



NOTICE OF MEETING

SCHOOLS FORUM

WEDNESDAY, 25 MAY 2016 AT 4.30 PM

CONFERENCE ROOM A, SECOND FLOOR, THE CIVIC OFFICES

Telephone enquiries to Jane Di Dino 023 9283 4060

Email: jane.didino@portsmouthcc.gov.uk

Membership

Schools Members

One head teacher representative - nursery phase

Three head teacher representatives - primary phase

Two head teacher representatives - secondary phase

One head teacher representative - special phase

Five academy representatives

Five governors

Non School Members

Four Councillors (one from each political party)

One representative from the following organisations:

The Anglican Diocese

The Roman Catholic Diocese

The 16-19 Representative

The Early Years providers (from the private, voluntary and independent sector)

(NB This agenda should be retained for future reference with the minutes of this meeting).

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

AGENDA

- 1 **Apologies**
- 2 **Declarations of Interest**
- 3 **Membership Changes.**
- 4 **Minutes and Matters Arising From the Previous Meeting Held on 24 February. (Pages 1 - 4)**

5 Future School Funding Formula Change. (Pages 5 - 30)

Purpose.

The purpose of this report is to provide the Schools Forum with an initial summary and impact assessment of the proposals contained within the 'school funding formula' consultation documents issued by the Department for Education on 7 March 2016.

RECOMMENDED that the Schools Forum:

- a. Note the Department for Education's proposed changes to the school funding arrangements and the potential impact of these changes, as set out within this report; and in particular:**

2017-18

- i. The transitional period for 2017-18 and 2018-19. Funding to Local Authorities would be allocated on a national formula basis, but Local Authorities would continue to distribute this to schools based on a local formula.**
- ii. Additional ring-fencing. The 'Schools Block' funding will be ring-fenced within the Dedicated Schools Grant (DSG).**
- iii. Creation of a new 'Central Schools Block' which will include the 'retained duties' element of the Education Services Grant (ESG).**
- iv. The Introduction of a formulaic method for distributing High Needs funding from central to local government from 2017-18 (including Special Education Needs (SEN) and Alternative Provision (AP)).**
- v. The proposed fundamental review of Schools Forum.**

2019-20

- vi. The implementation of a single National Funding Formula from 2019-20 (at a school level), with funding being passed directly by the Education Funding Agency.**
- vii. Withdrawal of current de-delegation arrangements.**

- b. Note the submission of the response to stage 1, of the Department for Education's consultation, as shown at Appendix 1.**
- c. Endorse the creation of a working group to guide and inform the development of the local funding arrangements for 2017/2018 and 2018/2019 as set out in section 10.**

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the council's website and posters on the wall of the meeting's venue.

Agenda Item 4

SCHOOLS FORUM

MINUTES OF THE MEETING of the Schools Forum held on Wednesday, 24 February 2016 at 4.30pm in the Guildhall, Portsmouth

Present

David Jeapes, Head Teacher	Secondary (in the Chair)
Gareth Hughes, Head Teacher	Secondary
Krishna Purbhoo, Head Teacher	Special
Karen Stocks, Head Teacher	Nursery
Jackie Collins, Head Teacher	Primary
Fiona Calderbank, Head Teacher	Academies - Secondary
Bruce Marr, Governor	Secondary
Steve Sheehan, Governor	Primary
Clive Good, Governor	Primary
Abbie Eales	Anglican Diocese
Steve Frampton	16-19 Representative
Carol Damper	Early Years' Providers
Councillor John Ferrett	Labour Party
Councillor Colin Galloway	UKIP

8. Apologies

Apologies for absence were received from: Alison Beane, Steve Labeledz, Lee Miller, Ruth Nabholz-Duncan, Sarah Sadler, Councillor Lynne Stagg and Sue Wilson.

9. Declarations of Interest

Clive Good declared a non-prejudicial interest; he is a governor at Redwood Park School.

10. Membership Changes.

Richard Webb explained that the tenures of the following members were coming to an end and that he would be contacting the relevant groups to seek new appointment of representatives:

- Alison Beane
- Margaret Beel
- Bruce Marr
- Steve Frampton

11. Minutes and Matters Arising From the Previous Meeting Held on 20 January 2016.

DECISION

The Schools Forum agreed the minutes of the meeting held on 20 January 2016.

Matters Arising.

Page 3 - the report on high needs was being considered at this meeting.

Page 4 - the criteria to enable the shortfall in de-delegated funding for the administration of free school meals to be charged to the school-specific contingency fund in 2016-17 will be agreed at the July meeting.

12. Dedicated Schools Grant Budget Monitoring Report for the Third Quarter 2015/ 16.

Alison Egerton, Group Accountant introduced the report.

DECISION

The Schools Forum noted the forecast year-end budget position as at the end of quarter 3, for the Dedicated Schools Grant, together with the associated explanations, as detailed in section 4 of the report.

13. Supply of School Places and Special School Infrastructure.

Mike Stoneman, Acting Deputy Director of Children's Services - Education introduced the report and in response to questions clarified the following points:

- A surplus of approximately 2-3% has been achieved in the primary phase across the city.
- The tables in the report show forecasts for the next two years. Officers have drawn up forecasts that go beyond this for the next five years.
- The shortfall for Year 4 places is being monitored. Last year, primary and junior schools were asked to accept one extra pupil per class.
- Academies could decline to expand but to date have not done so, with the exception of Charter Academy where an option has been identified but is under review and is dependent on the future of the school sixth form.
- A PSPB1 bid was made for 900 places at King Richard School. This figure was based on the significant amount of surplus that was in the secondary school system at the time. Our latest forecasts show that a 900 capacity school would be insufficient and an agreement has now been reached with the EFA and King Richard School Trust to increase the capacity to 1000.
- Mayfield, Arundel Court and Beacon View are benefiting from funding from the government's Priority School Building Programme (PSBP) which assists schools in the worst conditions.
- The cost for a new secondary school has been estimated at £20m based on national averages.
- The local authority is not responsible for further education places. There is currently reasonable capacity in this sector in the Portsmouth travel to learn area.
- The costs provided in the report are estimates.
- It is anticipated that Trafalgar School will be the secondary school that will meet the majority of the future demand for school places generated by the Tipner developments.
- The focus is on remodelling Cliffdale and Redwood Park so they can accept more complex cohorts of pupils.
- It is not known how quickly the Secretary of State will make a decision.
- This could be implemented as a phased development.
- Schools Forum members could be invited onto the Project Board to monitor implementation.

Julia Katherine, Inclusion Commissioning Manager informed members that:

- Portsmouth currently has a higher percentage of children with statements or education health and care plans placed in special schools than the national average.
- Priority 5 of The Children's Trust strategy is to improve outcomes for children and young people with special educational needs and their families. The first of the 3 themes identified within Priority 5 is to create a more inclusive culture within the city. This relates to the need for schools to be more inclusive. Some mainstream secondary schools are already educating children with special needs who in the past might have attended a special school. Equally, the cohort of children being placed at Redwood Park school now have increasingly complex needs..
- It is anticipated that a small number of pupils will still need to go out of the city for very specialist provision.
- Work will need to be carried out to improve accessibility of all schools.

Alison Jeffery, Director of Children's Services reminded members that this project would result in recurrent savings and therefore more money would be available in the DSG. It is important that pupils be fairly distributed among schools, but it also depends on parents' choices, available spaces and catchment areas. Therefore maybe it would be useful to carefully word the message to parents to manage their expectations.

During the discussion, members raised the following points:

- Schools can choose to expand their sixth forms rather than their intake over the whole school.
- It is encouraging by the work that the LA has carried out with schools.
- The Regional Schools Commissioner has ruled that where there are fewer than 240 pupils in a school sixth form, the school must submit a business case.
- It members endorse the allocation; the contingency fund would reduce accordingly.
- Ensuring that pupils do not have to travel out of the city for education is important to improve their outcomes.
- It was suggested that several members of the Schools Forum form a sub-group to monitor the implementation of this project and to ensure that the outcomes of pupils are prioritised.
- The project is expected to take two to three years to implement.
- It is important that all secondary mainstream schools commit to being as inclusive as possible.
- It was acknowledged that this would require a systems change that is future-proofed.

The Chair noted that if the submission was endorsed, school representatives would need to explain the implications to their phases.

It was agreed that raining would be needed for secondary school staff. The council commissions outreach support from Portsmouth Special Education Needs Partnership to deliver this support.

DECISIONS

The Schools Forum:

1. **Noted the current position for both primary and secondary school places and the substantial progress made in terms of the primary sufficiency programme and the plans in place or implementing the secondary sufficiency programme.**
2. **Endorsed the submission to the Education Funding Agency of the proposal to allocate £2m from the Dedicated Schools Grant carry-forward to support the remodelling of the Special Schools to support children with more complex needs.**
(One abstention. None against).

Actions.

- 1) Members who wish to join the Project Board were asked to contact Richard Webb.
- 2) A report on the fair distribution of pupils and future-proofing will be brought to a future meeting.

14. Any Other Business.

Members will be sent declarations of interests forms to complete.

The next meeting will be held on 13 July 2016.

The meeting concluded at 6pm.

David Jeapes
Chair

Agenda Item 5



Portsmouth
CITY COUNCIL

Title of meeting:	Schools Forum
Date of meeting:	25 May 2016
Subject:	Future School Funding Formula Changes
Report from:	Alison Jeffery, Director of Children's Services
Report by:	Richard Webb, Finance Manager
Wards affected:	All Wards
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to provide Schools Forum with an initial summary and impact assessment, of the proposals contained within the 'school funding formula' consultation documents issued by the Department for Education (DfE) on the 7th March 2016.

2. Recommendations

It is recommended that Schools Forum:

- a. Note the Department for Education's proposed changes to the school funding arrangements and the potential impact of these changes, as set out within this report; and in particular:

2017-18

- i. The transitional period for 2017-18 and 2018-19. Funding to Local Authorities would be allocated on a national formula basis, but Local Authorities would continue to distribute this to schools based on a local formula.
- ii. Additional ring-fencing. The 'Schools Block' funding will be ring-fenced within the Dedicated Schools Grant (DSG).
- iii. Creation of a new 'Central Schools Block' which will include the 'retained duties' element of the Education Services Grant (ESG).
- iv. The Introduction of a formulaic method for distributing High Needs funding from central to local government from 2017-18 (including Special Education Needs (SEN) and Alternative Provision (AP)).

- v. The proposed fundamental review of Schools Forum.

2019-20

- vi. The implementation of a single National Funding Formula from 2019-20 (at a school level), with funding being passed directly by the Education Funding Agency.
- vii. Withdrawal of current de-delegation arrangements.
- b. Note the submission of the response to stage 1, of the Department for Education's consultation, as shown at Appendix 1.
- c. Endorse the creation of a working group to guide and inform the development of the local funding arrangements for 2017/2018 and 2018/2019 as set out in section 10.

3. Background

- 3.1. On the 7th March 2016, the government issued its consultation documents, setting out its plans for reforming funding for schools and for high-cost special educational needs and alternative provision.¹
- 3.2. The proposals seek to implement a 'national funding formula for schools' and meet the commitment set out in the Spending Review 2015:
- '1.165 The government will introduce the first ever national funding formula for schools, high needs and early years, so that funding is transparently and fairly linked to children's needs. This will end the unfair system where a child from a disadvantaged background in one school attracts half as much funding as a child in identical circumstances in another school, simply because of where they live.*
- 3.3. This report seeks to provide Members with an initial summary and impact assessment, of the proposals contained within the consultation documents issued by the DfE. Further updates will be provided as the consultation and implementation processes develop and further details are made available.

4. DfE Consultation Process

- 4.1. The DfE launched a two stage consultation process, as detailed below:

Stage 1:

Mainstream Schools - a vision for the future funding system as a whole:

- the principles that underpin the formula

¹ <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula>

- the building blocks that are used to construct the formula
- the factors to be included in the formula

High Needs - covers high level principles, key proposals and options for changes to high needs funding to the local authority and changes to the way High Needs funding supports providers.

The stage 1 consultation closed on 17th April 2016.

Stage 2:

Mainstream Schools - will focus on how the government will propose to balance the different factors in the national funding formula and the impact of the formula for individual areas and schools.

High Needs - will set out detailed proposals on factor weightings, the impact for local authorities and transitional protection.

These consultation dates are not yet published.

- 4.2. An initial draft response to the stage 1 consultation process was circulated to Members for comments and suggested amendments on the 30th March 2016. The final consultation response was submitted to the DfE by the deadline of the 17th April (for both mainstream and high needs). A copy of the response can be found at Appendix 1.

5. Underpinning Principles

- 5.1. The reforms that the government is proposing within the consultation are underpinned by the following 7 principles:

- **Supports opportunity for all pupils to achieve their potential.**
- **Is fair.** Allocates funding based on objective measures, not historical reasons.
- **Is efficient.** Allocates resources to match need.
- **Gets funding straight to the frontline.**
- **Is transparent.** Schools understand the funding they receive and how it is likely to change.
- **Is simple.**
- **Is predictable.** Enables schools and local authorities to manage and plan for year on year changes.

- 5.2. In responding to the consultation question on the underpinning principles above, it was highlighted it would be helpful to also have a set of principles to guide and support the transition phase towards the new national funding formula. For example: a proposed target ratio for the

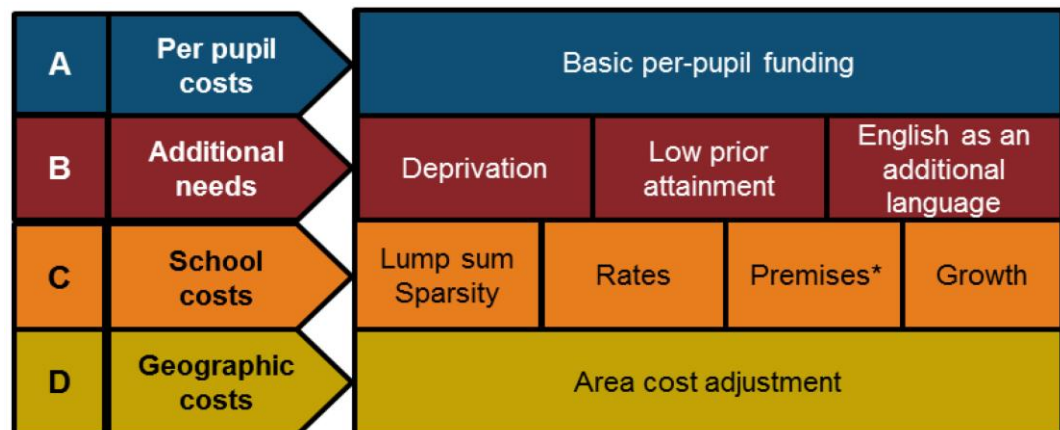
primary/secondary funding proportions, guidance as to acceptable levels of Minimum Funding Guarantee (MFG) protection.

6. Mainstream Funding Arrangements

- 6.1. The main proposed changes to the mainstream funding arrangements can be summarised as:
- a. **A single National Funding Formula from 2019-20.** A national funding formula at a school level from 2019-20, with funding being passed directly by the Education Funding Agency.
 - b. **Withdrawal of current de-delegation arrangements.**
 - c. **A transitional period.** For 2017-18 and 2018-19, funding to Local Authorities (LAs) would be allocated on a national formula basis, but Local Authorities would continue to distribute this to schools based on a local formula.
 - d. **Additional ring-fencing.** The 'Schools Block' funding will be ring-fenced within the Dedicated Schools Grant (DSG).

Proposed changes to the mainstream funding formula

- 6.2. The DfE are proposing to construct the new national funding formula model based on the following 4 building blocks (A to D):



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

- 6.3. The proposed model includes funding formula factors that are used within the current funding formula model. However, the DfE are considering reviewing some of the data sets used for these factors; such as deprivation and use of the Free School Meal (FSM) or Income Deprivation Affecting Children Index (IDACI) data sets.
- 6.4. For 2017-18 and 2018-19, the DfE are also considering allocating funding, based on historic spend for the following factors:

- Business rates
- Private Finance Initiatives (PFI)
- Split Sites (not used in Portsmouth)
- Other exceptional circumstances (not used in Portsmouth)
- Growth Funding

6.5. Whilst not all of the above factors are currently used in Portsmouth, the use of historic spend figures, as a basis of allocating funding to local authorities, for Business Rates, PFI or the Growth Factor in 2017-18 and 2018-19 is not felt to be an appropriate method to reflect the changing local funding requirements for these factors.

6.6. For example, allocating growth funding based on historic spend, is unlikely to be an adequate predictor of future growth funding requirements as highlighted within the consultation document. Currently, in setting our annual Dedicated Schools Grant budgets, we are able to factor our annual growth fund requirements in setting the overall schools budgets.

This proposed methodology also continues the potential unfairness for schools in different local authorities. For example:

- Authority A might provide a lump sum payment for a school opening up a new class
- Authority B might provide the equivalent of the AWPU or other formula funding, for each new child expected
- Authority C might not have a growth fund at all

Alternative proposals would be:

- To allocate growth funding to local authorities based on submitted forecasts.
- To require local authorities to estimate pupil numbers for new basic needs classes on the Authority Proforma Tool and fund accordingly.

6.7. There are some current funding factors that are proposed to be removed in developing the new formula:

- Mobility (not used in Portsmouth)
- Post 16 (not used in Portsmouth)
- Looked After Children (currently in use)

6.8. The government is also proposing to remove the Looked After Children funding factor and transfer that funding from the Dedicated Schools Grant to the Pupil Premium Plus funding; in order to increase the Pupil Premium Plus rate (currently £1,900). This change is proposed to be introduced from **2017-18**. Currently Portsmouth allocates £281,392 through this factor to 34 schools and Academies.

6.9. In moving to the new single National Funding Formula, the current ability to de-delegate expenditure to be managed centrally by the Local Authority on behalf of mainstream schools is proposed to be removed. These services will need to move towards a fully traded model. The budgets that are currently de-delegated and will be affected by this change include:

- MABS
- Union Duties
- Free School Meal Eligibility checking
- Museums
- CLEAPS

Transitional arrangements

6.10. The DfE's objective is to implement a national funding formula at a school level from 2019-20, with funding being passed directly by the Education Funding Agency. However, for the financial years 2017-18 and 2018-19, transitional arrangements will be put in place, whereby the Local Authority will continue to have a role in the funding arrangements.

6.11. In 2017-18 and 2018-19 there will be some significant changes to the funding arrangements:

- a. Local Authorities will no longer be funded based on the current basis of Guaranteed Units of Funding (GUF) per pupil. Instead, the Schools Block funding will be allocated to Local Authorities based on a 'shadow' school level formula.
- b. An exercise to re-baseline the funding allocations between the Schools, Early Years and High Needs Blocks has been undertaken, which will also see the creation of a new 'Central Schools' funding block; as explained later in the report.
- c. The Schools Block funding will be ring-fenced from 2017-18, with an expectation that this funding is allocated in full to schools and Academies. This will reduce the flexibility to meet the pressures in other areas of the DSG, such as high needs; and potentially remove the current financial incentives for all schools to remain inclusive.
- d. There will be a national Minimum Funding Guarantee (MFG) and a cap on gains from 2017-18 in order to set the shadow formula. However, the DfE are currently proposing that there will be flexibility for Local Authorities to use a local MFG and a variable cap (and/or scale) during the transition period. No specific details are currently available on these local MFG flexibilities, but they are expected to be required in order for Local Authorities to be able afford the funding

allocations to schools and Academies; once they receive their new funding allocations based on the DfE's new 'shadow' formula.

Potential Impact for Schools, Academies and the Local Authority

- 6.12. As stage one of the consultation is focused on the building blocks and principles of the funding formula framework, the consultation documents do not provide specific details on funding levels and potential impacts on individual areas or schools; as this will be provided in stage two.
- 6.13. Whilst the proposed funding rates for 2017-18 are not yet available, it has been possible to undertake some provisional modelling, using the Minimum Funding Level's (MFL's)² that the DfE had previously published. These levels were used by the DfE in determining the "least fairly funded" Authorities for the purposes of allocating the £390m of additional funding in 2015-16.
- 6.14. By applying these MFL's to the 2016-17 Portsmouth funding formula, (which includes the pupil data from the October 2015 census), it has been possible to attempt to quantify the possible funding Portsmouth may receive in 2017-18 and also the potential impact at a school level. See Appendix 2 for the current funding rates and the MFL's.
- 6.15. A number of other assumptions have also been applied in this modelling, including:
- The Looked After Children factor has not been removed
 - The business rates, PFI and Growth fund remained unchanged.
 - The MFG and cap remained at 1.5%
 - An area cost adjustment has not been applied
- 6.16. Based on the assumptions above and the current pupil level data, the overall estimated funding through this model would be £107.076m. When comparing this to our current allocation through the school funding formula, it would lead to an overall increase in funding of circa £730k.
- 6.17. However on further review of the model, it was clear that as a result of the changes in the funding rates attached to each funding factor, at a school level there would be significant fluctuations in the level of funding each school would receive before the application of MFG. The model also shows that there would be a movement in funding from the Primary to the Secondary sector, as the 'primary to secondary' ratio increased from 1:28 to 1:33.

² Fairer schools funding Arrangements for 2015 to 2016, DfE, July 2014

6.18. The table below shows an analysis of the potential movement in funding (before the application of MFG or capping) by school phase:

		No. of Schools & Academies			
		Infant	Junior	Primary	Secondary
Increase:	6 - 10%	-	-	-	-
	4 - 5.99%	2	1	3	1
	0 - 3.99%	9	10	2	9
Decrease:	0 - 3.99%	4	1	4	-
	4 - 5.99%	1	-	2	-
	6 - 10%	-	-	9	-
TOTAL		16	12	20	10

6.19. The largest absolute potential increases and decreases in the schools funding allocations (before the application of MFG or capping) are shown in the table below:

	No. of Schools & Academies			
	Infant	Junior	Primary	Secondary
Max Increase	40,054	77,081	93,363	216,285
Max increase as %	3.56%	5.93%	3.97%	3.53%
Max Decrease	(56,886)	(31,297)	(246,948)	-
Max increase as %	(4.91)%	(2.70)%	(9.69)%	-

6.20. The table above shows that 9 Primary schools would see a potential reduction in funding of between 6% and 10%, as a consequence of the using the MFL's referred to above. The 9 Primary schools affected within the model are those in some of the most deprived areas of the city; and would be affected as a result of the reduction in funding through the deprivation and prior attainment factors.

6.21. It will be necessary to undertake further modelling at stage 2 of the consultation process; when it is anticipated that the DfE will provide further details of the actual funding rates that they will be using.

7. Central Expenditure & Education Services Grant

7.1. As Members will be aware, the DSG is allocated through three blocks: the Schools, Early Years and High Needs Blocks. The government is now proposing to introduce a fourth block: the Central Schools Block. It is proposed that this block will contain funding for central services (i.e. Admissions Service, Schools Forum, etc.) as well as the retained duties element of the Education Services Grant. The table at Appendix 3

summarises the areas of expenditure which may be funded through this block.

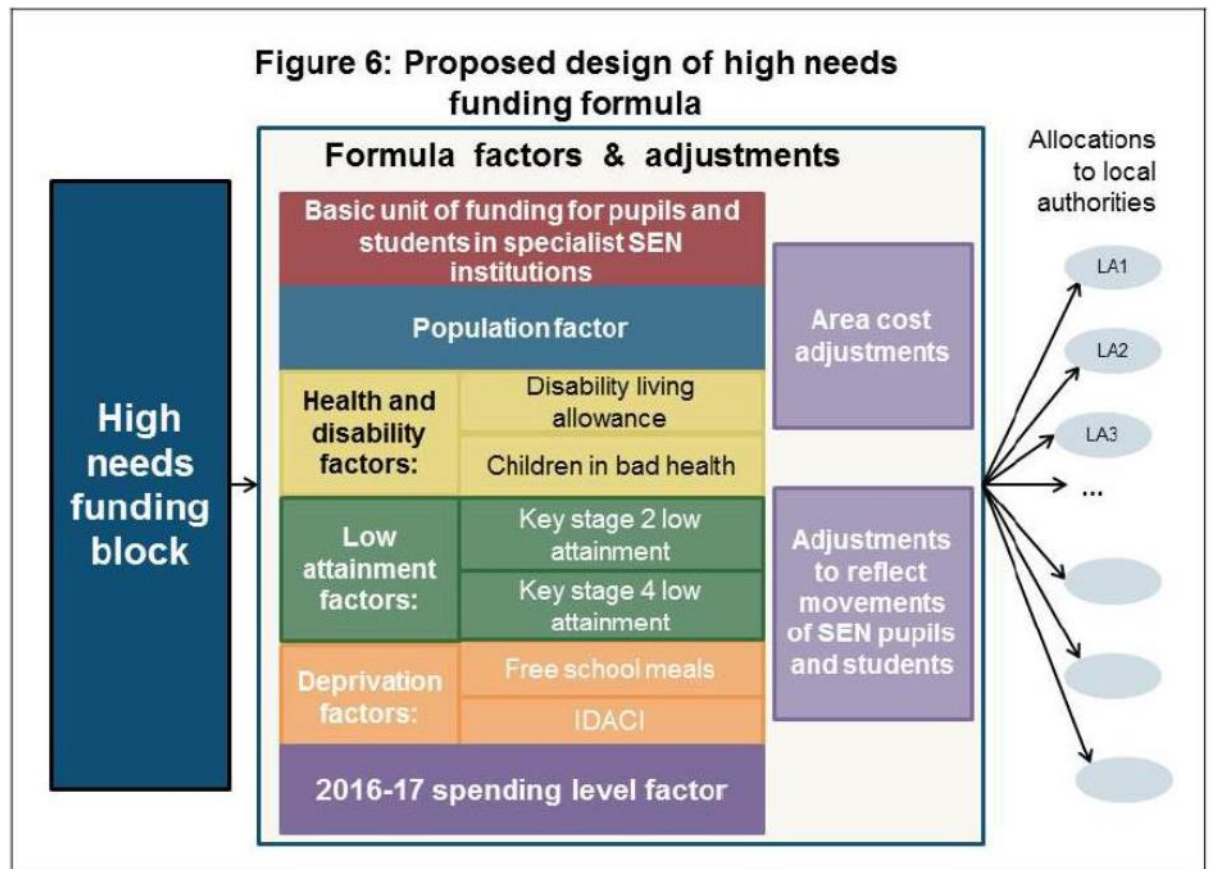
- 7.2. The second phase of the consultation will set out a proposal for a formula through which the funding for this block will be provided to Local Authorities as well as the pace of transition. At this stage it is not possible to quantify the financial impact of these proposed changes.

8. High Needs Funding Arrangements

- 8.1. Whereas it is proposed that the funding for mainstream schools will be allocated directly to them from the Education Funding Agency in future, it is proposed that the other elements of the DSG including High Needs will continue to be managed by Local Authorities (other than the funding for high needs places in Academies). The proposed design of the overall DSG funding system is shown at Appendix 4.
- 8.2. The main changes to the high needs funding arrangements can be summarised as:
- a. **Introduce a formulaic method for distributing funding** from central to local government from 2017-18 (including Special Education Needs (SEN) and Alternative Provision (AP)).
 - b. **An improvement to the current funding arrangements at local level**, including changes to the way funding is distributed to various types of institution.

High Needs Funding Formula Design

- 8.3. The funding formula which is proposed to be used to allocate funding from central government to Local Authorities in the future, (instead of the current 'block allocation') is shown in the diagram below.



- 8.4. The DfE have based the above model on the research and analysis undertaken by Isos on their behalf. The above funding formula comprises five main factors, which will each use specific data sets.
- Basic unit of funding for pupils in specialist settings
 - Population
 - Health
 - Low attainment
 - Deprivation
- 8.5. In relation to Alternative Provision, the DfE propose to use the population and deprivation factors in the allocation of funding.
- 8.6. In addition to the core funding, the DfE are proposing to include an element of current spending, based on 2016-17 planned spending levels, for a least the next five years, in order to give local authorities time to plan and implement infrastructure and other changes in future provision.

- 8.7. Furthermore, the DfE are proposing additional adjustments for the following:
- An area cost adjustment
 - An adjustment to reflect pupil movements between areas (there will be an adjustment of £6,000 for each pupil who is in an SEN place (not AP), outside of their area of residence.
- 8.8. An overall MFG will also be applied, so that the overall funding an Authority receives would not reduce by more than a specified percentage each year.

Hospital Education Funding

- 8.9. It is proposed to continue to distribute hospital education funding based on information about local authorities' and academies' current spending levels, and any adjustments needed from year to year to reflect changes in hospital provision.

Funding Formula Re-Design - Financial Impact

- 8.10. Again, as with the mainstream consultation, stage one is focused on the building blocks and principles of the funding formula framework, the consultation documents do not provide specific details on funding levels and potential impacts; as this will be provided in stage two.
- 8.11. Additionally, there are no MFL's or similar data available on which to undertake some early financial modelling. Therefore at this stage it is not possible to assess the financial impact of these proposals.

Resourced Units

- 8.12. It is proposed that Resourced Units and Special SEN Units attached to mainstream schools will receive a lower level of place funding (i.e. £6,000 rather than £10,000. In order to replace the £4,000 of place funding, it is proposed that these units include the pupils within their schools pupil count in order to attract the relevant funding through the mainstream funding formula.
- 8.13. No changes are proposed to the funding arrangements for Special Schools.

9. Schools Forum

9.1. In advance of the full introduction of the single national funding formula in 2019-20, the DfE propose to carry out a review of the role, functions and membership of Schools Forums; they do not intend to make changes to the make-up or functions of the Forum during the period 2017-18 and 2018-19.

10. Working Groups

10.1. As we have done in previous years, we are proposing to establish a funding reform working group. Based on the consultation documents and the DfE's proposals as summarised within this report, we believe it is only necessary to establish a mainstream working group at this stage. The role of the working groups is to agree the set of principles which will guide and inform the financial modelling, necessary to developing the funding arrangements.

10.2. It is proposed that the working group will be comprised of representatives as shown below.

	Mainstream Group	
	Primary	Secondary
Head Teacher	✓	✓
Governor	✓	✓
Finance	✓	✓
Academy Rep	✓	✓

10.3. It will be necessary to wait until the second stage of the consultation process is released, before we can confirm the scope for this group as well as the timing of the meetings. However, we propose to seek nominees at this early stage in order to ensure we can proceed as quickly as possible.

11. Reasons for recommendations

The purpose of this report is to provide Schools Forum with an initial summary and impact assessment, of the proposals contained within the 'school funding formula' consultation documents issued by the Department for Education (DfE) on the 7th March 2016. It is recommended that report is noted.

12. Equality impact assessment (EIA)

This report does not require an Equality Impact Assessment as the recommendations are for noting and do not have any impact upon a particular equalities group.

13. Legal comments

There are no legal implications arising from the recommendations in this report.

14. Director of Finance's comments

Financial comments have been included within the body of this report.

Signed by: Alison Jeffery, Director of Children's Services

Appendices:

1. Consultation Response
2. The Current 2016-17 Funding Rates and the 2015-16 Minimum Funding Levels
3. Central Schools Block
4. Proposed Design of the DSG Funding System

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
DfE Consultation documents	https://consult.education.gov.uk/
Fairer schools funding Arrangements for 2015 to 2016, DfE, July 2014	https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016
School Budget Shares	Education Finance Team

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
 Signed by:

Appendix 1 - Consultation Response

Schools National Funding Formula (mainstream) - stage 1 **Consultation Response**

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

Yes.

In addition to the principles for the new funding formula arrangements, we would also like to see a set of principles that will guide and support the transition phase towards the new national funding formula. For example: a proposed target ratio for the primary/secondary funding proportions, guidance as to acceptable levels of Minimum Funding Guarantee (MFG) protection.

Q2 - 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?

No.

Whilst we support the proposed principles for the funding system, we do not support the proposal to move towards a complete "hard" national funding formula in 2019-20. Through moving to a completely "hard" formula, the ability to make funding decisions locally to support schools will be removed. For example:

- In order to meet growing pressure to find places in our primary phase, it was decided to convert one of our existing secondary schools into an "all-through" school. Through the current local flexibility with the growth fund criteria, it was possible through Schools Forum to seek agreement to allocate one-off funding to support the revenue costs of expanding the school.
- By having local control over our PFI factor we are able to adjust this factor annually to reflect the indexation increases within our PFI Project Agreement; in order for the school to receive funding to match the increase in its underlying costs; which would not be possible with a nationally set funding rate.
- Through local knowledge we are able to adjust the rates factors locally to reflect changes in the multiplier rate as well as rateable value adjustments. It is highlighted within the consultation that this will become more difficult with a "hard" funding formula.
- Following a spate of infant and junior school amalgamations, we have considered, with our Schools Forum, the appropriateness of introducing a split sites factor. We have concluded that the factor is not necessary for our schools due to the geographical nature of the city, but this decision may not be appropriate in other

local authorities where schools are not in close proximity to each other. A "hard" national formula would provide "one size fits all" funding which would not be appropriate for some schools.

- It's unclear how a "hard" national formula would treat exceptional circumstances e.g. joint agreements, listed buildings or additional funding for off-site PE activities, where local knowledge of the circumstances is not available. This could disadvantage some schools, particularly small, necessary, schools, which do not have the resources to write "winning" bids for additional funding.

Q3 - 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.

Q4 (a) Do you agree that we should include a deprivation factor?

Yes.

Q4 (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

Pupil and area level.

Q5 Do you agree we should include a low prior attainment factor?

Yes.

Q6 (a) Do you agree that we should include a factor for English as an additional language?

Yes.

Q6 (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.

Q7 Do you agree that we should include a lump sum factor

Yes.

However, consideration should be given to the level of the lump sum factor for primary phase schools. Where schools are considering amalgamation for educational reasons, the loss of the lump sum factor (despite transitional protection) has been a potential factor in preventing the amalgamation taking place. We have therefore been decreasing the amount of the primary lump sum factor in recent years to remove this potential barrier and have reallocated funding through pupil led factors. Where schools are small and necessary, the sparsity factor should ensure that overall funding is sufficient.

Q8 Do you agree that we should include a sparsity factor?

Yes.

Q9 Do you agree that we should include a business rates factor?

Yes.

Q10 Do you agree that we should include a split sites factor

Yes.

Whilst we do not believe the factor is appropriate for our schools, as set out in our response to question 2, we do recognise that it may be appropriate for some areas. We would therefore advocate local discretion over this factor.

Q11 Do you agree that we should include a private finance initiative factor?

Yes.

We do not believe that a PFI factor could be implemented nationally on generic or formulaic basis, since all PFI contracts are unique. We would therefore advocate local discretion over this factor.

Q12 Do you agree that we should include an exceptional premises circumstances factor?

Yes.

We do not believe that exceptional premises factors could be implemented nationally on a fair and consistent basis, since the circumstances for each school are, by their nature, exceptional. We would therefore advocate local discretion over this factor.

Q13 Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?

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

No.

Whilst not all of the above factors are currently used in Portsmouth, the use of historic spend figures, as a basis of allocating funding to local authorities, for Business Rates, PFI or the Growth Factor in 2017-18 and 2018-19 is not felt to be an appropriate method to reflect the changing local funding requirements for these factors.

Q14 Do you agree that we should include a growth factor?

Yes.

Q15 Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?

No.

Allocating growth funding based on historic spend, is unlikely to be an adequate predictor of future growth funding requirements as highlighted within the consultation document. Currently, in setting our annual Dedicated Schools Grant budgets, we are able to factor our annual growth fund requirements in setting the overall schools budgets.

This proposed methodology also continues the potential unfairness for schools in different local authorities. For example:

- Authority A might provide a lump sum payment for a school opening up a new class
- Authority B might provide the equivalent of the AWPU or other formula funding, for each new child expected
- Authority C might not have a growth fund at all

Alternative proposals would be:

- To allocate growth funding to local authorities based on submitted forecasts.
- To require local authorities to estimate pupil numbers for new basic needs classes on the Authority Proforma Tool and fund accordingly.

Q16 (a) Do you agree that we should include an area cost adjustment?

Yes.

Q16 (b) Which methodology for the area cost adjustment do you support?

- **General labour market methodology**
- **Hybrid methodology**

Hybrid Methodology.

Q17 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 arrangement order through the pupil premium plus, rather than include a looked-after-children factor in the national funding formula?

Yes.

Q18 Do you agree that we should not include a factor for mobility?

Yes.

We do not currently use this factor.

Q19 Do you agree that we should remove the post-16 factor for 2017-18?

Yes.

We do not currently use this factor.

Q20 Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?

No.

Whilst we agree with the principle of allocating as much funding as possible directly to schools, the above proposal is based on the underlying principle that the schools block funding will be ring-fenced from the other funding streams within the Dedicated Schools Grant (DSG) from 2017-18. The current flexibility within the DSG to move funding between blocks encourages schools to support pupils with additional needs within the mainstream sector. The separation of funding for mainstream and high needs settings from 2017-18, (through the ring-fencing arrangement) removes the financial incentive for schools to remain inclusive; as it will no longer be possible to move funding from the schools block to the high needs budgets to meet increased demand.

The current consultation document does not address or propose any arrangements that will encourage schools to remain inclusive within this proposed ring-fenced funding arrangement.

In addition, if local authorities do not have the flexibility to move funding between blocks, this will place a huge additional pressure on the high needs block at a time when the profile of need is increasing exponentially. This will potentially prevent them from fulfilling their statutory duties to our most vulnerable children.

Q21 Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?

No.

The proposal to allocate funding to local authorities using the national funding formula, (on a shadow basis) whilst expecting local authorities to continue to allocate funding using the existing national funding formula arrangements, will potentially create a lack of transparency and understanding in the school funding arrangements, particularly if different levels of Minimum Funding Guarantee (MFG) are being applied across the country.

If the government is fully committed to implementing a national formula, then the transition should be made as quickly and transparently as possible, so that schools across the country are treated on an equal basis. The continuation of a national MFG will ensure that all schools are protected at the same level.

Allocating funding to schools using the new National Funding Formula from 2017-18 and applying a national MFG, would enable clarity and transparency at all levels.

Q22 Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?

Yes.

Q23 Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?

Yes.

Q24 Are there other duties funded from the education services grant that could be removed from the system?

No.

Q25 Do you agree with our proposal to allow local authorities to retain some of their maintained school's DSG centrally - in agreement with the maintained schools in the forum - to fund the duties they carry out for maintained schools?

Yes.

Schools National Funding Formula (High Needs) - stage 1
Consultation Response

Q1 - Do you agree with our proposed principles for the funding systems?

Yes.

In addition to the principles for the new funding formula arrangements, we would also like to see a set of principles that will guide and support the transition phase towards the new national funding formula.

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

Yes.

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?

Yes.

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

No.

It is difficult to comment on the proposed factors as whilst they suggest that they are effective indicators of the level of high needs within a local authority, it is not clear:

- How the funding will be allocated through these factors and what impact this will have on the distribution of high needs funding nationally and locally, (particularly in the longer term when the transitional protection arrangements are removed);
- How the periodic updating of underlying data sets will be managed, in terms of mitigating the potential significant fluctuations in funding caused by the these changes (e.g. the IDACI updates every 5 years and the population census updates every 10 years).

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.

No comment.

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

Hybrid methodology

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

Yes.

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

Yes.

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.

All local areas are required to publish the provision that is 'ordinarily available' in schools for pupils with SEND, as part of their local offer. It would be helpful to strengthen and build on this requirement in order to ensure equity and consistency across schools, national guidelines could include examples of best practice.

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?

No.

We believe this would potentially reduce the core funding for Resourced/Special Units, if at the time of the census count there are less pupils in the unit than there are agreed places.

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.

No comment. We are not using centrally retained funding.

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.

No comment. We are not using centrally retained funding for this purpose.

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?

No.

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.

All local areas are required to publish the provision that is 'ordinarily available' in schools for pupils with SEND, as part of their local offer. It would be helpful to strengthen and build on this requirement in order to ensure equity and consistency across schools, national guidelines could include examples of best practice.

Appendix 2 - The Current 2016-17 Funding Rates and the 2015-16 Minimum Funding Levels³

	Current 2016-17 Funding Rates		2015-16 Minimum Funding Levels	
	Primary	Secondary	Primary	Secondary
AWPU - Pri	2,918		2,880	
AWPU - KS3		3,727		3,950
AWPU - KS4		4,336		4,502
FSM	237	300	882	1,052
IDACI - 1	0	0	209	289
IDACI - 2	0	0	260	379
IDACI - 3	946	635	347	470
IDACI - 4	1,261	846	422	554
IDACI - 5	1,577	1,058	477	614
IDACI - 6	1,892	1,270	691	819
LAC	2,811	2,811	1,004	1,004
Prior Attainment	740	2,000	669	940
EAL	359	1,822	466	1,130
Lump Sum	115,000	139,150	115,797	125,155

³ Source: Fairer schools funding Arrangements for 2015 to 2016, DfE, July 2014

Appendix 3 - Central Schools Block

Functions that may be funded from the central schools block:⁴

Allocation route	Previously funded from centrally retained DSG	Previously funded from ESG
Central schools block per pupil rate	School admissions Servicing of schools forums Fees to independent schools for pupils without SEN	Education welfare services Asset management Statutory and regulatory duties
Central schools block historic commitments funding	Contribution to combined budgets: costs of providing combined education and children's services Termination of employment costs: premature retirement or dismissal costs for maintained school staff Equal pay – back pay: costs of meeting equal pay commitments in schools Capital expenditure from revenue (CERA): where the authority uses revenue funding to meet capital costs Prudential borrowing costs: for repayment of some authority loans Exceptions agreed by the Secretary of State: centrally retained schools budget expenditure that has been approved by application to the Secretary of State	

⁴ Source: Schools National Funding Formula, Government Consultation - Stage 1, DfE, March 2016

Appendix 4 - Proposed Design of the DSG Funding System

