

SCHOOLS FORUM AGENDA ITEM

For Action

☐

For Information

☒

Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

To provide the Schools Forum with an early **indicative** view of the 2017/18 Dedicated Schools Grant position and cost pressures, which the Forum will have to consider in making final recommendations in January 2017.

Date (s) of any Previous Discussion at the Forum

This is the first time the 2017/18 DSG position has been directly discussed with the Schools Forum.

Background / Context

In July 2016, we reported to the Forum the anticipated substantial additional cost pressure within the High Needs Block in the 2016/17 financial year, against an additional £1.6m of one off monies available from the closedown of the 2015/16 DSG (with £1.2m of this from the earmarked DSG funds for the 2 year old offer, which the Forum asked the EYWG to consider; this is presented back to the Forum at this meeting in a separate paper). A further comprehensive report on the 2016/17 actual spending position, and how this compares with the planned budget, will be presented to the Forum in December. This report focuses on the on-going DSG financial position, which incorporates the continuation of pressures that have begun in 2016/17.

Forum Members will recall previous messages that have been given about the longer term trend of increasing cost pressures within the DSG, especially within the High Needs Block. The presentation to the Forum by the Deputy Director, Education, Employment and Skills to the Forum in May outlined the anticipated need for the creation of 360 more places in specialist provisions by September 2018, with 120 places needed each year from September 2016 simply to meet increased demand from demographic growth. A more detailed analysis of the pressures within the High Needs Block was presented to the SEN Reference Group in June and will be further considered in planned meetings this term.

Separate reports to this Forum meeting provides an update on Government announcements on the National Funding Formula (NFF). To emphasise one of the significant Schools Block announcements again here: that the 'ringfencing' of the Schools Block, meaning that this Block could not be 'topliced' to provide additional High Needs budget is not introduced at April 2017. The longer term status of this proposal is unclear. However, we are certain that we are still permitted in 2017/18 to move money between the Schools and the High Needs Blocks.

Members are reminded of the analysis previously presented outlining the expectation that under the NFF we expect the value of our Schools Block to reduce and the value of our High Needs Block to increase simply because of the way we currently allocate funding, which is related to the higher proportion of children with additional needs that are educated in mainstream settings than in other authorities. We expressed concern in our response to the 1st stage NFF proposals about plans that suggested the pace of transition to new arrangements would be different in the different Blocks (not allowing us to release money to restructure and increase our High Needs Block provisions). We raised with the Forum in March that the possibility and options for the movement of Schools Block funding to the High Needs Block at a faster pace than proposed by the DfE would be a key aspect for the Forum to consider.

There are other aspects of the NFF announcement that require closer attention, including the transfer of the Education Services Grant Centrally Retained Duties Funding into the DSG from April 2017. However, in order to keep this report focused on the issue of cost pressures, these aspects are not considered here. There are also other decisions that the Forum has already taken, about the cessation of the DSG's contributions to historic commitments (centrally managed funds e.g. for schools improvement) at September 2017, that again are not specifically considered here as these simply delegate money that was previously centrally retained and do not alter costs pressures in the DSG. A more detailed report will be provided in October.

The issue of DSG affordability has been a strong feature of the Forum's deliberations in recent years. Across autumn 2015, we discussed with the Forum and its working groups the necessity of taking an affordability contribution, by reducing the values of formulae variables across all 3 Blocks, in order to balance the DSG. In January 2016, the Forum settled on a blanket 0.42% reduction, which was lower than initially expected due to late notification of an unexpected additional £1.09m of High Needs Block DSG allocated from Government.

Details of the Item for Consideration

Please see Appendix 1, which gives an indicative forecast of the position of the 2017/18 DSG, based on current information. Please note that a good deal of this forecast is ESTIMATED at this stage. The picture will firm up as we get towards December e.g. following the completion of the October 2016 Census and the High Needs Block places setting exercise and following consultation on the continuation of central funds.

Members will see that the starting position (the 'baseline') for each of the 3 Blocks has been formally amended to reflect planned spending in 2016/17. This is the product of the exercise required by the DfE and completed in April 2016. Our previous movement of money from the Schools and Early Years Blocks to the High Needs Block has now been 'locked in', so that the starting baseline position for each Block – planned spend vs. allocation – is 0, which is shown in row f.

In summary, the INDICATIVE forecast identifies an initial funding gap within the DSG of around £5.26m in 2017/18, which can be reduced to £1.22m by the application of a 1.5% reduction in formulae factor variables in the Schools Block and Central High Needs Block funds only *. The clear cause of this gap is pressure in the High Needs Block. Appendix 1 provides a more detailed breakdown of the causes of this pressure.

The actual position will move from this estimate. But the forecast evidences that the position (again, and as we would expect and have been identifying with the Forum in previous discussions) will be difficult. Work is taking place to look further at how the High Needs Block cost pressures can be managed. The Forum will be required to make final recommendations, including how to best manage expected cost pressures, at the meeting on 11 January 2017. The trend of increasing pressure in the High Needs Block is set to continue in future years. It is broadly estimated that we may need a minimum of an additional £16-£19m in DSG over the next 5 years (not including capital cost) to properly re-shape (including duplication of cost as we do this) and grow our provisions for demand, to meet the revenue costs of additional places, and to respond to specific current pressures, including the growing gap between the funding and cost of Education Health and Care Plan in the mainstream sector (driven in particular by the increase in on-costs on staffing salaries in 2015/16 and 2016/17) and the cost of resourced provisions attached to mainstream settings. As outlined in the separate paper, we need the 2nd stage consultation on the National Funding Formula to be published as soon as possible in the autumn and for this to provide sufficient detail so that we can calculate an estimate of our High Needs Block funding going forward. We need this critically in making decisions about the commissioning of additional places and establishment of new provision (how this shapes up against our £16-19m estimate).

The proposals relating to the introduction of the national funding formula for early years provision is considered in detail in a separate paper. Here, for total DSG forecasting purposes, it is assumed that the reduction to be applied to the Early Years Block will be managed within this Block in 2017/18 and going forward. This forecast makes the following additional key assumptions:

- That we will receive the same value of additional High Needs Block funding from the DfE as allocated in 2016/17 (£1.09m). This will not be confirmed until December.
- That the additional DSG Schools Block resource that we will receive from having a greater number of children recorded in the October 2016 Census in Primary and Secondary schools and academies (+ 1,009 estimated) will meet the cost of Schools Block formula funding and will also provide some additional headroom.
- That the resources within the Early Years Block will be sufficient to meet the allocations to providers from the Single Funding Formula, including the new 30 hours entitlement.
- That the Early Years Block will pay for the Early Years Inclusion Panel funding (£0.3m estimate).
- That the Forum, in possibly reducing formulae variables for DSG affordability reduction, will wish to employ this only in the Schools Block. That the lump sum in the Primary and Secondary formula would be excluded from this reduction and would remain at the £175,000 value.
- That actual spending in 2016/17, above the planned budget, in the High Needs Block, will continue in 2017/18 so that the starting point for spending at April 2017 is higher than anticipated previously.
- That the total number of commissioned / funded high needs places in Bradford providers in 2017/18 will increase to meet demand; to provide an additional 120 places for the period April to August 2017 and then a further 120 places from September 2017. Each place is costed at an average of £21,000 (so that 120 places in a full year costs £2.52m). A further report on commissioned places and the position of the High Needs Block will be presented to the Forum in October.
- That the DSG will meet the increased cost of placements in independent, OLA and non-maintained provisions without reducing the number of Bradford-located places to compensate for this increase.
- The forecast does not build in any provision for the cost of transition or interim arrangements utilised in meeting the growth in demand for places funded by the High Needs Block. It is assumed that these costs will be met elsewhere.
- That the cost of expansion (growth) in the primary phase will continue to decrease as expansion begins in the secondary phase.
- That there will be little or no one off monies that can be allocated to support on-going cost pressures in the short term. This will need to be specifically discussed by the Schools Forum over the autumn.

Details of the Item for Consideration (continued)

- That the DSG's contribution to the Building Schools for the Future Affordability Gap will need to increase by 2% (for RPIX) in 2017/18. This will need to be reviewed in February 2017.
- That the cost of rates in primary and secondary academies will increase by 3% in 2017/18, allowing for the reduction in cost to the DSG as maintained schools convert to academy status with a 80% reduced rates charge (non Trust and Voluntary Aided schools only). This will need to be reviewed for better estimates to be calculated at the beginning of January 2017.
- That the transfer of the ESG into the DSG will not have a net impact in cost pressure terms on the DSG.

* The affordability reduction at a value of 1.5% will have implications for mainstream school and academy budgets and the impact must be closely considered. At this stage:

- The values of variables in the Primary & Secondary formulae following the reduction can be seen in the consultation paper and the indicative impact on the budgets of individual schools and academies can be seen in the modelling attached to this.
- It is assumed at this stage that the Forum will not be minded to reduce rates of funding in the Early Years Block any further than what is needed in response to the reduction in this Block from national funding formula proposals and pay for the Early Years Inclusions Panel resource. As such, the Early Years Block would be excluded from an affordability topslice.
- It is assumed that the Forum would also be minded to exclude, if it is possible to do so, the delegated High Needs Block, as to reduce funding rates would further widen the gap between funding and the costs of provision, especially in delegated budgets knocking onto funding in mainstream schools and academies. The SEN Reference Group will be considering more closely the position of funding rates under the current Place-Plus model.

As the position of the 2017/18 DSG firms up over the autumn, the Forum will wish to consider, recognising the potential introduction of the Schools Block ring-fencing at April 2018, which will prevent us from taking further contributions in support of High Needs Block pressures, whether it is possible and recommended to apply a reduction in 2017/18 greater than is needed to simply balance the DSG so that some additional resource is available to meet the known growth in cost in 2018/19. The Forum will wish to consider this in the context of the NFF proposals. We currently roughly estimate that the maximum reduction that would be achievable, being required to apply a 1.5% Minimum Funding Guarantee, would be around £5m (a further £0.8m on the 1.5% shown in the modelling on which this report is based).

Implications for the Dedicated Schools Grant (DSG) (if any)

This is an item for information only at this stage, but the content of this report has direct implications for the 2017/18 DSG – as outlined in Appendix 1

How does this item support the achievement of the District's Education Priorities

This is an item for information only

Recommendations

The Schools Forum is asked to consider and to note the overview provided.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – Early Projection of the 2017/18 DSG and Cost Pressures

Contact Officer (name, telephone number and email address)

Andrew Redding, Business Advisor (Schools)
01274 432678
andrew.redding@bradford.gov.uk