

MEETING OF THE SCHOOLS FORUM

Wednesday 20 April 2016 at 8:30am

BETHNAL GREEN CENTRE, 229 Bethnal GREEN ROAD, E2 6AB

AGENDA

1.	Apologies for absence	
2.	Minutes of the meeting on 2 March 2016 and matters arising	Chair
3.	Schools Budget 2015/16 – Verbal Update	Sajeed Patni
4.	National Funding Formula Consultation and Government White Paper Update	Sajeed Patni
5.	Tower Hamlets Education Partnership Update	Debbie Jones / Kate Bingham
6.	Schools Surplus Balances – Verbal Update	Sajeed Patni
7.	Tower Hamlets Education Award (Higher Education)	Kate Bingham
8.	Any other business •	
9.	Next meeting • 8:30am, Wednesday 15 June 2016 at the PDC, Bethnal Green	

MINUTES OF THE SCHOOLS FORUM – 2 MARCH 2016

Present:

School Members

Governors: Veronica Kennard, Dennis Jenner, Md Shahanur Khan, Pip Pinhorn, Bridget Cass and Dave Lake.

Headteachers: Cath Smith (Vice-chair), Gillian Kemp, Lorraine Flanagan, Sarah Helm, Jemima Reilly, Ann O'Reilly, Remi Atoyebi, Matthew Rayner, John Watkin, Joe Prendiville.

Non School Members

Alex Kenny (Trade Union Rep), Terry Bennett (LDBS), Gerry MacDonald (16-19 Providers).

Officers in attendance

Debbie Jones, Kate Bingham, Sajeed Patni, Sailesh Patel, Hania Franek (clerk).

1. Apologies for absence	Action
<p>Apologies were received from Jill Cochrane (Chair), Bob Stevenson, Sheila Mouna and Kim Arrowsmith.</p> <p>The Chair was taken by Cath Smith, (Vice-chair). Dave Lake, Chair of Governors at Bow School, was welcomed back to the Schools Forum</p>	
<p>2. Minutes of the meeting on 20 January and matters arising (circulated)</p> <p><u>Number of f.t.e. two year olds</u> – item 4, page 3 Sarah Helm asked for clarification on the number of two year olds. Sailesh Patel explained that the figures comprise mostly children in PVI settings and some who are in nursery schools.</p> <p><u>Licences secured by the DfE</u> – item 4, page 3 The list of licences has been circulated in the Heads' Bulletin.</p> <p><u>Early Years Funding</u> - item 4, page 5 Kate Bingham had spoken to Terry Parkin about the suggestion that the underspend could be distributed to nurseries as he is leading on the Early Years Review. She advised that the Schools Forum could take a view on how it should be used.</p> <p><u>De-delegation of support to UPEG</u> – item 4, page 6 Terry Parkin has responded to primary Heads' concerns about this expenditure. He has advised that the Schools Forum agreed the re-structure of the service in 2010 and the work in this area is now delivered on a cross-phase basis that includes EMA. The primary school improvement team also covers narrowing the gap for new arrivals and the money funds part of the work on white British under-achievement.</p>	

<p>Minutes of the meeting on 20 January and matters arising cont.</p> <p>Gill Kemp asked for a summary of the number of schools worked with that are funded by this de-delegated funding to feed into the review of the school improvement service.</p> <p>Minutes agreed.</p>	<p>Action</p> <p>Terry Parkin</p>
<p>3. Schools Budget 2015/16 (report circulated)</p> <p>Sajeed Patni reported on the position of the DSG at the end of January. The year end figure has moved by £120k since the last update. The variances are mostly the same with a significant underspend in the Early Years and an overspend of £1.625m in High Needs. An analysis of the variances was provided in table 2 of the report.</p> <p>The carry forward is projected to be approximately £4.4m.</p> <p>In paragraph 5.1 of the report the data relating to the commitment for central provision should be October 2015 not 2014.</p> <p>Questions were asked about why the carry forward was being factored into the following year's budget. Sajeed Patel said that this money would be used for the DSG and that historically it has been from an underspend on the Early Years. It goes to pay for the overall block in table 1 that includes £1.72m brought forward from last year. This is not ringfenced for any particular area. The same principle will be seen in the 2016/17 budget report. However, where it is for de-delegated expenditure, the carry forward must be on the same line.</p> <p>Sarah Helm said that there is a need to invest in the Early Years across the borough and that all Tower Hamlets schools would benefit from such investment. Sailesh Patel said that the Schools Forum can decide on how resources are applied but whether they can be kept for a certain area would be a matter for the LA; this could come out of the funding review. Three consultations are taking place this year, including resources for the Early Years.</p> <p>Sarah Helm asked whether the Forum could make a statement on how it would like the carry forward to be used and said that she would welcome a sense of the Forum's view. Kate Bingham said that the Regulations do not allow it to be ringfenced but the LA has some discretion and there would be room for discussion.</p> <p>Debbie Jones reported that the LA is conducting a review of Early Years that covers children's centres. The management of the Early Years service and the children's centres has been integrated. The value for money of the children's centres is under consideration.</p>	

Schools Budget 2015/16 cont.	Action
<p>Elected members are concerned that we are making the best use of the resources for two year olds.</p> <p>The aim is to ensure better joined up use of all the resources than is currently the case, including in the PVI sector. Cordis Bright has been undertaking the first stage of the review, which is yet to be concluded. The LA has secured significant improvements with provision for two year olds and is no longer the worst performing LA in this respect.</p> <p>The Chair said that the Schools Forum would be interested to use the information from the review of the Early Years to consider how best to use the surplus.</p> <p>Keith Makin, consultant, will be starting the second stage tomorrow. The scope is wide ranging and he will be contacting schools among other stakeholders to ask where they see the priorities to be.</p> <p>Dennis Jenner said that the Forum needs to take a view across the borough as a whole. If the underspend is ringfenced for the Early Years it would have implications for High Needs and it was necessary to look at other important issues and possible impacts.</p> <p>Matthew Rayner said that it was crucial to recognise that the High Needs overspend is caused in the main by many pupils going to the independent sector. The demands on the High Needs block will continue to grow and if not addressed, it could reach the stage where it cannot be funded.</p>	
<p>4. Schools Budget 2106/17 (report circulated)</p> <p>Sailesh Patel said that the previous meeting the Schools Forum determined the primary and secondary core budgets, de-delegations and the level of the pupil growth fund. There is no further news on the overall resources other than an estimated £900k Early Years extra income based on the spring term census.</p> <p>Work is continuing to calculate the commitments in the High Needs Block, which will need to be monitored very closely.</p> <p>Appendix 1 to the report showed that overall resources have not changed.</p> <p>Officers were asked whether the SEN budget would be increased in the light of the overspend this year. Sajeed Patni said that the budget has not increased and that it will be important to look at how to curb this spend. The expenditure fluctuates throughout the year and demand is expected to grow. This budget will therefore need to be revised.</p> <p style="text-align: right;">cont.</p>	

Schools Budget 2016/17 cont.	Action
<p>Gill Kemp asked whether the new budget has been matched to the High Needs expenditure and overspend. Officers explained that that the best estimates have been used based on actual children.</p> <p>Matthew Rayner noted that if proposals for special school expansion are implemented, growth in the budget would need to be factored in. Kate Bingham said that the budget would be increased if there was growth in High Needs; it would however, be money that was moved around from other budget areas.</p>	
<p>5. Schools Surplus Balance (report circulated)</p> <p>The Schools Forum has received a number of reports to compare surplus balances in Tower Hamlets with those in other local authorities. At the last meeting there was discussion about additional information that was needed for the Forum to come to a view before any decisions on possible clawback.</p> <p>The report contained an outline of a specification to commission a piece of work on behalf of the Forum, to look at,</p> <ul style="list-style-type: none"> (i) why balances have been accumulated over the last three years. The reasons will vary from school to school (ii) schools' surplus spending plans (iii) the performance of cohorts in the years when the surpluses have been accumulated. Funding is for that cohort and if it is not used, it is an opportunity lost. <p>The Forum was asked to comment on the specification. Dennis Jenner said that (iii) would be difficult and that it might be easier for officers to see whether spending plans are in line with School Development Plans, as they have done to date.</p> <p>The excess surpluses total is £13m. The Chair noted that there are important issues for the messages beyond Tower Hamlets, especially in relation to the national funding formula.</p> <p>Gerry MacDonald asked what would happen if all schools become academies. This will affect the financial position. In the FE sector there are untenable pensions liabilities. There needs to be a comprehensive review of the thresholds for the surplus balance (currently 5% for secondaries and 8% for primaries) taking account of schools that are independent of the LA.</p> <p>The Chair said that if the LA informed a school that its excess surplus would be clawed back, the school would convert to an academy.</p> <p style="text-align: right;">cont.</p>	

Schools Surplus Balance	Action
<p>Bridget Cass said that there should not be an assumption that schools with no surplus have been negligent in their financial planning. The issues are whether governing bodies have kept beyond what is appropriate for careful planning and how to change the image of spending by Tower Hamlets schools. She asked if the study could include schools that do not have surpluses.</p> <p>Terry Bennett said that “claw back” is aggressive language. Where surpluses are the result of poor financial management, these schools should be supported. Kate Bingham said that it was the intention to move from a negative discussion and that the capital aspect of spending can be promoted positively back to government.</p> <p>Lorraine Flanagan said that in order to engage schools in the dialogue, the consultation should not ask for detailed responses.</p> <p>Officers were asked whether the study would be commissioned internally or independently. That decision had not yet been made. The cost was unlikely to more than £15k to £18k. It was hoped to be able to avoid delay and commission this work as soon as possible.</p> <p>AGREED unanimously to commission an analysis of surplus balances as per the specification in the report.</p>	
<p>6. Next meeting</p> <p>8:30am on Wednesday 20 April at the PDC</p>	

AGENDA ITEM 4

Title of report: National Funding Formula and Government White Paper Update

Author of the paper: Sajeed Patni

Officer to present the paper to Schools Forum: Sajeed Patni

Details on who has been consulted with on this paper to date:
Debbie Jones, Kate Bingham, Layla Richards, Sailesh Patel.

Executive Summary

This report summarises the key implications for the Council arising from the Department for Education (DfE) schools White Paper, *Educational Excellence Everywhere*, and the DfE consultation on the National Funding Formula. As well as the duty to maintain schools, the white paper sets the scene for responsibility for school improvement moving from local authorities to the school-led system and local authorities' role in allocating funding to local schools will be overtaken by the move to a National Funding Formula.

Actions required:

Schools Forum is invited to **discuss and comment on** any of the issues raised in the report.

1. INTRODUCTION / SUMMARY

- 1.1. Schools Forum were updated at the meeting in December 2015 of potential National Funding Formula (NFF) changes as a result of announcements in the Comprehensive Spending Review in November 2015. The expected consultation on the NFF was issued by the DfE on 7th March and closed on 17th April 2016. This paper updates Schools Forum on the changes proposed and the Council's response to the consultation. The consultations issued by the DfE are stage one of a two stage process for the Schools block and the High Needs block of the DSG. A consultation on the Early years block will happen later in the year.
- 1.2. Tower Hamlets response to the consultation has been adapted where relevant from the proposed London Councils response.
- 1.3. The timeframe to respond to the consultation has been very tight with limited time available to analyse and relay the proposals to wider stakeholders, however the following actions have been taken:
 - Presentation to Headteachers and discussion at the Directors meeting with Heads. Please see **Appendix 1** for the presentation which summarises the proposals.
 - Briefing and links to the DfE documents sent to all Schools.
 - Officers from the Council have attended the Children's and Young Peoples Finance group led by London Councils to discuss the joint response.
 - Briefing and links to the DfE documents sent to all governors via the Directors report to Governors.
 - Local authority officers with direct expertise of datasets and proposals have been consulted.
- 1.4. This paper also provides Schools Forum with more information in relation to the governments recent white paper entitled 'Educational Excellence Everywhere'.

2. NATIONAL FUNDING FORMULA

- 2.1. The government issued its first stage consultation on 7 March to introduce a fairer schools' national funding formula (NFF) that will be implemented fully in 2019/20. There will be two transitional years in 2017/18 and 2018/19.
- 2.2. There are currently 3 blocks of funding in the Dedicated Schools Grant (DSG): Schools, High Needs and Early Years. Modelling from various

sources has estimated that Tower Hamlets, having the highest per pupil funding in the country, would be set to lose the most DSG, between 12 to 18% for its Schools block. From 2019/20, the DfE will determine individual schools funding without any local authority involvement or any avenue to make local decisions for local circumstances.

- 2.3. London Council's modelling has suggested a loss of 14.2% which equates to £1,000 per pupil or £36.5m for the borough. Simultaneously a consultation has also been issued for a national funding formula for the High Needs element of the DSG. A consultation for the Early Years element will be issued later in the year.
- 2.4. This consultation is stage one of a two stage process and doesn't confirm any monetary values. It sets the general principles of a NFF and gives an indication of where the Education policy is heading but stage two will provide the necessary financial detail. However, there are enough details in the consultation to conclude that for Tower Hamlets, there will be a significant financial impact. The NFF implementation will be a redistribution of funding nationally, Tower Hamlets will lose significantly but there will be gainers throughout the country.
- 2.5. There are four building blocks to the Schools element of funding. This proposes a basic amount of per pupil funding which would apply nationally for Primary, Key Stage 1 and Key Stage 2 pupils. Additional needs factors such as deprivation, low prior attainment and English as an additional language would then be applied. In addition, there would be School specific considerations such as a sparsity factor, business rates and premises costs, including PFI. There will also be an amount for pupil number growth. Lastly, there will be an area cost adjustment which considers more expensive costs in cities, such as London, however there is no information on the multiplier or weighting which will be applied. The area cost adjustment will prove crucial for all London Councils.
- 2.6. The consultation also proposes a Minimum Funding Guarantee (MFG) at a school level. In the past few years this has been set at 1.5% and means no school would lose more than 1.5% of its funding from year to year. There is no information on what the MFG will be in this consultation (although it is expected it will be much higher than 1.5%) and it is unclear over what period the overall redistribution of funding nationally will be staged. This detail will be crucial for Schools as it will determine the rate (MFG) and pace of the funding decrease.
- 2.7. There are also proposals in the consultation to have an 'Invest to save fund' available to Schools for restructuring costs. The budget statement in March 2016 promised an additional £500m nationally for the NFF, at present it is unclear how this will be used and whether the Invest to Save fund will be new or existing money from within the DSG national allocation. For the High Needs block the consultation states that £200m of capital funding for special educational needs (SEN) will be made available nationally.

- 2.8. The reductions that are likely at this stage do not take into account increasing costs such as medium term inflation, salary increases and national insurance employer contribution increases for schools as a result of a change to how teachers pensions are valued. This was announced in the March 2016 budget and is set to impact from 2019. These additional costs will result in additional financial challenges for Tower Hamlets schools.
- 2.9. The Education Services Grant (ESG) is paid to local authorities on a per pupil basis as an un-ringfenced grant. This is worth £92 per pupil to the Council in 2016/17 and is made up of 2 elements: a general funding rate and a retained per pupil rate.
- 2.10. The general funding rate is worth circa £3.1m to Tower Hamlets in 2016/17. With the proposal to transfer these responsibilities to schools, the associated funding of £3.1m for these responsibilities would cease. The retained pupil rate will remain with LAs. This is worth £641k in 2016/17 to Tower Hamlets. The duties associated with the ESG, such as School Improvement and Behaviour Support will be removed from local authorities. However, local authorities will still have responsibility for the areas stated in 3.5 of this report
- 2.11. The remaining ESG and money set aside in the DSG which currently funds central services (such as school admissions and schools redundancy provision) will be amalgamated into a new fourth block in the DSG called the 'Central Services' block. It is likely that this block will not be sufficient to fund the duties to remain and so the DfE has proposed an avenue to apply to the Schools Forum to 'top-slice' some of the money, which is for schools, in order to provide extra income for 'Central Services'. This, however, would represent additional decreases in funding for schools along with any of the significant cuts covered in 2.3 of this report. In the medium term, schools would also need to absorb increases in expenditure linked to medium term inflation, salaries and increasing employer pension costs programmed to take effect from 2019.
- 2.12 For the High Needs consultation it states that the LA role is to be maintained for high needs, a two-step process will continue whereby central government allocates funding to local authorities, to allocate locally within national guidance. A new formula will be introduced to distribute funding to local authorities including the following factors:
- 2016/17 high needs allocation will be used as a significant factor in the formula to reduce turbulence, at least for the first five years.
- 2.12. Other criteria in the high needs formula are largely based on the ISOS report (Basic unit funding, Health/disability factors and Low attainment).

2.13. The Council's response to both consultations is contained at **Appendix 2** of this report.

3. SCHOOLS WHITE PAPER

3.1 The government's White Paper, *Educational Excellence Everywhere*, was published on 17 March 2016. It covers teaching and leadership in schools, preventing and tackling underperformance in academies, curriculum reform, governance and standards and fair funding for schools. The White Paper sets out a radical new proposal which will transform the Council's role in education and its relationship with schools in the borough. The main issues which will directly affect the Council are outlined below.

Forced academisation

3.2 The White Paper confirms the government's plans for all schools to either become academies, or be in the process of converting to academy status, by the end of 2020. By the end of 2022, local authorities will no longer maintain schools. The government's policy of academisation is not new, but the direction set out in this White Paper is unprecedented in that it sets out a clear timeline for the forced academisation of all schools, backed by new government powers. This will be achieved by:

- Using the powers for Regional Schools Commissioners (RSCs) in the Education and Adoption Act 2016 to forcibly convert maintained schools judged by Ofsted to be inadequate.
- In Council areas that are underperforming or the Council no longer has capacity to maintain its schools, new powers will be given to the Secretary of State to ensure all schools become academies 'to a faster timescale'.
- A new duty on councils to facilitate the process of all maintained schools becoming academies.
- If schools have not started the process of becoming academies by 2020 they will be directed to do so by the Secretary of State.
- Most schools will be expected to form or join a Multi Academy Trust (MAT).

Conversion and land costs

3.3 Schools will continue to get financial support to become academies. There are no proposals in the White Paper to reimburse councils for the costs that they will face in the conversion of maintained schools. Furthermore, to speed up the process of academy conversion, when a community school converts to academy status and the council owns the land, the land will

transfer to the Secretary of State who will then grant a lease to the academy trust. If the land is owned by the school, a Diocese or a charitable trust, it will not transfer in the same way.

A new role for local authorities

- 3.4 The White Paper sets out the government's intention to transfer responsibility for school improvement from local authorities to schools and system leaders. The government therefore intends to legislate to change local authorities' powers and duties. In the short-term, local authorities will continue to have responsibilities which include employment of staff in community schools, ownership and asset management of school buildings and responsibilities relating to governance, organisation and curriculum of maintained schools. Those responsibilities will shrink as each school in the area becomes an academy until they all do so when they will fall away entirely.
- 3.5 In future the council role in education will be focused in three areas:
- **Ensuring every child has a school place:** LAs will retain responsibility within the fully academised system for ensuring that there are sufficient schools places and that free school applications are supported through the central free school programme. LAs will also be required to work with schools and parents in developing local school transport policies and to take a lead in crisis management and emergency planning.
 - **Ensuring the needs of vulnerable pupils are met:** The LA will be responsible for identifying, assessing and making provision for children with special educational needs and disability and looked after children; promoting school attendance and tackling persistent absence. The LA will retain responsibility for safeguarding (including radicalisation and extremism) children and will have a duty to ensure that schools understand and discharge their safeguarding duties.
 - **Acting as champions for all parents and families:** Supporting parents to navigate the new schools system within its continued role in admissions. The LA will also be required to support residents to navigate local SEND arrangements and encouraging high performing schools to provide more school places
- 3.6 Moreover, the government will review the responsibilities of local authorities in relation to children, including the implications for the roles of the Director of Children's Services and the Lead Member for Children and will consult on any changes to the statutory guidance.

School accountability

- 3.7 The White Paper says that in an academised system, where schools will be more locally accountable to academy trusts with whom parents have a direct relationship, it is even more important that parents and governing boards should be able to challenge schools and hold them to account.
- 3.8 A new online Parent Portal will be established in 2017 to set out clearly the key things a parent need to know about schools.
- 3.9 A new duty will be placed on academies to ensure that they listen to views and needs of all parents.
- 3.10 The DfE will consult on changes to the admissions system to make it easier for parents to navigate, including simplification of the admissions code. They will consult on the council role in coordinating admissions, including requiring councils to handle the administration of the independent admissions appeals function.
- 3.11 Academy trusts will no longer be required to reserve places for elected parents on governing boards, although boards will be required to undertake a skills audit and parents could apply through this route.

4. NEXT STEPS

- 4.1 The outcome of the consultation to the NFF is expected sometime during May 2016 with the second stage consultation, which will contain the full financial impact of the proposals, expected at the same time. Schools Forum will be kept updated of all the relevant information in respect to both the NFF and the government white paper as and when this becomes available.

AGENDA ITEM 5

Title of report: The Tower Hamlets Education Partnership update

Author of the paper: Sajeed Patni

Officer to present the paper to Schools Forum: Debbie Jones / Kate Bingham

Details on who has been consulted with on this paper to date:
Debbie Jones, Kate Bingham, Layla Richards.

Executive Summary

This report provides an update on the establishment of Tower Hamlets Education (THE) Partnership. This is intended to be a schools-led partnership to accelerate improvement by promoting and extending existing joint working. It will cement the successful collaboration – between the schools themselves and between schools collectively and the local authority and other key partners – which has brought such marked benefits to the education of children and young people in the borough over the past twenty years.

Actions required:

Schools Forum is invited to **discuss and comment on** any of the issues raised in the report.

1. INTRODUCTION / SUMMARY

- 1.1. In the summer of 2015, informal discussions amongst headteachers considered the implications for Tower Hamlets schools of the changing national policy context and the proposed legislation which has now been introduced in the form of the Education Act 2016. The idea emerged that a schools-led partnership should be established to promote and extend existing joint working and to cement the very successful collaboration – between schools themselves and between the schools collectively and the local authority and other key partners – which has brought such marked benefits to the education of children and young people in the borough over the past twenty years.

2. THE DEVELOPMENT OF THE PARTNERSHIP

- 2.1 The Council recognises that longstanding collaboration between schools and the local authority is a huge strength of education in Tower Hamlets. Headteachers, though primarily concerned with their own schools, have for many years shown a commitment to all Tower Hamlets children and their families.
- 2.2 In responding to these initial proposals, councillors were keen to stress that as education remains important to local communities, in particular to parents with children at local schools and prospective parents, it remained important to them. They recognised too that education is a powerful regeneration strategy and therefore vital in sustaining the life of the local area which is of major importance to them too. As community leaders, councillors will therefore continue to have a key role to play in raising expectations, aspirations and educational achievement.
- 2.3 The Partnership in no way diminishes the Council's role in shaping and raising aspirations for learning and education locally. When responding in December 2015, three months before the publication of the recent White Paper (DfE, 2016), the Council emphasised its continuing role as both champion for children in Tower Hamlets and guardian of children and young people in the area. These roles stem from the leverage given by local authority's democratic base so it is good to see this recognised by the government in the recent White Paper. The role of the council in this new education world is set out more fully in paragraphs 5.1 to 5.7 below.
- 2.4 A consultation was undertaken to test the idea of a Partnership amongst Tower Hamlets schools during the autumn term of 2015 and it was discussed at the termly Director's meeting with Governors on 19 January 2016. The response to the consultation was strong, with 75% of schools indicating a potential interest in such a partnership – depending on the details of its educational purposes, its operation, its governance and its costs and benefits. A wide range of specific suggestions were made as to what its key features might be.

- 2.5 Responses expressing positive interest came from all types and phases of school, including nursery, primary, secondary, special, academies and Catholic and Church of England voluntary-aided schools. Only one school responded to say that it would not be interested in participating, on the grounds that it is subject to the Catholic Diocese – although other individual Catholic schools were positive about it.
- 2.6 Between January and April 2016, a largely elected Steering Group involving representatives from all sectors, including governors, worked intensively on the development of the partnership model, taking into account the specific points made in responses to the initial consultation.
- 2.7 As requested through the response of the Council in December, the primary focus of THE Partnership will be on collaboration for school improvement – for all schools, not just for those experiencing difficulties – and on achieving the best educational outcomes for the children and young people of Tower Hamlets. THE Partnership’s vision and values are at one with those of the Council, and its focus on improving outcomes for our children and young people is reflected in a commitment to specific, targeted outcomes. (reference the outcomes in the proposal). Further, school improvement can be a system-wide endeavour. This proposal would make THE Partnership responsible for school improvement in Tower Hamlets and be accountable for that to wider community.
- 2.8 This Partnership will become accountable for driving and ensuring school improvement in Tower Hamlets. This means it will:
- know all Tower Hamlets schools well
 - establish robust monitoring, challenge and support
 - broker and commission effective support for schools in difficulty or causing concern
 - liaise with the local authority and external bodies , such as the DfE or the Regional Schools Commissioner, about performance
 - identify, develop and extend good and interesting practice
 - provide excellent professional development and training for school staff and governors.
- 2.9 It intends to do this by establishing an ambitious, school-led system of continuous improvement. It will draw on the collective strengths of schools in Tower Hamlets, for example, those evident in outstanding schools and on great practice in individual schools, even if they may not yet be judged outstanding. The Partnership will want to use the rich resource offered by the teaching schools in Tower Hamlets and their teaching school alliances. It will use the expertise of system leaders in education such as National Leaders of Education (NLEs), Local Leaders of Education (LLEs), Teaching Schools, Specialist Leader of Education (SLEs) and National Leaders of Governance (NLGs).

- 2.10 Additional momentum for the future development of THE Partnership has been provided by recent government legislation and policy announcements (Education Act 2016; National Funding Formula proposals; Educational Excellence Everywhere, White Paper). These changes offer further potential opportunities for the local authority to work with THE Partnership to enable it to establish and deliver other services currently provided by the council and new services.

3. GOVERNANCE AND MANAGEMENT OF THE PARTNERSHIP

- 3.1 THE Partnership will be made up of its member schools, and registered as a 'Schools Company' – a company limited by guarantee with charitable status – 100% owned by schools and colleges in the borough. The Council will be an Associate Member of THE Partnership.
- 3.2 All publicly funded schools (which would include free schools and academies) within Tower Hamlets are eligible for full membership, while other schools and institutions (including Multi Academy Trusts or MATs) wishing to support THE Partnership can become 'associate members', and access relevant services without being legal 'members of the company'.
- 3.3 THE Partnership will not itself be a MAT, but will work closely with academy trusts and actively support local schools through the conversion process.
- 3.4 As a legal company, THE Partnership considers it might want to explore the potential of setting up a subsidiary company as an academy sponsor. This is not a current priority but it might be something worth investigating in the future, once the Partnership has established its capacity, expertise and credentials in leading and managing school improvement.
- 3.5 The directors of THE Partnership will collectively form a Board, providing strategic guidance for THE Partnership and holding the executive management of THE Partnership to account. The Executive Director of THE Partnership will also be a paid director, and will oversee the day-to-day operation of THE Partnership's services and management of its staff.
- 3.6 A separate Advisory Council will provide a representative body made up of current school leaders and governors elected by the membership, which will meet with the directors regularly to scrutinise, review and challenge performance and strategic direction.

4. RESOURCING THE PARTNERSHIP

- 4.1 It is anticipated that THE Partnership's sustainable income will come from a number of sources, principally:
- Membership subscriptions from schools
 - Contracts with the local authority for specific purposes
 - Income from traded services

- Income from bespoke assignments
 - Income from grants or awards
 - Payment in kind (such as the use of the PDC)
- 4.2 However, to enable the Partnership to grow its business and become sustainable, the Council will consider a proposal to allocate seed funding for a period of three years of up to £300k per annum at a Cabinet meeting in May 2016. Additional support will also be given through different forms of payment in kind.
- 4.3 In responding to the consultation on the Partnership in December, the Council agreed that a new model of school improvement, led by schools for schools, should be established and that the Steering Group should focus its next phase of discussions on this. The Council suggested all school improvement services, such as primary school improvement services, which are currently sold to schools services, should sit within the Partnership. This fits well for the proposals on school improvement set out in the White Paper.
- 4.4 It is planned that, during the course of the 2016-17 financial year, the Council will seek to commission THE Partnership to provide some of the school improvement services currently provided by the Council. It is anticipated that this may involve secondment of the Council's Learning and Achievement teams or a specific team within the L&A division to provide the services to which it has already committed. Given the expertise in our teams, and their very strong links with our schools and the benefits these have been shown to bring, it would seem sensible to support the transfer over to THE Partnership but in such a way as to minimise the risk of this move both to the staff and to the developing partnership.

5. ROLE OF THE COUNCIL

- 5.1 The Partnership in no way diminishes the role of the council in education and, in many ways, it helps to clarify the most important elements of its role in the future.
- 5.2 As outlined in the Cabinet report, Maintaining Educational Excellence, the White Paper indicates local authorities will be expected to 'step back from running school improvement from the end of 2016/17 academic year'. They retain responsibilities in three areas:
- ensuring every child has a school place
 - ensuring the needs of vulnerable children are met
 - acting as champions for all parents and families.

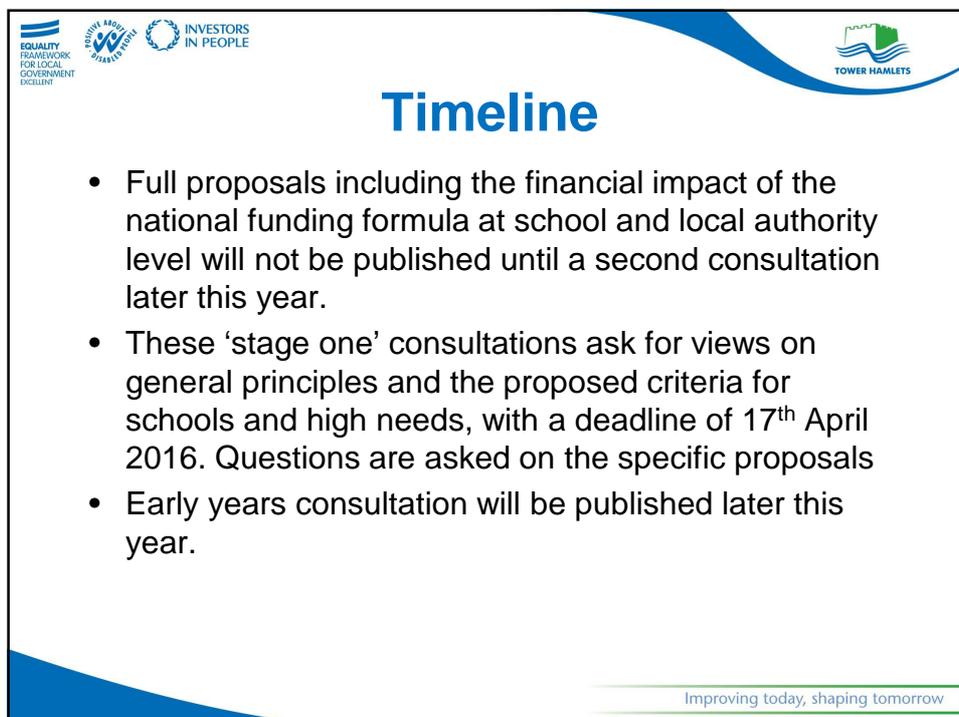
- 5.3 Whatever, the statutory definition of its role, the local authority's democratic base gives it leverage locally which translates into activities as:
- community leaders
 - champions for children, parents and families
 - guardians of children.
- 5.4 As community leaders, councillors recognise the importance of education to local communities. Whether holding statutory responsibility for this or not, they want it to be good quality. They share strong moral purpose with those in schools and colleges wanting to improve the achievements of children and young people.
- 5.5 Councillors already listen hard to the voice of parents and others in the local community about the needs of children. Ensuring this voice is heard becomes even more important in the system described in the recent White Paper (DfE, 2016). As community leaders, councillors have an important role in place –planning and consequently, in shaping school provision in the area.
- 5.6 As guardians for children, councillors must be vigilant about the needs and interests of the most vulnerable, such as children in public care, and sensitive to their interests. However, we would argue that this vigilance should extend to all children and young people in Tower Hamlets. The council needs to have an up to date understanding, of how well the needs and interests of young people are being served by local schools and colleges and seek to improve it, not be taking responsibility for delivery itself but by engaging with those providing to see to influence by pressure and support. This is why the role of scrutiny should become even more important in a system where all or the majority of schools are academies and operating in multi-academy trusts (MATs). The council will expect the Partnership to provide it with an annual review of education in Tower Hamlets with an analysis which identifies strengths and weaknesses.
- 5.7 The Council will continue to act as champions for children and families in Tower Hamlets. A key part of this role is to articulate a local and ambitious vision for education as part of the Mayor's Plan for Tower Hamlets. This should give active support to schools in their drive for improvement. The Plan will also provide the base for the improvement outcomes the Council will expect the Partnership to deliver and the expectation that we would want to see all schools in the borough performing in the top quartile when compared with national benchmarks. Councillors are well placed too to make connections across people, services and places in Tower Hamlets that could benefit young people.



National Funding Formula – Consultation

Stage one

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Timeline

- Full proposals including the financial impact of the national funding formula at school and local authority level will not be published until a second consultation later this year.
- These 'stage one' consultations ask for views on general principles and the proposed criteria for schools and high needs, with a deadline of 17th April 2016. Questions are asked on the specific proposals
- Early years consultation will be published later this year.

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Schools block – the formula

- A school-level funding formula will be introduced from 2019/20: central government will set allocations at a school level, bypassing local authorities
- The schools funding formula will have four blocks
 - **Basic per pupil funding**
 - **Additional needs:** deprivation (FSM, IDACI), low prior attainment, EAL
 - **Schools costs:** allocated at historic levels of spend in local formula on i) growth, ii) PFI, iii) exceptional premises circumstances iv) rates.
 - **Geographic costs:** area cost adjustment to all factors

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Funding blocks

A	Per pupil costs	Basic per-pupil funding			
B	Additional needs	Deprivation	Low prior attainment	English as an additional language	
C	School costs	Lump sum Sparsity	Rates	Premises*	Growth
D	Geographic costs	Area cost adjustment			

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

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Schools block – the formula (cont'd)

- Pupil mobility and Post-16 are not included as a formula factor
- The weighting on each of the above criteria will not be proposed by DfE until the second consultation, so the exact financial impact on Tower Hamlets cannot be confirmed at this stage
- Pupil premium funding will be maintained as a separate grant for the course of this parliament. Rather than including looked after children, the LAC rate in the pupil premium plus will be increased (not clear if new money or rolled out of DSG)

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Schools block - transitional arrangements

- During a transition period in 2017/18 and 2018/19, allocations will still be made to local authorities, who will then in turn allocate funding to schools through local formulas. Allocations to local authorities in this period will be calculated using the new funding formula
 - This 'shadow' formula will work out formula allocations at a school level and then distribute the aggregate allocation of all schools in the area to the local authority (subject to MFG/caps on gains outlined below)
- Minimum funding guarantees at a school level will continue to apply. The exact level of MFG, currently -1.5%, is not confirmed in the consultation.
 - The MFG will be funded in one of two ways, with the consultation leaning towards option 1:
 - A flat % cap on annual increases in funding
 - A lower basic cap, topped up by a progressive system where schools that are furthest away from their formula allocation gain further

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Schools block transitional arrangements (cont'd)

- During the transition period, two separate MFGs are proposed:
 - When allocations to LAs are calculated under the 'shadow' formula, a national MFG and corresponding cap on gains will apply at the school level. Allocations to LAs will be adjusted accordingly.
 - A separate MFG for the distribution from schools to local authorities is suggested during the transition period – i.e allowing LAs to make larger savings at a school-level than the national MFG in the 'shadow' formula
- "Invest to save" fund to be introduced in 2016/17 to spend on restructuring costs. Consultation does not say whether this is new money, how it will be distributed or whether/how it will be ring-fenced.

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ESG and the new 'central block'

- A fourth 'central schools block' will be introduced, bringing together Education Services Grant and DSG currently top-sliced by the LA
- The general funding rate for ESG paid to LAs for services to maintained schools will be removed from September 2017 (currently worth £3.1m to the Council). The general funding rate will also be removed for academies, subject to transitional arrangements
- ESG will therefore be stripped back to the 'retained' per pupil rate - this is currently £15 per pupil, but will be area cost adjusted under the proposals (currently worth £641k to the Council).
- No De-delegation from 2019/20. Fully traded service, Schools can choose to buy or not.

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ESG and the new 'central block' (cont'd)

- LAs will be able to top-slice DSG to cover services that are currently paid for by ESG, with the approval of maintained school members of schools forums
- School improvement function amongst others will be removed from 17/18.
- LAs will still have responsibility for:
 - Securing that sufficient School places are available
 - Ensuring the needs of vulnerable pupils are met
 - Acting as champions for all parents and families
- Reduced funding whilst LAs have additional responsibilities as a result of the Children and Families Act and the Education and Adoption Act.

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High Needs Consultation

- Local authority role to be maintained in high needs: two-step process will continue whereby central government allocates funding to local authorities, to allocate locally within national guidance
- A new formula will be introduced to distribute funding to local authorities
 - 16/17 high needs allocation will be used as a significant factor in the formula to reduce turbulence, at least the first five years
 - Other criteria in the high needs formula are largely based on the ISOS report
 - Basic unit
 - Health/disability factors
 - Low attainment
- At least £200m of SEN capital funding will be made available

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Consultation questions - sample

1. Do you agree with our proposed principles for the funding system?
2. Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?
3. Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?
 - 4a. Do you agree that we should include a deprivation factor?
 - 4b. 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

Please provide any further comments on the deprivation factor. We welcome your comments on the measures we use to identify deprivation

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Consultation questions – sample (cont'd)

20. Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?
21. Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?
24. Are there other duties funded from the education services grant that could be removed from the system?
25. Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?

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Consultation questions – not asked

No questions about whether changes in the School improvement systems is desirable.

No questions or clarity about the role of Schools Forum in the future. No changes in structure proposed at this stage.

No questions or views sought about the removal of LA responsibilities for setting a local formula which is adaptable for local need.

No information on the increased central government costs to manage a centralised schools funding process. A lot of areas where we do not know if money is new or redistributed from within the same pot.

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Consultation Feedback

- Further information will be circulated in the Headteachers bulletin and the Directors report to Governors.
- Questions or comments can be directed to:
Sajeed.patni@towerhamlets.gov.uk
Sailesh.patel@towerhamlets.gov.uk

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Consultation response to *Schools and high needs funding reform*

Summary

Tower Hamlets Councils' position

Funding allocations

We believe strongly that any change to the way in which schools are funded should be fair and transparent, but there should be no need for any local authority area to experience a loss in schools funding as a result, given the importance of education to national prosperity.

Tower Hamlets schools are projected to lose significant amounts of funding should the government implement a redistribution method, which would be enormously challenging for our schools, both financially and in terms of educational outcomes.

We are deeply concerned about the likely effects of these severe reductions to the funding of our family of schools. The transformation in standards and results in recent years in Tower Hamlets schools has been an incredible success story. In 2015 64.6% of Tower Hamlets pupils achieved 5 or more GCSE at grade A*-C (including English & Maths GCSE). This compares to 59.5% in the previous year – an increase of 5.1 percentage points. Tower Hamlets' results are above both the national average of 53.8% and the London average of 60.9%. Tower Hamlets parents will not understand or support any change in funding arrangements that has a negative consequence for their children's achievement and learning.

We note the additional £500m announced by the Chancellor in the Budget to ease the transition to a National Funding Formula (NFF) but seek urgent clarity on the basis of its allocation. We strongly believe that driving up standards across the country should be a government priority for investment, and urge the government to commit a sufficiency of funding that would level up allocations in areas that stand to gain under the NFF, without impacting on school budgets in areas that stand to lose.

Removing local flexibility

Tower Hamlets does not agree with the proposal to remove the local authority and schools forum as the means of distribution for the Dedicated Schools Grant. A degree of local flexibility in the allocations process is vital to ensure that schools have access to funding to respond quickly and effectively to changing local circumstances.

The schools forum model, with access to more local intelligence is best placed to allocate funding transparently and fairly on the basis of a number of factors

under a NFF, including: differentials of low prior attainment, age weightings, EAL weightings, split site, and PFI. These factors require specialised understanding of the local circumstances at play to be able to ensure fair allocations.

Academisation agenda

We are concerned about the implications of the drive towards an all-academy system by 2022 set out in the White Paper *Educational Excellence Everywhere* and how that fits with the introduction of the NFF within the same timescale. The White Paper sets out three ongoing roles for local authorities in an all-academy education system:

1. Ensuring every child has a school place
2. Ensuring the needs of vulnerable pupils are met
3. Acting as champions for all parents and families

It is not clear from the white paper how local authorities will be able to fulfil these roles and discharge their remaining statutory duties sufficiently in an all-academy system without appropriate funding or levers. Particularly in light of the withdrawal of the general funding rate of the Education Services grant. In addition the requirement of the local authority to facilitate the academisation process will place significant burdens on Tower Hamlets which currently has 92 local authority maintained schools; there is no information on additional resources to fund this responsibility.

Rolling out a NFF at the same time that maintained schools will be converting to academy status could create a considerable amount of turbulence in the system, which could destabilise schools financially and put their improvement efforts at risk. There are considerable implications for the introduction of the NFF resulting from the move towards wholesale academisation which need to be more fully considered by the DfE in order to mitigate their impact.

Further concerns

Tower Hamlets has a number of further areas of concern relating to the consultation proposals:

- An Area Cost Adjustment is needed for the NFF, as well as the pupil premium. This should be based on labour market costs which provide a fairer reflection of real costs in London.
- A deprivation factor is essential to ensure that the NFF is fair and responds to diverse local need. It should be based on a combination of pupil and area-level indicators.
- We do not support the funding cuts to the Education Services Grant and have serious concerns about the ability of the Council to fulfil its statutory duties as a result of these cuts. Tower Hamlets stands to lose £3.1m due to the depletion of the general funding rate.

- We do not agree with the proposal to base allocations on our historic spend. Like all London boroughs Tower Hamlets is experiencing unprecedented demand for places and needs a fair funding allocation to be able to afford to grow new provision.
- In addition to any funding cuts schools will need to absorb increasing costs in the form of medium term inflation, salary increases and a likely increase in schools employers' pension contributions as a result of the budget statement in March 2016. This will represent additional financial challenges for all Schools and this needs to be factored in.

Schools National Funding Formula – Stage 1

London Borough of Tower Hamlets responses

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

Whilst we agree with the principles of fairness and transparency behind the reforms, it is important that fairer funding through a national formula does not result in a reduction in schools funding for any area.

We have very real concerns about how some of our schools will be able to cope with considerable further cuts in funding resulting from the introduction of the National Funding Formula, due to the absence of financial data, which we understand will be available in stage 2 we can only rely on our financial modelling information which suggests a cut of circa £1,000 per pupil, this clearly would be significant and may have an impact on our schools achievement outcomes. Given the high proportion of spend on staff costs; it is unlikely that schools will be able to make further savings through efficiencies alone without impacting on performance. Therefore, any loss of funding could jeopardise the ability of schools to continue to deliver good educational outcomes and could put pupils' longer term employment prospects at risk.

We are therefore calling on government to level up the funding so that no local area in the country experiences a drop in funding as a result of the introduction of the NFF. This will help to protect pupils' outcomes and is the only way to ensure the NFF is fair to all pupils.

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

We do not agree with the proposal to remove the local authority and schools forum from the allocations process. Schools forums have a far more informed understanding of pupil characteristics at the school level, and should therefore maintain a role in the funding allocations process to be able to adjust national allocations through local formula to reflect diverse local need.

This model would enable schools forums to manage turbulence in local schools swiftly. Given the likely disruption to schools as the introduction of the NFF comes on stream at the same time as the DfE intends to push forward its academisation agenda, it is vital that schools forums have local flexibility to dampen the impact of these changes on schools.

Therefore, we call on the DfE to keep the schools forum model in place at least until the government's aspiration of an all-academy system is achieved and the funding is routed directly through MATs.

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

We agree that the basic amount of funding should be differentiated by stage of education, reflecting varying costs such as curriculum requirements and staffing levels.

The correct ratio between different stages can vary between schools and local authorities depending on, for example, the exact curriculum offered at different key stages. Ratios between different stages should therefore be determined at a local level.

Foundation age pupils require more supervision than Key Stage 1 and 2 pupils, so we believe that there should be an additional division between Reception, KS1 and KS2 to reflect the extra cost of educating younger children.

4. Which measures for the deprivation factor do you support?

A deprivation indicator is essential to ensure that a national funding formula is fair and responds to diverse local need.

Closing the deprivation attainment gap continues to be a government priority with pupil premium funding protected over this parliament for this reason. It is vital therefore that, a national funding formula does not redistribute funding away from the most deprived pupils and reduce their chances of achieving as well as their peers.

We support a combination of pupil and area-level indicators. An area-level indicator should be used to reflect the “multiplier effect”: the per pupil cost in a class with a majority of pupils from a deprived background is likely to be greater than the per pupil cost of individual pupils in a much less deprived school.

We are concerned that neither the existing FSM indicators nor the existing IDACI indicator effectively differentiate between transient and more persistent deprivation. Research by Professor Stephen Gorad shows that pupils who are consistently eligible for free school meals “consistently achieve lower grades at school than pupils who have only intermittently been eligible for FSM”. The department should therefore develop an indicator to capture more persistent, severe deprivation.

We propose that a new FSM indicator should accumulate funding the longer a pupil has been eligible for free school meals. Separate per pupil rates would apply based on how many of the past six years a pupil has been eligible for FSM. For example, a pupil who has been eligible for funding for five out of the

last six years would receive more funding than a pupil who has been eligible for funding in just one out of the past six years. Adjustments would be made for younger pupils who have not yet been in the school system for six years. The administrative burden of this and other FSM indicators should be minimised.

Eligibility changes as a result of Universal Credit should be considered to ensure that they do not cause disruption to school funding. Once Universal Credit is fully operational, we call on DfE to review its income indicators again, as well as consider the implications of changes to working tax credit. We would support a more tapered approach to household income criteria rather than using one flat cut-off point and believe that the particular costs of UASC should be recognised in a funding formula. We would also like to see more regular reviews of deprivation measures to ensure they are fit for purpose.

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

We support the inclusion of a low prior attainment factor.

We would urge the DfE to include an indicator to differentiate between different levels of low attainment, rather than using one cut-off point. This extra flexibility should be permitted under local formula at the discretion of schools forums.

6a. Do you agree that we should include a factor for English as an additional language?

Tower Hamlets agree with the inclusion of English as an Additional Language (EAL) as a formula factor. However, it is important to look at EAL alongside deprivation and mobility factors in order to understand potential educational disadvantage and to be able to cost appropriate support to mitigate this. It is essential that EAL funding fully meets additional cost pressures and supports ongoing work to close attainment gaps between EAL and non-EAL pupils.

6b. 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?)

We agree that the “EAL 3” indicator should be included as one factor to cover the cost pressures from recent EAL entrants to the state system, but we propose that an unrestricted “EAL” factor should also be included. As above, we suggest that EAL is considered alongside deprivation and mobility factors when calculating the formula.

London Councils’ analysis of local formula data shows that EAL pupils who have entered the state system within the last 3 years make up an estimated 8.6% of the total number of EAL pupils in London.

As the consultation recognises, some pupils will require “sustained support over a longer period of time”. We believe that indicators for EAL pupils who entered the system more than three years ago and also live in deprivation or demonstrate some mobility would be an effective additional indicator to meet the cost pressures of EAL eligible pupils requiring more sustained support.

The consultation recognises that EAL is not a “precise measure” and we welcome plans to research a more direct measure of language proficiency. Given this uncertainty, the weighting of this factor should be determined at a local level, with the input of schools themselves through schools forums, to reflect the wide variety of circumstances and needs of EAL eligible pupils.

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

We agree that a lump sum factor should be included in a funding formula in order to meet fixed costs and address specific operating challenges in smaller schools. However, there needs to be transparency about what the lump sum is being allocated to fund. It is important to avoid any double-counting, for example, with the sparsity factor for small schools.

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

We believe both sparsity and mobility should be included in the NFF, reflecting the particular challenges of sparsely populated rural areas and high pupil turnover in some urban areas.

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

We would support the inclusion of a business rates factor in the national funding formula to cover this specific, measurable cost.

At present this is a very complex area with already volatile business rate levels for some schools as a result of the appeals process, which can sometimes leave schools with high backdated additional payments covering several years.

Business rate revaluation in 2017 will further reduce the correlation between historic payments and actual costs. Allocations to local authorities based on historic spend would therefore not be an appropriate mechanism for ensuring schools receive the correct level of funding. It is essential that funding corresponds promptly with actual costs every year.

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

We agree that a split sites factor should be included to reflect the additional costs of schools with multiple sites, for example teacher travel costs, and

propose that this is distributed through school forums, who will have greater understanding of the localised costs involved.

Allocations based on historic spend would not allow local authorities to allocate sufficient additional funding for any new split site schools.

The split site factor should be capped at the lump sum rate.

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

Private finance initiatives are a high and unavoidable cost for those schools in Tower Hamlets who this applies to. We therefore support the introduction of a PFI factor and proposed that it is allocated as appropriate through schools forums, as they have greater intelligence of the localised costs involved. The priority should be to ensure that allocations are based on actual costs.

In the context of rapid mass academisation, we also have concerns about the financial risk to Tower Hamlets Council if local authorities will be liable for school deficits at conversion. We seek further information on the proposals for this in due course.

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

We support the inclusion of an exceptional premises factor to reflect very school-specific circumstances. An ongoing role for schools forums is necessary to allocate this funding, which requires a detailed school-specific understanding of school premises.

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

We do not believe that funding should be based on historic spend. London's schools generally have been dealing with unprecedented demand over the past 7 years.

Allocating on the basis of historic spend disadvantages areas with rapid growth and removes local authorities' flexibility to respond to unexpected changes in growth. It is vital that we receive a fair funding allocation that enables us to meet predicted rising demand every year. In order to do this, there would need to be a mechanism for adjusting historic funding in line with pupil growth, new schools opening and changing need.

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

We agree that a growth factor should be included in the formula, but do not believe that the proposals fully address the funding shortfall schools face during periods of pupil growth.

DSG allocations are currently based on the most recent census, which means data is taken from the October of the immediately preceding financial year. This creates a lag between the pupil count used to calculate the schools block element of DSG and the actual number of pupils educated from September-April of the financial year. A sustainable solution requires additional DSG funding to meet the system's currently unfunded pupils.

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

No, we do not agree that funding for growth should be allocated based on historic spend. Instead, we urge the government to introduce a more sustainable mechanism to resolve the current lag in funding for schools during periods of pupil growth, as outlined in question 14.

16a. Do you agree that we should include an area cost adjustment?

We believe that an area cost adjustment is essential to meet higher costs in London. The cost of living in London is significantly higher than the rest of England and this is recognised through the national teacher pay scales. A starting salary for a teacher is typically £5,000 higher in inner London than elsewhere in the country and this is reflected throughout staffing budgets. With 73 per cent of a school's budget on average allocated to staff costs, this means that London's schools have to find considerable levels of additional funding just to mitigate the cost of living in London.

In addition, London schools are facing considerable issues with teacher recruitment and retention. In London, over 50% of head teachers are aged over fifty and approaching retirement. As a result, governors report finding it harder to attract good head teachers in London and re-advertising rates for head teacher posts are higher in London than in other regions.

An area cost adjustment should be applied to all education funding streams, including the pupil premium. We propose that an area cost adjustment is applied to pupil premium grant allocations in line with core school funding. It would be inconsistent to include an area cost adjustment within core school funding for FSM, but not to apply it for exactly same criteria outside of the main formula in the pupil premium.

16b. Which methodology for the area cost adjustment do you support?

Tower Hamlets supports returning to the general labour market measure for area cost adjustment. In an increasingly challenging environment for

recruiting and retaining teachers, it is essential that a funding formula fully captures London's significantly higher staff costs.

The teacher salary component of the hybrid area cost adjustment methodology treats the market for teachers as if it operated in isolation from wider labour market pressures. Yet when recruiting and retaining teachers, schools must compete with both the independent school sector and alternative career paths. This is reinforced by the move to full academisation, which will reduce the power of national pay scales and mean that the wider labour market will increasingly determine teacher pay levels.

True staff costs are therefore best captured by the more straightforward, transparent general labour market measure, rather than the hybrid area cost measure.

Whichever methodology is chosen, the GLM methodology should be refined to ensure that local authorities that have costs in line with inner London authorities, particularly inner London teacher pay scales, receive an inner London adjustment.

The area cost adjustment should be updated regularly to reflect relative regional changes in the labour market over time.

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

We support bringing funding for looked-after children into one transparent funding stream. However, increasing the per pupil rate for looked after children in the pupil premium should not be funded by reducing the total amount allocated through DSG.

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

We believe that pupil mobility meets the criteria set out in the consultation for inclusion as a formula factor.

Many schools face a significant cost pressure from pupil mobility beyond the pressures captured by other factors: this includes both the administrative cost of pupil mobility, and additional support as pupils settle into a new school. In 2015/16, 65 local formulas included mobility as a factor, confirming that the indicator captures a significant cost pressure for many schools. Many further local authorities would like to use mobility but cannot because of the 10% cut-off point under the current system.

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

Whilst we recognise the anomaly of funding post-16 through the pre-16 formula, Tower Hamlets believes that the removal of the post-16 factor should be phased in over a much longer transitional period, with local flexibility maintained to make the change more manageable. Savings to post-16 budgets have placed significant pressure on schools, and any unintended consequences of pre-16 reforms may harm plans to increase post-16 participation rates and the capacity of schools to include all pupils post-16.

To protect schools that currently receive funding through the post-16 factor, schools forums should be allowed to include a post-16 factor in local formula in line with the MFG.

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

We disagree with the proposal to end the ability of local authorities to transfer funding to and from the schools block.

If an area experiences swiftly changing demand pressures, the ability to move funding between the blocks enables new places to be fully funded. In a rigid system that allows no movement of funding between the blocks, schools will risk overspending or not be able to provide sufficient places, leaving children without a school place.

High needs demand is not predictable and fluctuate between years, so the relative pressure on schools and high needs can vary in ways that a national funding formula could not accurately predict. Tower Hamlets currently has the flexibility to transfer funding between blocks to manage this uncertainty, so removing the ability to transfer funding between the schools and high needs blocks is likely to put significant pressure on high needs budgets.

Furthermore, if the high needs block sits with the council as a standalone, ring-fenced budget with no relationship to the schools budget, there will be a financial incentive for schools to put forward children for EHCPs without the wider financial disincentive of an overspend on the high needs block impacting on the schools block, and under the current proposals without wider accountability via the Schools Forum.

Interaction with the early years block will also need to be considered carefully. The early years consultation has not yet been published, but we believe that flexibility between all three blocks should be maintained.

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

A NFF should include a MFG at a national level, but with flexibility between the blocks to enable schools forums to address any changing circumstances swiftly on a local level.

We believe that, at a time when schools are already facing real terms cuts, no local area should lose funding as a result of a new national funding formula. A national minimum funding guarantee should therefore be set at 0%, with those local authorities set to gain from a national funding formula levelled up to their formula allocations. This would enable allocations to increase, for example, in line with growth plans.

The most cost effective way to protect schools from turbulence would be to set a 0% minimum funding guarantee at the local authority level whilst retaining the schools forum system. Local formulas could then be used to provide necessary protection at the school level, subject to local decision-making. This would require less additional funding than providing protection at a school-level under a “hard” system that bypasses local authorities.

Education Services Grant

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

Local authorities should be funded for ongoing statutory responsibilities but we have very real concerns that there will not be sufficient funding in the Education Services Grant to do this sufficiently, on current information Tower Hamlets would lose £3.1m based on 2016/17 allocations as a result of ceasing the general funding rate of the ESG. If government removes funding from local authorities, it should remove any associated responsibilities at the same time, yet the three duties which are proposed to remain with LA's in the recently published white paper are broad in scope and responsibility.

Tower Hamlets is seriously concerned that proposals to save £600m from ESG will lead to an indirect cash reduction to core school funding, on top of potential losses from the national funding formula and on top of other cost pressures.

Local government has already faced, and continues to face, the largest savings of any government department. Core settlement funding assessment will fall by 36.7% in real terms between 15/16 and 19/20. Local authorities are already making difficult decisions about how to meet their statutory responsibilities – including how, and whether, to deliver different services. Local government budgets will not have the capacity to meet any unfunded education responsibilities. This includes the significant costs which are likely to be unfunded in order to facilitate the process of academisation between now and 2022.

The consultation recognises that “savings cannot be made through efficiencies alone” and that, even with the removal of certain statutory responsibilities, “local authorities will need to use other sources of funding to pay for education services”. There is a considerable risk that local authorities would therefore not be able to fully meet their statutory duties.

For academies, the removal of the general funding rate means a direct cut to core school funding through the general annual grant. For maintained schools, the effect is more indirect but could potentially be as significant.

We are very concerned that ESG savings, which from previous announcements are only required over the course of this parliament, would be almost entirely implemented from September 2017. Given the scale of the change proposed in an already challenging context, this is an unnecessarily tight timeframe and we believe that strong transitional arrangements are equally essential for the general rate paid to local authorities for maintained schools.

We believe that a lump-sum, to reflect costs invariant to size of local authority, should be considered in the central schools block formula alongside per-pupil funding.

We welcome the proposals to include an area cost adjustment on the new ‘central schools block’. This should be applied consistently across all school funding streams, including the pupil premium.

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

We believe that no local authority should be disadvantaged by historic commitments.

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

If the government intends to fulfil its plan to see forced academy conversion by 2022, it is important that local authorities and schools have clarity and sufficient funding to deliver their statutory responsibilities over the next five years.

Tower Hamlets is of the view that local authorities should continue to be responsible for services to maintained schools over this period, such as school improvement, and no changes in these duties should occur. In 2015 64.6% of Tower Hamlets pupils achieved 5 or more GCSE at grade A*-C (including English & Maths GCSE). This compares to 59.5% in the previous year – an increase of 5.1 percentage points. Tower Hamlets’ results are above both the national average of 53.8% and the London average of 60.9%.

However, there is a risk that this success and ongoing improvement drive will be undermined by the turbulence caused by the introduction of the NFF and academisation of maintained schools.

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

We do not support the funding cuts to the Education Services Grant and have serious concerns about the ability of local authorities to fulfil their statutory duties as a result of these cuts. The ESG is used by schools to fund a range of vital support services, such as educational psychologists and early intervention work that are unlikely to be funded without the ESG. General local government budgets should not, and are very unlikely to have capacity to, meet ESG savings. Local government has already faced, and continues to face, the largest savings of any government department. Seeking agreement with LA maintained schools to retain some of their funding centrally at a time when they will have significant financial management challenges is unfair and unrealistic.

It is important that local authorities and schools forums continue to have local flexibility over how the DSG is deployed.

High Needs National Funding Formula

Tower Hamlets Councils' response

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

Whilst recognising the variability in the current high needs funding system, we believe that the introduction of a formulaic approach to high needs funding would cause substantial disruption without a strong protection mechanism. We are concerned that the proposed national high needs funding formula, based on proxies rather than the assessed needs of children and young people would only loosely correspond with true need and actual costs.

We therefore agree with the retention of the local authority distribution mechanism for high needs, allowing school-level allocations to be based on specific local knowledge and allowing local authorities to manage turbulence in the system.

However, given the substantial pressures on high needs budgets that already exist, we believe that protection for local authorities should go further than proposed in the consultation. No local authority should face a reduction in high needs funding as a result of the new national funding formula. Instead, all local authorities set to gain from the reform should be levelled up to their formula allocations, without redistributing funding away from other local authorities.

High needs budget overspend can currently be met by redistributing funding between the notional blocks. We believe that retaining the flexibility to move funding between the three notional blocks of the Dedicated Schools Grant would make the changes to both schools and high needs more manageable.

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

Tower Hamlets agrees with the proposals to retain the local authority role in distributing high needs funding to schools and believes that the vast majority of high needs funding should be distributed through local authorities

As the consultation outlines, any national funding formula will inevitably be based on a series of proxies, estimates and assumptions; at the school-level, centrally set allocations would not correspond accurately with 'true' need. Schools forums have a much more direct understanding of local circumstances – including relative need across all schools and other institutions in their area - so it is right that the current distribution mechanism is maintained for high needs.

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

We recognise that proxies are a necessary part of a national funding formula. However, we are concerned that, without a direct measure of high needs, the resulting formula will only be a very rough approximation of true need and actual costs.

Regression analysis in the ISOS report shows that there is only a very partial fit between the five-indicator model and a series of direct measures of high needs. For example, only 19% of variance in the number of pupils with SEN statements or School Action Plus is explained using the five indicator model ($R^2 = 19\%$).

Given this uncertainty, we believe that it would be too risky to take funding away from a local authority using a formula that even at a local authority level does not correspond accurately with true need and true costs.

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

Whilst we agree that the system would require safeguards to prevent the over-identification of need, factors that directly measure need are essential in a high needs formula. A high needs formula that relies entirely on proxies cannot accurately reflect actual cost pressures, especially for high cost, low incidence SEN.

We do not believe that post-16 high needs are adequately recognised under the current proposals because all of the data sets proposed do not extend beyond age 18. The age range for the population factor should be extended to 25 rather than 18, and a more direct measure of post-16 need should be developed.

We support the inclusion of health and disability factors as a proxy for high needs, but we are concerned that the proposed indicator is only updated every ten years. To avoid building disruptive step changes into the system and to ensure that a formula is responsive to changing need, this data should be updated every year.

We agree that low attainment should be included as one proxy for high needs. We believe that indicators that can differentiate between levels of low attainment would be more helpful, rather than a simple cut-off point as proposed.

In line with our schools funding formula response, we believe that a more nuanced measure of persistent deprivation should be included. We also believe that if IDACI is used it should be updated annually to avoid the disruptive step change seen when the data was updated in 2015.

High needs spend is need-led, but the national high needs quantum does not currently track either increases in total demand or inflation. We believe that a

fair and transparent mechanism should be introduced to ensure high needs funding keeps pace with increasing demand and cost pressures, including both the national high needs control total and specific local authority allocations.

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

The budget for hospital education is especially volatile because of the very small number of pupils, if any, covered at the local authority level each year. We therefore believe that hospital education funding should be reformed and funded centrally, potentially through health budgets, to reflect the very high volatility in costs.

6. Which methodology for the area cost adjustment do you support?

Tower Hamlets believes that the general labour market measure should be used, in line with our schools block consultation response.

In an increasingly challenging environment for recruiting and retaining school staff, it is essential that a funding formula fully captures London's significantly higher costs.

The teacher salary component of the hybrid area cost adjustment methodology treats the market for teachers as if it operated in isolation from wider labour market pressures. Yet when recruiting and retaining teachers, schools must compete with both the independent school sector and alternative career paths. This is reinforced by the move to full academisation, which will reduce the power of national pay scales and mean that the wider labour market will increasingly determine teacher pay levels.

True staff costs are therefore best captured by the more straightforward, transparent general labour market measure, rather than the hybrid area cost measure.

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

We agree that a proportion of 2016-17 spending should be included as a formula factor, although the inclusion of this factor is not sufficient to manage volatility in the system. We believe that full protection at the local authority level is the only way to effectively manage the change without impacting on outcomes.

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

We agree that a minimum funding guarantee should be introduced to provide certainty to local authorities. Given the existing pressures to SEN budgets and uncertainty in the formula itself, we believe that a minimum funding level of 0% should be set at the local authority level.

The baselining exercise does not allow inclusion of either high needs budget overspend information or overspend to overall DSG. This means that the baseline against which a minimum funding guarantee would be applied would not reflect true spend for some local authorities.

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

We would welcome more consistent guidelines of what schools are expected to provide for SEN themselves, developing on the SEN Code of Practice where the emphasis must be on achieving outcomes.

10. We are proposing that 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?

We believe that the full amount of funding allocated to special units should be fully area cost adjusted, rather than allocating a flat top-up of £6000 per place. This would recognise the higher inherent costs in London.

11. We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would 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 and good examples received

London boroughs use centrally retained funding to achieve economies of scale and manage volatile costs. This is more cost effective than if special schools bought in services independently.

Many local authorities retain specialists to provide guidance to schools when they admit children with needs that have not been experienced for. This central expert knowledge allows funding to be used more effectively and efficiently. There are also significant recruitment and retention issues in many specialist areas for example there is a national shortage of Qualified Teachers of the Deaf. Each of these specialists takes a number of years to train an investment that individual schools are reluctant to make.

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

N/A.

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

Commissioning provision in independent special schools can be costly, so it is important that the reform incentivises cost effective, quality high needs provision. If independent schools were given place factor funding which would create a secure funding platform as a guarantee of public funding it would seem reasonable to expect them to revisit their overall costs with reductions in top up values.

Clarity is needed over how the proposed change would be funded. If a flat top-slice is applied to the national high-needs block total to meet the costs of EFA place funding, local authorities that currently commission fewer independent special school places would effectively lose out compared to local authorities that commission more independent places. Conversely, recoupment from individual local authorities would create an unnecessary administrative burden.

We believe that an effective mechanism for monitoring unfilled places is also necessary.

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

The proposal to recognise colleges that deliver specialist provision to significant numbers of students with high needs is welcomed. Many of London's local authorities have worked with their surrounding colleges to build up specialist provision to improve the Local Offer for young people and provide greater choice. We would, however, caution against transplanting the school based designation of 'unit' to further education. The designation should recognise the provision that colleges offer in helping to prepare young people for adulthood right across the curriculum and through the use of the college's entire facilities.

The simplification to fund the majority of post-16 settings on a formulaic basis is also welcomed. We urge the Department to look at the current methodology for allocating disadvantage funding specifically block 2, in addition to the process of changes to post-16 place funding. The English and Maths condition of funding is putting significant pressure on disadvantage funding, leaving little room to fully meet the needs of students with support costs lower than £6,000. This creates a perverse incentive for some institutions to push costs over the high needs threshold to secure additional element 2 funding in the following years allocation.