

SCHOOLS FORUM - 9 October 2018

Title of paper:	Schools Block Transfer Proposals 2019/20
Director(s)/ Corporate Director(s):	John Dexter, Director of Education Alison Michalska, Corporate Director
Report author(s) and contact details:	Kathryn Stevenson, Senior Commercial Business Partner (Schools)
Other colleagues who have provided input:	Nick Lee, Director of Education Services
Summary	
<p>This paper requests approval for schools block transfer proposals for 2019/20 and asks Schools Forum to agree an application to the Secretary of State to enable the block transfer to be implemented in the proposed way. The proposals have been amended in the light of the outcome of the consultation with all City schools and the announcement by the government of a one-year delay in the implementation of the full national funding formula.</p>	
Recommendation(s):	
1	Agree the Local Authority's application to the Secretary of State to set a lower minimum funding guarantee % for secondary schools compared to primary schools in 2019/20.
2	Approve a schools block transfer for 2019/20 of 0.5%, subject to the Local Authority (LA) receiving the permission from the Secretary of State for a differential MFG% for secondary schools.
3	Note that the LA does not intend to pursue a schools block transfer for 2019/20 affecting all schools if this permission is denied.
4	Note that the reduction in the schools block transfer proposals compared to the consultation proposals means that the LA may need to seek a further block transfer in 2020/21.

1 REASONS FOR RECOMMENDATIONS

- 1.1 Our original consultation proposals assumed that 2019/20 would be the only year we would have the opportunity to make a schools block transfer, with full implementation of the "hard" national funding formula (NFF) being due the following year. During our consultation period, the government announced the postponement of the full NFF by one year to 2021/22 meaning we are likely to have a further opportunity for a schools block transfer in 2020/21 if needed. As a result, we have reduced the proposed block transfer % for 2019/20 to the 0.5% limit that can be agreed locally by Schools Forum.
- 1.2 The need for a schools block transfer is driven by the high rate of permanent exclusions predominantly in the secondary phase and the significant shortfall that we have had in the high needs budget since 2015/16 as a result. There was very limited support from schools responding to the consultation for our back up plan to implement the block transfer across all schools if we were unable to limit the impact

to secondary schools. Therefore, the LA does not intend to pursue a block transfer for 2019/20 if the Secretary of State refuses permission for us to set a differential MFG for secondary schools. However, this may need to be reconsidered for 2020/21, depending on the level of permanent exclusions in the current academic year from schools not participating in the devolved AP model.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 We consulted all City schools on our School Block Transfer Proposals between 17 July and 19 September 2018. The consultation was publicised several times on SCENE and via direct e-mail to head teachers. A consultation briefing event held on 6 September was attended by a small number of head teachers. Schools Forum members urged colleagues to respond.
- 2.2 Twenty-three schools responded; sixteen primary schools and seven secondary schools. The seven secondary schools covered four academy trusts. **Table 1** shows an analysis of responses. Some schools did not respond to every question meaning total yes/no responses do not always add up to 100%.

Response	Yes			No		
	Prim.	Sec.	Total	Prim.	Sec.	Total
1. Do you support the principle of the LA seeking a schools block transfer in 2019/20 for the reasons outlined in section 3 of the consultation document?	8 (50%)	1 (14%)	9 (39%)	6 (38%)	6 (86%)	12 (52%)
2. Do you agree that it is fair for the LA to seek to limit the impact of this to the secondary phase and therefore support a request to the Secretary of State to enable us to treat primary and secondary schools differently?	13 (81%)	1 (14%)	14 (61%)	1 (6%)	6 (86%)	7 (30%)
3. Do you agree that the LA should seek to differentiate through these proposals between secondary schools that have or have not signed up to the devolved AP funding model?	11 (69%)	3 (43%)	14 (61%)	2 (13%)	3 (43%)	5 (22%)
4. Do you support Proposal A as outlined in section 4.1 of the consultation document?	13 (81%)	1 (14%)	14 (61%)	1 (6%)	6 (86%)	7 (30%)
5. In the event that we are refused permission by the Secretary of State to treat secondary schools differently to primary schools, would you be prepared to support Proposal B affecting all mainstream schools as outlined in section 4.2 of the consultation document?	2 (12.5%)	-	2 (9%)	14 (87.5%)	6 (86%)	20 (87%)

- 2.3 An overall majority (61%) of schools responding were prepared to support our recommended consultation proposal (Proposal A). This involved cutting funding per pupil in the secondary phase by up to 1.5% per pupil in 2019/20 with a 35% reimbursement through additional devolved AP funding for secondary schools

signed up to the model. However, only 1 secondary school was prepared to support this.

- 2.4 Of the 6 secondary schools that disagreed with the proposal, 2 were schools in an academy trust participating in the devolved AP model and 4 were from schools across 2 academy trusts that are not participating. Schools participating in the devolved AP model commented that the impact was too great and the reimbursement too little and it was unfair that schools that have committed not to make excessive permanent exclusions should have their budgets affected in this way. Responding schools that have not signed up to the devolved AP model commented that it was the LA's statutory responsibility to provide for the education of excluded pupils and it was unfair to pass this burden back to schools, suggesting instead that alternative funding sources be sought or the reserves used.
- 2.5 Alternative provision for permanently excluded pupils, whilst an LA statutory responsibility, is funded by central government via the high needs block. The LA does not have other available funding sources that can be directed to this. Nationally 10% of the high needs block is deemed to be for alternative provision, with 90% for SEN. In 2018/19, we are forecasting to spend around 19.5% of our high needs budget on provision at Denewood/Unity PRU and devolved AP allocations. Once the £2.850m planned spend from reserves is excluded the percentage reduces to 12.4%. In the longer term, when we can no longer rely on reserves, it is funding available for SEN provision and support that will be impacted.
- 2.6 Under the transitional arrangements for the NFF, our 2018/19 high needs allocation was capped £8.9m lower than our pure HN NFF allocation, due to the 3% cap on gains. Conversely, schools are receiving £10m more than their pure schools NFF allocations in the form of minimum funding guarantee adjustments, of which £4m related to secondary schools. The schools block transfer would therefore take us in the direction that the NFF suggests, but temporarily as a block transfer can only be agreed for one-year at a time.
- 2.7 In the light of the consultation responses and the likely opportunity for a further schools block transfer in 2020/21, the LA is now making a revised proposal. This reduces the impact on secondary schools in 2019/20 and potentially spreads the burden over two financial years. The LA will continue to promote the devolved AP model. The extent that we need to seek to retain the funding transferred for a second year in 2020/21 will be re-evaluated next summer in the light of the number of permanent exclusions in the current academic year.

2.8 **Revised Proposal**

A 0.5% block transfer, implemented by reducing the minimum funding guarantee % for secondary schools with a 35% reimbursement of the impact from the high needs block for schools participating in the devolved AP model.

This revised proposal follows the same principles as Consultation Proposal A, but it is for a lower transfer. The consultation proposals assumed a 1.5% cut in funding per pupil in secondary schools, whereas it is estimated that the revised proposal will equate to a 0.75% reduction.

- 2.9 The revised proposal no longer requires Secretary of State approval for a greater than 0.5% block transfer, however we are still reliant on permission to set a differential MFG% for secondary schools.
- 2.10 Only two schools responding to the consultation were prepared to support a block transfer affecting all City mainstream schools should a differential MFG not be allowed. Most primary schools responding felt it was unfair for primary schools to be penalised and that this would be counter-productive affecting primary schools' ability to be inclusive.
- 2.11 In the light of the consultation responses and the likely opportunity for a further schools block transfer in 2020/21, the **LA is now withdrawing the fall back Proposal B for 2019/20**. This may need to be reconsidered for 2020/21 depending on the outcome of the differential MFG request.
- 2.12 Whilst we wish to set a MFG for both phases within the nationally permitted range of -1.5% to +0.5%, the regulations (and the APT spreadsheet that we have to use to submit school budget calculations to the ESFA) are based on the LA setting a single MFG % applicable to all pupils. Therefore, we need to make a disapplication request.
- 2.13 DfE operational guidance states in paragraph 80 that "Local authorities are requested to submit any applications to disapply the MFG for 2019 to 2020 using the disapplication proforma by 28 September 2018. We will then be able to get decisions back to local authorities before the APT is issued in December. Any later requests must be submitted before 20 November 2018 in order for them to be considered in order to meet the APT deadline."
- 2.14 In order to hit the earlier window and ensure we get a timely response to our request and a workable APT spreadsheet issued to us in December we have submitted the disapplication pro-forma to the 28 September deadline. This pro-forma allows for circumstances where the request hasn't yet been to schools forum, as it asks for the date when this will be discussed. We will need to provide follow up information to advise the DfE on whether schools forum has agreed the request and provide a link to the minutes of this meeting once published.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Proceeding with the original consultation proposals, but this would not reflect the concerns expressed by those schools that responded.
- 3.2 Doing nothing, but this places future SEN provision at risk due to the unsustainability of relying on reserves when these are being fast depleted.

4 OUTCOMES/DELIVERABLES

- 4.1 A £0.8m reduction in the high needs budget shortfall for 2019/20.

5 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 5.1 The original consultation proposals were designed to cover the potential cost of permanent exclusions over and above the level assumed in the devolved AP model

for 2018/19 and 2019/20. This was forecast at the time of the consultation launch at £1.3m; £0.3m in 2018/19 and £1.0m in 2019/20.

- 5.2 It is anticipated that the 0.5% schools block transfer will equate to just over £1m. However, the proposed 35% reimbursement to secondary schools participating in the AP devolved model will be around £0.2m. This means that the revised proposals will generate approximately £0.8m to support the excess costs of exclusions.
- 5.3 Modelling based on 2018/19 data indicates that a 0.5% block transfer implemented through a reduction in funding for secondary pupils will equate to about a -0.75% cut in funding per secondary pupil. On average this amounts to a £42 per pupil reduction. Without a schools block transfer, secondary schools could otherwise expect a funding increase in 2019/20 of around 0.5%. Taking this into account, the full impact is on average £71 per pupil. However, schools participating in the devolved AP model will have this mitigated by 35% through additional devolved AP payments in 2019/20.
- 5.4 Latest projections as at the end of September 2018 suggest that £1.247m could be needed to support the costs over exclusions over and above the level allowed for under the devolved AP model. This is £0.099m for 2018/19 and £1.148m for 2019/20. In 2018/19, costs of provision for excluded pupils are forecast to be £0.827m over budget but this is offset by a reduction in devolved AP payments relating to schools not signed up of £0.728m. Projections are based on exclusions for non-participating schools mirroring those for the last 12 months.
- 5.5 In 2018/19, a total of £6.837m is budgeted for the costs of pupils at Denewood/Unity PRUs and devolved AP payments. This is being funded £3.978m from the 2018/19 high needs block allocation and £2.859m from DSG reserves.
- 5.6 In 2019/20, the latest projected PRU/devolved AP costs are £6.135m. This will need to be funded as shown in Table 2:

Table 2: Breakdown of 2019/20 funding requirements £m	
3.978	From in-year HN allocation as 2018/19
0.300	Planned from 2019/20 HN increase
0.709	Ring-fenced in DSG reserve as per 2017/18 Outturn Report
0.800	Schools block transfer as per revised proposals
0.348	Possible shortfall
6.135	Total forecast requirement

As shown in the table above there may be a £0.348m funding shortfall in 2019/20 as a result of the revised proposals, unless permanent exclusions continue to fall. There may be capacity to increase the budget from DSG growth beyond the £0.300m assumed on finalisation of the budget once the 2019/20 HN allocation is confirmed in December. If this is not feasible, or if exclusions are higher than anticipated, then the funding shortfall will need to be recovered through a further schools block transfer request in 2020/21.

- 5.7 If the Secretary of State does not give permission for setting a differential MFG for secondary schools in 2019/20, there will be a further £0.800m shortfall in the high needs budget for 2019/20. In these circumstances, the LA will need to reconsider a schools block transfer affecting all schools for 2020/21.

Kathryn Stevenson, Senior Commercial Business Partner, 28 September 2018

6 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 6.1 The approach recommended in this report complies with any requirements of the School and Early Years Finance (England) Regulations 2018 and related operational guidance.

Sarah Molyneux, Head of Legal & Governance, 28 September 2018

7 HR COLLEAGUE COMMENTS

- 7.1 It is noted that the recommended approach complies with legal requirements of the Schools and Early Years Finance (England) Regulations 2018. It is also noted that it will mean an overall reduction in funding per pupil in the financial year 2019/20. Schools that are impacted will need to carefully consider any potential impact on employees and if any determination is made for potential reductions or to make changes to staffing contractual and non-contractual working arrangements, it is strongly recommended that schools take their own individual HR expert advice, and adhere to the schools/organisations agreed workforce policies and procedures to implement the changes, including formal consultation with the relevant trade unions.

Lynn Robinson, HR Business Lead (Children & Adults)

1 October 2018

Email: lynn.robinson@nottinghamcity.gov.uk

Tel: 0115 8763606

8 EQUALITY IMPACT ASSESSMENT

- 8.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix 1, and due regard will be given to any implications identified in it.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 9.1

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 ESFA Schools Revenue Funding 2019 to 2020 Operational Guide – July 2018

10.2 “Consultation with all City Schools – Schools Block Transfer 2019/20” published at <http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>