

MEETING OF THE SCHOOLS FORUM

Wednesday 12 October 2016 at 8:30am

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

AGENDA

1.	Election of Chair and Vice-Chair	Clerk
2.	Apologies for absence	Chair
3.	Minutes of the meeting on 15 June 2016 and matters arising	Chair
4.	Early Years National Funding Formula Briefing Note	Bharat Jashapara
5.	Schools Budget Monitor 2016/17	Bharat Jashapara
6.	Schools Funding Arrangements 2017/18	Sailesh Patel
7.	Any other business	
8.	<ul style="list-style-type: none">Next meeting 8:30am, 7 Dec 2016 at the PDC, Bethnal Green (TBC)	

MINUTES OF THE TOWER HAMLETS SCHOOLS FORUM

Wednesday, 15 June 2016

Present:

School Members

Governors: Jill Cochrane (Chair), Bob Stevenson, Md Shahanur Khan, Veronica Kennard, Pip Pinhorn and Bridget Cass.

Headteachers: Cath Smith (Vice-chair), Gillian Kemp, Lorraine Flanagan, Sarah Helm, Sheila Mouna, Remi Atoyebi, Matthew Rayner, Gerry McDonald and Brenda Landers.

Non School Members

Kim Arrowsmith (PVI EYs Providers), Alex Kenny (Trade Union Rep)

Officers in attendance

Kate Bingham, Bharat Jashapara, Sailesh Patel, Benn Huntley, Runa Basit (Clerk).

1. Apologies for absence	Action
Apologies were received from Debbi Jones, Gerry McDonald and Kim Arrowsmith	
<p>2. Minutes of the meeting on 2 March and matters arising</p> <p>There was one amendment to the attendance; Mr John Watkins was present at the last meeting.</p> <p>Minutes agreed as a correct record.</p> <p>Matters arising:</p> <p>Sarah Helm asked whether the school admissions forms could include additional information, in relation to collecting information for the Pupil Premium. Kate Bingham said that this would be looked in to.</p> <p>Sarah Helm enquired about the redundancy funding. Kate Bingham said that the funding reform had meant that the central expenditure was frozen and as a result redundancy funding could not be increased. It was acknowledged that this may be an issue and will need to be discussed in future to see if there was any flexibility within the regulation.</p>	
<p>3. School Budget 2015/16 – Outturn position</p> <p>Bharat Jashapara introduced himself to the Forum.</p> <p>The previous report presented to the Forum in March 2016 had indicated that there would be an in-year underspend of £2.68m on top of unallocated funding of £1.698m during 2014/15, suggesting a cumulative carry-forward of £4.382m for 2015/16.</p>	

The outturn position has confirmed that there was an improvement of £1.692m on the in-year position meaning that the unallocated retained DSG at 31st March 2014 was £6.074m. A breakdown of the total available Schools Budget for 2015/16, expenditure during the year and the carry-forward into 2016/17 was included in Table 1 in the written paper (appendix 1).

The anticipated underspend was largely attributed to Early Years and the target for 2 year old participation being unmet, which was previously reported. There had also been underspends in High Needs and Central Provision.

Bharat Jashapara also reported that the School's individual surplus balances had decreased in aggregate by £3.518m to £30.705m.

£4.260m had already been committed on the basis of applying the majority of the estimated brought forward funding from 2015/16. It was recommended that as a contingency, the carry-forward balance of £1.813m be held pending the announcement of the DfE's phase two of the National Funding Formula review.

Bharat Jashapara highlighted the variances and issues that need to be monitored during 2016/17. These were the following:

- The de-delegation budgets for contingencies for maintained schools underspent by £0.145m and the DfE regulations requiring these to be carried forward on specific lines for 2016/17;
- Early Years funding, due to the significant underspends on 2 year old provision because of a lack of capacity. Funding has moved away from target funding to actual place funding in 2015/16. This will reduce over time as the capacity increases during the year; and the underspend in the non-SEN independent Special Schools budget during 2014/15 and 2015/16 year. No change has been made to the 2016/17 budget so there may be scope for scaling back this budget in the future. However it was recognised that this was a volatile area, especially given the increase in mental health issues. It was mentioned that the secure units may need to be explored, which may prove expensive.

Terry Bennett said that the High Needs underspend allocation was tight and will also need to be monitored.

Forum members enquired whether the 2017/18 budget would revert back to the original budget. It was noted that this would very much depend on the demands on this budget during 2016/17.

In response to a question Kate Bingham said that Free Schools were always anticipated and including in the planning however this did not always come to bear. Kate Bingham said that this was reflected in next year's budget.

<p>It was noted that the High Needs budget was overspent in the maintained sector however the Academies and Free School take up was lower than anticipated. Forum members expressed concerns that Free Schools/Academies were not taking a fair share of children with special needs however were taking the SEN top-up. The Forum anticipated that the SEN Review will provide more information and comparable data on schools.</p> <p>The Forum noted the reported and thanked Bharat Jashapara.</p>	
<p>4. Schools Report 2016/17</p> <p>The Schools Report 2016/17 was presented by Sailesh Patel.</p> <p>Schools Forum had agreed the final Schools Budgets at the last meeting. Sailesh Patel said that there was no additional funding to report.</p> <p>The Education Funding Agency confirmed the 2016/17 Post 16 allocations in late April and the changes arising from the notification has been included. The reduction mainly relates to a drop in sixth form pupils, and Bow school previously received funding on an estimate which then changed to actuals.</p> <p>The schools outturn 2015/16 brought forward balance has increased to £6.074m.</p> <p>The Schools Budget income was £348.004m and there was an unallocated amount of £1.814m.</p> <p>There were no changes to the funding available, other than some changes to the funding source for Early Years activities and Non-recoupment Academy costs for 2016/17. The funding for 2 year olds will be based on participation rather than place funding. Further information, based on the January 2016 census, was expected from the DfE in July 2016. It was expected that the average take up will be 835 PTE which would result in an income of £2.89m, and an increase of 900k from the 2015/16 position.</p> <p>Sarah Helm said that the current Early Years funding fluctuated and affected the quality and consistency of staffing.</p> <p>Bharat Jashapara said that the DfE was undertaking another review of Early Years which would inform future funding. Any updates will be reported at the next meeting.</p> <p>Cath Smith said that it was surprising to see a drop in the overall pupil number at 6th Form as it was assumed that whilst children were not attending particular schools they were still staying in Tower Hamlets, which should have balanced out the numbers. Cath Smith asked whether more children were attending out of borough provisions.</p>	<p>Action: BJ</p>

<p>Sailesh Patel said that there were small variations in some schools. It was noted that if children were leaving the borough to attend post-16 provision then this needs to be address. Further information was requested at a future meeting.</p> <p>John Watkin said that there was an underspend in the High Needs Alternative Provision budget. It was explained at the meeting that there was an overall underspend in the High Needs budget and that the 2016/17 budget had been revised following the underspend in 2015/16. This included Academies and Free School, City Gateway, Tower Hamlets College and PRU.</p>	<p>Action: (Clerk - agenda)</p>
<p>5. Schools Surplus Balances Analysis</p> <p>Sailesh Patel presented the schools surplus balances analysis.</p> <p>Schools balances at the end of the 2015/16 financial year had decreased by £3.926m and the total school balances as at 31st March 2016 was £34.424m.</p> <p>It was reported that there were 13 schools with surplus balances above 15%.</p> <p>Balance Control Mechanism was in place and as part of the process 32 schools had submitted their budget plans. Schools had to submit the figures of their unspent devolved capital balance and the proposals on how they intend to spend their surplus. The LA Finance Team will review the plans to see if it is fit for purpose and provide a report in September to the Forum.</p> <p>Kate Bingham said that a report had been commissioned based on the information from schools and data held by the LA. As part of this process Officers from Finance, Building Development, and School Improvement will review the schools budgets, development plans and surplus balance plans, as well as take into account the school's OFSTED ratings and value for more.</p> <p>Sailesh Patel requested all schools to complete the proforma. Forum members commented on the quality of the questions. It was commented that some questions may not produce the quality of information for analysis. The LA Finance Team will review the questions for future use.</p>	<p>Action: SP</p>
<p>6. Schools Financial Value Statement (SVFS) Update 31st March 2016</p> <p>Sailesh Patel reported that all schools had submitted their SFVS by the 31st March 2016 deadline. Zena Cooke, the LA's Chief Financial Officer to sign off the reports.</p>	

<p>The SVFS process also identified a number of controls, processes and/or systems that were identified as 'good practice' but do not appear to always be universally embedded in all schools.</p> <p>There were a number of key areas that continued to be identified at a number of schools as requiring action - these included:</p> <ul style="list-style-type: none"> • Skills matrix not completed / to be updated for governors/staff • Business interests forms not completed by all staff • Finance training for DHT/SLT members • Formal asset management plan (AMP) created inclusive of asset lifecycle and program of replacement to inform budget setting process • Limited collaboration between schools (i.e. joint purchasing), and • Business continuity planning <p>The above will need to be widely shared with schools. It was noted that governor services will inform Clerks to ensure SVFS is on the agenda in the autumn term or early spring term in order to meet the requirements for 31st March 2017.</p>	<p>Action: Governor Services</p>
<p>7. National Funding Formula Consultation and Government White paper update – Verbal update</p> <p>Kate Bingham said that the DfE's phase two of the consultation on the National Funding Formula review was due to take place in the summer term. The Forum needs to look at the de-delegation and how to mitigate the impact of the reduction in funding. The LA traded services have been proactive in reviewing their services and how to provide cost effective service.</p> <p>The funding review and the impact on the Tower Hamlets Education Partnership and the LA School Improvement service needs to be considered in greater detail.</p> <p>It was anticipated that the DfE will announce the indicative figures following the 2nd phase of the consultation. The Forum agreed that a meeting will need to take place, once the DfE announced the reform, to look at the impact of the funding formula and the imminent reduction on funding.</p> <p>Resolved: It was agreed that Members will be contacted via email to attend an extra-ordinary meeting. Wednesday was suggested as a collectively suitable day. Forum members were requested to stay alert and await further information.</p>	<p>Action: Clerk</p>
<p>8. FSM Eligibility Pilot</p> <p>Following a review of the current FSM eligibility process and evaluation</p>	

of possible alternative approaches undertaken by the FSM Eligibility Working Group, the use of the DfE FSM Eligibility Checking Service (ECS) was assessed as the preferred option.

A Pilot of the ECS was conducted to test the system's suitability and effectiveness.

Five schools supplied data and feedback. Schools collected eligibility information from parents using the existing FSM application form and then submitted the information to the LA in Excel format via a secure email for eligibility checking. The details of the finding from the pilot and a proposal for the further implementation of the process are included in the written report (agenda item 8).

The pilot confirmed that it was possible to have the results of a batch check available the next working day. The pilot also found lower rates of eligibility (25%) compared to the current system (37%), which highlighted issues with the recording of parental details – through either parents failing to submit information, submitting incorrect information, or errors in the schools manual transcribing of information on to templates to submit to the LA for checking. 15% of the data provided by parents could not be counted as it included errors. For example national insurance numbers and/or date of births were incorrect. There were some 'human errors' that could be judged by staff but the system was unable to clarify this. Other reasons included technical issues with the formatting of the information.

The recommendations made to the Forum included:

- That the ECS should be implemented alongside the current process from September 2016. This would retain the Benefits Services validating the data.
- Schools use a single template covering requirements of both ECS and Benefits Service.
- That the ECS system also be used to check for funded early learning for two year olds and the Early Years Pupil Premium.

In reply to a question, Benn Huntley explained that it was not possible to differentiate from the information provided whether parents were actually eligible or whether the data was incorrect.

Forum members enquired whether the data collected from 5 schools was sufficient to inform the Pilot and way forward. Benn Huntley said that other indicated data from other schools was also used to inform this process.

Remi Atoyebi said that there were issues with the MIS systems as schools use different systems and this can flag up different issues depending on the particular MIS. It was noted that schools were previously compiling the data on an Excel Spreadsheet, which meant

<p>that there was more room for error.</p> <p>Terry Bennett asked whether the information used by the Benefit Services was accurate. Benn Huntley said that the Service would also use other available records/database (Northgate system/Housing benefit system) to validate the information. It was not confirmed whether birth certificates were checked as part of the validation.</p> <p>It was noted that the issues/errors could arise as parents use different or a variation of name for children, however the eligibility check was against the parent's record.</p> <p>Benn Huntley explained that the main difference was a faster turnaround and more efficient system. Kate Bingham said that the data quality issues would improve over time.</p> <p>Resolved: It was agreed that the ECS should be rolled alongside the current process. It was anticipated that the batch testing and iteration process will build on the 25% validated data.</p> <p>Forum members enquired whether the admissions form could be amended to collect the required information for FSM/Pupil Premium. This would be taken back to the LA to consider. There was also a request to consider a specific FSM application form. This too will be looked into.</p> <p>Resolved: It was agreed that the Pilot should be rolled out to as many schools as possible and further information should be included in the Headteachers' Bulletin.</p> <p>Action: ECS to be presented to the next Headteacher's Consultative meeting.</p> <p>Benn Huntley confirmed that the guidance was available and will be shared with schools.</p> <p>The Chair thanked Benn Huntley for his presentation.</p>	<p>Action: KB</p> <p>Action: Full Consultative Chair</p>
<p>9. THE Partnership – Verbal Update</p> <p>Cath Smith updated the Forum on THE Partnership. It was noted that the website was kept up to date and should be referred to for updates.</p> <p>A lot of work had taken place and over 50% of schools had signed up. A launch event was planned for the summer term to welcome members. Further information on the launch will be provided in due course.</p> <p>Michael Keating was the Interim Chief Executive until August 2016, when a permanent Chief Executive will be appointed. A 5 year business plan was being drafted. Governors from member schools will be involved in the planning.</p>	

In order to disseminate information widely a leaflet was being produced. The advert for the Chief Executive post was out and the deadline was at the end of this week.

Kate Bingham said that the Council had agreed three years seed funding and once a Finance Director was appointed on the Board the initial funds of £150,000 will be released.

It was noted that THE Partnership will be based at the PDC.

The Chair congratulated THE Partnership on its progress and sign-up to date.

Cath Smith said that the team working on THE Partnership were committed and will endeavour to make THE Partnership a success.

10.AOB

Kate Bingham suggested that given the anticipated changes from the Government that the current Forum membership remains the same and Member's term of office be extended for a further 1 year.

Members expressed that given the current climate and new Partnership, that this was a prudent approach to maintain stability. The Headteacher members will raise this at their respective consultative for approval.

The Clerk said that the Academic/Free School Rep vacancy would need to be filled in the autumn term.

The Chair thanked all for their contribution.

Next meeting: TBC

AGENDA ITEM 4

Early Years National Funding Formula Consultation Briefing Note for Schools Forum

1 Introduction

1.1 The Department for Education (DfE) launched the early years' national funding formula consultation on 11 Aug 2016. The DfE is consulting on proposals to change the way it funds free childcare and early years' education. The proposals include:

- Introducing a new early years national funding formula for 3- and 4-year-olds
- Changing the way local authorities fund the early years providers in their area
- Making sure that children with special educational needs or disabilities attract the extra funding they need

2 Background

2.1 Currently, all three and four year-olds are entitled to 15 hours of free early education a week from a variety of providers including private, voluntary & independent providers; schools and child-minders.

2.2 One of the pledges in the Conservative government's manifesto for the 2015 election was to provide 30 hours of free childcare to working parents of three and four year-olds. This was aimed to reduce the cost of childcare for families, breaking down the barriers to work so that parents who want to return to work or increase their hours can do so.

2.3 To implement 30 hours of free childcare, the government has decided to change the early years funding system as it deems that the current system is not working fairly or efficiently. It proposes that funding for both the 15 hour entitlement and the new 30 hour entitlement for working parents will be allocated on a formulaic basis for the first time.

3 Current System

3.1 At present, each local authority receives an hourly funding rate from DfE through the Dedicated Schools Grant (DSG), to reflect the local costs of providing childcare. However, the consultation states that this is not based on relative costs or child characteristics in different local areas, but rather on historic spending patterns. It points to the fact that there are large variations in funding rates between different authorities.

3.2 Similarly, it also points out that some local authorities retain more funding for central services than others, thus the rates paid to providers are reduced compared to those authorities who retain less funding for central services.

3.3 Local authorities distribute funding to providers according to each local authority's Early Years Single Funding Formula. Again, there are differences between the rates paid to the maintained sector and the private, voluntary and independent sector. Some local authorities favour the maintained sector and others favour the private, voluntary and independent sector.

4 National Funding Reform

4.1 The LA hourly funding rate will be based on:

[Base Rate + Additional Needs] x Area Cost Adjustment

4.2 The Base Rate will be established on the core costs of childcare provision which do not vary by local area

4.3 Additional Needs metric will be built on a combination of:

- FSM eligibility
- English as an additional language (EAL)
- Disability Living Allowance (DLA) for 0-5 year olds

4.4 Area Cost Adjustment will be based on the general labour market measure, adjusted for premises cost.

5 Impact and Transition

5.1 The DfE estimates that the vast majority of local authorities (75%) will see increases in their hourly funding rates. No local authority will see reductions of more than 10% overall (funding floor) and no more than 5% each year.

5.2 The DfE has also produced indicative figures (dependent on local authority funding decisions) – private and voluntary providers gain in nearly 90% of areas, schools in nearly 80% of areas.

6 Local Funding Reform

6.1 In order to maximise funding to providers, all local authorities will be required to pass through at least 95% of their Government funding to providers. However, it recognises that going straight to 95% may lead to difficulties to local authorities that currently retain higher levels for central services and so the policy would start at 93% in 2017/18 and move to 95% by 2018/19. This may lead to significant changes in Tower Hamlets Early Years Central Services.

6.2 All local authorities will be required to use a universal base rate of funding for all providers. Local authorities will be given until 2019/20 to implement a universal base rate.

6.3 Local authority supplements will be used in a way that providers can understand how their funding rates have been worked out. Key cost drivers will consist of:

- Deprivation
- Rural/sparse populations

To provide incentives for providers, the following supplements will be used:

- Flexibility
- Additional 15 hours of free childcare
- Operating efficiently

A 10% cap is proposed on the amount of money that local authorities can channel through supplements

7 Reforming Funding for Disabled Children

- 7.1 £12.5m Disability Access Fund is being proposed to help the needs of children with special educational needs and disabilities (SEND). Providers will automatically receive additional funding for every child in receipt of DLA

8 Reforming Funding for Children with SEN

- 8.1 There is a lack of clarity about who covers the cost of children with SEN. It is proposed that local authorities should pool funding from early years and/ or high needs DSG to create local SEN Inclusion Funds. This is not new funding.

9 Timeframe

- 9.1 DfE funding consultation closed on 22 Sept. Appendix A includes the draft response from LBTH, based on work done by London Councils and in liaison with colleagues in Early Years.
- 9.2 The government will provide a response to the consultation in the autumn.

10 Next Steps

- 10.1 It is recommended that Schools Forum considers setting up a working group of early years providers and local authority officers (Appendix B recommends the makeup of the working group that Schools Forum are asked to review and agree nominations where necessary):
- Detailed work needs to be undertaken to understand the impact of the changes for the early years sector in LBTH, including maintained schools and the private and voluntary sector providers.
 - There is a need to agree the supplements and providers.
 - There also needs to be a review of the retained element for central services to assess the 93% funding to be passed to the providers in 2017/18 and 95% in 2018/19.

Early Years National Funding Formula Consultation Tower Hamlets Response to Questions

Q Should there be an early years national funding formula (to distribute money from central government to each local authority)?

Tower Hamlets is supportive of the reform of the current funding mechanism from central government to local authorities for Early Years but is concerned that the proposed hourly rate is reduced when compared to the DSG hourly rate.

Under the proposed funding model, Tower Hamlets will see a reduction in its hourly rate despite the government setting out in the consultation document that financial incentives will be the principal means to create new childcare places. The proposed reduction is on top of the early years per pupil funding flat rate that has been in place since 2013/14, which has resulted in a 4.5% cut in real terms as identified by the National Audit Office.

Tower Hamlets would urge the government to ensure that no local area in the country experiences a drop in an hourly funding rate per child as a result of the introduction of the National Funding Formula for early years. We would also respectfully request the government to release the evidence used to underpin proposed hourly rate allocations to give providers, including maintained schools, nursery schools and academies, and parents the confidence that the new funding rates will be sufficient.

Q To what extent do you agree with the proposed funding floor limit, so that no local authority would face a reduction in its hourly funding rate of greater than 10%?

For local authorities that lose funding compared to the DSG hourly rate, the reduction of 5% per year is too high if the government is committed to supporting high quality early education and childcare to support equality. Good childcare and education birth to five enables parents to return to work and is the most important factor in breaking the link between poverty and low educational and health outcomes. Tower Hamlets would propose that 1.5% reduction per year (the same reduction as proposed in the Schools Funding Formula consultation) would be more sustainable to lessen the impact of the funding loss.

Q Should a universal base rate be included in the early years national funding formula?

Yes. So long as the impact of disadvantage is recognised through addition of the appropriate metrics.

Q Is 89.5% of overall funding the right amount to channel through this factor?

Provider costs for delivering the early years entitlement as well as the additional 15 hours for working parents will vary due to factors such as economies of scale, overheads, occupancy levels and staffing. Land and rental costs for childcare

providers in inner city areas can be radically different in different parts of the country, although we do also recognise the challenges faced by rural LAs. The universal base rate of 89.5 per cent suggests that, irrespective of provider type or cost drivers, all providers share similar costs. This is not the case. While the consultation and the *DfE Review of childcare costs: the analytical report* identify that maintained provision costs more than private and voluntary compared provision, borough experience of costs suggests that even within private and voluntary sector providers there is significant variation.

Council provision and any commissioned providers are required to pay the London Living Wage; private providers will only be required to pay the national minimum wage. Additionally, pension contributions, although increased for everyone, are significantly higher for settings which employ teachers. While the government has allocated £55 million for maintained nursery provision, it is unclear how this funding will be allocated and what will happen after the two years of this additional funding.

Q Should an additional needs factor be included in the early years national funding formula?

Yes

Q Do we propose the correct basket of metrics?

The three metrics seem to be appropriate for most children. However, the metrics are limited when considering children with additional needs and SEN support. These children are often not accessing DLA, may not be in receipt of FSM, be LAC or have EAL. The metric should take a wider account of children needing SEN support.

Q Do we propose the correct weightings for each metric?

We would suggest that the DfE commissioned Education, Pre-School, Primary and Secondary Education (EPPSE) research suggests that disadvantage should be weighted more heavily than other metrics.

Q Should the early years national funding formula include an area cost adjustment?

Yes, we believe an area cost adjustment is essential to reflect higher costs in London and other conurbations. There is a strong body of evidence to support the inclusion of an area cost adjustment for revenue funding streams. Given the DfE's own research highlights that staffing costs are the significant contributor to cost variations, it should be accounted for in a funding formula.

Q Should that adjustment be based on staff costs (based on the General Labour Market measure) and on nursery premises costs (based on rateable values)?

Tower Hamlets believes that an area cost adjustment should be based on the General Labour Market measure. We would urge that if the government has proposed a GLM for early years, and should this be implemented, it should also apply to the schools and high needs NFF.

Q Should we retain the current two-year-old funding formula?

Yes.

Q Should we use the additional funding secured at the spending review to uplift local authorities' allocations based upon this?

The additional money secured at the spending review is welcomed by Tower Hamlets as it will provide a much needed uplift to allocations to support and deliver high quality childcare places. We would urge this money is allocated as soon as possible rather waiting to reform the funding mechanism for two-year-olds, particularly given the length of time it has taken to begin consulting on a NFF for three- and four-year-olds.

Q Should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?

Increasing the current 15 hours universal entitlement has the potential to support more parents into work and also enable children, particularly some of the most disadvantaged, to access high quality early education for a longer period of time. However, many providers have finite capacity, increasing the universal 15 hour offer will require both capital and revenue funding above what the government has made available. For instance, while the DfE has allocated £50million for capital investment to secure sufficient childcare places, this may not be enough to incentivise existing and new providers to create 30 hour places.

Any current or future expansion of government funded free childcare should be fully funded.

Q Should Government set the proportion of early years funding that must be passed on to providers?

Childcare markets in each local authority have different strengths and areas for development such as improving quality and support for SEND children. It is vital there is flexibility and discretion over the amount of funding local authorities are able to use to support local markets improve to ensure local communities access the best possible childcare or even simply to hold a contingency fund for providers to access if necessary. A nationally set proportion of funding that must be passed to providers has the potential to over fund some providers and under fund others, irrespective of their services. The potential winners and losers within local childcare markets through no fault of the provider could destabilise markets.

Q Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers?

According to the National Audit Office, nationally, local authorities kept 10 per cent of early years funding centrally in 2014/15 although there will be variations between boroughs based on local community needs. With that in mind, a proposed pass on rate of 95 per cent would mean local authorities could retain a maximum of 5 per cent for administering the free entitlement and central services. It is unclear how the government has come to this figure, particularly when independent analysis by the National Audit Office found that, despite the *DfE Review of childcare costs: the*

analytical report, the DfE has not assessed how much it costs to administer the funding or provide central services.

Early years teams within local authorities also have statutory responsibilities under the Childcare Act 2006 to provide information, advice and support to early years providers, which support strategic duties under the same act to improve outcomes for children in their areas. Limiting funding local authorities are able to retain to support local authority early years providers and administer the existing entitlement as well as the new offer will add significant risk into the system.

Note that LAs provide a range of services to all early years providers that cover SEND legislation and the EYFS Statutory Framework as well as those functions detailed in the Childcare Acts 2006 and 2016.

Q Should local authorities be required to give the same universal hourly base rate to all childcare providers in their area?

While a nationally set universal hourly base rate is a simple way to distribute early years funding that is easy for providers and parents to understand, the current proposals are over simplistic. There is an assumption that, irrespective of provider type, private, voluntary, independent as well as maintained settings share similar costs. It ignores, for instance, the diversity of business models, variation across areas and children's needs.

Q Should local authorities be able to use funding supplements?

Yes, there should be the flexibility to use funding supplements to offer confidence to providers that meeting local priorities and wider children outcomes will be financially rewarded. The effectiveness of supplements is demonstrated by the government's proposal that a funding supplement should also include providers that deliver the additional 15 hours for working parents.

Q Should there be a cap on the proportion of funding that is channelled through supplements?

Yes, under the current system Tower Hamlets has put in place limits. However, we have concerns with the percentages suggested in this consultation and would urge they work with local authorities to develop a better understanding of existing caps.

Q If you agree that there should be cap on the proportion of funding that is channelled through supplements, should the cap be set at 10%?

Local circumstances will vary and there should be flexibility.

Q Should the following supplements be permitted? Deprivation, sparsity / rural areas, flexibility, efficiency, additional 15 hours

Deprivation

Tower Hamlets agrees with the retention of deprivation as a mandatory factor and local flexibility on which deprivation measure is used locally.

Sparsity / rural areas

Sparsity factor should not just be based on distance of travel. Small settings exist within inner cities which serve a particular local community and they play a key role in supporting families to engage with early childhood services. Small settings may be particularly suitable for some children with additional needs. They have neither the space nor the funding to expand. The cost of childcare review recognised the difference that size made to provider costs.

Flexibility

It would be helpful to have the option to use a flexibility supplement to incentivise provider to deliver a flexible 15 and 30 hour offer. However, it is unclear how data on extended hours would be collected as it is no longer part of the census collection. This would need to be addressed ahead of implementation.

Efficiency

Based on current proposals there are a number of concerns about an efficiency supplement. When the DfE conducted its review of childcare costs, it made a number of assumptions as part of its modelling about efficiencies that could be realised from better use of staff etc. However, without robust data on the current efficiency levels of providers and an effective way to measure/evidence improvements amongst providers it would be difficult to use an efficiency supplement.

Additionally, many good and outstanding providers will already operate efficient childcare business models and therefore, are unlikely to benefit from this supplement. Instead, it is likely to be perceived as rewarding those who have operated an inefficient childcare model as they are likely to benefit from improving.

While there are efficiencies to be found within the childcare market such as sharing back office functions, whether a small financial incentive from government will encourage collaboration between providers is debatable.

Additional 15 hours

Yes. However, we would be concerned if this was a significant amount. If taking 30 hour places becomes much more rewarding financially, places for children from more disadvantaged backgrounds will be reduced, in a particular 2yo places, which cost much more because of the staffing ratios required.

Q When using funding supplements, should local authorities have discretion over the metrics they use and the amount of money channelled through each one?

Yes

Q If you agree that efficiency / additional 15 hours should be included in the set of supplements, do you have a suggestion of how it should be designed?

Q If you think any additional supplements should be permitted which are not mentioned here please set out what they are and why you believe they should be included.

Tower Hamlets would like to see quality as a supplement option. While central and local government aspire for all childcare providers to be good or outstanding, currently that is not the case. In London whilst some providers are judged good and outstanding by Ofsted, this is below the national average, meaning there are more settings that need to improve their quality in London than many other parts of the country.

Under the Childcare Act 2006, local authorities have strategic duties to improve outcomes for children in their areas. Accessing high quality childcare offers one of the main mechanisms to deliver such outcomes and, as a result, it is little surprise that almost half of local authorities in the country use a quality supplement in their local early years funding formula. A quality supplement should be available to use at a local level.

Additionally, under the current supplement proposals, there is no way to fund providers that take in exceptional circumstances, such as looked after children. This should be reviewed as it is important that reforms do not allow some of the most disadvantaged or vulnerable to be excluded.

Q Should there be a Disability Access Fund to support disabled children to access their free entitlement?

Tower Hamlets supports the introduction of a DAF to support disabled children access their free entitlement. However, the use of public funding will need to be monitored and it is unclear from the consultation how the government proposes to do this.

We respectfully suggest that the government should take account of settings who do not access the free entitlement. If appropriate steps are not taken by central government, their proposals could seriously damage the situation for such children and therefore an unintended consequence of the reforms could be inequitable access to the entitlement.

Q Should eligibility for the Disability Access Fund be children aged 3 or 4 which are a) taking up their free entitlement and b) in receipt of Disability Living Allowance?

The Disability Access Fund should be extended to cover all children who present with significant needs, in order to include 2, 3 and 4 year olds who are entitled to 15/30 hours per week. Currently, many children do not access DLA who are entitled or who are just outside the criteria but still have significant needs. Under the present system, LAs have sufficient flexibility to support these children. Eligibility should extend to these children using SEND Support criteria. Eligibility should also link to the full entitlement for 2 year olds to ensure consistency for all children. In this area, without due consideration of the impact on the most vulnerable children, the government is in danger of creating significant inequalities where none existed before.

Q When it comes to delivering the funding for the Disability Access Fund, is the most appropriate way the existing framework of the Early Years Pupil Premium?

Annual payment ensures that settings can plan more effectively for children's needs and provides an extended period of consistency. There is also a reduced administration cost.

Q To what extent do you agree that a lack of clarity on how parents / childcare providers can access financial support results in children with special educational needs not receiving appropriate support? (We mean children who do not already have an Education, Health and Care Plan)

If there was a nationally agreed system for financial support, linking the various funding streams available, then there would be greater clarity for parents and settings. This information needs to be clear, accessible and transparent for providers and parents.

Q Should local authorities be required to establish an inclusion fund?

Yes, local authorities should have an inclusion fund which ensures that children with significant needs who do not have an EHC Plan can access high quality childcare provision. This ensures that some of the significant barriers to accessing childcare provision can be overcome.

Q Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?

Inclusion funds can achieve this if access is viewed in the widest possible sense: enhanced support to the setting, reasonable adaptations to the environment or specific equipment needs. There need to be clear processes, procedures and eligibility criteria and reciprocal arrangements across local authorities.

Q If you envisage any barriers, arising from existing practice or future proposals, to introducing a new requirement on local authorities to establish an inclusion fund, please tell us what they are and how they might be overcome.

- Consistency of eligibility criteria across local authorities
- The need for reciprocal agreements between local authorities
- A reasonable time bound limit for processing the inclusion fund, bearing in mind a setting's duties to meet the statutory requirements of the Equality Act. For example, a child with complex medical needs requiring tube feeding and/or dependent on a portable oxygen tank would not be able to start at a setting until appropriate support and arrangements are in place.
- Ensuring the packages of support is tailored to the individual child in a particular setting. For example, a specific reasonable adaptation may be needed to a setting's environment in order to ensure full access for that child whereas a newly built setting may already be fully accessible.
- An Inclusion Fund which is finite may be exhausted before the end of the financial year. To ensure equitable access there needs to be flexibility within this fund, particularly as new children become eligible for 15/30 hours every term. This is another argument for ensuring that each LA has sufficient funds and sufficient flexibility to meet the needs of the most vulnerable.

Q When it comes to the SEN inclusion fund, should local authorities be responsible for deciding...

Q The children for which the inclusion fund is used?

Yes, as in depth knowledge of the child and setting is essential in order to make decisions about the eligibility and access support required. In addition this will ensure equitable access to inclusion fund.

Q The value of the fund?

- It is essential to have flexibility in the total local authority value of the inclusion fund available year on year as this allows for adaptive planning.
- It is crucial to have flexibility in the amount of fund to individual settings due to varying local circumstances which affect the setting's capacity to access additional support (staff pay, short term agency staff), costs for adaptations and availability of services.
- Local authorities should be responsible for the process of allocating the funding to ensure equitable access.
- There should be a requirement for all local authorities to dedicate an agreed proportion of the high needs block to Early Years Inclusion Fund to support children requiring SEN Support who do not have an EHC Plan.

Q The process of allocating the funding?

- Yes to ensure equitable access.
- The process needs to be thorough, clear and transparent and include terms of fund, eligibility criteria, monitoring arrangements, application process and administration of successful applications.

Q Where specialist SEN or SEND services are delivered free at the point of use, should they be considered as funding passed directly to providers for the purposes of the 95% high pass-through?

There are significant issues in funding being passed directly to settings to buy back specialist services:

- It is more cost effective to maintain specialist services which have clear guidelines on quality, accountability and have an in depth knowledge of the local area who regularly have their effectiveness evaluated. Having a proportion of only 5% is not enough to maintain such services.
- Expertise and teams would be lost within the local area
- Services cannot operate on a year on year fluctuation in 'buy back'. Sustainability of specialist services could be unviable due to prohibitive costs and uncertain income for smaller services.
- Varying costs across specialist services – health, education, etc.
- Equitable access for children should not be dependent on setting's choosing on whether they will buy in or can afford to buy in support
- Access to quality and appropriateness of services if bought privately, where effective evaluation of the service cannot be made

SEN support for the most vulnerable children is the area which most clearly demonstrates the risks to equalities inherent in the current proposals. Most LAs work in a way similar to that outlined in our response. A reduction to 5% will in practice result in a cut to support services for children with additional needs, SEN, EHCPs and disabilities. LAs can provide the support services much more cost effectively than a buy-back system. How would government oversee assessment, distribution of funds and ensure that public funds are being used effectively? At present LAs cover these aspects for central government.

Q To what extent do you agree with the transition approach proposed for the Early Years National Funding Formula (money distributed from Government to local authorities)?

Q To what extent do you agree with the transition approach proposed for the high pass-through of early years funding from local authorities to providers?

Q To what extent do you agree that our proposals on the high pass-through of funding from local authorities to childcare providers make the existing Minimum Funding Guarantee for the early years unnecessary?

Q To what extent do you agree with the transition approach proposed for introducing the universal base rate for all providers in a local authority area?

The proposed changes will have both direct and indirect consequences on the childcare market. Too fast a transition period will leave the sector exposed to unnecessarily high levels of risk, with many of the assumptions that underpin government proposals untested. For instance whether local authorities will have sufficient funding to fulfil their statutory duties as well as administer the early years entitlement based on a 5 per cent retention figure.

Local authorities, with the approval of their schools forums, are able to transfer money between the early years, schools and high needs funding blocks under the current DSG funding system – many local authorities do move money between the funding blocks. In light of this, it would seem sensible to apply the longer transition period for early years as suggested for schools and high needs in the first phase consultation.

Q Please provide any representations / evidence on the impact of our proposals for the purposes of the Public Sector Equality Duty (Equality Act 2010). The protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race (including ethnicity); religion or belief; sex and sexual orientation.

In the light of the responses we have given above, we believe that the government should consider the likely negative equalities impact of some of their proposals. Groups particularly at risk are children and parents with special or additional needs, and children and parents with disabilities.

Appendix B

Early Years Working Group suggested representatives

1. Early Years Officers
 - Pauline Hoare
 - Mohammed Jolil
 - Jo Green

2. Schools Finance Officers
 - Bharat Jashapara
 - Sailesh Patel

3. Representatives (nominations required)
 - Primary School (with Nursery provision)
 - Primary School (with Nursery provision)
 - Nursery School
 - PVI sector

AGENDA ITEM 5

Title of report: Schools Budget 2016/17

Author of the paper: Bharat Jashapara

Officer to present the paper to Schools Forum: Bharat Jashapara

Details on who has been consulted with on this paper to date:
Sailesh Patel

Executive Summary

At the previous meeting, Schools Forum agreed the revised Schools Budget for 2016/17 of **£348.175m** which left £1.814m unallocated.

The key points about the Schools Budget are:

- The budget monitoring position for 2016/17 suggests that the in-year position will be balanced on retained activities. However, there are early pressures indicated by both the High Needs Block and the Early Years Block. Work is being carried out to examine this thoroughly.
- There is another paper on the agenda which will discuss the funding arrangements for the 2017/18 schools budget

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 agreed the updated Schools Budget in June 2016. There have been no further funding changes since then.

2. SCHOOLS BUDGET 2016/17

- 2.1. The overall Schools Budget, including available funding for 2016/17 is as set out in **Table 1** (as was reported in the June meeting).

Table 1: Summary of Schools Budget 2016/17

Schools Forum Summary		2016-17
1.0 ISB		273,147
1.1 De-delegated items		1,795
1.2 High Needs		38,703
1.3 Early Years		25,730
1.4 Central Provision		6,815
Total Schools Budget		Expenditure 2016-17
		346,190
1.7.1 DSG		-301,250
1.7.2 DSG B/F 2015-16		-6,074
1.7.3 EFA Grants		-17,170
1.7.4 Local Authority Contribution		-900
1.7.5 Academy Recoupment		-22,610
Total funding		Income 2016-17
		-348,004
1.7.6 unallocated Reserves		-1,814

- 2.2. **Table 2** includes the latest budget monitoring position for 2016/17, this identifies that there is expected to be an underspend of £1.814m which is the unallocated reserve from 201/16. Any emerging pressures will have to be covered from the unallocated reserve in the first instance.

Table 2: 2016/17 Budget monitoring position

Component	Updated Schools Budget 2016/17 £'000	Forecast spend 2016/17 £'000	Forecast variance £'000
Individual Schools Budgets	273,147	273,147	
De-delegated items	1,795	1,795	
High Needs Budget	38,703	38,703	
Early Years Budget	25,730	25,730	
Central Provision	6,815	6,815	
Total	346,190	346,190	
Funded from			
DSG	-301,250	-301,250	

DSG b/f	-4,260	-4,260	
EFA Post 16 Grant	-17,170	-17,170	
Local Authority Contribution	-900	-900	
EFA Recoupment (for Academies)	-22,610	-22,610	
Total funding	-346,190	-346,190	
Net Forecast Position			
Unallocated DSG 2016/17	1,814		
Potential c/f	1,814		

3. INDIVIDUAL SCHOOLS BUDGETS

3.1. There are currently no variances forecast for the ISB budget.

4. HIGH NEEDS

4.1. There is currently a balanced budget forecast within High Needs but there is work being done currently to review the top up funding to maintained schools which is reporting pressures.

5. EARLY YEARS

5.1. The DSG block for Early Years will fluctuate during 2016/17, based on actual numbers of pupils on roll at termly censuses. Allocations for 2, 3 and 4 year olds will be made to individual settings (nursery schools, primary schools and private, voluntary and independent settings) on the basis of the numbers on roll in each termly census, too.

5.2. Early Years is currently reporting a balanced budget.

6. CENTRAL PROVISION

6.1. Central Provision includes those services that have been agreed by Schools Forum should be funded through DSG as Combined Services, as well as Admissions and Premature Retirement among others. It also includes the Pupil Growth fund which applies to all academies and maintained schools where planned / emergency expansions of admission numbers have been necessary. Most of this is usually committed after the October 2016 pupil census. The present forecast is that financial performance is on budget.

7. DE-DELEGATED ITEMS

7.1 A break even position is predicted for the contingencies budget within de-delegated items. This may change during the course of the year as more demands are placed on the budget.

- 7.2 The government had indicated changes during phase one of the Schools Funding Formula Consultation that could lead to changes to de-delegated items. However, this had been delayed for a further year.

8. SCHOOLS BUDGET 2017/18 AND BEYOND

- 8.1. The new Secretary of State, Justine Greening, has delayed the National Funding Formula until 2018/19 budgets. There will be an announcement in the new-year as to how the government intends to proceed on this.

8.2. The Council's General Fund position

The Council's cabinet has to find approximately £60m savings over the next three years. This is on top of all the savings that have been made to date.

AGENDA ITEM 6

Title of report:

Schools Funding Arrangements 2017-18

Author of the paper: Sailesh Patel

Officer to present the paper to School Forum:

Sailesh Patel

Details on who has been consulted with on this paper to date:

Bharat Jashapara, Kate Bingham

Exec Summary:

This report outlines the key changes set out by the Education Funding Agency (EFA) for school funding arrangements for 2017-2018 as set out in the School revenue funding for 2017-2018 operational guide issued in July 2016.

Action required:

- i. Note the changes to funding arrangements outlined in the report and
- ii. Agree the next steps for recommendations to be made by Finance sub Group at the December meeting for the retention of DSG for ongoing responsibilities previously covered by the Education Services Grant (ESG)

1. PURPOSE OF THE REPORT

1.1. This report outlines the key changes set out by the Education Funding Agency (EFA) for school funding arrangements for 2017-2018 as set out in the School revenue funding for 2017-2018 operational guide issued in July 2016.

1.2. Recommendation

Schools Forum is asked to:

- i. note the changes to funding arrangements outlined in the report and
- ii. agree the next steps for recommendations to be made by Finance Sub Group at the December meeting for
 - the retention of DSG for ongoing responsibilities previously covered by the Education Services Grant (ESG)

2. BACKGROUND

2.1. The New Education Secretary Justine Greening, in July announcement that the planned implementation of a new national funding formula for schools for 2017-2018 will be delayed by a year, the Education Funding Agency released the Schools revenue funding for 2017 to 2018 operational guide to allow local authorities to begin to plan their local funding system for the next financial year.

Changes for 2017-2018

2.2. Funding arrangements are largely unchanged from 2016-2017 though some changes have been made to reflect the move towards a national funding formula and changes to datasets used to allocate funding through the formula.

2.3. The DSG will continue to be allocated via three notional blocks (Schools, Early Years and High Needs) but re-aligned based on the national base lining exercise undertaken by the Department for Education (DfE) with local authorities in spring 2016 to reflect current spending patterns/decisions.

2.4. No Local Authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect authorities' most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount).

2.5. The current minimum funding guarantee for schools will be retained, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the local authority funding formula.

2.6. The following proposals made in the first stage of the national funding formula consultation will not be implemented in 2017-18:-

- Ring-fencing of schools block (national formula)
- creation of a new central block

The stage two of the national funding formula consultation is now expected later this term and final decisions made early in 2017 ahead of implementation from 2018/19.

DSG 2017-18

- 2.7. The 2017/18 DSG allocation will be confirmed in December following collection and collation of the October 2016 school census data to inform the schools block allocation. The DSG will be expanded from 2017/18 to include the former retained duties element of the Education Services Grant (ESG) into the schools block (see section 2.10 below) and transfer of the national Post-16 budget into the high needs block.
- 2.8. As outlined at section 2.2 above a national baseline exercise was undertaken in spring 2016 to adjust all local authorities DSG funding so as grant allocations reflected current spending patterns/local decisions. The baseline exercise data has been used to determine initial 2017/18 DSG allocations.
- 2.9. The DSG will continue to be allocated in the three notional blocks and the LA will continue to have the flexibility to move resources across the blocks as determined.
- 2.10. Funding previously allocated through the ESG retained duties rate (£15 per pupil) will be transferred to the DSG from 2017/18. Local authorities will need to ensure they retain sufficient funding centrally to cover duties previously funded via the ESG retained rate in addition to the responsibilities already funded from centrally retained DSG. The split of former ESG duties to be funded from centrally retained schools block funding (for all pupils) will be set out in the consultation document to be released later in autumn by the DfE on the Schools and Early Years Finance Regulations. The table below illustrates the current areas covered by the ESG:
 - School Improvement
 - Statutory & Regulatory Strategy (i.e. appoint a Director of Children's Services) Finance, Human Resources, planning of whole education and Information.
 - Education Welfare Attendance, child performance & employment
 - Asset Management responsibility for capital strategy, including basic need general landlord responsibility for community school buildings and buildings let to academies
 - Therapies commissioning of therapy support services jointly with health bodies to support disabled children and young people with special needs
- 2.11. Once the consultation document on the Schools and Early Years Regulations has been released, an assessment of resources to fulfil the LA statutory obligations formerly financed by the ESG will be undertaken and proposals presented to Schools Forum.

3. APT Return 2017-18

- 3.1. In December 2016 the DfE budget tool will be populated with the schools block data for 2017/18, primarily drawn from the October 2016 schools census. The current minimum funding guarantee (MFG) for schools will be retained in 2017/18 so that no school will have a schools block funding reduction of more than 1.5% per pupil.

- 3.2. Local authorities are required to submit one funding formula submission in January 2017 and are not required to make a submission in October 2016. This gives local authorities and Schools Forums additional time to consider funding allocations following the October census before making the submission.

Next Steps

- 3.3. Officers and Finance Sub Group to review the changes in funding arrangements for Tower Hamlets and formulate recommendations for:
- the retention of DSG for ongoing responsibilities previously covered by the ESG.
- Recommendations to be tabled to Schools Forum at the December meeting.

Related Documents:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541544/2017_to_2018_LA_operational_guide_FINAL_FOR_PUBLICATION_v1.2.pdf