

Report of the Director of Children's Services to the meeting of the Children's Services Overview & Scrutiny Committee to be held on 12 October 2016.

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Subject:

Schools Forum Update

Summary statement:

Children's Services Overview and Scrutiny Committee has asked for a regular update on the work of the Schools Forum.

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Overview & Scrutiny Area:

Children's Services

1. SUMMARY

- 1.1 The Committee has asked for regular updates to be provided on the work of the Schools Forum.
- 1.2 The last update was presented to the Committee on 26 July 2016. The Schools Forum has met once since on 21 September. The decisions list from this meeting is attached at Appendix 1.
- 1.3 The Schools Forum has two further meeting scheduled for the autumn term, 19 October and 7 December. The key meeting at which the Schools Forum will make final recommendations on the allocation of the 2017/18 Dedicated Schools Grant (DSG) will take place on 11 January 2017.
- 1.4 The principal items that were considered by the Schools Forum on 21 September and those that will feature prominently in forthcoming meetings are:
 - Schools and High Needs Block National Funding Formula proposals and consultations
 - Early Years National Funding Formula proposals and consultation
 - Formula funding arrangements in Bradford for the 2017/18 financial year
 - The financial implications of the conversion of maintained schools to academy status
 - SEND places sufficiency and Dedicated Schools Grant High Needs Block financial pressures
 - The future position of DSG centrally managed and de-delegated funds

This report focuses on these key items and more information on each is provided in section 3 of this report.

2. BACKGROUND

- 2.1 Under national Regulations, every local authority is required to operate a Schools Forum. The primary function of a Schools Forum is to recommend to the Council's Executive how the funding, which the Government provides for schools and individual pupils (known as the Dedicated Schools Grant), is managed. The Forum also has some specific technical decision making powers. The DfE has stressed that it is essential that Forum membership arrangements keep pace with the changing landscape, in particular the conversion of maintained schools to academy status. The Forum must consider annually how best to provide for responsive arrangements, to ensure the Forum remains representative and to avoid any unintended bias towards any one phase. There are currently 7 academy members on Bradford's Schools Forum, alongside 20 representatives of maintained schools.

- 2.2 The Schools Forum meets every half term with an additional meeting in the autumn.
- 2.3 The Schools Forum's work plan for the 2016/17 academic year is attached for information at Appendix 2.

3. OTHER CONSIDERATIONS

3.1 Schools and High Needs Block National Funding Formula proposals

- As reported verbally to the Committee on 26 July, The start of the implementation of the National Funding Formula (NFF) at April 2017 is postponed. The Secretary of State's statement in July suggested 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, and for transition to this, as well as changes to move to a formularised High Needs Block, to begin from April 2017.
- The Government's response to the 1st stage of consultation will be published in the autumn and we also await a 2nd stage consultation, which will still expect will provide more detailed modelling to enable an assessment of impact. The July announcement indicated that the Government aims to take final decisions on a NFF early in 2017. 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.
- 2017/18 then is largely maintaining the structural status quo, but with 2 quite significant technical changes:
 - The DSG Block baselines (the 3 blocks being the Schools Block, the High Needs Block and the Early Years Block) 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.
 - The Education Services Grant (ESG) – Centrally Retained Duties allocation will be transferred into the DSG Schools Block (a sum of £1.43m will be transferred into our 2016/17 baseline). At this time, the Authority anticipates retaining an ESG sum centrally within the Schools Block in 2017/18 on an amount per pupil 'passporting' basis i.e. the Authority would expect to have access to ESG funding at the value the DfE funds within the DSG, without topslice, with this value increasing (or decreasing) in line with year on year changes in pupil numbers.
- 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 currently unclear.
- 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.

- The Minimum Funding Guarantee for Primary & Secondary schools and academies will be retained at minus 1.5% for 2017/18.

3.2 Early Years National Funding Formula proposals and consultation

- We have briefed previously on our expectation that, because we currently fund our early years provision within the DSG at a rate that is significantly higher in total than national and statistical neighbour averages (in excess of £1.00 more per hour in total), we are likely to lose from national funding formula arrangements in the Early Years Block. We have invested to raise the quality of staffing and outcomes for children. Outcomes in Early Years have sustained a rising trend over three years. In 2016, the percentage of pupils achieving a good level of development (GLD) has risen by 4% points in Bradford to 66% securing an 11% increase over the last three years. Provisionally, the national average improved by 3% points in 2016 to 69%.

The consultation on a national formula for the funding (NFF) of the early years free entitlements was published by the DfE on 11 August 2016. The deadline for responses to this consultation was 22 September 2016 and our response was considered by, and areas of consensus agreed with, the Schools Forum on 21 September, prior to submission. Our response is attached for reference at Appendix 3.

The proposed timeline for the full implementation of new NFF arrangements aligns with that expected for the primary and secondary NFF; full implementation at April 2019, with transition over the next 2 financial years. In summary, the proposals mean:

- A quite substantial (7%) increase in Bradford's funding for the 2 year old offer from April 2017 (£0.6m gain to Bradford on January 2016 numbers) with our rate of funding per hour possibly increasing from £4.85 to £5.20.
- However, a substantial (10%) reduction in Bradford's funding for the 3 and 4 year old offer (of £3.01m in the DSG on January 2016 numbers) meaning funding rates for 3 and 4 year old free entitlement provision will need to reduce, especially for nursery schools and PVI providers, starting from April 2017.
- Nationally, 112 authorities are gaining from NFF proposals; 38 are losing (a number of London authorities are particularly negatively affected; our position is the worst of Yorkshire regional authorities because of our historic higher spend).
- A significant alteration in the distribution of funding between types of providers in Bradford. A flattening of this distribution as a result of the proposal for a universal base rate (a single basic rate of funding for all).
- From this, very significant implications for the levels of DSG funding to nursery schools. The DfE indicates that there will be further consultation on this, with transitional protection in place "for at least" 2 years.
- An apparent weakening of the proportion of general funding allocated to deprivation producing a further flattening of the distribution on top of that caused by the universal base rate.

- Transitional protections to be in place 2017-19 meaning the full value of loss is not felt immediately, but substantial losses will still need to be managed in these transitional years (especially in 2018/19).
- Uncertainty at this stage whether some proposed restrictions come into place at April 2017 or April 2019 (nursery school funding supplements and the 10% cap on deprivation spending).
- A new grant stream within the DSG, which will allocate funding on an annual basis for children in receipt of Disability Living Allowance (DLA).
- The Early Years Pupil Premium will continue.

3.3 Formula Funding Arrangements for the 2017/18 Financial Year

Previously, in the face of National Funding Formula uncertainty, the Forum has sought to provide stability by generally maintaining the status quo in formula funding arrangements, based on our assessment that the structures of our formulae continue to be fit for purpose. These structures however, must work within the overall DSG funding envelope and must respond to changes in Regulations where directed.

The Schools Forum is currently engaged in 3 work strands from which the Forum will pull together its recommendations for Bradford's 2017/18 funding formulae:

- Schools Block: The Schools Forum agreed on 21 September to the publication of our consultation on the 2017/18 primary and secondary funding formulae and central fund arrangements. We propose to maintain the existing formulae structure (the formulae factors and how these are used). The Forum will consider the outcomes of this consultation on 19 October and will make final recommendations after this. Further discussion is taking place on the values of formulae factors and the value of additional contribution from the Schools Block to High Needs Block pressures. Discussion is also taking place on the position of centrally managed and de-delegated funds.
- Early Years Block: The Schools Forum, is continuing to consider the options available for our funding approach for 2017/18 based on what we currently know about NFF proposals and what we estimate the funding envelope to be. Our consultation document on 2017/18 arrangements will be presented to the Forum at the next meeting on 19 October and, if agreed, will be published for providers immediately.
- High Needs Block: A consultation on 2017/18 formulae arrangements will be presented to the Schools Forum on 19 October and, if agreed, will be published immediately. This consultation and the Forum's discussions are dominated by the overall spending pressure within the High Needs Block resulting from the required increase in funded places.

3.4 Conversions of Maintained Schools to Academy Status - Update

The potential financial implications of the conversions of maintained schools in Bradford to academy status was considered by the Committee on 26 July. The report to the Committee indicated that the Authority currently 'knows about' 65 possible conversions

that may take place between now and the end of this financial year.

This is a matter that continues to be discussed with the Schools Forum.

5 schools converted on 1 September; 3 secondary and 2 primary schools. The number of conversions at 1 October will be reported verbally to the Committee. All the 1 September converting schools are expected to hold surplus balances once their accounts have been finalised.

3.5 SEND Places Sufficiency and Cost Pressures within the High Needs Block

The dominant theme of 2017/18 DSG allocation discussions will be High Needs Block cost pressures resulting from the necessary increase in funded places to meet the growth in demand.

The Schools Forum received a presentation on 18 May, which explained that a further 360 places are needed by September 2018 (roughly 120 per year in each of the next 3 years) simply to meet forecasted demographic growth.

At its meeting on 21 September, the Forum agreed the funding of the first 120 places from January 2017. The on-going financial implications will continue to be considered by the Forum during the autumn term.

Simply, our High Needs Block allocation from DfE currently is not sufficient to meet the cost of an additional 360 places and other pressures e.g. in the cost of out of authority placements. We are looking for the National Funding Formula to resolve this. If the proposals do not do so, this will be a key area of challenge in our response to the DfE's 2nd stage consultation.

Currently, these pressures can only be met by taking sizeable contributions from the Schools and Early Years Blocks, effectively by reducing the rates of formulae funding for primary and secondary schools and academies and early years providers. What a 1.5% reduction on formula funding looks like for primary and secondary schools and academies in 2017/18 is shown in the published consultation paper.

3.6 DSG Schools and Early Years Block Centrally Managed and De-Delegated Funds

The following funds were held in this current financial year from the Schools and Early Years Blocks.

- Funds that are specifically permitted by the Regulations or where existing historic commitments from the DSG remain in place. The cost of these funds is 'topslliced' from both schools and academies; it is then a requirement that schools and academies can access services on the same basis. The 3 funds are:

○ Schools Forum Costs	£10,000
○ School Admissions	£577,600
○ DSG matched contribution to school improvement	£1,318,600

Members are reminded that the Forum has already recommended, and Executive has

agreed, that the DSG's matched contribution to school improvement ceases at 1 September 2017. On this basis, the value of this fund reduces from £1,318,600 in 2016/17 to £482,426 in 2017/18 and then £0 in 2018/19.

The Authority anticipates that the Schools Forum will agree to continue in 2017/18 the small budget for Schools Forum costs and the DSG's funding of admissions on the same basis and value as in 2016/17. Admissions funding from April 2018 will be affected by proposals for the national funding formula (a move to a formula basis, rather than historic actual spending).

- Funds, where the funding is originally delegated to all schools and academies through formula funding, but where maintained schools can decide to 'de-delegate' amounts back to the centre for specific named purposes. Only maintained schools contribute to these funds and only maintained schools can access these within further contributions from their delegated budgets. The 8 funds are:

○ ESBD School Support Team	£426,360
○ Minority Ethnic School Support Team	£94,350
○ FSM Eligibility Assessment	£119,100
○ Fischer Family Trust Licences	£33,560
○ School Maternity / Paternity 'insurance' fund	£1,565,400
○ Trade Union Facilities Time	£306,000
○ Trade Union Health & Safety Representative Time	£46,765
○ School Staff Public Duties and Suspensions Fund	£62,920

Members are reminded that the de-delegated fund for Minority Ethnic School Support ceased on 1 May 2016 and no de-delegation will apply in 2017/18.

Members are also reminded that the Schools Forum has previously established the principle that the values of contributions per pupil to de-delegated funds will not exceed the value in the previous year to compensate for the loss in budget brought by further conversions of maintained schools to academy status i.e. all things being the same, as schools convert to academies, the cash value of de-delegated funds will reduce, with any gap in funding as a result of this reduction being recovered through trading services.

Under proposals for the National Funding Formula (NFF), which were published in the 1st stage consultation in March, de-delegation will be required to cease at 1 April 2019. In considering this, we have previously highlighted to the Schools Forum that the rate of conversion of maintained schools in Bradford to academy status may be such that consideration may need to be given, earlier than for 1 April 2019, to whether de-delegation remains effective.. Final decisions on funds for 2017/18 will be taken by the Schools Forum in January 2017.

4. FINANCIAL & RESOURCE APPRAISAL

Not applicable – this is an update for information.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Not applicable – this is an update for information.

6. LEGAL APPRAISAL

Not applicable – this is an update for information.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

Not applicable – this is an update for information.

7.2 SUSTAINABILITY IMPLICATIONS

Not applicable – this is an update for information.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable – this is an update for information.

7.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable – this is an update for information.

7.5 HUMAN RIGHTS ACT

Not applicable – this is an update for information.

7.6 TRADE UNION

Not applicable – this is an update for information.

7.7 WARD IMPLICATIONS

Not applicable – this is an update for information.

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS

Not applicable – this is an update for information.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable – this is an update for information.

10. RECOMMENDATIONS

10.1 Committee Members are asked to consider and to note the information provided in this update.

11. APPENDICES

Appendix 1 – Schools Forum meeting 21 September Decisions List

Appendix 2 – Schools Forum Work Plan 2016/17 Academic Year

Appendix 3 – the Local Authority's Response to the Early Years Funding Reform Consultation

12. BACKGROUND DOCUMENTS

None