team have moved to different assessment methods. This does not bode well for the future robustness of the national formula and its wide scale credibility in schools.

Question 6

a) Do you agree that we should include a factor for English as an additional language? YES/ NO

Funding for the different values needs to be based upon evidence and a clear rationale for the amounts chosen.

b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)? YES/ NO

Herefordshire currently uses the one year factor for EAL as this targets funding where it is immediately required and where it makes the most difference. If schools haven't made significant improvement and integration within 3 years then arguably they are never going to. Please justify and publish the evidence so that we can all agree or not.

Question 7

Do you agree that we should include a lump sum factor? YES/ NO

Funding for the different values needs to be based upon evidence and a clear rationale for the amounts chosen. The value chosen for this factor will be critical for rural authorities with large numbers of small but necessary schools. The lump sum value needs to be a fair assessment of school fixed costs and given the current variation in values between local authorities it currently seems to reflect an authority's ability to fund. Low funded rural

authorities with proportionately larger numbers of smaller schools simply cannot afford to pay more.

This will be a very important part of the stage 2 consultation and the options considered need to be well set out by DfE. This will need to include consideration of shared headship arrangements which reduce costs in small rural schools – what’s reasonable and what’s not. Herefordshire would welcome the chance to work with the DfE to establish the appropriate lump sum.

Question 8

Do you agree that we should include a sparsity factor? YES/ NO

Yes – there needs to be a method of allocating additional funding to small but necessary rural schools where there are no other schools within reasonable travelling distance. Delivering education across large geographical areas inevitably costs more than in urban areas. On-going resilience must be built into the funding arrangements because birth rates fluctuate over time and once a school is closed it cannot be easily re-opened.

The DfE have not really addressed the relationship between the cost of rural schools and an accurately targeted sparsity factor at school level. Herefordshire is willing to work with the DfE to help get the sparsity factor right.

Just as importantly, schools also support the local community in very rural areas and are not just stand-alone institutions. Small schools need to be supported not only to maintain standards but also to preserve, in an efficient manner, their benefit to the community around them.

Question 9

Do you agree that we should include a business rates factor? YES/ NO

Yes, if Business Rates are to be part of the school funding formula.

However, given that rates add no value to the education of pupils, they cannot be formularised and given that they are hugely different dependent on the charitable status of the school, DfE should explore other options.

Question 10

Do you agree that we should include a split sites factor? YES/ NO

Herefordshire does not need to use this factor but accepts that within a national formula there will need to be fair and clear arrangements to provide for schools with genuine additional costs that arise from operating over two or more sites. In the long term it may be better to simply make schools with split sites into different schools.

Question 11

Do you agree that we should include a private finance initiative factor? YES/ NO

The funding of private finance initiative schools is a long term complex contractual matter and costs are usually linked to inflation factors and increase annually across the full life of the contract. Herefordshire has recently reached agreement with schools forum that additional cash injections from both the council and DSG were necessary to ensure that Herefordshire’s long term PFI contract continues to be fully financed. A PFI factor is essential however it is more important how the value attached to this factor will be determined in future.

The PFI factor must be inflated by RPI each year and whilst inflation is low, the cost will be small however should inflation increase much above 5% pa then the cost will increase dramatically. DfE will need to be very clear about what proportion of cost will be funded through DSG and what will be passed onto local authorities to fund. It would not be fair to leave all costs with the local authority. Local authorities with and without PFI schemes will have very different views.

Question 12

Do you agree that we should include an exceptional premises circumstances factor?
 YES/ NO

If a national formula is to be in place, the EFA will need to create clear, solid criteria for exceptional premises circumstances and administer these over time. Joint use agreements for sports or swimming facilities is the most commonly cited reason. It is Herefordshire's view that in such cases if the school pays a fair price for their facility usage there is no need for any correction in the national funding formula. Should the school be paying an unfair amount then the agreement should be re-negotiated!

Question 13

Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors? YES/ NO

- Business rates
- Split sites
- Private finance initiatives
- Other exceptional circumstances

These must be on an actual cost basis and inflated annually by for example RPI. A reasonable proxy in the next two years would be to inflate historic costs by RPI.

Business rates generally increase year on year and so if funding is provided to the school based on historic costs, schools will not receive actual funding but a reduced funding. All schools will need a mechanism whereby EFA pays actuals based on receipt of the rates bill.

Question 14

Do you agree that we should include a growth factor? YES/ NO

Pupil growth should be funded nationally and fairly for those schools affected. It should not be, as now, top-sliced from existing DSG allocations to authorities.

Question 15

Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend? YES/ NO

This would seem a reasonable starting point however future growth could be very different from past growth and an appeal process to the Secretary of State may be required for local authorities that feel unfairly treated. A better way forward in future will be required and we look forward to seeing more details in the stage two consultation.

Question 16

a) **Do you agree that we should include an area cost adjustment?** YES/ NO

b) **Which methodology for the area cost adjustment do you support?**

- general labour market methodology
- hybrid methodology

We accept that the ACA factor is fundamental to the proposed national formula and it is essential it provides a fair allocation of extra costs for those authorities and schools that have to operate in high cost labour markets.

The hybrid methodology that is directly linked to the education labour costs is preferred on the basis that it is more directly explainable and relevant. It is not clear how the hybrid will be applied when there are no national pay scales as ever more academies are established

Question 17

Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula? YES/NO

No particular view – although this seems a proposal that simply maintains the separate funding arrangements for the Pupil Premium rather than including the maximum funding in the national formula and passing direct to schools in a clear, fair and simple process.

As set out above, funding for the different formula values needs to be based upon evidence and a clear rationale for the amounts chosen and in this case what is the evidence for setting the LAC factor to a zero value?

Question 18

Do you agree that we should not include a factor for mobility? YES/NO

Nationally there is little use of the mobility factor and as currently defined it does not work in Herefordshire. There is a clear need for some mechanism for a very small number of service/army schools.

Question 19

Do you agree that we should remove the post-16 factor from 2017-18? YES/NO

Question 20

Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18? YES/NO

In principle we support this as it provides an essential budget discipline for managing DSG effectively. However it will only be successful if the early years block and high needs funding formula is properly and fairly reflective of rising high needs costs. The timescale for implementation of the proposed high needs formula must be common with the schools national funding formula. It would be helpful if the DfE were to address the wide spread perception in local authorities that this proposal is intended to simply cost-shunt high needs funding pressures from the DSG to the local authority's budget at a time when local authorities will be unable to respond.

Question 21

Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee? YES/NO

Yes – simply on the basis that it does not have to be used and until we see the detail of stage two we will not know whether it will be helpful or not.

Question 22

Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula? YES/ NO

Yes this seems fair provided that any formula reflects the dis-economies of scale in small local authorities and also accurately reflects the cost of providing the on-going responsibilities. The present proposal does not accurately reflect the costs of providing on-going responsibilities and the consultation paper recognises this by alluding to the need for other sources of funding being required. The proposed per-pupil formula should provide sufficient funding for local authority responsibilities.

It is not at all clear what services will continue to be provided by local government, for example from 2017 onwards, when LAs will no longer have statutory responsibilities for school improvement, how will school improvement be organised? It is of equal concern that responsibility for school deficits is also not clear, for example how can local authorities work with schools to avoid deficits without sufficient means to do so?

The consultation papers and the White Paper are strangely silent on the responsibility for existing and potential new school deficits, is it the local authority, the regional school commissioner or the Education Funding Agency's responsibility? Avoiding school deficits is complex work that must not be ignored in the transitional phase or there will be serious consequences for some schools and local authorities.

Question 23

Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities? YES/ NO

Yes this would seem reasonable. However as an authority that has in the past been a high delegator of funds to schools we would not wish to see Herefordshire schools funding top-sliced to pay for other local authorities' historic commitments whilst they continue to receive those benefits. We accept that there has to be a reasonable transition time and some give and take is necessary.

Question 24

Are there other duties funded from the education services grant that could be removed from the system? YES/NO

As far as we can see the White Paper "Educational Excellence Everywhere" maintains all the existing local authority statutory duties but the funding mechanism significantly reduces the level of funding available to undertake such duties. If this perceived mismatch of responsibility and funding transpires in practice then clearly the statutory duties of the local authority will be provided on a minimal basis only. This is totally unsatisfactory for all and DfE must review and set out the intentions on a much clearer basis and provide the funding required

Local authorities must be fairly funded for their continuing statutory duties.

Question 25

Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally—in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools? YES/ NO

Yes but the whole concept of top-slicing maintained schools is a back door cut on maintained school budgets apparently designed to expedite the academy conversion process. Maintained schools should be protected by the MFG to ensure such cuts are fair.

There is merit in agreeing with Schools forum the level of redundancy payments as this is equitable with academies but for local authority statutory duties the top-slice process seems simply to be muddled thinking about how to continue the local authority's statutory role but without any money.

Question 26 (from Equality Assessment document)

Are there any other factors not included in the consultation document and not included in the [equality] assessment that we should take into account? Has the analysis we have conducted so far captured all relevant statistics or is there further analysis we should undertake?

It is difficult to comment further without knowing the stage two formula values and seeing the detailed evidence base used by the DfE to determine these values.

HIGH NEEDS FUNDING FORMULA AND OTHER REFORMS
Draft joint response of Herefordshire Council and Schools Forum

Question 1

Do you agree with our proposed principles for the funding system?

Response

Yes

- Herefordshire Is extremely pleased after many years of unfairness and campaigning in conjunction with the f40 group the government is tackling the long funding inequity and unfairness both between LAs and schools.
- Fairer Funding cannot come soon enough and that transition needs to be as short as practical
- Any formula funding for high needs is better than the current unfair frozen historic cost basis that leads to inequitable provision that no longer bears any relationship to current need and does not reflect future growth.
- Re the simplicity principle – if the formula is overly simple then it will not be sufficiently responsive to need.
- See comments in schools national funding formula response

Question 2

Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?

Response

Yes

- the high needs block of DSG funding being distributed direct to LAs rather than directly to schools and institutions.
- And that top up funding and matrix/banding systems will continue to be developed and managed locally by LAs.

Question 3

Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?

Response

Yes -agreed that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people. Using proxy measures reduces the likelihood of perverse incentives that may occur if funding were to follow assessment

Question 4

Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?

Response

Yes but

- Agree with basic factors proposed but as with the national school funding proposals it

is difficult to comment on this without some idea of how these factors will be constructed, weighted and costed together with the operation of any MFG and any scaling for affordability will be crucial.

- It is essential that growing high needs population and increasing complexity of need are fairly funded as both contribute to high needs cost pressures.
- Re Health and disability – disability living allowance (DLA) is not always an accurate predictor of need

Question 5

We are not proposing to make any changes to the distribution of funding for hospital education, but welcome views as we continue working with representatives of this sector on the way forward.

Response

Yes but DfE need to consider a fair mechanism to fund growth as we continue to face increasing costs from rising demand. Herefordshire would not support the sole use of inpatient data to determine funding as there is a significant number of longer term cases where children are not well enough to attend school but require hospital-school type provision e.g. enduring mental health difficulties and those in post-16.

Question 6

Which methodology for the area cost adjustment do you support?

Response

Yes – we support ACA on the 'hybrid' model. A clear explanation of how the ACA factor will work and how it truly reflects cost differentials will be important in gaining nationwide acceptance for the new formula.

Question 7

Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?

Response

Yes but the proportion needs to be carefully considered to reflect the ability of historically high funded local authorities and schools to adjust down to lower funding in future.

Question 8

Do you agree with our proposal to protect local authorities' high needs funding through an overall minimum funding guarantee?

Response

Yes but

- MFG is a common approach to school funding however changes in high needs provision at an authority and/or school level will need to be handled sensitively and may well require a minimum 5 year timescale.
- Not sure if the MFG simply duplicates the historic spend factor? Can the 5 year MFG be better handled in the historic spending factor?

Question 9

Given the importance of schools' decisions about what kind of support is most appropriate for their pupils with SEN, working in partnership with parents, we welcome views on what should be covered in any national guidelines on what schools offer for their pupils with SEN and disabilities.

Response

Some guidance on expectations of what a mainstream school or college could be expected to offer would be a useful starting point for further work with parents.

Question 10

We are proposing that mainstream schools with special units receive per pupil amounts based on a pupil count that includes pupils in the units, plus funding of £6,000 for each of the places in the unit; rather than £10,000 per place. Do you agree with the proposed change to the funding of special units in mainstream schools?

Response

Yes but the need for change is not a provision issue but a technical one as the Education Funding Agency merely want to discard the pupil number adjustment process for the schools national funding formula.

Question 11

We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an "invest-to-save" basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.

Response

No comment.

Question 12

We welcome examples of where centrally retained funding is used to support schools that are particularly inclusive and have a high proportion of pupils with particular types of SEN, or a disproportionate number of pupils with high needs.

Response

Many small rural schools would prefer a "high needs" pupil factor in the school funding formula so that they could be funded for the actual number of £6,000 thresholds in school rather than a concessionary allocation from the high needs block that will be cut at the first signs of high needs cost pressures. If the DfE believe all the £6,000 thresholds are already in the schools national formula, as they do. Then it automatically follows that if the thresholds are in the wrong schools then it is the school funding formula that should re-distribute the threshold. This was raised with ISOS but has not been accepted by ISOS or the DfE. Please provide the evidence/arguments as to why.

Herefordshire has used an SEN protection factor, funded from the high needs block, for those schools with a disproportionate SEN cohort. This has been successful and both Schools Forum and LA officers consider that it contributes positively to inclusion in mainstream schools.

Question 13

Do you agree that independent special schools should be given the opportunity to receive place funding directly from the EFA with the balance in the form of top-up funding from local authorities?

Response

Yes but it could drive up costs as independent schools could take advantage to put up their prices and who will know or monitor?
It could also lead to further confusion in relation to which organisation is responsible for the sufficiency of specialised place planning.

Question 14

We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.

Response

This is a really complex area and further policy guidance and discussion is required in Stage 2 as indicated in the consultation paper. However, we would like to work more with Post-16 providers in Herefordshire and the funding arrangements should support this

Our view, expressed as part of the Isos research, is that post-16 funding should be aligned and consistent with pre-16 to provide simplicity, equity and transparency. We have already implemented this in Herefordshire with top-up funding arrangements consistent across both pre and post-16 environments. We would be happy to elaborate further on this.



Meeting:	Schools forum
Meeting date:	15 April 2016
Title of report:	Budget working group
Report by:	School finance manager

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide.

Purpose

To consider the report of the budget working group (BWG) on the following matters: summary of school budget proposals and special school funding.

Recommendation(s)

THAT: the schools forum review the common issues and possible solutions as summarised in paragraphs 7 and 8 and considers whether further action is necessary, and in particular it is recommended:

- a) that the Herefordshire Association of Secondary Headteachers (HASH) and the primary heads forum be asked to make the offer of further support to those schools who have not responded and to consider whether the offer should be further extended by a direct communication to schools through the Spotlight schools briefing;
- b) that the schools forum consider whether the support provided should also include educational support through a colleague headteacher e.g. a National Leader of Education in addition to the support offered by the schools finance manager; and
- c) that in accordance with principle six of the schools capital investment strategy, officers be asked to make contact with the relevant schools and in particular those schools with a deteriorating financial position.

Alternative options

1. No alternative options were considered by the BWG. Further work on the 2017/18 schools budget will need to consider any necessary steps as the national school funding formula proposals are developed.

Reasons for recommendations

2. The BWG has no decision making powers and reports to the schools forum for them to consider the recommendations and proposals that BWG believes warrant further action.

Key considerations

School budget plans

3. Schools Forum received a presentation on “Looking to the future” in June 2015 setting out a five year funding strategy in light of increasing cost and demand pressures. Schools Forum responded by establishing four task and finish groups on outcomes, high needs, capital and early years. These groups will present interim proposals to Schools Forum in June 2016 and final recommendations in June 2017. Additionally, and jointly with the council, Schools forum has written to all schools offering practical advice on actions schools should consider in order to deal with the continuing cost pressures. To ensure that schools are responding to the financial pressures a further letter was sent requesting that schools inform the schools forum of their proposed actions.
4. The BWG met on 22 February 2016 and considered replies received from schools in response to an invitation to all schools to submit outline action plans and savings proposals on a pro-forma as part of a third letter on the “looking to the future” theme. Forty replies had been received, about half of the county’s schools: three academy primary schools, 26 local authority maintained primary schools, five academy high schools, and three local authority maintained high schools. There had also been three returns from schools which were included in a joint school response. Since the BWG meeting a further twelve responses have been received.
5. The BWG considered that it was disappointing that more schools had not replied. However, the consensus was that no purpose would be served by pursuing the matter by writing to schools again and it was not the Group’s role to do so. However, there was a concern that the reason why some schools might not have replied was that they were unaware of their financial predicament or were putting off the necessary financial actions. The BWG recommended that an offer of support should be made to those schools who had not replied, offering them the opportunity to discuss any concerns they might have by telephone with the School finance manager. This offer could be communicated through the Herefordshire Association of Secondary Headteachers (HASH) and the Primary heads forum.
6. The School finance manager noted that it would be apparent when local authority maintained schools submitted their five year financial forecasts in May/June whether any school was facing significant financial difficulty and had not taken appropriate action. The new financial software all local authority schools are required to use would identify any deficits. The Education Funding Agency has responsibility for academies.

Further information on the subject of this report is available from
Malcolm Green, School Finance Manager, on Tel (01432) 260818

Summary of common issues

7. In writing to schools one of the aims had been to identify any trends in schools' experiences and any good practice that could be shared. The following common issues have been identified from the replies:
- The difficulty presented by fluctuating numbers of pupils on roll, particularly for primary schools.
 - The numbers and associated higher cost of employing upper pay scale (UPS) staff. In some schools most teachers were on UPS.
 - How few schools considered that they were in a strong financial position.
 - Reducing the numbers of teaching assistants was a common theme.
 - The use of newly-qualified teachers when a vacancy needed to be filled.
 - To review all vacancies and consider the needs of the school – as opposed to simply replacing like with like.
 - Fewer options offered at key stage 4
 - Fewer options offered for the sixth form.

Summary of possible solutions

8. The following possible solutions were identified from the summary of schools replies and in discussion by the BWG:
- Sharing headteachers.
 - Reviewing class sizes and structures.
 - A number of schools had identified that securing more pupils on roll would be a solution. However, the BWG noted that the expectation that new housing developments would generate significant additional pupils was often a false hope because the developments did not materialise in the time expected or did not generate the number of pupils expected by a school.
 - The suggestion that employing newly-qualified teachers (NQTs) was a solution was flawed. It assumed that only NQTs would apply. Salaries of those appointed would rise in time. It might depart from the principle of appointing the best person for the job. Research has shown that class size did not have an impact on educational attainment. The quality of the teaching was the critical factor.
 - Space constraints meant that a number of schools could not accommodate larger class sizes even if they wished to do so. It was noted that in February 2016 Cabinet had agreed a schools capital investment strategy setting out the principles that should underpin capital investment. Officers are now working to produce a detailed financial plan.
 - Some high schools were working closely with primary schools, particularly where they were on the same site or in close proximity.
 - Permanent variable contracts should be considered as a matter of course as such contracts allowed schools the flexibility to revise staffing in line with changes in pupil numbers.

- The DfE view was that multi-academy trusts would increasingly become the standard school organisation model for the future.
- Schools needed to recognise more readily that the numbers of pupils on roll meant if they were not sustainable as a five class school and despite parental concerns, they had to accept a change to a four class school.
- Some small schools could face a significant budgetary impact for example, if one family with three children of school age enrolled at the school or left the area. Removing those children from school, this could represent a significant proportion of a school's pupils. Such changes could happen almost overnight and no planning could take account of this circumstance.
- The respective roles of governing bodies and head teachers in driving change were discussed. It appeared that there was an underlying "Herefordshire" view that, aside from instincts of self-preservation (although these could not be ignored as a factor in the debate) maintaining the existing structure of provision was good and change was not welcomed by some. The objective should be to ensure the right educational provision across the county, but emphasising that this had to be within the resources available. This meant that federation had to be pursued and promoted where there was a justifiable case. Change would, however, take time.
- It was suggested that the provision of examples of successful federation models to governing bodies would be helpful.

Conclusion

9. The BWG concluded that they did not appear to have overlooked any major issues or options. However, it seemed in the main that schools were seeking to manage the financial situation individually by making marginal ongoing reductions in their budgets rather than considering strategic options. Whilst the possibility of exploring options such as academy trusts and federation had been identified there was little evidence of any firm proposals emerging and a number of previous examples of reluctance to take such a course in practice. However, there are a number of examples currently under active consideration. Schools appeared to be working and managing well at the moment but it was clear that further consideration needed to be given to available strategic options to meet future challenges. It was easier to do this from the current stable position and BWG commented that the opportunity should be taken to explore options now in advance of any deterioration of the overall financial position.

Special school funding

10. The School Finance Manager highlighted that special school funding was a particular concern and this would need to be addressed prior to the next financial year. Whilst special school budgets for 2016/17 had been balanced by transferring funding from the high needs block he considered a further increase in funding would be necessary in 2017/18. The DfE may provide some additional growth in the high needs block, however this could not be relied upon and it may be necessary to transfer funding from the schools block to enable special school budgets to be balanced in 2017/18.
11. The BWG discussed the following principal points:
 - An individual view was expressed that federation of the special school provision in the county was not a feasible option as no additional funding would be available. Instead consideration needed to be given to linking special needs provision in with mainstream provision.

- There was discussion of whether funding blocks should be kept distinct or merged. The consensus was that maintaining the separate funding blocks was the better course to ensure effective financial management of schools funding.
- The national funding formula may, over time, provide some additional funding for high needs provision within the county. However, the allocation of additional funding to Herefordshire would mean a reduction in funding to other authorities, a number of whom had already begun lobbying against any reduction in their budgets. The imminent DfE consultation paper should include national proposals for improving high needs funding. The local authority will need to identify possible options for discussion with the BWG in advance of setting the 2017/18 budgets.
- It is requested that consideration be given to what other authorities were doing to meet the challenge of funding high needs and in particular if there were examples of the successful integration of special school provision with mainstream provision.
- The early years task group has met twice and was considering proposals to increase the high needs funding available for early years children as early intervention would bring real benefits in meeting need.
- It was noted that the high needs task group is developing proposals that will provide for long term restructuring high needs provision. The work of all the task groups needs to be shared to inform a strategic co-ordinated way forward before the task groups reported to Schools Forum in June 2016. It was proposed that a BWG meeting should be convened to which the chairs and co-chairs of the current task groups should be invited to discuss options, in the context of the need to find a long term solution to special needs funding in advance of setting the 2017/18 budget.

BWG work programme

- 12 The School finance manager suggested that it would be useful for the BWG to consider the work of the f40 group and how Herefordshire could support the group, for example through MPs.

Community impact

13. The school funding formula must meet the national requirements of the Department for Education. Within these national funding guidelines the funding is targeted to support the achievement of improved outcomes for all Herefordshire pupils in accordance with a carefully considered strategy that is subject to annual consultation with schools and governors. The governing bodies of schools are responsible for decisions to commit expenditure accordingly to meet pupils' individual needs. If however schools are not planning strategically for the future financial sustainability of their provision, this could put the education provision at avoidable risk.

Equality and human rights

14. There are no implications for the public sector equality duty.

Financial implications

15. Schools Forum and the council have jointly taken the "Looking to the Future" initiative to ensure that all schools take appropriate and timely actions to deal with future cost pressures of approx. 15% over the next four years. Effective planning by individual

schools now will enable sensible plans to be in place to mitigate the cost pressures and ensure the continued viability of Herefordshire's schools whilst avoiding deficit budgets.

Legal implications

16. The purpose of this report is to update the Schools Forum on responses received from schools outlining financial action plans and savings proposals and the BWG's comments on the same. This is in line with the Schools Forums (England) Regulations 2012.

Risk management

17. The failure of some schools to respond, and the patchy response of those who have, requires further follow-up as set out in the recommendations to mitigate both the known and unknown financial risks in Herefordshire's school system. Further analysis work will be undertaken for maintained schools when school budget plans for 2016/17 have been signed off by governing bodies and submitted to the local authority later in the summer term.

Consultees

18. All maintained schools, academies and free schools in Herefordshire have been sent the "looking to the future" letters and have been consulted.

Appendices

None

Background papers

- None identified.

MEETING:	SCHOOLS FORUM
DATE:	15 APRIL 2016
TITLE OF REPORT:	WORK PROGRAMME
REPORT BY:	GOVERNANCE SERVICES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To consider the Forum's work programme.

Recommendation

THAT: the Work Programme be noted, subject to any comments the Forum wishes to make.

Herefordshire Schools Forum – Work Programme 2016

Friday 10 June 2016 – 9.30 am

- Update on DfE consultation papers on National School Funding Formula/High Needs & Education Services Grant – to be confirmed as dependent on DfE stage two consultation. Either June or July
- DfE White Paper: Educational Excellence Everywhere
- Report of Budget Working Group (Proposals for inclusion in Schools Consultation Paper) (dependent on DfE stage two consultation so either June or July)
- DfE early years consultation paper (subject to DfE publication)
- Education Services Grant and proposals to fund LA statutory duties
- Annual Review of Forum Membership to ensure broadly proportional representation is maintained
- Annual Review of BWG Membership
- Looking to the Future Proposals from Task and Finish Groups:
 - Outcomes (Lisa Fraser/Tracey Kneale)
 - Capital (Andy Hough/Anne Pritchard)

Further information on the subject of this report is available from
Tim Brown, Governance Services on (01432) 260239

<ul style="list-style-type: none"> • Early Years (Julia Stephens/Julie Rees) • High Needs (Les Knight/Sara Catlow-Hawkins) • School Balances – clawback scheme update/review • Workplan • Dates of Meetings
Friday 8 July 2016 (9.30 am)
<ul style="list-style-type: none"> • Update on DfE consultation papers on National School Funding Formula/High Needs & Education Services Grant – to be confirmed as dependent on DfE stage two consultation. Either June or July • Report of Budget Working Group (Proposals for inclusion in Schools Consultation Paper) (Dependent on DfE stage two so either June or July.) • DfE early years consultation paper (subject to DfE publication) – see items for 10 June above) • Workplan • Dates of Meetings
Friday 21 October 2016 (9.30 am)
<ul style="list-style-type: none"> • Election of Chairman/Vice-Chairman of Forum • Election of Chairman of Budget Working Group • Report of Budget Working Group (outcome of School budget 2017/18 consultation - approval of provisional National Funding Formula values and to comply with DfE national proposals) • Capital Investment 2016/17 Update • Update on DfE response on National School Funding Formula and High Needs • Education Services Grant Proposals • Workplan • Dates of Meetings • <i>(Report on Forum's Constitution – subject to timing of response from DfE to Consultation on National Funding Formula)</i>
Friday 2 December 2016 (9.30 am)
<ul style="list-style-type: none"> • Workplan • Dates of Meetings
Friday 13 January 2017 (9.30 am)
<ul style="list-style-type: none"> • Dedicated Schools Grant settlement and proposed schools budget 2017/18 (to comply with DfE national formula) • Workplan • Dates of Meetings

Friday 10 March 2017 (9.30 am)

- Workplan
- Dates of Meetings

Background Papers

- None identified.

