Dedicated Schools Grant (DSG) Consultation 2024

Contents

1. Introduction

The Dedicated Schools Grant (DSG) is a ring-fenced grant provided by the government for the financing of schools' budgets, the provision of high needs and early years services, and the central provision of local authority responsibilities for all schools. It is distributed to local authorities based on a National Funding Formula (NFF) and Early Years National Funding Formula (EYNFF) that consider various factors including pupil numbers and characteristics.

The DSG is constituted of four blocks that combine to form the overall ring-fenced grant: Schools Block, High Needs Block, Central School Services Block and the Early Years Block, together totalling £852.239m[1] in the 2024/25 financial year.

Allocations of DSG made by the Department for Education to local authorities based on the NFF and EYNFF are updated annually to reflect any increases in funding made available by the Government, as well as any new conditions or rules for allocations to schools at local authority level. So far, the DfE have not provided an indication of the level of DSG funding for 2025/26 or advised of any changes to the national funding formulae.

Each local authority is responsible for ensuring that DSG funds are used appropriately, including the distribution of the Schools Block and Early Years blocks of the DSG to schools and early years providers within the allowable rules set out in DSG guidance and conditions issued by the DfE. Each local authority is required,

[1] Source: Dedicated schools grant (DSG): 2024 to 2025 - GOV.UK (www.gov.uk)

under regulations[2], to set up and maintain a Schools Forum which must be consulted on certain funding issues including any proposed changes to the funding formulae for schools and early years providers. In addition, local authorities are also required to consult with schools and early years providers for any changes to the funding formulae.

The Local Authority (LA), Norfolk County Council, will review the outcome of the consultation responses and prepare relevant inputs for Schools Forum Members ahead of the November meeting, where recommendations and decisions will be sought, as appropriate for the individual elements.

Ultimately, the LA is the decision-maker for the final local funding formulae (though Schools Forum Members do have some related decision-making powers, e.g. for the de-delegation of services)[3]. The feedback received from schools and early years providers through the consultation informs the views and recommendations from Schools Forum Members, and so are an important part of the decision-making process.

The results of the consultation will also inform further work on the Local First Inclusion programme for Norfolk's SEND system.

The timing of the consultation during October, and the subsequent November Schools Forum meeting allows, for any disapplication of regulations requested (in certain circumstances) to be submitted to the Secretary of State within the usual timescales expected[4]. For example, a disapplication request is anticipated to be required for the transfer of funding from the Schools Block to High Needs Block to support high-cost provision.

Final recommendations for the local funding formula for 2025/26 will be presented to Norfolk County Council's Cabinet in January for their recommendation which will then be taken to the Full Council in February 2025 for a final decision.

2. Approach to Consultation

This consultation is taking place from 1 – 24 October.

The primary audience for the consultation is mainstream schools, given the core focus on the Norfolk's funding formula for distribution of the Schools Block.

However, all education leaders and settings are invited to take part in the elements that relate to the High Needs Block and the Local First Inclusion programme.

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[2] The Schools Forums (England) Regulations 2012 (legislation.gov.uk)

[3] Source: Schools_forums_powers_and_responsibilities.pdf

[4] In the absence of any updated timescales provided by the DfE for 2025/26

2.1. Consultation Documentation

There are several parts to this consultation and this report will address each one in turn and, where appropriate, will reference other elements of the consultation that are, or may be, related.

Published alongside this document, is a pack of slides that provide the strategic context for Norfolk, including Local First Inclusion.

Please do take the opportunity to read all of this information prior to submitting any responses to ensure that you are fully informed and aware of the work underway in Norfolk, the proposals related to funding and the engagement that is sought.

2.2. Briefing and Engagement Sessions

Throughout the consultation period, a series of face to face and on-line briefing and engagement sessions are being held on the consultation, intended to help support you to understand the scale of change happening in Norfolk, how you can be a part of it and to respond effectively to the consultation.

In addition, these sessions provide an opportunity to gather significant feedback from education leaders as part of the broader listening exercise we want to undertake in relation to the SEN system in Norfolk. This includes what you want to see changed, enhanced or prioritised, and runs alongside the technical consultation on funding allocation.

As well as attending one of these sessions, we would encourage all to also respond via the consultation survey at **https://www.smartsurvey.co.uk/s/DSG-Consultation-2024/**

You can find details of the consultation dates, times and locations below, along with booking or joining links.

Date	**Time**	**Venue**	**Link**
1 October	10:30-12:30	Gorleston Library	Google Maps link – click to book
2 October	14:00-16:00	Online via Teams	Link to join
7 October	14:00-16:00	County Hall, Old Canteen	Google Maps link – click to book
17 October	16:00-18:00	Online via Teams	link to join
22 October	10:30-12:30	Online via Teams	link to join
23 October	16:00-18:00	King's Lynn Academy	Google Maps link – click to book

As the consultation period goes on, we will publish responses to questions that arise during any of the consultation events alongside the consultation materials that we have published, Dedicated Schools Grant (DSG) consultation - Norfolk Schools and Learning Providers - Norfolk County Council.

The events are all listed here: Schools, Colleges and Settings Key Events Calendar - Norfolk Schools and Learning Providers - Norfolk County Council.

3. Summary of Areas for Consultation

The areas for technical consultation areas are:

- Proposal for application of National Funding Formula principles, factors and values for Norfolk schools
- Review of move to adjusting the NFF values to ensure affordability of the model rather than historical approach of capping
- Notional SEN allocations
- Element 3 funding
- A proposed 1.5% transfer between the Schools Block and the High Needs Block
- Shared Parental Leave (maintained only)
- Maternity Leave – Holiday Pay Element (maintained only)
- Scheme for Financing Schools changes (maintained only)
- Internal Audit offer (maintained only)

In addition, this autumn's consultation seeks feedback from education leaders on some broader engagement questions about the SEND system in Norfolk and the Local First Inclusion Programme, as well as special schools outreach offer.

4. Current Context

At present, no information has been received from the Government regarding the level of Dedicated Schools Grant (DSG) funding for 2025/26. Normally, the DfE provide provisional DSG allocations in July for the next financial year covering each of the four funding blocks.

The LA would then use this provisional information to provide illustrative allocations for each school in Norfolk, as technical papers, to demonstrate the potential implications of any proposed changes to the funding formula at an individual school level. These are provided to help to inform consideration of the consultation questions.

However, the LA are of the view that it is important to go ahead with the consultation and to seek responses based on principles that can inform decisions that may need to be made quite quickly, rather than await allocations where there has been no indication of timeframe provided by the DfE. This approach was supported by Norfolk's Schools Forum[5] at their meeting on 20 September 2024.

More generally, last year the LA stated that the squeeze on public sector finance was continuing and, at the time of publication of this year's DSG Consultation, we have a direction of travel set out by the Chancellor, Rachel Reeves, at the Labour Party Conference in late September. Based upon this information, we have to plan for the next financial year based on the assumptions that the current 'squeeze' will

[5] Norfolk Schools Forum is a body set up by the local authority under the requirements of the Schools Forum (England) Regulations 2012, with a consultative role on DSG funding but also some decision-making powers as set out in Schools_forum_operational_and_good_practice_guide.pdf and Schools_forums_powers_and_responsibilities.pdf

continue, and we anticipate further details within Budget Speech on 30 October this year.

The LA need to be able to have discussions at the November and January Schools Forum meetings, and we hope that these are informed by detailed information from the Government to support financial planning at those points in time. In the meantime, it is important for us to consult with the schools' sector, to be able to have this feedback to combine with the information from central Government once received.

It would be fair to say that our messages and statements in last year's DSG Consultation remain true, i.e.

- That the challenge for individual schools, settings, multi-academy trusts and the local authority is to balance our collective moral imperative to improve the life chances of all Norfolk children and young people whilst meeting the, often competing, range of statutory duties placed upon us
- That the best way to meet this challenge is to work together in a clear, honest and open way
- And that this year the DSG funding proposals are a combination of technical changes, required to ensure that the Norfolk scheme aligns to the national funding formula, alongside proposals that use our financial drivers to maximise the benefits of the Norfolk DSG pound

5. Dedicated Schools Grant Overview

The Dedicated Schools Grant (DSG) is a ring-fenced grant provided by the government for the financing of schools' budgets, the provision of high needs and early years services, and the central provision of local authority responsibilities for all schools. It is distributed to local authorities based on a National Funding Formula (NFF) and Early Years National Funding Formula (EYNFF) that consider various factors including pupil numbers and characteristics.

The DSG is constituted of four blocks that combine to form the overall ring-fenced grant: Schools Block, High Needs Block, Central School Services Block and the Early Years Block, together totalling £852.239m[6] in the 2024/25 financial year:

	£(m)
Schools Block (exc. growth/falling rolls)	635.437
High Needs Block	142.333
Central School Services Block	4.231
Early Years Block	70.239
Current 24/25 DSG Allocation	**852.239**

[6] Source: Dedicated schools grant (DSG): 2024 to 2025 - GOV.UK (www.gov.uk)

The current financial year, 2024/25, is the third year of a 3-year funding settlement with, as yet, no indication from the Government of the levels of DSG funding or rules for allocation provided for 2025/26 onwards. An announcement is currently awaited.

6. National Funding Formula

A National Funding Formula (NFF) and Early Years National Funding Formula (EYNFF) are used to distribute DSG funding to local authorities. This formula levelled-up the allocations made to local authorities in different parts of the country although there remain some area cost adjustments for authorities in the London 'fringe' areas.

The National Funding Formula is currently an indirect formula, with DSG funding allocated to local authorities for local decision-making, in consultation with schools, on the local formula then be implemented within the regulations using specified funding factors within a range of specified allowable values.

Since 2023-24 the government has required local authorities to move their local formula closer to the National Funding Formula, transitioning towards the implementation of a direct national funding formula over time at 10% per year, except where the local formula already 'mirrors' the National Funding Formula by being within 2.5% of the DfE's published factor values which Norfolk already is doing.

It is currently assumed that progress towards a direct National Funding Formula will continue in 2025-26. However, there have been no announcements made by new government yet to confirm or indicate otherwise.

6.1. Factor / Values and Allowable Ranges

The National Funding Formula (NFF) is made up of multiple funding factors and values either on a per-pupil or per-school basis.

As part of the move towards a 'direct' funding formula, the formula set at a local level by each local authority is expected to utilise all funding factors with the local values utilised being within allowable ranges set out for each authority by the DfE.

In Norfolk, we previously moved to align with mirroring the NFF factor values early on. For 2024-25 the local values were slightly varied (lowered) compared to NFF values to ensure affordability of the model (negating the need for a cap upon gains). Norfolk's formula is still considered to be mirroring the NFF by the DfE, as Norfolk's formula factor values remained within 2.5% of the published NFF factor values.

For reference purposes, Norfolk's current funding factors compared to National Funding Formula in 2024/25 are shown in the table below. Please note that the DfE have not yet provided the NFF funding factors and values for 2025/26 and so these factors are subject to change and the values subject to update:

Funding Factor	2024-25 Formula	2024-25 Formula
	£ NFF unit rates	**£ Norfolk unit rates**
Age Weighted Pupil Unit		
Primary	3,562	3,503.49
Key Stage 3	5,022	4,939.50
Key Stage 4	5,661	5,568.01
Minimum Per Pupil Funding		
Primary	4,610	4,610
Secondary	5,995	5,995
Additional Needs Funding		
Primary FSM	490	481.95
Secondary FSM	490	481.95
Primary FSM6	820	806.53
Secondary FSM6	1,200	1180.29
Primary IDACI A	680	668.83
Primary IDACI B	515	506.54
Primary IDACI C	485	477.03
Primary IDACI D	445	437.69
Primary IDACI E	285	280.32
Primary IDACI F	235	231.14
Secondary IDACI A	945	929.48
Secondary IDACI B	740	727.84
Secondary IDACI C	690	678.67
Secondary IDACI D	630	619.65
Secondary IDACI E	450	442.61
Secondary IDACI F	340	334.41
Low Prior Attainment		
Primary LPA	1,170	1,150.78
Secondary LPA	1,775	1,745.84
EAL		
Primary EAL	590	580.31
Secondary EAL	1,585	1,558.96
Mobility		
Primary Mobility	960	944.23
Secondary Mobility	1,380	1,357.33
Lump Sum		
Primary Lump Sum	134,400	132,192.24
Secondary Lump Sum	134,400	132,192.24
Sparsity		
Primary Sparsity	57,100	56,162.03
Secondary Sparsity	83,000	81,636.58
Split Sites (NEW)		
Basic Eligibility	53,700	52,817.88
Distance Funding	26,900	26,458.12

The DfE usually publish an allowable range of funding factor values for each authority each year, based on the National Funding Formula, intended to bring all

LA's formulae for allocation to schools closer to the National Funding Formula values funded through DSG. This has not yet been published for 2025-26.

6.2. Presumption for application of National Funding Formula principles, factors and values for Norfolk schools

The previous Government has, over a number of years, confirmed its intentions to move towards a direct National Funding Formula (NFF), whereby funding would be allocated directly to schools based on a single formula, i.e. resulting in the removal of local aspects and / or adjustments within final allocations to schools. At this time, the LA has not received any information from the new Government to say that there is any intention to either continue with, or to move away from, this principle.

For reference purposes only, an overview of the 2024/25 DSG allocations were provided in section 5 along with confirmation of the 2024-25 formula factors and values (both the NFF unit rates and Norfolk's unit rates) in section 6.1 above.

In agreement with Norfolk Schools Forum, there is no consultation specifically upon the application, or otherwise, of the applying the NFF principles and factors for 2025/26 and 'mirroring' the NFF values (as has been done for many years in Norfolk).

6.3. Action upon receipt of the 2025/26 provisional DSG allocations

It is possible that the DfE will publish provisional DSG allocations for 2025/26 during the consultation period. If this occurs, the LA will consult with the Chair and Vice-Chair of Schools Forum to agree on a course of action, including the publication of technical papers, any extension of the consultation period, any additional questions for the survey and / or the additional of any additional briefing sessions.

Consideration will need to be given to ensuring that the consultation is live for a sufficient period of time, along with sufficient time to analyse the responses to the consultation, as well as convening Schools Forum within a timescale suitable to meet the DfE's requirements for block transfer requests.

Alternatively, the DfE may publish the provisional DSG allocations after the cessation of this consultation. If this occurs, the LA will consult with the Chair and Vice-Chair of Schools Forum about how best to proceed.

6.4. Review of methodology for ensuring affordability of the mainstream schools funding model

In November 2023, following the DSG consultation with all schools, Schools Forum voted to remove the previous hard cap on gains in the local funding formula for 2024-25, instead reducing the National Funding Formula factor values, within the DfE's allowable range, to enable allocations to schools to balance within the DSG funding envelope from DfE following a 1.5% Schools Block to High Needs Block transfer approved by the Secretary of State in line with Norfolk's LFI Programme.

The main reason for the removal of the cap was to correct the unintended consequences for small rural schools that were being allocated significantly increased sparsity sums through the National Funding Formula, but which, in effect, were not then receiving that funding through the local formula due to the previously agreed cap on gains. As a result, small rural schools were bearing an unfair share of the impact of the Schools Block to High Needs Block transfer required for the LFI programme, as the cap on gains had been required in order to ensure affordability of the local funding formula. By removing the cap, and instead reducing factor values, the block transfer was then shared evenly across all mainstream schools through the formula, allowing more funding to be passed to small rural schools in line with the DfE's intentions of the National Funding Formula (and supported by the LA).

This year's consultation is to confirm whether adjusting the NFF factor values within allowable ranges becomes the new 'normal' for Norfolk (presuming that any move towards a direct NFF by the new Government allows), or whether a cap on future gains should be reintroduced now that the immediate issue relating to small schools newly eligible for sparsity funding has been resolved.

Without the provisional DSG allocations, it is not possible for the LA to provide technical illustrations of what either option could mean in practice for individual schools. Therefore, this consultation is only undertaken on the basis of principles.

Option 1: Adjust the NFF factor values within allowable ranges for the 2025/26 funding formula for Norfolk schools to ensure affordability, as per the 2024/25 approach.

- Any impact of any block transfer is shared evenly across all mainstream schools through the formula, keeping the proportionate distribution of funding in line with the DfE's intentions of the National Funding Formula (and supported by the LA).
- One possible consequence of re-introducing a cap could be that if a school that has previously not qualified for sparsity in the previous year (so doesn't have any in its 2024-25 funding baseline) then becomes eligible for sparsity in 2025-26, it could be severely capped.

Option 2: Reintroduce a hard cap on gains for the 2025/26 funding formula for Norfolk schools to ensure affordability whilst also affording schools to be protected by the Minimum Funding Guarantee (MFG)[7]

- One benefit of re-introducing a cap may be that Norfolk is able to revert to mirroring National Funding Formula factor values exactly, as had been the case prior to removal of the cap, with a cap being utilised once again to ensure affordability. This would bring Norfolk back to being in line with NFF values published by the DfE. Evaluation of how well this could work is dependent on the indicative DSG allocation, any new NFF factor rates, and any changes in funding rules for 2025-26
- It should be noted that the operation of any cap calculation is complex, as it interacts with other elements of the formula such as Minimum Per Pupil Levels.

[7] The MFG is a mandatory protection within the funding formula to protect schools from excessive year-on-year changes. The LA usually is permitted a range for setting the level of MFG protection, and in 24-25 the allowable range was between +0.0% and +0.5% (Norfolk used +0.5%). The +0.5% MFG was the minimum increase that schools' received in per-pupil funding excluding school-led/premises factors (e.g. lump sum, sparsity and rates).

- The effect of any re-introduction of a cap cannot be modelled without knowing the indicative 2025-26 DSG funding envelope.

Due to the operation of the MFG/Cap calculation, the new year's (i.e. 2025-26) sparsity funding is deducted from the old year's baseline, as well as the new year, to reach a comparison of per-pupil funding between years (rates and lump sum are also excluded). This is intended to protect schools against significant changes in sparsity, but the effect is that the prior year baseline (which already has no sparsity in it) is then reduced further by the new sparsity amount. This causes a large gain between years that is then capped by the calculation despite the exclusion of sparsity funding from the 2025-26 side of the comparison.

Consultation survey questions:

- **Would you prefer that option 1 (adjustment of NFF factor values) or option 2 (re-introduction of a hard cap on future gains) is implemented to ensure the affordability of the 2025/26 funding formula for Norfolk mainstream schools?**

7. Broader Engagement

At this point in time, the LA think that it is really important to take the opportunity to undertake some broader engagement with Norfolk's school leaders related to enabling higher levels of inclusion within mainstream schools.

The LA are aware that a lot of conversation does take place with some school leaders as part of a variety of groups or particular engagement activities, but Norfolk is a large County, and there are many leaders where the annual DSG consultation is the one, regular opportunity for formal engagement.

The questions are purposefully designed to be 'open' and we are keen to gain a rich understanding of views and experiences of schools from across Norfolk.

These views will be shared with Schools Forum and the LFI Executive Board and will inform the prioritisation of resource and the overall direction of the LFI programme.

Consultation survey questions:

- **What makes the biggest difference to the ability of schools and settings to be inclusive of children with significant needs – what should we do or provide more of?**
- **What are the biggest barriers to inclusion within the current system?**
- **What specific gaps in services or provision would you highlight for the programme to address?**
- **What specific changes to ways of working or pathways would you suggest?**
- **Do you have any views on the proposed model for spending of the High Needs Block over the coming period and the prioritisation of investment?**

7.1. Special School Outreach

One gap in service provision identified has been the capacity and 'reach' of support available from special schools to mainstream schools and early years settings, and whether it is sufficient to meet the needs of the current SEND system.

Following previous feedback, the LA has been undertaking a review of the current 'S2S' model. This review has considered feedback from mainstream schools in relation to their experience of the current S2S model and the Specialist Partner model that supports Specialist Resource Bases (SRBs). Additionally, engagement has taken place through dialogue with special school heads via Norfolk Association of Special School Heads (NASSH).

The service has been operating successfully for a number of years and has benefitted from subsidy via the High Needs Block. Historically, mainstream schools have contributed £100 for each referral supported[8], with the High Needs Block funding the majority of the costs, c. £0.2m to cover the costs of senior SEND teachers. However, this service only provides an observation session, advice and guidance often with an interim visit and then a final visit prior to closure. The focus of the service has been on one-to-one support in relation to an individual child.

In addition to this service being provided through special schools, the Specialist Partner function to support Specialist Resource Bases (SRBs) has been developed in recent years, with various state funded special schools receive funding to provide support to SRB provisions.

The review has highlighted the desire to have a wider 'reach', with the opportunity to work with teachers and school leaders rather than individual children, to support them to enable children who's needs can be met in mainstream schools to remain in mainstream schools. Additionally, it has been acknowledged that the time available for each intervention is very short, and schools would benefit from increased intensity of support and, over a longer period of time, the model would support relationship-based working between the special school leader and mainstream setting.

The model being developed responds to this review and is designed to take an alternative approach that could provide early years, primary and secondary schools with proactive, relationship-based support including, but not limited to, mentoring, model teaching, specialist pedagogy, and training. Support will be in enabling environments, groups and practice to meet young people's needs rather than one-to-one support with individual children.

It would build upon aspects of the existing Specialist Partner function (for SRBs) to offer more sustained support across a broader remit, e.g. providing support in establishing an ESP (Enhance Specialist Provision) or considering curriculum approaches in a class or across a school. It would be accessed through the LA, in

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[8] The contribution from the mainstream school represented an indication of commitment from the school to valuing the time and support from the service and contributed to the running and coordination costs of the service.

dialogue with SEND Advisors, as part of the multidisciplinary offer supporting the Team Around the School within our Zone Partnership model.

It is expected that the impact for the pupils and settings will be greater and more sustained with a significant increase in both the volume and frequency requests for support with advice for young people with complex needs and ESPs across the system. Successful outcomes would be enabling more children to be included in mainstream settings, reducing escalation of need and a reduction in referrals for EHCPs where needs can be met without a plan.

Ideally, the revised offer would mean that schools could access support for extended periods of time for ongoing advice and support. However, this would result in the costs for the model being higher to increase the capacity of the service available to schools and early years settings at a time of high demand. This additional cost would need to be funded through the High Needs Block, which would mean that funding was not available in the system either as direct funding for mainstream schools (i.e. Element 3 'top-up' funding) or other service provision for mainstream settings.

Alternatively, the contribution from mainstream schools could be reinstated and, potentially, increased to partially cover the costs of those schools in receipt of the direct benefit.

As an example, investment of £0.5m would fund c. 5-6 FTE of SEND specialists who could support c. 100 settings for 12 days or 200 settings for 6 days each. This resource could, potentially, reach an estimated c. 1000 pupils and, if 15% could be diverted from a special school place, then that could result in a saving of over £2m.

Consultation survey questions:

- **Would expanding the scope and reach of specialist outreach support from special schools be an effective prioritisation of investment from the High Needs Block?**
- **If this investment was to take place, do you have any views on the proposed model?**
- **Would you prefer to see schools receive a charge at the point of use to contribute to this service (or other similar services that offer provision for mainstream settings), or for the High Needs Block to fully cover the costs of the service, which would likely mean a reduction in other high needs funding for mainstream provision?**

Going forward, further engagement will take place to either refocus the current investment in line with this revised model (though limit its reach due to limited capacity) or within an increased funding envelope for investment, including consideration of how it is funded.

Depending upon the feedback received, including considerations of funding, the LA would seek to trial aspects of the model over the coming months with a view to it fully replacing S2S fully in Summer 2025. If the revision to the model goes ahead, then the LA would track the interventions to monitor the impact to pupils and reach within the overall system. This would enable evaluation to take place to identify whether further growth or amendment to the service would be beneficial for the SEND system in Norfolk.

8. Notional SEN Allocations

The LA first set out the need to consider changes to Notional SEN funding to Schools Forum during the autumn of 2022 and this led to inclusion in the DSG (Fair Funding) consultation in autumn 2023 and the change to the notional budget share from April 2024.

Using funds from the Schools Block of the Dedicated Schools Grant (DSG), LAs are responsible for calculating the amount of this notional budget using their local mainstream schools funding formula factors. LAs are expected to decide, following discussions and consultation with schools and Schools Forum, in relation to both the size the Notional SEN budget and methodology for allocation, and are expected to ensure that this is kept under review.

Last year (2023-24), the DfE provided data regarding Notional SEN allocations in a summarized analysis of local funding formulae submitted by all LAs for 2023-24. Section 19 of that analysis provided an overview of both the percentage of funding allocated to Notional SEN as well as the formula factors used to allocate it[9].

Some 115 (75%) local authorities were allocating between 5% and 15% of Schools Block funding as Notional SEN. The overall percentage of formula allocation which designated as the Notional SEN budget across all local authorities in 2023-24 was 11.5%, which was a slight increase from 11.3% in 2022-23. The median Notional SEN allocation was 11%. However, there was a wide variation across local authorities.

At the time of writing, the DfE have not yet provided any update based on LA's 2024-25 formulae.

8.1. What are Notional SEN Allocations

In any consideration of Notional SEN (element 2) funding it is important that it is remembered that it is a **notional** allocation only and does not change actual budget allocations for schools. Instead, it is an identified amount within a maintained school's delegated budget share or an academy's general annual grant that is intended to inform school's spending decisions. It is neither a target nor a constraint on a school's duty to use its 'best endeavours' to secure special provision for its pupils with SEND. Therefore, adjusting the notional budget share in Norfolk may change the expectations of the level of funding that schools would ordinarily provide before access to other funding (e.g. Element 3 top-up funding), where a school was not already spending more than the notional allocation on SEND.

[9] Schools block funding formulae 2023 to 2024: Analysis of local authorities' schools block funding formulae - GOV.UK (www.gov.uk)

Mainstream schools are expected to:

- meet the costs of special educational provision for pupils identified as having special educational needs within the definition of 'SEN Support' (i.e., those pupils with SEND but who do not have an Education Health and Care Plan) in accordance with the SEND Code of Practice (Children & Families Act 2014); and
- contribute towards the costs of special educational provision for pupils with high needs (some of whom have education, health and care (EHC) plans), up to the high needs cost threshold set by the regulations (currently £6,000 per pupil per annum). This cost threshold is calculated by reference to the additional costs of provision, above the costs of the basic provision for all pupils in the school. High needs top-up funding is provided above this threshold on a per-pupil basis by the LA that commissions or agrees the placement.

It is important to note that the Notional SEN budget is not intended to provide £6,000 for every pupil with SEND, as most pupils' support will cost less than that, if anything directly at all. It should be taken into consideration that no additional provision may be required if inclusive learning environments, curriculum and high-quality teaching are in place. Nor is the Notional SEN budget intended to provide a specific amount per pupil for those with lower additional support costs, even though the LA may make reasonable assumptions about what those costs might be for the purpose of ensuring that their schools' Notional SEN budget calculation is realistic.

It has always been important to achieve consistency across the county for SEND funding and for access to specialist services, and formula funding, locally and nationally, is the mechanism that aims to achieve this in an objective way. However, in addition to the obvious reasons that consistency should be an aim, there are pragmatic reasons that relate to the allocation of additional funding. We need to be certain, for example with the allocation of Element 3 funding, that schools have access to support where this is necessary to ensure the inclusion of children and young people whilst also ensuring that the High Needs Block is not used incorrectly, where individual school budgets can and should be the source of funding.

Our approach to Element 3 funding has evolved through our work with schools and is linked to the concept of Notional SEN funding within national DSG guidance and the SEND Code of Practice. Therefore, with the previous publication of operational guidance for Notional SEN funding in mainstream schools from the DfE, it is right that we continue to reflect further on Norfolk's below national average level beyond the additional 1% that was added for the 2024-25 financial year.

8.2. Norfolk's Current (2024/25) Notional SEN Budget

Norfolk's current Notional SEN budget is £47.5m, representing 7.61% of Schools Block funding within the funding formula.

Norfolk uses basic entitlement funding, IDACI deprivation data, low prior attainment and part of schools' lump sums to calculate Notional SEN funding.

The table below summaries Norfolk's 2024-25 Notional SEN budget:

Factor	Total Value of Notional SEN 2024-25
Total BPPE	£7,414,096
Primary IDACI	£5,532,207
Secondary IDACI	£6,141,216
Primary LPA	£12,889,332
Secondary LPA	£12,323,087
Total Lump Sum	£3,235,785
Total Notional SEN 2024/25	£47,535,723
Total Funding for Schools Block Formula	£624,648,132
Notional SEN as a % of SB funding	7.61%

The proportion of factors currently used to calculate Notional SEN in Norfolk are as follows:

Factor	Factor Unit Values	Notional SEN within factor	% of factor relating to Notional SEN
BPPE (Primary)	£3,503.49	£68.68	1.96%
BPPE (KS3)	£4,939.50	£68.68	1.39%
BPPE (KS4)	£5,568.01	£68.68	1.23%
IDACI Pri band F	£231.14	£225.57	97.59%
IDACI Pri band E	£280.32	£270.69	96.56%
IDACI Pri band D	£437.69	£294.84	67.36%
IDACI Pri band C	£477.03	£294.84	61.81%
IDACI Pri band B	£506.54	£294.84	58.21%
IDACI Pri band A	£668.83	£294.84	44.08%
IDACI Sec band F	£334.41	£327.07	97.80%
IDACI Sec band E	£442.61	£439.86	99.38%
IDACI Sec band D	£619.65	£450.14	72.64%
IDACI Sec band C	£678.67	£450.14	66.33%
IDACI Sec band B	£727.84	£450.14	61.85%
IDACI Sec band A	£929.48	£450.14	48.43%
Primary LPA	£1,150.78	£690.47	60.00%
Secondary LPA	£1,745.84	£1,056.23	60.50%
Pri Lump Sum	£132,192.24	£8,097.90	6.13%
Sec Lump Sum	£132,192.24	£8,097.90	6.13%

Norfolk’s current arrangements are based on the historic way that School Specific Allocations were made to mainstream schools prior to the 2013 Funding Reform, with the principles for calculation aligned in the best way possible into the National Funding Formula factors.

Inflation to the Notional SEN budget over the years has not kept pace with the national average, with Norfolk's percentage (7.61%) still lagging significantly behind the 2023-24 average nationally of 11.5%.

8.3. Size of the Notional SEN allocation

The need to consider increasing the Norfolk budget share for Notional SEN funding was prompted by the publication of national guidance and was also linked to Norfolk being part of the DfE 'Safety Valve' programme, with the accompanying need to demonstrate that all reasonable steps were taken to align to national expectations[10]. This was particularly relevant in Norfolk due to the low rate of notional SEN funding, at 6.6% in the 2023/24 financial year, compared to the national average at that time of 11.5% (as reported by the DfE in 2023/24)[11].

Last year's consultation asked if Norfolk should move towards the national average incrementally over time, with an initial increase of approximately 1% for 2024-25, an additional 1.5% in 2025-26, and an additional 2% in 2026-27 (noting that the steer the LA had received from the DfE was that they would expect Norfolk to progress to ensure that, as a 'safety valve' local authority, all possible steps were being taken to adopt national guidance)

Following last year's consultation it was decided to begin to move towards the national average over time, with the first increase in 2024/25. Therefore, Norfolk increased the level of notional SEN in its mainstream funding formula by 1% (of the total Schools Block) for 2024-25, increasing it from 6.61% to 7.61%, compared to the national average of 11.5% published by the DfE based on 2023-24 LA formulae data.

Therefore, there is a need for further review for the 2025-26 financial year, to consider the level at which Norfolk's Notional SEN budget should be set. Due to the need to address the ongoing pressure within the High Needs Block and the ongoing discussions with the DfE for a revised Safety Valve plan, the LA are consulting on two options this year:

- An option to increase the current Notional SEN by a further (1.5% in 2025-26 i.e. increasing from 7.61% of Schools Block formula to 9.11%) as we move towards the national average over the next couple of years.
- An option to move to the last known national average of 11.5% in 2025-26.

For illustrative purposes, based on the current level of formula funding for 2024-25 (which will likely be higher for 2025-26 due to DSG inflation but this has not yet been confirmed):

[10] In August 2023, the DfE issued operational guidance on the Notional SEN budget for mainstream schools for the 2024-25 financial year. At the time of writing, that guidance has not yet been updated by the DfE, but had originally stated that Local Authorities (LAs) are expected to keep under review the size of their Notional SEN budget (also known as Element 2 SEND funding) following consultation with schools and Schools Forum.

[11] The DfE provided national data on Notional SEN based on data from LA's 2023-24 formulae, with 75% of authorities allocating between 5% and 15% of their Schools Block funding as Notional SEN at that time.

- an increase of 1.5% to 9.11% for 2025-26 would increase total Notional SEN funding from £47.5m to £56.9m (an increase of c. £9.4m).
- an increase to the last known national average proportion of formula funding, 11.5%, would increase total Notional SEN funding to c. £72m

It should be noted that any amendment does not change the overall funding available within budget shares but provides an indication to inform schools' spending decisions.

We recognise that schools are feeling that they have very constrained resources to meet SEND and many are already spending more than the Notional SEN allocation. This means that an increase to Notional SEN allocations would not impact upon the amount of their budget share that they would need to utilise to fund SEND provision prior to accessing Element 3 'top-up' funding. However, for those schools that are only spending the equivalent of the Notional SEN allocation (or close to it), would be expected to reallocate more of their budget share to SEND provision, which will have the effect of increasing the consistency across the County and will, in effect, increase the fairness of the allocation of Element 3 funding.

8.4. Methodology for calculation of the Notional SEN allocation

It was agreed not to amend the methodology for the 2024-25 Notional SEN allocations but to revisit for 2025-26.

National Picture

For reference, information previously shared by the DfE showed that most LAs calculate their schools' Notional SEN budget using a combination of funding from the basic entitlement factor, the deprivation factors, and the low prior attainment factors in the local funding formula. There is currently no national approach to the calculation of schools' Notional SEN budget for pupils with SEND through the National Funding Formula, but the DfE have provided a recommended approach stating that stated that they expect the calculation of the Notional SEN budget to include[12]:

- a small part of the basic entitlement funding;
- a larger part of deprivation funding, reflecting the higher prevalence of lower-level SEN amongst disadvantaged pupils, and
- the majority or whole of the low prior attainment factor funding, as this is the best proxy we currently have for pupils with low-cost, high incidence SEND.

Other elements of the funding formula may also be used; for example, a proportion of the lump sum could reflect any fixed costs of making SEND provision that would apply to all local schools or diseconomies of scale relevant to small schools (Norfolk currently takes this approach as part of its Notional SEN methodology).

[12] Para 13, The Notional SEN budget for mainstream schools: operational guide 2024 to 2025 - GOV.UK (www.gov.uk)

Formula factors used to allocate Notional SEN nationally were as follows in 2023-24 (number of authorities shown using each):

Factor	2023-24
Basic entitlement	122
Deprivation	153
English as an additional language	43
Looked-after children	0
Prior attainment	148
Mobility	33
Lump sum	31
Sparsity	6
MPPF	15
MFG	10

Deprivation was the factor most commonly contributing to Notional SEN with all 153 local authorities using it in their 2023-24 formulae.

The majority of local authorities were also assigning a percentage of their basic entitlement and prior attainment funding into Notional SEN.

The previous DfE guidance stated that they expected the majority or whole of the low prior attainment factor funding to be used within the Notional SEN calculation, seeing this as being the best proxy currently available given the correlation with pupils with low-cost, high-incidence SEND.

Norfolk Position

Work has been undertaken to identify the differences between Norfolk's method for calculating Notional SEN allocations vs methodology recommended by the DfE, and it has been identified that Norfolk's Notional SEN formula still uses a low percentage of the Low Prior Attainment data for allocation compared to the DfE recommendation.

Review of Notional SEN calculations for 2025-26 should be mindful of previous indications of intentions for the National Funding Formula to become a more direct formula in future years (though an update on this principle is awaited from the new Government).

An alternative methodology for distribution of Notional SEN, which is aligned with the DfE's recommendations, based on either 9.11% Notional SEN or 11.5%, is provided below.

Factor	% of factor relating to Notional SEN (based on 9.11%)
LPA	100%
Deprivation (IDACI)	37.9%
AWPA	2%
Factor	**% of factor relating to Notional SEN (based on 11.5%)**
LPA	100%
Deprivation (IDACI)	98.3%
AWPA	3.2%

The technical paper includes *an illustration* of the 24/25 Notional SEN uplifted to 9.11% and 11.5% based on the current methodology and the alternative methodologies in the table above aligned to DfE recommendations. Readers should be aware that there are multiple options for adjusting the methodology depending upon the % factors used for each indicator and, therefore, the final formula may give different outcomes for different schools. This illustration uses 100% of Lower Prior Attainment data (versus c. 60% currently in Norfolk), but does not include any of the lump sum (unlike Norfolk's current formula).

It should be noted that there is potential for unintended consequences by moving locally to this approach at the same time that we propose increasing further the amount of Notional SEN. Essentially there is a risk that schools that have high social deprivation indicators and low prior attainment will need to demonstrate using a greater proportion of the overall school budget prior to accessing Element 3 funding and other inclusion support services. At the same time, some schools may see a reduction in their Notional SEN allocation due to the impact of changing the indicators and weightings.

This was the reasoning previously, in 2024-25, for implementing an incremental percentage change to a) ensure further Local First Inclusion improvements are embedded and b) reduce the risk of unintended consequences. It may be the view of the sector that it would be preferable to increase Notional SEN to the national average using the current methodology and then to consider adjustments to the methodology in the years that follow.

Consultation survey questions:

1. **Please choose your preference:**
   a. **Norfolk should continue to move towards the national average incrementally, with an increase of 1.5% for 2025-26, increasing from 7.61% to 9.11% of Schools Block, as we move towards the last known national average of 11.5%**

    b. **Norfolk should move to the last known national average of 11.5% in 2025/26**

2. **Please provide a rationale for your response to question 1.**
3. **Please choose your preference:**
    a. **Norfolk should retain the current methodology for the calculation of Notional SEN allocation**
    b. **Norfolk should align the calculation of Notional SEN allocation to the DfE recommended approach, i.e. the methodology should be based on:**
        - **a small part of the basic entitlement funding;**
        - **a larger part of deprivation funding, reflecting the higher prevalence of lower-level SEN amongst disadvantaged pupils, and**
        - **the majority or whole of the low prior attainment factor funding, as this is the best proxy we currently have for pupils with low-cost, high incidence SEND.**
4. **Please provide a rationale for response to question 3.**

9. Element 3 'Top-Up' Funding

In June this year, the LA set out the need to make interim changes to Element 3 funding for mainstream schools for the 2024/25 financial year. This resulted in an increased budget agreed for 2024/25 by the LA's Cabinet (compared to the budget set in January 2024), but this did result in some schools receiving less funding than they had anticipated. The changes were required due to a significant increase in the demand for funding seen during the latter part of 2023/24.

As part of communications with all schools in relation to this matter, the LA committed to utilising the annual DSG consultation to share principles of the plans for the medium-to-longer term, whilst providing a formal opportunity for schools to provide feedback as to how these are implemented. This part of the consultation is intended to meet this brief, as well as seeking feedback as to whether a revised model is implemented from either April or September 2025.

Prior to providing detail on the proposals, the LA want to acknowledge, again, the difficulties that schools experienced due to the interim decision and, in particular, the timing of that communication in the second half of the summer term. We also want to thank the many school leaders who worked proactively with the LA during the period May to July this year to help us with both the interim change, but also to start the process of considering the principles to underpin options for the revised model.

As a direct result of that positive joint working between school leaders and the LA we have now established a Local First Inclusion Reference Group in conjunction with Norfolk's Schools Forum, which will meet half-termly and work in partnership on all aspects of the LFI programme.

The proposals that follow are in relation to the arrangements for Element 3 funding in the medium-to-longer term, within the context of the overall High Needs Block funding invested in the mainstream sector. These changes form a key part of our LFI programme and our ambition to invest in mainstream inclusion.

9.1. Overall high needs funding support for mainstream schools

This cash funding part of the LA/School offer for SEND should be considered alongside other funding / free at the point of delivery services that exist, have been made possible because of LFI and future services that we are planning.

We want to engage with school leaders on the proposed changes to Element 3 funding to ensure that we can provide a model, starting next year, that is likely to be sustained throughout the duration of the LFI programme and beyond.

As schools and trusts will be aware, there have been changes made to the method of distribution for Element 3 top-up funding for 2024-25, with an increased budget agreed to reflect the increase in demand seen during last financial year.

As detailed within the overview slides for this consultation with respect to Local First Inclusion and the DSG recovery plan, it is the LAs intention that there continues to be very substantial investment of high needs funding and provision into mainstream settings to seek to increase the level of inclusion and to reduce the escalation of need and demand for specialist provision. Whilst this investment includes Element 3 ‘top-up’ funding available, it also includes investment in ‘free at the point of delivery’ services that support increased inclusion in mainstream settings and are a benefit to mainstream schools. These include the ongoing expansion of Specialist Resource Bases, the support to develop Enhanced SEND provisions, the development of Specialist Hubs of Inclusive Practice and the Alternative Provision model (including expansion and refocusing of the managed moves team as well as development of future AP centres), will see significantly more resource directed into mainstream schools in future years with the aim of increasing inclusion and seeking to reduce the need for more specialist provision.

This provision available to mainstream schools is being positioned within the context of the development of ‘Team Around the School’ working and Zone Partnerships. The availability of Element 3 funding in the medium-to-longer-term needs to be considered within the context of this shifting landscape.

The table below provides the 2024/25 forecast and 2025/26 current modelling (subject to agreement with the DfE) of the key provision for mainstream schools funded by the High Needs Block. It should be noted that there are also small contributions to services such as the critical incident team, as well as significant funding from the local authorities non-DSG funded budgets to provision, such as SEND, Alternative Provision and School and Community teams.

£m **Funding into schools for high needs provision**	**2024/25**	**2025/26**
Specialist Resource Bases & Deaf Resource Bases	9.8	11.6
Element 3 ‘top-up’ funding	35.0	35.0
Service Available to schools 'free at point of delivery'		
Inclusion and Alternative Provision Support	0.8	0.8
Medical Needs	1.1	1.0
Sensory Support	2.2	2.3

Speech and Language Therapy Service contribution	1.2	1.2
English as an Additional Language and Gypsy, Roma & Traveller support	0.5	0.5
Specialist Learning Teachers and Support Teachers, and SEMH Practitioners	1.0	1.0
Contribution to Inclusion Advisors & Partners, and AP support team	0.7	0.7
Contribution to Harmful Sexual Behaviour team	0.1	0.1
Moving and Handling team	0.1	0.1
Contribution to School and Communities teams	3.6	3.7
Purchase of specialist equipment for schools 'free at point of delivery'		
DDA Equipment	0.3	0.3
Access Through Technology	0.2	0.2
Total	**56.3**	**58.4**

9.2. Funding envelope

Historically, Element 3 in Norfolk has been significantly lower than the current funding. In 2018/19 it was c. £9m and in more recent years there was a deliberate decision to invest to enable mainstream schools to be able to be more inclusive and prevent the need for specialist provision for some pupils.

With this approach in mind, the original Safety Valve agreement included increased investment, but the demand during 2023/24 and into 2024/25 has far exceeded expectations. Unfortunately, this has not been accompanied by a corresponding reduction in demand for specialist provision that would be needed to sustain a much higher level of investment.

The LA has agreed to a higher budget of £35m for 2024/25 and has included maintaining this level of investment for 2025/26 in the latest modelling prepared for the DfE. However, it is critical that Norfolk sees a shift in patterns of referrals for specialist provision to be able to sustain high levels of Element 3 funding into the longer-term.

This is presumed in the plan prepared for the DfE, with some tapering off of the Element 3 investment in the latter years of the plan that takes into account the increased investment in other provision available to mainstream schools (such as AP centres and additional SRB or SHIP bases) and ‘free at the point of delivery’ services, as well expectations having been shifted towards the national position within school budget shares regarding the proportion of funding that should be used to meet SEND (i.e. the Notional SEN allocation). It should be noted that the current modelling still has E3 remaining higher once the tapering has completed than in the original Safety Valve agreement.

Previous feedback from the DfE suggested that Norfolk is currently has higher High Needs Block spend within mainstream settings than comparator authorities. The LA has argued that this is necessary to support the system ‘shift-left’ needed, but without the necessary change in referrals, the DfE may put pressure upon the LA to reduce the funding envelope due to current level of overall deficit.

9.3. Key principles for the medium-to-longer-term model

During the latter half of the summer term 2024, a number of school leaders worked with the LA in some workshops to consider what a future model for Element 3 funding could look like.

The model for Element 3 consultation is a product of the collective thinking that occurred within the latter summer term E3 workshops, where the LA and school leaders built on the principles and detail of the interim E3 changes to determine the foundations for a future funding model. In summary this was to achieve a model that combined the benefits of a ‘needs led’ and ‘money follows the child’ approach, alongside the certainty and stability that formula funding via proxy indicators can achieve. Therefore, features of the model are likely to be a combination of the following:

- continuation of bridging funding for Year R and Year 7 cohorts
- continuation of Enhanced Specialist Provisions (ESPs)
- continuing to enable access to the increased Element 3 funding budget for SEN Support cohort, with an explicit aim to reduce unnecessary referrals for EHCP where children and young people can have their needs more effectively met through early support and preventing escalation of need
- utilising INDES information to determine access to C&YP specific funding allocations – via revised bandings and with a focus on ‘top-up’ funding levels, aligned to C&YP with the most complex needs in mainstream schools and likely having needs that are significant and enduring
- determining the most appropriate and relevant proxy indicators to drive a funding formula aspect of the model
- determining the most appropriate weighting of the agreed proxy indicators – designed to incentivise inclusion and not create unintended consequences
- acceptance that any change to funding models, in particular those with funding formula features, can lead to a perception (or reality) of ‘winners and losers’ during the transition stage. Therefore, a need to consider changes over a multi-year timeline and relationship to minimum funding guarantee.

As with any funding approach, there will be both benefits and dis-benefits to a model based on a combination of a formula approach utilising proxy indicators and a ‘needs led’ element using INDES (Individual of Needs Descriptors in Education Settings) and bandings for those with the very highest needs. Equally, there would be both benefits and dis-benefits of a whole formulaic or wholly needs-led system, and the combined approach is envisaged to try and balance these out.

For the reason, the LA agrees with the outcome of the previous workshops that a combined model that features of both approaches is most likely to achieve fairness and county-wide consistency of approach, as well as supporting the aim of meeting more need earlier and effectively at SEN Support, consequentially reducing the escalation of need and demand for specialist provision.

However, the LA is aware that there is likely to be differences of opinion regarding the most appropriate proxy indicators to use and, also, the relative weightings of these in a final formula model, as well as the question as to the proportion or level of need expected to be met from formulaic funding or from child-level funding for a ‘blended’ approach.

To seek to identify the ‘right’ approach for Norfolk that requires consideration of the various permutations and variations and, to do this, is important to have engagement and feedback from as wide as possible cohort of school leaders. This consultation, along with the engagement sessions, seeks to achieve this through the gathering of information via the questions within the survey to inform those designing the new approach.

9.4. Proxy indicators for a funding formula

It is important that any formula is transparent, simple and clear to school leaders. The challenge is that any use of indicators is not going to be an accurate reflection of SEND needs, but the aim would be to provide a reasonable proxy for this part of Element 3 funding allocations.

Consideration also needs to be given to other elements of funding that are also intended to target particular needs; for example, deprivation is funded through aspects of the National Funding Formula and through Pupil Premium and so to fund SEN need based upon deprivation indicators could be seen to result in duplicate funding for the same drivers. Other examples, such as prior attainment, are not necessarily a correlating factor with high SEND need, though the DfE recommended approach for Notional SEN (see above) utilises the majority or all as an indicator.

However, the implementation of a formulaic element to the distribution of Element 3 funds, as discussed above, would bring a level of certainty for schools to enable good planning of resources.

There are three key options for the basis of a formulaic approach:

a. National Funding Formula
b. Notional SEN allocation formula
c. A locally designed formula utilising some indicators from the NFF with weightings chosen based upon a view that they are a reasonable proxy indicator for high SEND need

The NFF or Notional SEN approaches would be dictated by other decisions made and covered by other elements of this consultation.

An argument for the NFF or Notional SEN would be that they have been designed to reflect a ‘good enough’ distribution of school funds, taking into account differing levels of needs that would be present in a school and, therefore, could also reflect the majority of high needs funding required in a mainstream setting.

The third option would require the determination of the most appropriate and relevant proxy indicators to drive a formula, along with their relative weighting. This would be entirely for the Norfolk system to decide and could be beneficial over the use of either NFF or Notional SEN formulae if the general view was that high SEND incidence and prevalence with schools was not reflected well within the two existing formulae. For example, there are some schools in Norfolk who have significantly high numbers of pupils with high special educational needs over and above what might be proportionate to the pupil numbers that they have.

The proxy indicators that could be utilised are all those of the National Funding Formula. They are listed below for ease of sight, but further information is provided elsewhere in the document regarding the 2024/25 values for the NFF and for Notional SEN in Norfolk.

Age Weighted Pupil Unit:	**Additional Needs Funding:**	**EAL:**
Primary	Primary FSM	Primary EAL
Key Stage 3	Secondary FSM	Secondary EAL
Key Stage 4	Primary FSM6	**Mobility:**
Minimum Per Pupil Funding:	Secondary FSM6	Primary Mobility
Primary	Primary IDACI A	Secondary Mobility
Secondary	Primary IDACI B	**Lump Sum:**
Low Prior Attainment:	Primary IDACI C	Primary Lump Sum
Primary LPA	Primary IDACI D	Secondary Lump Sum
Secondary LPA	Primary IDACI E	**Sparsity:**
	Primary IDACI F	Primary Sparsity
	Secondary IDACI A	Secondary Sparsity
	Secondary IDACI B	**Split Sites (NEW):**
	Secondary IDACI C	Basic Eligibility
	Secondary IDACI D	Distance Funding
	Secondary IDACI E	
	Secondary IDACI F	

The LA is unable, at this stage, to issue any technical papers to illustrate this consideration. This is due to a combination of the DfE not having issued the provisional DSG allocations for 2025-26, along with the significantly high number of variables that could be modelled.

Therefore, in completing the consultation, it is important to consider which formula or proxy indicators would given provide the closest match for all schools in the system.

In addition, as a system, we need to determine the best implementation date for Element 3 funding changes, between April or September 2025. A change in September 2025 would align with the start of the new academic year and would allow greater time to identify the finer details of such an approach, but it should be noted that a September change would most likely result in a continuation of the interim arrangements for summer term 2025.

9.5. Implementation of a new approach

In addition to the considerations regarding how Element 3 funding is distributed, views are sought as to whether, as a system, it would be best to implement a changed approach from April 2025 or September 2025.

A change in September 2025 would align with the start of the new academic year and would allow greater time to identify the finer details of such an approach.

However, it should be noted that a September change would most likely result in a continuation of the interim arrangements for summer term 2025.

Consultation survey questions:

1. **The principles of the model are a combination of formulaic funding and individual child allocations for those with the very highest needs.**
    a. **What are the key benefits and disbenefits of this new approach to allocation**
    b. **Do you think a greater proportion of the funding should be allocated on a formula basis or an individual child basis?**
    c. **What level of need within the INDES framework should be the focus of the child level allocations?**
2. **The potential proxy indicators are provided**
    a. **Would you support using the National Funding Formula or Notional SEN Allocations for the distribution of this funding?**
    b. **If neither, please rank the three indicators that you would want to see used in a formula in order of priority**
3. **Would you prefer the new model to be introduced from April or September 2025, and please provide any rationale for this preference**

10. Proposed 1.5% Transfer from Schools Block to High Needs Block

The DSG Schools Block is ring-fenced in line with the DSG conditions of grant, but local authorities can transfer up to and including 0.5% of their Schools Block funding into another block, for example the High Needs Block, with the approval of their Schools Forum. Without Schools Forum agreement, or where they wish to transfer more than 0.5% of their Schools Block funding into one or more other blocks, local authorities must submit a disapplication request to the Secretary of State.

The existing Safety Valve agreement with the DfE (and associated Local First Inclusion programme) is based on the assumption of year-on-year transfer of 1.5% between the Schools Block and the High Needs Block until in-year balance is achieved and is sustainable, and the resolution of the cumulative HNB deficit.

However, even with a Safety Valve agreement, there is a requirement within the overall DSG funding regulations to set out any transfer between the blocks as part of the annual DSG Consultation process, and for the outcome of that consultation, including a vote at Schools Forum, to be conveyed to the Secretary of State. It is the Secretary of State that agrees Safety Valve agreements and the Secretary of State that determines if a transfer between the Schools Block and High Needs Block, above 0.5% can occur (or below 0.5% if the relevant Schools Forum is not in agreement). Additionally, the outcome of the consultation and any decision by the Secretary of State is reported to NCC's Cabinet and Full Council to inform their decision making.

In recent years, responses to the consultation have provided a range of views from schools regarding the level of understanding within the system for the need for transfer and the level of support, or otherwise, for the transfer. The views have also sometimes differed where they have been provided based upon an individual school or trust viewpoint vs system wide consideration. However, during that period of time, the votes of the Schools Forum have demonstrated an appreciation of the strategic intent and planning regarding Local First Inclusion and the need for the transfer and this support has been conveyed to NCC's Cabinet, Full Council, and Secretary of State enabling decision making on a partnership basis.

That said, the LA is fully aware that securing support of schools, and Schools Forum, for ongoing transfer will be more challenging in the current context. It is acknowledged, nationally and locally, that school budgets are under increasing pressures and the ultimate benefits of the Local First Inclusion programme are not yet fully reflected in the day-to-day experience of schools.

This consultation seeks to set out the facts that the level of cash funding, free at the point of delivery services, and access to specialist provision, has never been at a higher level for mainstream schools in Norfolk. This investment has been intended to support increased inclusivity within mainstream schools and to mitigate the demand for specialist, more costly, placements. The LA continues to be committed and determined to work collaboratively with the school system on sustainable improvements to SEND & AP whilst 'living within our means'. It is key that consideration by schools of the proposed block transfer is considered within this context, given the transferred funds are less than the increased investment since the start of the LFI programme, and the high number of children and young people in Norfolk who are outside of the mainstream system when compared to good performing statistical neighbours.

To aid understanding and context of the current high-level model for the High Needs Block, which any block transfer would contribute towards, a summary is provided overleaf. This is intended to show the shape of future years and how resources are currently expected to be used. The LA feel it is important that education leaders are aware of this latest modelling, but it should be noted that it is based upon the best information available at the point of preparation. The model is continuously being updated to reflect the latest information available, and it is subject to change over the years. Additionally, it has not been agreed with the DfE at this stage, as detailed elsewhere in this paper, and so is subject to change including as a result of the overall resource envelope that the DfE are able to agree to.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031-32	2032-33
High Needs Block DSG Income	-142.2	-146.6	-151.0	-154.1	-158.4	-162.7	-167.7	-173.1	-178.4
1.5% Schools Block transfer	-9.5	-9.7	-9.9	-10.1	-10.3	-10.5	-10.7	-10.9	-11.2
Total income	**-151.7**	**-156.3**	**-160.9**	**-164.2**	**-168.7**	**-173.2**	**-178.4**	**-184.0**	**-189.6**
Maintained / Academy / Free Special Schools	60.2	63.6	68.8	76.5	81.0	82.8	79.5	75.5	77.1
Specialist Resource Bases & Deaf Resource Bases	9.8	11.6	14.0	15.9	17.2	17.9	18.2	18.6	19.0
Independent Special Schools	53.0	48.3	46.0	27.9	17.2	9.6	9.8	10.0	10.2
Alternative Provision	10.8	11.9	12.6	10.3	9.5	9.8	10.0	10.3	10.5
Post-16 (Further Education)	11.0	10.4	9.4	9.7	9.7	9.4	9.1	9.1	9.3
Other Provisions	11.8	11.6	10.0	9.7	8.7	7.8	6.7	6.3	6.1
Inclusion fund (including mainstream SEN / EHCP support)	35.0	35.0	34.0	33.0	32.0	31.0	30.0	30.6	31.2
Speech & Language, Sensory, Youth Offending and Child & Adolescent Mental Health support & contributions	4.4	4.5	4.6	4.7	4.8	5.0	5.1	5.2	5.3
High Needs Inclusion Infrastructure, cluster teams including parent link workers	8.2	8.1	8.1	7.0	6.0	6.2	6.4	6.5	6.7
Other, including TPG/TPECG, H&SC levy and new school start-up costs	2.9	2.9	3.0	3.1	3.2	3.3	3.3	3.4	3.5
Contingency	1.5	1.5	1.0	0.5	0.0	0.0	0.0	0.0	0.0
Total Expenditure	**208.5**	**209.4**	**211.5**	**198.3**	**189.4**	**182.7**	**178.1**	**175.5**	**178.9**
In-year +deficit/-surplus	**56.9**	**53.1**	**50.6**	**34.1**	**20.7**	**9.5**	**-0.3**	**-8.5**	**-10.7**

In the interest of transparency, that whilst many LAs have block transfers, Norfolk's at 1.5% is the highest based upon previous information published from the DfE. However, the combination of the Safety Valve agreement and the Local First Inclusion programme has led to significant further increases of funding within the mainstream education sector in Norfolk, primarily via Element 3 funding as well as investment in provision such as Specialist Resource Bases and other wrap-around support for schools. Additionally, with Norfolk having a substantially lower Notional SEN allocation than the national average, and benchmarking undertaken with regard to the level of High Needs Block funds within mainstream schools, it would be reasonable to conclude that mainstream schools in Norfolk are probably better resourced than most schools nationally for SEND even taking into account the 1.5% block transfer.

The options that the LA is likely to consultation for DSG block transfers in 2025-26 are:

- A transfer of 1.5% from Schools Block to High Needs Block.
- A transfer of 0.5% from Schools Block to High Needs Block.
- No transfer from Schools Block to High Needs Block

If the block transfer is less than 1.5% then this will require a reduction in the resource envelope available to support the mainstream sector with inclusion.

In previous years, the LA have provided technical papers to illustrate the potential impact of each option by school. However, this is not possible for 2025-26 due to the lack of provisional DSG allocations from the DfE. Therefore, schools are asked to consider the principles only.

Consultation survey questions:

1. **Detail the specific implications of each option upon your school/trust.**
2. **Rank your order of preferences for the 3 options:**
    a) **for your school/trust, and**
    b) **for the system as a whole**

    If these differ, please advise why.

This concludes the consultation for all academies with the following pages for maintained schools only.

Maintained Schools Consultation Only

This section provides summary information relating to the maintained schools only elements of the consultation, with further information provided in appendices as indicated.

11. Shared Parental Leave (maintained only)

11.1. Considerations

Over the past year there has been a significant increase in the number of employees taking Shared Parental Leave (SPL). SPL is a way of sharing the entitlement to maternity leave and pay between parents. Parents have realised that due to the setup of SPL, they can take it in blocks and return to work during school holidays and therefore maximise their leave and pay.

At present, the statutory SPL cost for the period when the employee is on SPL and the salary cost for the period when the employee returns to work during school holidays is not reimbursed from the de-delegated maternity budget; only maternity pay is reimbursed. For those schools impacted by this, it is a significant unexpected cost. Please see the case study example below to demonstrate the impact.

A working group was set up by Schools Forum to understand whether SPL costs could be reimbursed from the maternity budget from April 2025 and what the implications of this would be. The groups findings were reported back to the July 2024 Schools Forum meeting and Members agreed that maintained schools should be consulted on the issue. If SPL is agreed for mainstream schools, the same offer would be extended on an equivalent buyback basis for nursery and special schools.

11.2. Case study

Sarah and David are a married couple living in Norwich, Sarah works for a school as a Teaching Assistant (paid £23893 per year), David works for a private company. Sarah gave birth to their first child, Oliver, on **July 4, 2024**. They had planned for Sarah to take the full 52 weeks of statutory maternity leave, but after Oliver was born, they realised they wanted to share the childcare responsibilities more equally.

Planning the Transition

Sarah and David began planning their transition several months before the end of Sarah's maternity leave. They:

- **Reviewed their employment contracts:** They ensured they understood their rights and entitlements under shared parental leave.
- **Notified their employers:** They gave their employers the required notice of their intention to transition to shared parental leave.

Implementing Shared Parental Leave

Sarah and David agreed that David would take the first 7 weeks of shared parental leave, starting on **July 22 2024**, and then alternate in-line with term dates. The cost of Shared Parental Leave for Sarah working at the school is therefore:

Period (Week Starting to Week Ending)	Type	Value
22 Jul 2024 to 8 Sept 2024	At Work	£3207.55 Basic
9 Sept 2024 to 27 Oct 2024	On SPL	£1288.21 Statutory
28 Oct 2024 to 3 Nov 2024	At Work	£458.22 Basic
4 Nov 2024 to 22 Dec 2024	On SPL	£1288.21 Statutory
23 Dec 2024 to 5 Jan 2025	At Work	£916.44 Basic
6 Jan 2025 to 16 Feb 2025	On SPL	£1104.18 Statutory
17 Feb 2025 to 21 Feb 2025	At Work	£458.22 Basic
22 Feb 2025 to 4 Apr 2025	On SPL	£1104.18 Statutory
7 Apr 2025 to 22 Apr 2025	At Work	£916.44 Basic

In total the cost in Statutory Shared Parental pay is **£4,784.78** – *de-delegation of the statutory element as per Option 1 would cover this cost for the school concerned.*

In total the cost of Basic Salary is **£5,956.87** – *de-delegation of both the statutory element and basic salary element per Option 2 would cover the statutory cost above and this salary cost for the school concerned.*

The total cost to the school (not including on-costs) would otherwise be **£10,741.65** – *no de-delegation for Shared Parental Leave as per Option 3 would mean that the school would have to cover all of the cost.*

The above should not be used for financial advice nor should it be used to relay on accurate assessment of gross earnings; each employee has differing circumstances. It is intended purely as an illustration. Shared Parental Leave can be varied three times providing eight weeks' notice is received.

11.3. Technical notes

It is estimated that for the Maternity budget to reimburse the SPL statutory cost and the salary costs from April 2025 for the 2025-26 period, the amount that would be required to be de-delegated into the maternity budget to cover this cost would be £6,000 for statutory SPL (after offset by 92% statutory recoveries) and £104,000 for salary costs (including on-costs).

This would be a total additional de-delegated cost of £110,000 which would work out at £3.65 per pupil (based on current pupil numbers). If the £6,000 statutory SPL cost only was de-delegated, then it would work out at £0.20 per pupil.

These figures are based on last year's uptake of SPL with an estimated increases of; the statutory payment value of 6.7%, a pay award of 6.5% and a 21.9% take up in SPL year on year as recorded by the Department for Business and Trade.

By agreeing to de-delegate the SPL costs outlined above, schools are effectively insuring themselves against this unexpected cost so it does not have to be absorbed directly into their budgets. As with any insurance-type policy, the school would be reimbursed the full cost of what they have 'insured' against.

11.4. System Implications

Current LA systems have been designed to comply with SPL legislation, where the employee is marked as "absent" during periods of SPL only. As a result, the 'salary costs' between the periods of SPL cannot automatically be identified as specific elements for reimbursement.

As a work-around, if SPL is de-delegated for both statutory SPL and salary costs covering periods of return during school holidays, the basis for reimbursement would be to use the initial start and end dates for the entire duration of absence as an override. However, it should be noted that there would be minor discrepancies depending on when the employees SPL started and finished to enable this system to be workable. For example, if the initial start date is prior to the 19th of the month then the costs for that full month would be charged to the de-delegated budget with no pro-rating.

If only the statutory SPL was agreed to be covered, then this could instead be charged accurately to schools' budgets based on absent periods of SPL, and then reimbursed from the de-delegated budget for each instance.

Consultation survey questions:

Option 1: De-delegate **statutory SPL costs** of £6,000 **only** from April 2025 for the 2025-26 period at a cost of **£0.20** per pupil.

Option 2: De-delegate **statutory SPL costs** of £6,000 **and associated salary costs** covering periods of school holidays of £104,000 from April 2025 for the 2025-26 period at a cost of **£3.65** per pupil.

Option 3: Remain with the status quo that SPL costs are not de-delegated, and each school needs to cover these costs themselves where they arise.

12. Maternity Leave – Holiday Pay Element (maintained only)

12.1. Considerations

A review has been undertaken of maternity costs and the reimbursements credited to schools' budgets from the de-delegated fund.

Maternity Leave is currently reimbursed from the de-delegated Maternity budget. Included in that reimbursement is statutory maternity pay, occupational maternity pay and Keeping In Touch (KIT) days. Also reimbursed as a historical legacy is holiday pay for term time support staff.

Holiday pay is not part of maternity pay and the LA systems have been built to align to maternity contracts/ policy/ legislation, therefore, it is questionable whether the cost of holiday pay for term time support staff should be reimbursed from the maternity budget.

12.2. Technical notes

The reimbursement of holiday pay for term time support staff from the maternity budget accounts for a significant proportion of the monies delegated into the budget at c.£101k.

For context, it should be noted that in the current year an overspend of £80k is currently forecast for the de-delegated fund, so the level of de-delegation is likely to increase by £80k in comparison to 2024-25 based on the current operation of the fund.

If the £101k holiday pay for term-time support staff was retained as part of the reimbursement from the maternity budget, then the level of de-delegation for the 2025-26 period will increase by at least £80k compared to 2024-25 estimated at an additional £2.65 per-pupil.

If the £101k holiday pay for term time support staff was removed from the de-delegated maternity budget, then the level of de-delegation would reduce by £101k and this would mostly offset the £80k overspend increase and potentially reduce the budget required to be de-delegated by £20k year-on-year.

12.3. System Implications

Due to the way holiday pay is set up on the system, an average % rate of reimbursement of holiday pay for term time support staff can only be applied which causes some minor discrepancies in the amounts reimbursed, sometimes to the detriment of the school.

A rate of 14.5% is applied, which is an average and fair sample of the term time support staff group. Within that group there are several variables including, but not limited to, hours worked, length of service and grade.

Consultation survey questions:

Option 1: **Term time support staff holiday pay should not be part of the maternity de-delegated budget reimbursement. The holiday pay costs during the maternity leave period should be paid directly by the school.**

Option 2: **Term time support staff holiday pay should be part of the maternity de-delegated budget and be reimbursed at an average rate of 14.5%.**

13. Scheme for Financing Schools changes (maintained only)

13.1. Background

Local authorities are required to publish Schemes for Financing Schools setting out the financial relationship between them and the schools they maintain.

Guidance is provided to authorities listing the items that must, should or may be included, and is issued under the School Standards and Framework Act 1998.

The local scheme is updated in the following circumstances:

- **Directed revisions** – the Secretary of State may require the revision of part or any scheme. These revisions must be included in the local scheme using the text of the directed revisions;
- **Local revisions** – for changes other than directed revisions, local authorities must consult with all maintained schools in their area and receive approval of Schools Forum members representing maintained schools.

For reference purposes, the current scheme is available on the Norfolk Schools website:
https://www.schools.norfolk.gov.uk/school-finance/scheme-for-financing-schools

13.2. Consultation Requirements

The Government's statutory guidance Schemes for financing local authority maintained schools 2024 to 2025 – GOV.UK (www.gov.uk) states that, other than for directed revisions, local authorities must consult all maintained schools in their area and receive approval of the members of their Schools Forum representing maintained schools.

Therefore, the LA is consulting with Norfolk's maintained schools on proposed changes as part of the wider autumn DSG consultation with all schools. This is to enable the LA to bring the local scheme into line with national guidance for 2024/25 (late changes – DfE guidance was not issued in time to allow the updates to IFRS16 for the start of the current year), to update wording to reflect current operation of the school balances form in the current year (late change), and to update other local elements from April 2025.

The outcomes of this consultation will be reported back for the maintained Members of Schools Forum to agree (or otherwise) and any revisions agreed will then be updated in Norfolk's Scheme for Financing Schools. An updated version of the document will then be uploaded onto the Norfolk Schools Website.

13.3. Proposed changes

In July 2024, Schools Forum considered the LA's proposal to consult upon changes to the scheme during the DSG Autumn consultation. This included consulting upon the following sections:

- **Borrowing by Schools (update to national guidance)**
  In the national guidance the following sections have been updated for 2024/25:
  - Section 5.8: Borrowing by schools – the DfE have updated guidance on borrowing to reflect the introduction of International Financial Reporting Standard 16 (IFRS16) and the Secretary of State providing blanket consent to certain categories of finance lease
  - Section 5.8: Borrowing by schools, first paragraph - the introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools and, in effect, all leases will be classified as finance leases for accounting purposes

    It is proposed to update the local scheme wording in section **3.6 Borrowing by Schools** to include these national guidance updates reflecting current accounting practices for leases.

- **Borrowing by Schools (local updates)**
  The local authority proposes to change the wording of the local scheme in respect of the use of credit/purchasing cards to ensure VAT compliance at local authority level in sections **3.6 Borrowing by Schools** and **17 Use of Business Credit Cards -** Annex J of the scheme.

- **Restrictions on accounts (local updates)**
  The local authority proposes to update the list of banks shown in the local scheme that schools are permitted to use, removing Co-operative bank from the list due to them not meeting the LA's minimum credit rating requirements for treasury investments, in section **3.5.1 Restrictions on accounts.**

In addition, the LA advised that further review of the scheme would be undertaken to seek to identify any other sections that required updating. As a result, additional changes relating to school balances and deficits are proposed to be consulted upon:

- **School Balances (local update)**
  The local authority proposes to update the balances section of the scheme to include wording which reflects the current operation of the balances mechanism, but which have not previously been updated (late changes), within section **4.2 Restrictions on carrying forward surplus balances.**

- **Deficits (local update))**
  The local authority proposes to update the deficits section of the scheme within sections **4.41** - **4.9.**

Appendix A provides further information regarding the proposed changes to wording that are being consulted upon.

Consultation survey questions:

1. **Do you agree with the proposed changes to the Scheme in respect of section 3.6 'Borrowing by schools' for the treatment of leases under IFRS16, ending the distinction between operating and finance leases with all leases treated as finance leases for accounting purposes?**
2. **Do you agree with the proposed changes to the Scheme in respect of section 3.6 'Borrowing by schools' and Annex J for the use of credit cards/purchasing cards?**
3. **Do you agree with the proposed changes to the Scheme in respect of section 3.5.1 'Restrictions on accounts' for amendment to the list of allowable banks that schools are permitted to use?**
4. **Do you agree with the proposed changes to the Scheme in respect of section 4.2d 'Restrictions on carrying forward surplus balances' to bring up to date wording to reflect the current operation of the balances mechanism?**
5. **Do you agree with the removal of section 4.41 'Reporting on deficit balances', which is covered elsewhere in the Scheme?**
6. **Do you agree the proposed changes to the Scheme, combining and updating the wording of sections 4.5 and 4.5.1 'Planning for deficit balances' into one new section?**
7. **Do you agree the proposed changes to the Scheme for section 4.8 'Balances of closing and amalgamating schools'?**
8. **Do you agree the proposed changes to the Scheme for sections 4.9e and 4.9g within 'Licensed deficits'?**
9. **Are there other areas of the Scheme for Financing Schools that you believe would benefit from review?**

14. Internal Audit offer (maintained only)

Some school leaders have historically raised concerns that not all schools were engaging with the advised audit frequency, and the lack of certainty regarding demand means that it is difficult for NCC to commit sufficient resource capacity.

With the agreement of the maintained members of Schools Forum, the Local authority (LA) can retain funding centrally for some services from maintained mainstream schools' budget shares before allocating funding to individual schools through the formula.

In particular, funding may be held by the LA to cover the provision of internal audits and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of the Local Government Act 1972 for maintained schools (Schedule 2, paragraph 61).

The LA is consulting with maintained schools on this alternative approach for internal audits which would result in a top-slicing of budgets for maintained mainstream schools, with an equivalent offer made to maintained nursery and special schools.

The LA is seeking to reduce the cost and burden of school audits for schools through the adoption of minimum risk based (best value) approaches and more focused audits. The only option for all maintained schools to share the costs, through top slicing of budget shares, would be on a per-pupil basis, resulting in costs varying per school depending upon their size. The frequency and scope of school internal audits would vary significantly between schools under this proposal.

In LA maintained schools the cost per pupil for the ideal level of audit services under the current arrangements would be approximately £2 per pupil. The current level of actual audit coverage costs approximately £30k, which is equivalent to c. £1 per pupil in the mainstream sector. However, this cost is currently spread unevenly across those schools who have purchased an audit and those that have not engaged. Additionally, schools currently pay the same amount for an audit, regardless of the size or complexity of the school.

It is estimated that with a Minimum Risk Based approach, described in this report, the cost per pupil might be reduced first to around £0.83 per pupil (c. £25k), then to around £0.67 per pupil (c. £20k) in subsequent years.

14.1. Previous consultation

As part of the 2024/25 DSG consultation, there was a proposal in relation to ceasing trading internal audits for maintained schools and moving to an alternative model where audits were charged to all maintained schools' budgets, and all maintained schools were audited on a cyclical basis.

This was not supported, but the LA remained aware that there is a need to consider how to ensure that there is consistency of audit assurance across all maintained schools to meet its duties as a County Council, within tight system resources, as well as enabling schools to seek more comprehensive assurance where that is desired by individual Governing Boards.

Utilising the feedback provided and considering the specific requirements of the LA versus that of Governors, a new proposal has now been developed for consultation with maintained schools.

14.2. Information session

In addition to the information provided as part of this consultation document, a session will be held on the **16 October at 14:30–15:30** to provide further details on this proposal. This was requested by Members of Norfolk's Schools Forum. To join the meeting please use the following link: **link to join**

14.3. Audit arrangements

Currently, schools are advised to have an internal financial audit at least once every 5 years. This requirement has been part of their RAG rating since April 2023 when RAG requirements were reviewed by a team put together of Education Finance staff along with representative from the three major stakeholders of schools, finance staff, headteachers and governors. The RAG is a tool the Education Finance team use to measure the financial risk for each Local Authority school. There are several categories that are reviewed covering all areas of financial management against a 4-

phase rating system, which is reviewed all together to produce an overall rating for the school.

Norfolk Audit Services (NAS), as the County Council's internal auditors, provide this audit service. Schools do have the option to procure the service elsewhere but there is not currently a specification or framework in place to ensure consistent quality and coverage for such services to be provided by external providers.

Maintained schools and relevant Schools Forum Members were previously consulted on the audit approach and the potential to top slice the DSG from maintained schools' budgets to fund this work. Feedback then indicated that it was not a preferred option. As a result, we are now consulting on whether schools would agree instead with the principle of LA retaining funding from maintained schools' budgets for the purpose of minimum risk-based assurance.

14.4. Purpose of financial audits

Audit work provides assurance to stakeholders (such as the Headteacher, Governors and the County Council) that there is a sound system of internal control operating at the school. Ultimately, this is to fulfil the requirements of the Accounts and Audit regulations and supports an opinion to be given by the Chief Internal Auditor on whether there is a sound system of internal control for the County Council as a whole. This also gives assurance to the Section 151 Officer for any submission required to be completed in relation to schools such as from the Department for Education (and Education Skills and Funding Agency).

Such audits are only part of the overall assurance framework at schools.

Quite a number of maintained schools are in deficit currently and the Council bears the risk of having to cover the cost of those deficits, either borne out of circumstantial challenges or poor management. The audit approach will consider that risk and link with the Education Finance Team (where they are providing support) to consider the risk levels.

The Council and schools have a duty to ensure **best value**. The Government published **Statutory Best Value Guidance**. Best value for the provision of assurance is achieved through a risk assessed approach (risk-based auditing) to the scope and frequency of the audit coverage and focus.

Access Best value standards and intervention: a statutory guide for best value authorities - GOV.UK (www.gov.uk)

There is an option for schools to seek assurance and fulfil that requirement through procuring it externally. Advice on the standards and competencies required can be provided to schools. It would not be practical to centralise such procurement of audit services.

14.5. Summary of audit coverage

Since Sept 2019 (5 Years) 139 schools have had a financial audit completed by NAS: on average that is 28 schools per year. There are currently around 36 schools who have not been audited in the last 5 years and do not have their next audit booked in. A high proportion of schools have had audit coverage, which therefore supports a strong assurance and opinion on overall internal controls and risk management.

The current cost to a school for a full audit is £1,400 and in summary this is based on the average cost of providing the service in the previous year plus inflation. The service includes a two-day visit to the school with verbal feedback given at the end of the two days and a written report that follows. Overall, each audit takes around 5 days (from planning to final report). The scope of the audits has not significantly changed over time and is subjective in nature based on the Scheme for Financing Schools and the associated Finance Procedure Manual, rather than **risk based**. This audit currently covers control areas such as payments, income, asset management and banking.

Access Risk Based Auditing information at cipfa.org

Many of the recommendations identified in our audits are identified year on year at the different schools we visit. Common control and risk issues may therefore persist across the county.

In addition to the financial audits at least one thematic audit has been conducted each year with the results of the audits fed back to schools via MI sheets. In recent years, these have included topics such as cyber security, payroll, and payments to individuals.

Our current audit offering to schools of traded full audits and thematic audits aim to cover the financial control areas under the responsibility of the schools and any recommendations raised in these areas are aimed so that schools can address them as part of their own system of internal control and governance. Assurance on financial systems in operation across the County Council that schools also receive, such as payroll, is sought on a risk assessed basis as part of our wider internal audit plan for the County Council and is part of the Chief Internal Auditor's obligations.

14.6. Proposal for the future school's audit work – minimum risk based (MRB)

With budget pressures it is appropriate to evaluate whether best value is achieved with the current level of coverage and its scope. Our proposal is to ensure that, on a **risk assessed basis**, the costs spread over the schools are minimised and a minimum (but acceptable) level of coverage is maintained for all stakeholders including headteachers, governors and ultimately the Local Authority's Section 151 Officer.

Going forward; it is proposed that, in order to meet the requirements for assurance, whilst ensuring best value, the following work will be undertaken concurrently with the consultation with schools leading to a final report in November:

- the 'minimum' risk-based assurance requirements for schools are agreed with key stakeholders.
- **Contemporary auditing** approaches for schools are considered and adopted, to achieve those minimum risk-based assurance requirements.

- arrangements and potential providers for any services required, above the agreed minimum risk-based assurance requirements, are explored
- an estimated annual cost for the charge to schools to meet the costs of the minimum risk-based assurance requirements, to be updated following analysis work. Initial estimates of costs are provided below.

Schools are currently recharged for the audits at a cost per audit visit. For illustration purposes, the cost to provide audits for all schools over the five-year cycle is estimated at approximately £60,000 per year. With approximately 30,000 pupils in LA maintained schools, this is equivalent to c. £2 per pupil for audit services if all schools were audited every five-years.

However, due to some schools not engaging and others not having an audit every 5 years, the current audit coverage costs approximately £30,000, so around £1.00 per pupil.

It is estimated that with a Minimum Risk Based approach the cost per pupil might be reduced first to around £0.83 per pupil (c. £25k), then to around £0.67 per pupil (c. £20k) in subsequent years. The only option for all maintained schools to share the costs would be on a per-pupil basis, resulting in costs varying per school depending upon their size.

Elements to be considered for this minimum risk based (MRB) assurance requirement could include:

- Reduced number of schools audited each year following the current full audit service programme (e.g. 10 schools a year or an extension to the current 5-year cycle requirement)
- Themed audits on a risk assessed basis (e.g. one themed audit each alternate term). Themed audits could be 'refreshed' to consider the right size of sample to provide advice to all schools and schools representatives invited to contribute to the identification of themes
- Change to the audit approach with emphasis on a lean and agile approach to assess the governance arrangements rather than transactional testing. (e.g. shorter half day audits to get this assurance).
- Increase in the use of data analytics, with minimal visits to schools on a risk assessed basis, and use of STAR transactional data and questionnaire returns provided by schools.
  Access Data analytics as an audit tool – advantages and some experiences - IIA.No
- Guidance and information for any additional assurance schools might procure externally.

The Scope of this MRB approach would cover all aspects of School's finances as identified above. The exact scope of audit work year to year could be dependent on the assessed risks of these areas. This will complement the wider internal audit operations conducted for the County Council to provide assurance to deliver the agreed audit plan.

14.7. Impact of the proposal (Outputs and outcomes)

Outputs:

- Risk based assurance to stakeholders (such as the Headteacher, Governors and the County Council) that there is a sound system of internal control operating at the school, through on the spot audit work
- A risk-based opinion to be given by the Chief Internal Auditor on whether there is a sound system of internal control for the County Council as a whole, including LA maintained schools
- Risk based assurance to the Section 151 Officer for any submission required to be completed in relation to Schools, such as, from the Department for Education (and Education Skills and Funding Agency).

Outcomes:

- Application and demonstration of:
  - **best value** duties
  - best practice **risk-based** auditing
  - overall cost reduction for schools
- Changes in approach by NAS will impact the requirements of the RAG which may need to be updated although the use of third parties to maintain the service could also be considered. The impact on other audit related services such as those provided by Education Finance will also need to be considered.

14.8. Financial Implications

The LA is seeking to reduce the cost and burden of school audits for schools at a time financial challenge through the adoption of minimum risk based (best value) approaches and more focused audits.

Consultation survey questions:

Option 1:

- **Implementation of a minimum risk-based assurance approach for maintained schools with the associated charges to all maintained schools' budgets to enable this model and to ensure that there is appropriate assurance activity across all schools for a minimal cost burden.**

Option 2:

- **Continuation with the status quo providing traded audits as part of the RAG requirement and thematic audits.**

APPENDIX A: Proposed changes to wording of the Scheme for Financing Schools (maintained schools only)

Updates to section in local scheme - 3.5.1 Restrictions on accounts

Current wording:

"Accounts may only be held for the purpose of receiving budget share payments, at the following banks or building societies which are consistent with those specified in the authority's Treasury Management policy:
Santander UK
Bank of Scotland
Barclays Bank
Co-operative Bank
HSBC Bank
Lloyds/TSB
National Westminster
Royal Bank of Scotland"

Proposed wording (removing 'Co-operative Bank' from the list):

"Accounts may only be held for the purpose of receiving budget share payments, at the following banks or building societies which are consistent with those specified in the authority's Treasury Management policy:
Santander UK
Bank of Scotland
Barclays Bank
HSBC Bank
Lloyds/TSB
National Westminster
Royal Bank of Scotland"

Updates to section in local scheme – 3.6 Borrowing by Schools

Current wording:

"Governing Bodies may borrow money only in exceptional circumstances and with the written permission of the Secretary of State.

No overdrafts are allowed and schools are only permitted to use business credit cards in line with Section 17 of the authority's Financial Regulations as set out in Annex K. However, the authority encourages the use of procurement cards by schools as these can be a useful means of facilitating electronic purchase and can enable schools to benefit from significant discounts.

The restriction on Governing Bodies does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the Authority when repaying loans.

Schools may use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving."

Proposed wording (updates for leases and procurement/credit cards):

"Governing Bodies may borrow money (including the use of finance leases) only in exceptional circumstances and with the written permission of the Secretary of State.

Under the Education Act 2002, and IFRS16 (International Finance Reporting Standard) all leases will be classed as finance leases for accounting purposes and, therefore, as borrowing, and will require the Secretary of State for Education's consent.

The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS16 Maintained Schools Finance Lease Class Consent 2024. Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. However, from time to time, the Secretary of State may introduce limited schemes to meet broader policy objectives.

No overdrafts are allowed, and schools are not permitted to use interest bearing credit cards. However, the authority encourages the use of procurement cards by schools in line with Section 17 of the authority's Financial Regulations as set out in Annex J as these can be a useful means of facilitating electronic purchase and can enable schools to benefit from significant discounts.

The restriction on Governing Bodies does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts.

These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing.

Governing Bodies do not act as agents of the Authority when repaying loans.

Schools may use any scheme that the Secretary of State has said is available to schools without specific approval.

This provision does not apply to loan schemes run by the local authority."

Updates to Annex J in local scheme – 17 Use of Business Credit Cards

Proposed change of heading from "17 Use of Business Credit Cards" to "17 Use of Purchasing/Credit Cards".

Current wording:

“17.1 The use of credit cards must be approved by the Governing Body.

17.2 Cards can only be obtained from the school’s approved bankers and the credit card limit must not exceed £3,000.

17.3 All applications for staff use must be approved by the Headteacher and use by the Headteacher approved by the Chair of Governors or Chair of the Finance Committee. All approved users must complete a certificate stating that they understand the rules for usage.

17.4 Cards will normally be securely stored in the finance office with a register recording its use. It must not be used to obtain cash or for personal transactions. Users will be responsible for obtaining an appropriate VAT invoice. The account will be paid in full at the end of each period and a termly report made of the use of cards.

17.5 The school will notify Children’s Services Finance immediately of any loss or irregularity.”

Proposed wording:

“17.1 The use of credit cards is not permitted by the local authority.

17.2 The use of purchasing cards is encouraged. No interest charges should be incurred by the school, with balances fully cleared on a monthly basis.

17.3 All applications for staff use must be approved by the Headteacher and use by the Headteacher approved by the Chair of Governors or Chair of the Finance Committee. All approved users must complete a certificate stating that they understand the rules for usage. Schools choosing to use the NCC purchasing card must follow the corporate guidance.

17.4 Cards will normally be securely stored in the finance office with a register recording its use. It must not be used to obtain cash or for personal transactions. Users will be responsible for obtaining an appropriate VAT invoice. The account will be paid in full at the end of each period and a termly report made of the use of cards.

17.5 The school will notify Children’s Services Finance immediately of any loss or irregularity.”

<u>Updates to section in local scheme – 4.2 (d) part of Restrictions on carrying forward surplus balances</u>

Current wording:

“the legitimate purposes that balances may be held for are:-

• Surpluses derived from sources other than the budget share e.g. contributions from parents for school trips where expenditure will not be incurred until the following year or surpluses arising from providing community facilities

• As there will be no general contingency limit, a level of redistribution will be introduced if the school cannot provide sufficient evidence to justify its surplus. The Local Authority will reserve the right where schools have consistently built up significant excessive uncommitted balances to redistribute if deemed appropriate.

• Voluntary Aided schools are allowed to hold revenue monies to fund governors' liabilities towards DfE grant aided capital works. Evidence of the cost and timing of the project will be required to support this.

• Surpluses derived from Pupil Premium funding - this would mean that, for the purposes of calculating the contingency sum of 8% of the final budget share, the Pupil Premium would be excluded, but would be shown as a separate category in its' own right.

• The amount of Pupil Premium allowed to be carried forward should not exceed the sum received in that financial year.

• The Analysis of Surplus Revenue Balances form would be pre-populated, after the year-end closure of accounts, with the maximum sum allowed under this category for each school.

Any balances falling outside these categories will be returned to the Authority for redistribution to schools. The actual balances each school has at the end of 2023/24 and subsequent financial years will be analysed and any surplus over and above monies falling into one of the legitimate categories above will be redistributed in the following financial year."

Proposed wording:

"the legitimate purposes that balances may be held for are:-

• Surpluses derived from sources other than the budget share e.g. contributions from parents for school trips where expenditure will not be incurred until the following year.

• As there will be no general contingency limit, a level of redistribution will be introduced if the school cannot provide sufficient evidence to justify its surplus. The Local Authority will reserve the right where schools have consistently built up significant excessive uncommitted balances to redistribute if deemed appropriate.

• Voluntary Aided schools are allowed to hold revenue monies to fund governors' liabilities towards DfE grant aided capital works. Evidence of the cost and timing of the project will be required to support this.

• Surpluses derived from Pupil Premium funding - this would mean that, for the purposes of calculating the contingency sum, the Pupil Premium would be excluded, but would be shown as a separate category in its' own right.

  • The amount of Pupil Premium allowed to be carried forward should not exceed the sum received in that financial year.

    • The brought forward sum for Pupil Premium will be pre-populated on the form.

• Surpluses derived from PE Sports Premium funding - this would mean that, for the purposes of calculating the contingency sum, the PE Sports Premium would be excluded, but would be shown as a separate category in its' own right.

    • The amount of PE Sports Premium allowed to be carried forward should not exceed the sum received in that financial year.

    • The brought forward sum for PE Sports Premium will be pre-populated on the form.

• As an exceptional circumstance, schools may use this category if an individual allocation amounting to more than 1% of the final budget share was allocated after the 1st February.

• Surpluses derived from community facility activities e.g. nursery that have been coded to I17 and E31/E32"

<u>Updates to section in local scheme – 4.4.1 Reporting on deficit balances</u>

Current wording:

"Reporting on deficit balances In order to allow the Authority to monitor balances in hand and overspending, Governing Bodies are required to provide explanations to the Authority by the end of June following the financial year in cases where the total balances in hand or overspending exceeds: • £25,000, or • 5% of the school's previous year budget share whichever is the larger."

Proposed wording:

Remove altogether, not required, covered elsewhere in scheme.

<u>Updates to section in local scheme – 4.5 and 4.5.1 Planning for deficit balances</u>

Current wording:

4.5 Planning for deficit budgets "Schools may only plan for a deficit budget in accordance with the terms of para 4.9 below."

4.5.1 Planning for deficit budgets "Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021."

Proposed wording (4.51 combined into 4.5 and updated):

4.5 Planning for deficit budgets

"Schools may only plan for a deficit budget in accordance with the terms of para 4.9 below.

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2025."

Updates to section in local scheme – 4.8 Balances of closing and amalgamating schools

Current wording:

"When a school closes any balance (whether surplus or deficit) shall revert to the Authority; a balance cannot be transferred, even to a successor or replacement school to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010. However, there are separate provisions in the Authority's formula to allow successor or replacement schools to be given additional funding equivalent to the surplus balances of closed schools. Deficit balances may be deducted from additional funding that would otherwise be given to the new school, but may not be recovered by reducing the new school's main budget share."

Proposed wording:

"Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes."

Updates to section in local scheme – 4.9e part of **Licensed deficits**

Current wording:

"primary schools, under this scheme, may plan to have a maximum of £100,000 or 10% of their annual budget share as a deficit, whichever is the lesser. Any planned deficit must last for no more than 3 years without recovery. ii). secondary schools, under this scheme, may plan to have a maximum of £250,000 deficit at any time. Any planned deficit must last for no more than 3 years without recovery."

Proposed wording:

"primary schools, under this scheme, may plan to have a maximum of £100,000 or 10% of their annual budget share as a deficit, whichever is the lesser. Any planned deficit must last for no more than 3 years without recovery. ii). secondary schools, under this scheme, may plan to have a maximum of £250,000 deficit at any time.

Any planned deficit must last for no more than 3 years without recovery. Exceptional circumstances may be granted but will need to be agreed by the Finance Business Partner (Children's Services)"

<u>Updates to section in local scheme – 4.9g</u> <u>part of</u> **<u>Licensed deficits</u>**

Current wording:

"deficit arrangements for any school must be agreed by the Director of Children's Services."

Proposed wording:

"The Executive Director of Children's Services and the Director of Strategic Finance will have the role in agreeing any arrangements for individual schools, which will be under the guidance of the Finance Business Partner (Children's Services)."