

## 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 overview of the latest information from Government, on the introduction of a National Funding Formula for the Schools and High Needs Blocks, in announcements made since the Forum meeting in July.

**Date (s) of any Previous Discussion at the Forum**

A regular discussion item in recent meeting. The 1<sup>st</sup> stage consultation was considered on 16 March 2016.

**Background / Context**

The government's first stage of consultation on the National Funding Formula (NFF) was published on 7 March as was considered by the Forum at its meeting on 16 March. A short reminder of the key proposals:

- Different changes to different aspects of school funding
  - Primary & Secondary & centrally managed DSG / ESG: 'hard' NFF at April 2019 paid 'directly' to schools and academies. No de-delegation; no local contingencies; no local growth fund; Pupil Premium to continue for the lifetime of this parliament.
  - High Needs: no school-level NFF; continuation of local management but under a new formularised needs-led HNB distribution
  - Transition / protection / capping across all Blocks; based on updated levels of spending ('baselining' on 2016/17). 5 years of designated transition for HNB (at least).
  - Smaller value of centrally managed DSG / ESG as the role of the Council reduces to 3 core functions. Full formularisation of on-going centrally managed DSG allocations.
  - No ESG general rate funding for the Council or academies (after remaining protections for academies cease in 2020).
  - Review of the continued role of the Schools Forum.
- The 1<sup>st</sup> stage consultation did not provide the detail on which to assess impact (critical will be weightings and how the measures are used), on individual schools and settings and the District as a whole, or speed of transition (levels of protections).
- A number of areas where there a NFF formula solution is not yet proposed / not yet been found e.g. BSF, growth funding.
- Proposed at April 2017 and for 2017/18 and 2018/19:
  - The start of the redistribution of funding between authorities.
  - The DfE to calculate a 'notional / shadow' NFF allocation for every primary and secondary school and academy including a national MFG / ceiling. This to include Pupil Premium.
  - This does not bring in a school-level NFF; the Local Authority with the Schools Forum continues to be responsible for local formulae funding until the end of 2018/19. Schools Forum will have to consider what to do in these 2 years e.g. stay the same or move closer to the notional NFF / what do to if we start to see a significant change in our level of Schools Block funding.
  - Proposal to permit local authorities that lose in their Schools Block to adopt a lower MFG e.g. minus 2.5% rather than minus 1.5%.
  - At April 2017 and for 2017/18 and 2018/19, the DfE proposes that 100% of the Schools Block must be spent on primary & secondary school and academy budgets i.e. Schools Block is ring-fenced and cannot be transferred to meet increasing High Needs Block costs.
- The 1<sup>st</sup> stage consultation gave no sight on proposals for the adoption of a NFF for Early Years funding, nor on how the extended 30 hours free entitlement (for children who's parents are both in work), from September 2017, would be funded.

We submitted a response to the proposals, which was shared with the Forum in the May meeting. Our response especially said the following, that:

- One of our significant issues with the proposals for the NFF is the absence of a pupil mobility factor.
- Supporting the needs of vulnerable learners must be placed at the heart of the new funding system.

### **Background / Context (continued)**

- Critical to fairness is that the correct weighting (uplift) is applied to the funding of pupils with additional educational needs, recognising in particular the clear correlation between levels of deprivation, lower pupil outcomes and higher costs. We argue very strongly against a NFF, which takes away Schools Block funding from the Bradford District by reducing the weighting that is given to additional educational needs.
- We believe that the DfE may struggle to successfully replicate in a NFF the sensitive, effective, arrangements that are currently in place for supporting places growth and PFI costs. We note that the DfE has not yet found a formula solution for these. Both these issues are massive for Bradford. We are immediately concerned about the transitional arrangements for the next 2 years for these factors. We argue that consistency can be achieved in ways other than the total removal of all local-decision making on Schools Block formula funding e.g. in further tightening of Regulations and setting ranges between which funding rates must be calculated.
- We strongly agree that a NFF should include a lump sum. We would see that this is essential for the primary sector in particular.
- We are concerned that the proposal to ring-fence the Schools Block during the transition period will significantly hamper our re-shaping and re-financing of SEND and alternative provisions and will directly impact on the provision available for pupils with SEND. We have set out in our response an argument that authorities that see both a reduction in Schools Block and an increase in High Needs Block funding must be permitted to transfer Schools Block funding to the High Needs Block more quickly than the NFF protection system will allow.
- We are concerned about issues that may arise from the differing speeds of transition between the Schools Block (faster) and the High Needs Block (slower over 5 years), where we lose in the Schools Block and gain in the High Needs Block (which is what is expected simply recognising our current DSG distribution).

The Government's response to 1<sup>st</sup> stage, at its more detailed plans and modelling, was expected to have been published before the summer break. A short statement was made by the new Secretary of State for Education on 21 July and some more detailed operational guidance was published shortly after. We still await however, formal consultation from the DfE on the Finance Regulations for 2017/18, which we expect to clarify some aspects that are still unclear.

The Government published its consultation on a national funding formula for the early years free entitlements on 11 August. This is presented and considered in a separate agenda item at this meeting.

### **Details of the Item for Consideration**

The Secretary of State's announcement on 21 July stated:

- The start of the implementation of the National Funding Formula (NFF) at April 2017 is postponed. The statement suggests that this is postponed until 2018/19. The initial proposal was for the hard NFF for Primary and Secondary schools and academies to be implemented from April 2019, but for transition to this, as well as changes to move to a formularised High Needs Block, to begin from April 2017. This now means that either transition will be shorter than initially proposed or the full implementation will be put back from April 2019. We will not be any clearer on timings or the status of proposals until we see the content of the next stage of consultation.
- The Government's response to the 1st stage of consultation will now not be published until the autumn. We still expect a 2nd stage consultation, which will still expect will provide more detailed modelling to enable impact assessment. The announcement indicates that the Government aims to take final decisions on a NFF early in the new-year. Depending on what is published and when, we may be required to set our 2017/18 DSG allocation without full final sight of the impact of NFF. We have identified that we need to have this in order to progress discussions, in particular, on high needs funding and sufficiency of places matters. We hope then that the 2nd stage consultation does give us some sight of this to inform our planning in advance of e.g. January 2017 windows for applications for specialist free schools.
- 2017/18 then is largely maintaining the status quo, but with 2 quite significant technical changes:
  - The DSG Block baselines have been revised, following the exercise completed in March, so that the 2017/18 DSG allocation will be based on our stated spending in each of the 3 blocks in 2016/17. This doesn't alter our level of DSG funding per se, but there are some possible implications where we continue to grow in pupil numbers.
  - The Education Services Grant (ESG) – Centrally Retained Duties allocation will be transferred into the DSG Schools Block at April 2017. It appears that this will be translated into an amount per pupil value (a sum of £1.43m will be transferred into our 2016/17 baseline, which gives a per pupil value of £16.83).

### **Details of the Item for Consideration (continued)**

- The proposal that would have prevented the Schools Block contributing any further to the High Needs Block, in order to release budget to meet the cost of additional places, will now not be implemented for 2017/18. This means that we continue to have this flexibility next year. The on-going status of this proposal, and its implementation in 2018/19, however, are unclear.
- No Local Authority to see a reduction in 2017/18 against their 2016/17 funding (adjusted for the new spending 'baselines').
- Additional High Needs Block funding will be allocated to local authorities in DSG in 2017/18. We received an additional £1.09m in 2016/17. We have no indication yet of value of additional funding next year but it is reasonable at this stage to anticipate the same value.
- The Minimum Funding Guarantee will be retained at minus 1.5% for 2017/18.

This announcement has provided some clarity on the position and options for 2017/18. However, we are currently no clearer on the longer term implications of NFF changes or on the status of what was proposed in the 1<sup>st</sup> stage consultation.

We expect that the 2<sup>nd</sup> stage consultation (and modelling from this) will be a key agenda item for the Schools Forum either in October or in December, depending on the timing of the Government's announcement. To repeat what is said above, critically, we hope that the 2<sup>nd</sup> stage consultation will be published in good time and will give us sufficient detail on which to model impact before we ask the Forum to make its recommendations on the 2017/18 DSG allocation on 11 January 2017. However, there is now a risk that we may be required to set our DSG allocation without sight of this, and certainly, without sight of final NFF decisions, which will not be announced until the new-year.

The Forum is likely to need to make recommendations, using its working groups, based both on what we know and what we do not know about future funding arrangements and levels. Previously, in the face of NFF uncertainty, the Forum has sought to provide stability by generally maintaining the status quo in formula funding arrangements, based on the assessment that the structures of our funding formulae continue to be fit for purpose.

### **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 Document GG.

### **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)**

None

### **Contact Officer (name, telephone number and email address)**

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