SCHOOLS FORUM – 21st JANUARY 2016

Title of paper:	Approach to moving to a new Alternative Provision model for 2016/17
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Summary

This report is to update schools forum on progress made regarding the recommendations and consultations about the review on Alternative Provision by Peter Gray; but also to consult forum on proposed implementation models and options that would be applicable to all mainstream maintained schools, academies and free schools (referred to as schools in this document).

Recommendation(s):

1	To give a view on the proposal to move forward to a new model from 1 April 2016.
2	To give views on the approach outlined in paragraphs 2.3 to 2.6.
3	To give a view on the principle that a full cost recovery arrangement for permanent exclusions will be incorporated into the new model from 1 April 2016 for all pupils permanently excluded after 21st January 2016.
4	To note that the February budget report will need to assume a draw-down of up to £2m from the DSG reserve to support the 2016/17 budget.
5	To agree to delegate to the Schools Forum sub-group consultation over the Denewood and Unity planned places and top-up funding level for 2016/17.

1 REASONS FOR RECOMMENDATIONS

1.1 The status quo is not a financially viable option and the drive is to be able to enter the transition phase to a new model in the financial year 2016/17. There should be significant educational benefits of the new approach as outlined in paragraph 2.3.

1.2 The intention behind these recommendations is to put the LA in a position to be able set the overall 2016/17 Schools budget to the required statutory timescales. The detailed budget will subsequently be refined in the light of the final proposals which result from a consultation process with all schools and academies starting on 4th February 2016.

1.3 The request for Schools Forum view regarding the principle of full cost recovery arrangement relating to pupils permanently excluded after 21st January is explained in paragraphs 5.1 and 5.4.

1.4 The LA is required to consult Schools Forum over the arrangements for alternative provision, including the number of planned places and top-up funding levels. The agreed PRU top-up funding level will feed into the calculation of cost recovery for permanently excluded pupils.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Within the 2015/16 high needs budget, £2.815m is set aside to fund Denewood and Unity Learning Centres. However, the update presented at Schools Forum on 24 September 2015 outlined the requirement to supplement this budget by up to £1.655m from the DSG reserve.

2.2 The annual overspend will continue to grow if the number of permanent exclusions remains in line with the average for the last 3 academic years. Modelling suggests that the cumulative overspend over the next 5 years could reach £14m, which is clearly not affordable.

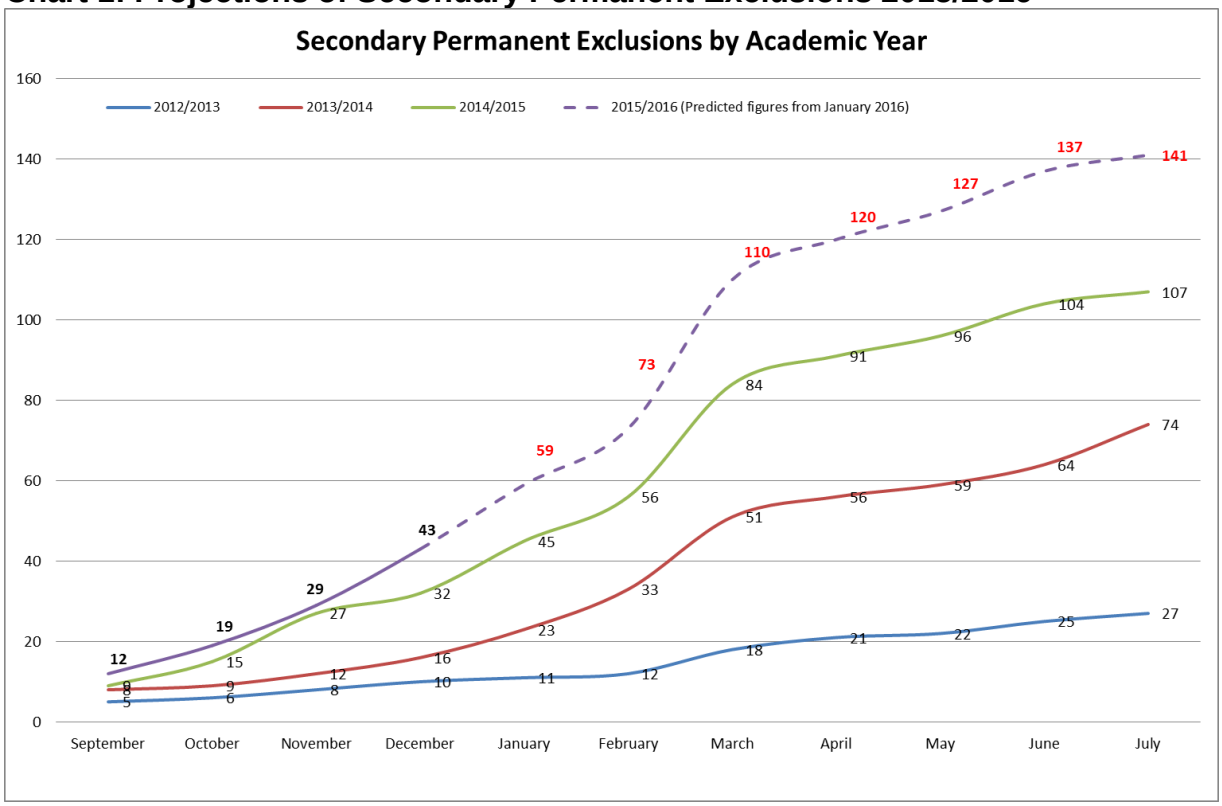
This academic year (2015/2016) has already seen an increase in the number of permanent exclusions in secondary schools. Below is a comparison of permanent exclusions in the autumn term by phase comparison to the previous autumn term:

Table 1: Permanent Exclusions in the Autumn Term by Phase

	Autumn Term 2014	Autumn Term 2015
Primary	10	7
Secondary	36	43
TOTAL	**46**	**50**

The projections for secondary permanent exclusions for the 2015/2016 academic year predict 141 permanent exclusions.

Chart 1: Projections of Secondary Permanent Exclusions 2015/2016



2.3 The proposal is to move to a model of devolving the alternative provision funding to schools. A distribution formula will be consulted on and agreed for calculating individual school allocations. However, there is an expectation that schools will pool funding and work collaboratively to achieve greater economies of scale.

Under this model, schools have all the funding and make the choice of provision for their pupils. Educational benefits of the new approach are expected to be:

- Additional funding available to schools to support early intervention and provide for the needs of pupils.
- Schools can work together to develop good practice and shared resources.
- Funding and resources to support links between primary and secondary to develop transition support.
- Better outcomes for pupils accessing quality education and provision through schools.
- More flexibility to avoid exclusion and speed of support.

The devolved funding will be linked to a service level agreement. This will include the requirement for schools to meet the pupil needs within the funding allocated to them, including the costs of AP for pupils they permanently exclude.

2.4 The entire existing budget is currently being spent on AP for pupils that have already been permanently excluded. Therefore an approach needs to be agreed for the transition period.

We are considering an approach which involves sharing out the £2.815m PRU budget quantum across individual schools, but then reducing these allocations by the costs attributed to any pupils that the school has permanently excluded. As the Learning Centres will also need to be funded for provision for the current permanently excluded pupils, there may also need to be some phasing in of the new devolved funding.

It is envisaged based on feedback from the AP Review, that there will be different approaches in the primary and secondary phases. In the primary phase, we anticipate ring-fencing the funding centrally and inviting expressions of interest from geographically based clusters of primary schools for a project so that different approaches can be trialled and evaluated. In the secondary phase, we envisage devolving the funding at an individual school level although there would still be an expectation that secondary schools might work collectively, for example with primary schools in their locality.

In the secondary phase, we are considering pooling High Level Needs funding for behaviour into the new arrangements.

2.5 Further consultation is planned with head teachers in early February to help establish:

- Views on the planned approach and options in the transition period
- Views on the distribution of funding between phases
- Views on the formula for calculating shares of the devolved funding

2.6 Final proposals will be brought to Schools Forum at the meeting on 21 April 2016.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 Other options have been considered to help accelerate the full transition to the new model which could be explored with schools in the next phase of consultation. For example, ring-fencing some funding to provide financial support for re-integration of existing permanently excluded pupils.

4 OUTCOMES/DELIVERABLES

4.1 An agreed way forward pending further consultation which will allow the Schools Budget to be set to the required statutory timeframes.

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

5.1 The existing arrangements, with permanent exclusions at their current level, are not financially sustainable. Simplistic modelling suggests that, based on exclusions continuing at the average rate for the last 3 years, to reflect the increased demand the PRU budgets would need to grow significantly year on year. PRU budgets would need to be increased by around £1.5m for 2016/17 and potentially grow by an additional £2m by 2020/21.

5.2 In 2015/16, £2.815m was budgeted for Denewood and Unity Learning Centres. Under the proposed new model, this funding would be fully devolved to schools with the requirement for schools to meet all the costs of provision including those pupils they permanently exclude.

5.3 However, in the transition period, the high needs budget will need to continue to fund the costs of current permanently excluded pupils as well as any funding that is newly devolved to schools. As at the end of November 2015 there were 182 permanently excluded pupils on roll at the PRUs. The cost of funding provision for these pupils out of mainstream schools is likely to exceed the existing £2.815m budget, even before any funding is devolved to schools under the transition to the new arrangements.

5.4 The current £2.815m budget will need to be supported by funding from the DSG reserve for the period of transition. It is estimated that up to £2m may be required from the DSG reserve to support the 2016/17 budget. However, this is a top-end estimate designed to keep all options open at this stage. The LA will be recommending that there is a degree of phasing of the new delegation. Following further consultation with heads on 4th February, the 25 February Schools Budget Report will incorporate a revised figure.

5.5 In order to be able to calculate with some certainty the affordability of providing devolved funding to schools at the same time as meeting the financial cost of provision for pupils that have already been permanently excluded, it is crucial that the liabilities in relation to the latter are not allowed to climb further in the interim. For this reason, the LA wants to consult and gain Schools Forums view regarding full cost recovery arrangements.

At the initial consultation meetings schools, academies and the LA supported the principle of full cost recovery, but to implement this it is proposed that full cost

recovery would come into effect from 1st April (financial year 2016/2017) but would apply to all pupils that are permanently excluded from 21st January 2016 onwards. Obviously, final approval of full cost recovery arrangements are subject to the new alternative provision arrangements being implemented.

5.6 If the principle of full cost recovery is not adopted on this basis and permanent exclusions continue between now and the end of March in line with the projections shown in Chart 1, then there could be a limited amount of the £2m additional reserves funding left available to devolve to schools as the cost of provision for the new permanently excluded pupils would need to be met first.

5.6 Without phasing, a couple of secondary schools with negligible numbers of historic permanent exclusions could see devolved funding in excess of £0.2m. Schools with the highest numbers of historic permanent exclusions may not see any new devolved funding initially as their allocations are reduced to reflect the ongoing costs attributed to pupils they permanently excluded.

Other options could be pursued to help speed up the time-frame within which all schools see their full share of devolved funding, for example focusing on helping support re-integration of existing permanently excluded pupils back into mainstream schools.

Table 2: below is an example to indicate the level of devolved funding schools could be allocated at the point that they receive their full share of the £2.815m funding, assuming a distribution based on free school meal pupil numbers and a 25%:75% split of funding to the primary and secondary phases respectively:

Table 2		
Phase	Range in allocations £k	Average allocation £k
Primary	2 to 25	9
Secondary or All through	68 to 334	153

5.7 The level of top-up funding required for the PRUs will have a significant impact on the overall costs as well as the cost recovery charge to schools for permanently excluded pupils. The level of PRU top-up for 2016/2017 financial year needs to be reviewed. From a practical point of view of timing, it is requested that Schools Forum delegates the role of consultation over PRU places and top-up funding to the Schools Forum sub-group.

5.8 Under the new devolved funding model, experiences from other Local Authorities highlight that it may still be necessary to retain some central activity around statutory responsibilities and quality assurance. This will need to be costed into the final proposals.

We are exploring the potential for a reciprocal arrangement with the County LA around the cost recovery process for cross border permanent exclusions.

5.9 It will be important to consider and minimise potential knock on risks or pressures to other high needs budgets under the new arrangements.

For example, it may make sense to incorporate targeted high level needs funding (historically known as MSG funding) specifically for behaviour into the new devolved funding model.

Schools' use of other high needs provision for example the Hilltop provision or placement at Westbury Special School following statutory assessment may need to be considered. Expectations are that special school use will be stable following implementation of the new arrangements.

Over and above the projected DSG reserve requirement for 2016/17, in the February budget report we will also make a recommendation for an amount to be earmarked in the reserve to cover the requirement in future years as well as potential risks.

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

6.1 Legal Implications

The purpose of this report is to update Nottingham City Schools Forum following the review of alternative provision conducted on behalf of Nottingham City Council ("NCC") and to consult with the Schools Forum about proposed implementation models and options that would be applicable to all mainstream maintained schools, Academies and free schools (referred to as schools in this document). This all accords with the respective roles of NCC and Nottingham City Schools Forum.

If implemented, the proposals set out in this report would essentially entail NCC adjusting the budget share of each school it maintains such that that school would receive a proportion of the NCC high needs budget previously used to fund Denewood and Unity Learning Centres. By the same token, if the proposals set out in this report were implemented NCC would similarly adjust its calculation of the budget share of each Academy and free school it is responsible for determining to include a proportion of the NCC high needs budget previously used to fund Denewood and Unity Learning Centres and the Education Funding Agency ("EFA") would then recoup this sum. Presumably, the proposals in this report have been checked with the EFA and the EFA has confirmed they would be acceptable.

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7 HR ISSUES

7.1 None

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 the report does not contain proposals or financial decisions. A full EIA assessment will be completed for further detailed reports.
Yes ☐

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

9.1 None

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Provision and Services for Pupils with Behavioural, Emotional and Social Difficulties in Nottingham City - An Independent Review, Peter Gray