

AGENDA SUPPLEMENT (2)

Meeting: Schools Forum
Place: Council Chamber - County Hall, Trowbridge BA14 8JN
Date: Tuesday 15 March 2016
Time: 1.30 pm

The Agenda for the above meeting was published on 7 March 2016. Additional documents are now available and are attached to this Agenda Supplement.

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Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

10 **High Needs Budget 2016-17** (Pages 3 - 8)

12 **Urgent Items** (Pages 9 - 18)

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HIGH NEEDS BUDGETS – BANDING EXERCISE & TOP-UP VALUES 2016-17

Purpose of the Report

1. This is a supplementary paper on the 2016-17 high needs budgets outlining the further work that has been completed on the application of new banding descriptors and modelling options for top-up values in 2016-17.
2. The paper needs to be considered in conjunction with the general paper on high needs budgets which sets the context for the cost pressures in 2016-17.

Background

3. The paper on high needs budgets 2016-17 identifies that where resources are limited the key principles that need to be applied in allocating those resources are (1) that funding needs to be targeted towards the right needs and (2), funding needs to be allocated to “follow the pupil” rather than be tied up in supporting places where there is limited need. In order to achieve savings these principles need to be in place and it was recommended at a joint meeting of the Schools Funding Working Group and SEN Working Group that the new banding methodology should be implemented as a matter of urgency to ensure resources are targeted in a consistent way across all types of provision.
4. The outcome of the rebanding exercise is summarised in Appendix 2 to this report. The summary shows the estimated cost at the initial top up values proposed as part of the banding exercise and the impact of reduced values. Schools Forum will need to agree top up values for 2016-17 taking in to account the cost pressures on the high needs budget.

Main Considerations

Top Up Values 2016-17

5. The SEND Team have worked to apply the new proposed banding descriptors to all pupils currently receiving support through Named Pupil Allowances (NPA), Enhanced Learning Provision (ELP), Resource Bases and Special Schools. This enables all pupils to be placed on to a consistent set of bands across all types of provision. The band values applied in the initial rebanding exercise are:

Band	Day	Residential
	£	£
0	-	-
Lower 1	2,090	9,919
Upper 1	4,180	16,113
Lower 2	6,271	25,570
Upper 2	8,361	32,658
3	12,188	39,687
4	17,801	53,745

6. The summary in Appendix 2 indicates that the new cost of top ups under the new banding system is £11.005m. This is a reduction of £0.482m compared

with the projected cost of the same pupils under the current banding system. It is important to note that the full reduction may not be realised as Special Schools will be subject to a Minimum Funding Guarantee (MFG) adjustment if their total budgets are reduced by more than 1.5%. Experience from 2015-16 indicates that the maximum reduction likely to be applied across the special school budgets will be approximately £0.1m although the detail of the calculation needs to be worked through. This means that the reduction in cost arising from the new banding system before any further reductions to top up values are applied is approximately £0.380m.

7. The previous report on high needs budgets indicated that there is a cost pressure of up to £2.6 million against high needs budgets in 2016-17. Further savings therefore need to be achieved and a number of options for the reduction of top up values have been modelled. The overall impact is shown in Appendix 1. Two different approaches have been taken:
 - 1) A percentage reduction in top up values which impacts across all band values in the same way;
 - 2) A flat rate reduction which will impact more significantly on the lower band values whilst protecting the higher values.
8. The band values resulting from each option are shown in Appendix 1.
9. Appendix 2 shows the total that would be achieved from mainstream provision for each option. As noted in paragraph 6 above a MFG adjustment would be applied to special school budgets and the estimated saving from special schools is approximately £0.1m.
10. The maximum saving that could be achieved from the options presented in this paper would be approximately £1.5m from top up values if a flat rate reduction of £1,000 were applied. In setting the final top up values the level of saving would need to be weighed up against the impact on provision of the reduction in funding.

Further areas for reducing costs

11. The bulk of the funding within the high needs block is utilised in the funding of places and top up payments for individual pupils. Savings are therefore achieved through reduction in the value of payments or through reduced demand/activity. The previous report on this agenda identified a significant increase in activity supported by the high needs budgets and the estimate of pressures for 2016-17 has assumed this increase will continue at a similar rate. This particularly impacts on the Independent Special Schools (ISS) budget as growth at 2015-16 levels would result in a further increase in costs of over £0.4m. If the numbers of new ISS placements can be reduced then the overall cost pressure will also reduce.
12. Other cost reductions could also be grouped under the heading of savings through practice. The introduction of the Band 0 will clarify the provision that mainstream schools are expected to deliver for the first £6,000 within their delegated budget. Whilst this is not a cost reduction measure in itself it will ensure consistency in the consideration of banding requests. Process reviews will also take place of the overall decision making and the banding moderation processes to ensure they are working effectively.

Proposals

13. Schools Forum is asked to determine the values of top up payments for each band in 2016-17.

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Band Values applied in Rebanding Exercise 2016-17

Appendix 1

Band	Day £	Residential £
0	-	-
Lower 1	2,090	9,919
Upper 1	4,180	16,113
Lower 2	6,271	25,570
Upper 2	8,361	32,658
3	12,188	39,687
4	17,801	53,745

Band Values 2016-17 Under Different Options

Option 1 - Apply % Reduction

Band	5%		10%		15%		18%		20%	
	Day £	Residential £	Day £	Residential £	Day £	Residential £	Day £	Residential £	Day £	Residential £
0	-	-	-	-	-	-	-	-	-	-
Lower 1	1,986	9,423	1,881	8,927	1,777	8,431	1,714	8,134	1,672	7,935
Upper 1	3,971	15,307	3,762	14,502	3,553	13,696	3,428	13,213	3,344	12,890
Lower 2	5,957	24,292	5,644	23,013	5,330	21,735	5,142	20,967	5,017	20,456
Upper 2	7,943	31,025	7,525	29,392	7,107	27,759	6,856	26,780	6,689	26,126
3	11,579	37,703	10,969	35,718	10,360	33,734	9,994	32,543	9,750	31,750
4	16,911	51,058	16,021	48,371	15,131	45,683	14,597	44,071	14,241	42,996

Option 2 - Flat Rate Reduction

Band	£200		£300		£400		£500		£1,000	
	Day £	Residential £	Day £	Residential £	Day £	Residential £	Day £	Residential £	Day £	Residential £
0	-	-	-	-	-	-	-	-	-	-
Lower 1	1,890	9,719	1,790	9,619	1,690	9,519	1,590	9,419	1,090	8,919
Upper 1	3,980	15,913	3,880	15,813	3,780	15,713	3,680	15,613	3,180	15,113
Lower 2	6,071	25,370	5,971	25,270	5,871	25,170	5,771	25,070	5,271	24,570
Upper 2	8,161	32,458	8,061	32,358	7,961	32,258	7,861	32,158	7,361	31,658
3	11,988	39,487	11,888	39,387	11,788	39,287	11,688	39,187	11,188	38,687
4	17,601	53,545	17,501	53,445	17,401	53,345	17,301	53,245	16,801	52,745

	FTE Expenditure full year							Actual change						Percent change						
	Current Banding Cost	New Banding	5% reduction	10% reduction	15% reduction	18% reduction	20% reduction	New starting cost	5% reduction	10% reduction	15% reduction	18% reduction	20% reduction	New starting cost	5% reduction	10% reduction	15% reduction	18% reduction	20% reduction	
Top up only																				
RBs	£1,128,263	£1,050,220	£997,709	£945,198	£892,687	£861,180	£840,176	-\$78,043	-\$130,554	-\$183,065	-\$235,576	-\$267,083	-\$288,087	-6.9%	-11.6%	-16.2%	-20.9%	-23.7%	-25.5%	
ELP	£1,075,254	£859,013	£816,062	£773,112	£730,161	£704,391	£687,210	-\$216,241	-\$259,192	-\$302,142	-\$345,093	-\$370,863	-\$388,044	-20.1%	-24.1%	-28.1%	-32.1%	-34.5%	-36.1%	
NPA	£2,272,611	£2,280,955	£2,166,908	£2,052,860	£1,938,812	£1,870,383	£1,824,764	£8,345	-\$105,703	-\$219,751	-\$317,110	-\$402,227	-\$447,847	0.4%	-4.7%	-9.7%	-14.0%	-17.7%	-19.7%	
Total Mainstream	£4,476,128	£4,190,188	£3,980,679	£3,771,170	£3,561,660	£3,435,955	£3,352,151	-\$285,939	-\$495,449	-\$704,958	-\$897,779	-\$1,040,173	-\$1,123,977	-6.4%	-11.1%	-15.7%	-20.1%	-23.2%	-25.1%	
Special schools	£7,010,646	£6,814,433	£6,473,711	£6,132,990	£5,792,268	£5,587,835	£5,451,546	-\$196,213	-\$536,935	-\$877,656	-\$1,218,378	-\$1,422,811	-\$1,559,100	-2.8%	-7.7%	-12.5%	-17.4%	-20.3%	-22.2%	
Total (Before MFG applied to Special Schools)	£11,486,774	£11,004,621	£10,454,390	£9,904,159	£9,353,928	£9,023,790	£8,803,697	-\$482,152												

	FTE Expenditure full year							Actual change						Percent change						
	Current Banding Cost	New Banding	£200 Reduction	£300 Reduction	£400 Reduction	£500 Reduction	£1000 Reduction	New starting cost	£200 Reduction	£300 Reduction	£400 Reduction	£500 Reduction	£1000 Reduction	New starting cost	£200 Reduction	£300 Reduction	£400 Reduction	£500 Reduction	£1000 Reduction	
Top up only																				
RBs	£1,128,263	£1,050,220	£984,619	£960,719	£936,819	£912,919	£793,419	-\$78,043	-\$143,644	-\$167,544	-\$191,444	-\$215,344	-\$334,844	-6.9%	-12.7%	-14.8%	-17.0%	-19.1%	-29.7%	
ELP	£1,075,254	£859,013	£790,413	£756,113	£721,813	£687,513	£516,013	-\$216,241	-\$284,841	-\$319,141	-\$353,441	-\$387,741	-\$559,241	-20.1%	-26.5%	-29.7%	-32.9%	-36.1%	-52.0%	
NPA	£2,272,611	£2,280,955	£2,167,425	£2,110,660	£2,053,895	£1,997,130	£1,713,304	£8,345	-\$105,186	-\$161,951	-\$218,716	-\$275,481	-\$559,307	0.4%	-4.6%	-7.1%	-9.6%	-12.1%	-24.6%	
Total Mainstream	£4,476,128	£4,190,188	£3,942,457	£3,827,492	£3,712,527	£3,597,562	£3,022,736	-\$285,939	-\$533,671	-\$648,636	-\$763,601	-\$878,566	-\$1,453,392	-6.4%	-11.9%	-14.5%	-17.1%	-19.6%	-32.5%	
Special schools	£7,010,646	£6,814,433	£6,696,633	£6,649,133	£6,578,833	£6,519,933	£6,225,433	-\$196,213	-\$314,013	-\$361,513	-\$431,813	-\$490,713	-\$785,213	-2.8%	-4.5%	-5.2%	-6.2%	-7.0%	-11.2%	
Total (Before MFG applied to Special Schools)	£11,486,774	£11,004,621	£10,639,090	£10,476,625	£10,291,360	£10,117,495	£9,248,169	-\$482,152												

SCHOOLS NATIONAL FUNDING FORMULA AND HIGH NEEDS FUNDING REFORM

Purpose of the Report

1. To highlight the main elements of the recent government consultation documents on a national funding formula for schools and on high needs funding reform.
2. To agree the process for responding to the consultation documents.

Main Considerations

3. On 7th March 2016 the government issued 2 consultation documents in relation to schools funding. The consultations cover funding for mainstream schools and proposals for a reform of the high needs funding block. A consultation on early years funding is expected to follow later in the year.
4. The first consultation is on the introduction of a national funding formula for schools. It is the first of two consultations on the national funding formula for schools and is seeking views on:
 - The principles that underpin the formula
 - The building blocks used to construct the formula
 - The factors to be included in the formula
5. The government is also seeking views on the structure of the formula, in particular:
 - The introduction of a school level national funding formula where the funding each pupil attracts to their school is determined nationally
 - The implementation of the formula from 2017-18, allocating the funding to local authorities to distribute according to a local formula for the first 2 years, and then setting each school's funding directly from 2019-20
 - The establishment of a central funding block for local authorities' ongoing duties
 - Ensuring stability for schools through the minimum funding guarantee and by providing practical help, including an "invest to save" fund.
6. The consultation can be found on the DfE's consultation page via this [link](#).
7. The second consultation on the national funding formula will be issued later in the year and will cover the detail within the national formula and the impact of the formula on funding for individual areas and schools.
8. In addition to the consultation on the national funding formula the government has also issued a consultation on a high needs funding formula and other reforms. Again this will be a two stage consultation. The first phase covers high level principles, key proposals and options, as follows:
 - An improvement in the way that high needs funding is allocated to local authorities, on the basis of a formula consisting of a number of factors.
 - 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.
9. The consultation can be accessed using this [link](#).
10. A briefing note is attached as Appendix 1 to this report and outlines the main points raised in the consultation documents and the potential issues that will need to be considered. Schools Forum will need to consider how to respond to the consultations. The response date for both is 17th April 2016 and given the tight

timescales it is proposed that the School Funding Working Group meet prior to the response date to consider and agree a response.

Proposals

11. It is proposed that a meeting of the Schools Funding Working Group be held to consider and agree a response to the consultations on the national funding formula for schools and high needs funding reform.

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**Schools National Funding Formula and High Needs Funding Formula
Government Consultation – stage 1**

The government has issued a consultation on moving towards a national funding formula for schools. The first consultation is to outline the principles to underpin the new funding system and the basic components for the new formula. The detail will be set out in a second consultation later in the year. The consultation was issued on 7th March 2016 with a response date of 17th April 2016.

A separate consultation on a high needs formula and other high needs funding reforms has also been issued with the same response times.

There will also be a consultation on an Early Years funding formula later in the year.

This initial briefing outlines the main headlines arising from the two consultations and the potential implications, or things that will need to be taken in to account, in Wiltshire.

Schools National Funding Formula

Consultation Proposal	Comment/Implications
<p>Principles for new funding system The reforms are based on 7 underpinning principles:</p> <ul style="list-style-type: none"> • A funding system that supports opportunity • A funding system that is fair • A funding system that is efficient • A funding system that gets funding straight to schools • A funding system that is transparent • A funding system that is simple • A funding system that is predictable 	<p>Difficult to disagree with the broad principles, although they are not necessarily all easy to achieve together.</p>

Consultation Proposal	Comment/Implications
<p>The main funding of the schools system will remain in place with Dedicated Schools Grant (DSG) being the main grant for schools funding. Pupil Premium will remain in place as a separate grant.</p> <p>There will be a bringing together of elements of DSG and the Education Services Grant (ESG) in a “Central Schools Block”</p> <p>DSG will move from being split in to 3 blocks (as currently) to 4 blocks including the new Central block. A baselining exercise will be carried out based on 2016-17 spend to determine current levels of spend in each block.</p> <p>Flexibility to move funding between blocks will be removed and authorities will be required to delegate 100% of the schools block once the central elements have been removed</p>	<p>A number of implications here which will be outlined in more detail further in this note however the baselining of expenditure between the blocks will be a key task. It isn't yet clear whether this will be done using the statutory Section 251 return which is currently being completed or whether there will be a separate baselining exercise.</p> <p>The Wiltshire Schools Forum has adopted a principle in recent years of trying to stick to the allocations of each block and not move funding between them</p>
<p>The main proposal is for a school level national funding formula with a much reduced role for local authorities in determining schools' funding.</p> <p>The document describes moving from a “soft” national formula in 2017-18 and 2018-19 to a “hard” national formula in 2019-20</p>	<p>In the “soft” national formula which is to be implemented in 2017-18, funding will be allocated to local authorities using the national funding formula but local authorities will continue to distribute funding to schools according to local formulae.</p> <p>From 2019-20 funding will be allocated directly to schools using the national formula and there will be no role for local authorities in determining schools' budgets.</p> <p>The document also states that the DfE will use the two year transitional period to monitor how closely local formulae have responded to the introduction of the new funding formula. Wiltshire will need to consider whether to make amendments to its local formula to achieve some convergence to the new formula during the transitional period. We will need to await the more detailed consultation to enable modelling of different options but this potentially creates a level of turbulence in school budgets from April 2017 whilst reducing turbulence in 2019-20.</p>

Consultation Proposal	Comment/Implications
<p>The new formula is to be based on 4 main elements:</p> <ul style="list-style-type: none"> • Per pupil costs – basic level of funding, expected to be age weighted as in the current Wiltshire formula • Additional Needs – to be measured using deprivation and prior attainment • School Costs – includes items like a lump sum, sparsity factor, rates, PFI, split site allowance, pupil growth, etc • Geographic Costs – Area Cost Adjustment to reflect additional costs of some areas 	<p>There are some factors allowable in the current formula that will be removed from the national formula – Looked After children, mobility and post-16 factors. Wiltshire does not use any of these currently and so there will be no impact from that removal.</p> <p>The national formula may include factors or data sources that are not currently used in the local Wiltshire formula. For example it is possible that the national formula will include a sparsity factor, Wiltshire does not currently use this factor. Previous modelling indicated that the current (and proposed) methodology did not distribute funding in Wiltshire in a particularly rational way – Wiltshire has many small schools but they are not necessarily remote.</p> <p>Wiltshire currently uses Free School Meals (FSM) data to distribute deprivation funding. The new formula is likely to incorporate FSM data and a more “location” based data set such as IDACI which is based on post-code data. In Wiltshire the Schools Forum has considered a more pupil led approach, such as FSM, to be a more sensible measure and the move to a different measure could cause some turbulence.</p> <p>There is currently flexibility over the lump sum that is allocated to schools. If the new formula contains a very different figure for Wiltshire schools then this will cause turbulence in school budgets. For example the lump sum for Wiltshire primary schools is lower than the maximum currently allowed – a higher lump sum means less funding to allocate on a per pupil basis and therefore would have a redistributive effect.</p> <p>As stated above, Wiltshire will need to consider whether to move towards some of the proposed formula factors in advance of the “hard” formula coming in to place in 2019-20. It isn’t clear from the document whether allocations to LAs in 2017-18 and 18-19 will include the school by school detail of what the national formula would allocate.</p>

Consultation Proposal	Comment/Implications
<p>Once the DSG blocks have been baselined, and the central elements removed from the schools block, there will be a requirement for authorities to delegate 100% of the schools block. This will mean that the current arrangements that allow funding for certain central services to be “de-delegated” for maintained schools will be withdrawn.</p> <p>It is unclear what the role of Schools Forum will be after 1st April 2019 and the document states that a review of the role, functions and membership will be carried out in advance of introducing the “hard” formula.</p>	<p>Wiltshire currently de-delegates funding for the following services:</p> <ul style="list-style-type: none"> • Maternity costs • Free School Meal Eligibility Service • Licences and subscriptions – includes SIMS Licence • Trade Unions facilities costs • School contingency budget • Behaviour Support Services • Travellers Education Service • Ethnic Minority Achievement Service <p>From 2019-20 responsibility for these services will rest with individual schools and if the LA is to continue to offer them it would need to be on a fully traded basis. Wiltshire will need to delegate the budgets for all of these services with effect from 2019-20.</p>
<p>Protection from losses/capping of gains In calculating the allocations for local authorities the DfE will apply a national minimum funding guarantee (MFG) at the current level of maximum 1.5% loss per pupil, and apply a cap on gains.</p> <p>Because some authorities will receive less funding as a result of the new formula it may be difficult to set a local formula within the current rules. There is a proposal in the report to allow local authorities to set a local MFG that allows greater losses than the one used at national level.</p>	<p>Difficult to know the impact on Wiltshire until we have more detail to enable modelling of the new funding model however the implication here is that there could be significant losses in some LAs. As a low funded authority (currently) Wiltshire would hope to gain rather than lose from the new formula.</p>

Consultation Proposal	Comment/Implications
<p><i>Support for School Efficiency</i> The document recognises that there will be schools who lose as a result of the new formula. There is a proposal for an “invest to save” fund in 2016-17 to allow schools to invest in ways to save money in the future.</p>	
<p><i>Funding to remain with Local Authorities</i> Funding for LA responsibilities currently comes from 2 sources – the elements of DSG that are retained centrally and the retained duties element of the ESG. The proposal is to bring those two funding streams together in to the new Central Schools Block of DSG and distribute on a formulaic basis – likely to be on a per pupil basis with some element for historic commitments</p> <p>The current spending review includes efficiency targets for ESG and so national ESG funding levels are set to reduce by £600m by 2019-20. Part of this saving is to be realised by reducing statutory burdens on LAs and the removal of specific duties.</p>	<p>The document clearly states that the DfE expects LAs to “step back from running school improvement from the end of the 2016-17 academic year and that therefore they will no longer require funding for this function.” The central DSG block will therefore no longer contain any element of funding for school improvement after September 2017.</p> <p>In order to achieve the savings required through the reduction in funding for central LA functions work will need to take place to identify the historic commitments that exist and what the current central DSG and ESG is funding.</p>

High Needs Funding Formula

Consultation Proposal	Comment/Implications
The case for change is that the current mechanism for distributing high needs funding is not fair because it is based on historic patterns of spend rather than need.	No surprise – and we would agree with this as a case for change. The same seven principles for the funding system are also to be applied here.
It is proposed that the majority of the high needs funding should be distributed to local authorities rather than directly to schools/institutions	Again, we would probably agree this is the right approach as the LA has responsibility for assessing need and commissioning provision
It is proposed that high needs funding will be distributed based on a formula rather than historic provision. The formula will be based on the following factors: <ul style="list-style-type: none"> • Basic unit of funding for pupils & students in specialist SEN institutions • Population factor – based on the 2-18 population • Health and Disability factors – DLA and children in bad health • Low attainment factors • Deprivation factors 	Wiltshire would welcome a move to a formulaic approach. It is difficult to be clear on the impact until we see the more detailed consultation.
It is proposed that the formula for Alternative Provision funding will only reflect population and deprivation factors and that funding for hospital education will reflect current spending levels	

Consultation Proposal	Comment/Implications
<p>To avoid making sudden and “disruptive” changes through the new formulaic approach it is proposed that there is also a formula factor based on 2016-17 planned spending levels. In addition to this there will be an overall minimum funding guarantee</p>	<p>The 2016-17 planned spending level formula factor would appear to be a dampening mechanism within the new formula which will mean that losses and gains are smoothed for at least the first 5 years. This suggests that even if Wiltshire is a gainer from the new formula, gains are not going to be significant in the short term.</p> <p>Difficult to comment further on this without seeing the detail.</p>
<p>There is to be some support with capital funding through the free school programme for new SEN provision and other capital funding to support the expansion of existing provision</p>	
<p>Place funding will continue for schools although for schools with Resource Bases there will be a small change so that they receive per pupil funding through the main school formula and then place funding of £6,000 per planned place.</p> <p>There is a proposal to bring the funding for independent special schools in to line with other types of provision by funding £10,000 per place direct from the EFA. The same proposal may also be implemented for Independent Specialist Providers (post-16)</p>	<p>This means that each child on the roll of a school with a resource base or enhanced learning provision (ELP) will attract the equivalent of an Age Weighted Pupil Unit and the place funding for the RB represents the funding required to meet additional needs (before any top-up funding applied).</p> <p>The changes for ISS/ISP funding would make funding for all types of provision consistent and would make comparison of costs, for example at a tribunal, more consistent.</p>

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