

## 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 update on the 2017/18 DSG, in advance of the formal announcement by the Government expected later in December and the Forum being asked to make final recommendations on its allocation on 11 January 2017.

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

The Forum has been made aware of cost pressures on the DSG in 2017/18 within recent meetings (especially 21 September 2016 Document GG) and on the implications of Early Years Funding Reform.

**Background / Context**

As in 2016/17, our DSG allocation in 2017/18 will be split into 3 'notional' blocks:

- Schools Block – Primary & Secondary school and academy budgets and School Block de-delegated items, central items and contingencies.
- Early Years Block – the Early Years Single Funding Formula and centrally managed items and contingencies relating to early years provision (the 2, 3 and 4 year old entitlements).
- High Needs Block – funding provision for children with needs valued at greater than £10,000 per annum, including Special schools, PRUs and Post 16 students in Further Education Colleges.

The 2017/18 DSG has not yet been confirmed. We expect this later in December. Members will be aware however, that the Government has announced that 2017/18 will be largely 'stand still' for the Schools and High Needs Blocks, with some 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. No Local Authority will see a reduction in 2017/18 against their 2016/17 funding levels adjusted for the new spending 'baselines'.
- The Education Services Grant (ESG Centrally Retained Duties - £1.43m) allocation will be transferred into the DSG Schools Block at April 2017.
- Additional High Needs Block funding will be allocated to local authorities. We received an additional £1.09m in 2016/17. We have no indication yet of the value of additional funding for 2017/18.
- The Minimum Funding Guarantee is set again at minus 1.5% for primary, secondary and special schools.
- The proposal to 'ring-fence' the Schools Block, meaning that this Block could not be 'top-sliced' to provide additional High Needs budget, is not introduced at April 2017. This is currently expected to be introduced at April 2018.

As previously reported, under the DfE's Early Years Funding Reform proposals, 2017/18 is not expected to be stand still for the Early Years Block, with our Early Years Block set to reduce, in total by a net £2.4m (- £3m 3 & 4 year olds; + £0.6m 2 year olds), before the allocation of a new Nursery School Supplement and before the addition of funding for the 30 hours entitlement, with this reduction beginning at April 2017. Confirmation of this is expected in the DfE's December DSG announcement.

In the allocation of the DSG in this current financial year, Forum members will recall that the total of planned expenditure on high needs exceeded the notional High Needs Block allocation from the DfE by £5.6m. This 'overspend' was afforded by contributions from the Early Years Block (£0.3m) and, primarily, from the Schools Block (£5.3m). The issue of DSG affordability related to High Needs Block pressures has been a prominent feature of the Forum's deliberations. Across autumn 2015, the Forum discussed 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 for the 2016/17 financial year, which was lower than initially expected due to late notification of an unexpected additional £1.09m of High Needs Block DSG allocated from Government.

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. The Schools Forum agreed the funding of the 1<sup>st</sup> tranche of 120 places on 21 September 2016. In Document GG, which was presented to the Schools Forum on 21 September, it was stated that we broadly estimate that we need a minimum of an additional £16-£19m in DSG (not including capital costs) over the

## **Background / Context**

2018-2023 period i.e. after the 2017/18 budget is determined, to re-shape 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) and the cost of resourced provisions attached to mainstream settings. More work is currently being done on these cost numbers.

Members are reminded of the analysis previously presented outlining the expectation that under a National Funding Formula (NFF) the value of our Schools Block will reduce and the value of our High Needs Block will 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 raised with the Forum in September and October an option for the movement of Schools Block funding to the High Needs Block earlier, and perhaps at a faster pace, than may be proposed by the DfE.

Document GG, presented on 21 September, identified an initial funding gap within the 2017/18 DSG of around £5.26m, based on a series of estimates, which would be reduced to £1.22m by the application of a 1.5% reduction in pupil-led formulae factor variables in the Schools Block and central High Needs Block funds. Our consultation on the primary and secondary funding formulae for 2017/18 presented to schools what a 1.5% reduction in pupil-led formulae factors looks like for their delegated budgets next year. As we reported on 19 October, the Authority has had a lot of conversations with schools on this matter since the publication of the consultation document. In reports presented in September and October, it has been suggested that a reduction of at least 1.5% will be required, and we have also asked that the Forum considers the pros and cons of a reduction in the Schools Block greater than 1.5% in 2017/18, putting all primary and secondary schools onto their Minimum Funding Guarantee levels, so that the maximum value of funding is secured to meet High Needs Block cost pressures before the NFF Schools Block ring-fencing restriction comes into force at April 2018. A worst case scenario funding ready reckoner has been made available on Bradford Schools Online, which enables primary and secondary schools and academies to input their own estimate of October 2016 Census numbers on roll, to more accurately assess the possible impact of reductions for their school in 2017/18. The Forum was presented with illustrative 'worst case scenario' modelling on 19 October. This is updated in the separate Document GW presented to this meeting.

Reports presented to the Schools Forum in September and October have outlined the implications of the Government's reform on Early Years Funding on the funding that will be available from April 2017 for delivery of the free entitlements in Bradford, including for the extended 30 hours entitlement from September 2017. We have indicated that the Forum should consider the allocation of one off monies in 2017/18 to help ameliorate the impact of our reduction in Early Years Block funding. The recommendation of the Early Years Working Group on this is presented in the separate Document GV.

The minutes of the 19 October meeting record the Forum's discussions on all these matters, but also on the necessity of securing maximum efficiency in the allocation of the existing High Needs Block. Further information on this is presented in the separate Document GX.

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

### **The 3 Notional DSG Blocks**

The current 2016/17 financial year re-baselined DSG allocations (prior to academy recoupment) are as follows:

• Schools Block	£408.67m
• Early Years Block	£38.99m
• High Needs Block	£56.93m
<b>Total</b>	<b>£504.59m</b>

Our current re-baselined value of per FTE pupil funding for the Schools Block, prior to the transfer of the ESG Retained Duties Grant, is £4,809 and we expect this will remain at the same value in 2017/18. We receive this for every child recorded in the October 2016 Census in Primary & Secondary schools and academies. We anticipate being funded for an additional 845 pupils in 2017/18, subject to confirmation, from the growth in numbers in this academic year. We estimate then that we will receive at least an additional £4.06m in Schools Block funding in 2017/18. The first call on this funding increase will be meeting the additional cost of delegated budgets for schools and academies with increased numbers. We do not anticipate much available headroom.

The DfE has not yet confirmed the rates of funding for the Early Years Block. Assuming that these are as set out in the earlier consultation, we estimate that our rate of funding for the 2 year old free entitlement will increase from £4.85 to £5.20 per hour and our rate of funding for the 3 and 4 year old free entitlement will decrease from £5.08 to £4.83 with the allocation of an additional Nursery Schools Supplement, estimated to be worth £1.167m. We will receive Early Years Block funding for every child that is recorded in the January

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2017 Census (5/12ths) and every child that will be recorded in the January 2018 Census (7/12ths). As such, the value of Early Years Block funding is estimated at this stage. The January 2018 Census will drive our initial funding payment relating to the extended 30 hours free entitlement offer for eligible 3 and 4 year olds, which begins at September 2017. There is an initial one off cost pressure that needs to be met from the DSG in the first financial year of operation of the 30 hours entitlement, as the Authority will fund settings for 26 weeks of provision between September 2017 and April 2018 (26 divided into 38) but the DfE will only fund the DSG 7/12ths over the same period (7 divided into 12).

We are not yet certain of the value of our High Needs Block allocation in 2017/18. We expect to receive additional funding in real terms, in addition to the technical movement of money relating to places in Further Education settings. However, the DfE has provided no indication yet of how the additional resource promised nationally will be allocated between authorities.

#### Cost Pressures & Considerations for 2017/18

In summary, our INDICATIVE forecast currently identifies a funding gap of around £2.28m in the 2017/18 DSG after the application of a 1.5% reduction in formulae factor variables in the Schools Block and High Needs Block (both delegated and central) funds. However, there is much that still needs to be confirmed. Our indicative model currently shows the following changes in overall spending pressures vs. the re-baselined notional allocation position by Block (negative = underspend; positive = overspend):

<b>DSG Block</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Diff</b>
Schools Block	- £4.58m	£0.00m	- £4.58m
High Needs Block	+ £6.86m	£0.00m	+ £6.86m
Early Years Block	£0.00m	£0.00m	£0.00m
<b>Total</b>	<b>+ £2.28m</b>	<b>£0.00m</b>	<b>+ £2.28m</b>

The DfE's announcement of our DSG allocation, plus the re-calculation of delegated budgets using the full October 2016 confirmed dataset, both of which will be available later in December, will allow us to finalise this position. This will be presented to the Forum on 11 January and it is on this basis that members will be asked to make final recommendations on the 2017/18 Schools Budget.

If the final estimated position is as estimated above, the Authority with the Forum will need to take steps, at the very least, to reduce total spending in the DSG by £2.28m in order for the 2017/18 Schools Budget to balance. £2.28m is small in % terms (0.4%) but is a sizeable cash number.

The following gives an overview of the main additional costs and changes in income within the DSG in 2017/18 that make up the numbers in the table above.

#### **Early Years Block**

- The expected / estimated loss of funding for the 3 and 4 year old free entitlement (£1.48m)
- The expected / estimated value of the new Nursery School Supplement (- £1.17m)
- The estimated cost of delivery of the extended 30 hours entitlement, net of the estimated additional funding from the DfE for the period September 2017 to March 2018 (£0.66m).
- The contribution of the Early Years Block to the High Needs Block EYIP Budget (£0.30m).
- The reduction to the cost of the Early Years Single Funding Formula in order to balance the Early Years Block (- £1.27m), following the 'ring-fencing' of the Early Years Block.

#### **Schools Block**

- Inflation on the DSG's Building Schools for the Future affordability gap contribution (£0.17m).
- Increase in split site formula costs (£0.04m).
- Estimated increased cost of the central copyright licences charge (£0.04m).
- Additional DSG from the increase in numbers recorded in the October 2016 Census (-£4.07m).
- Additional formula cost from increased numbers in the October 2016 Census and other (£3.39m).
- Estimated reduction in the total cost of Growth Funding (-£0.16m).
- Difference in value vs. 2016/17 in the recycling of one off monies (-£0.03m).
- Reduction in cost from the 1.5% reduction in pupil-led formulae factors and a 0% ceiling (-£3.96m).

#### **High Needs Block** (figures quoted are differences from the 2016/17 planned High Needs Block budget)

- Estimated additional DSG High Needs Block funding (-£1.09m)
- Saving from the 1.5% reduction in High Needs Block centrally managed budgets (-£0.12m). \*
- The contribution of the Early Years Block to the High Needs Block EYIP Budget (-£0.30m).

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- Adjustment of one off monies relating to the behaviour support balances (-£0.09m)
- Estimated growth in cost of allocated special school places (£0.74m)
- Estimated growth in cost of allocated PRU places (£0.53m)
- Estimated growth in cost of Independent / NMSS / OLA placements (£1.43m)
- Estimated growth in cost of DSP & ARC provision, including small setting factor (£0.49m)
- Estimated growth in cost of mainstream EHCPs and SEN Floor (£1.40m)
- Estimated growth in cost of places in Further Education settings (£0.20m)
- Estimated growth in cost of Tracks & Education in Hospital placements (£0.11m)
- Estimated growth in cost of Medical Home Tuition (£0.35m)
- Sum of smaller individual adjustment (-£0.23m)
- Increased provision for currently unallocated places (£3.44m):
  - 120 SEND places April 2017 – August 2017 (the 1<sup>st</sup> tranche, agreed by the Schools Forum 21 September 2016)
  - 240 SEND places September 2017 – March 2018
  - In the range of 20 SEMH places April 2017 – August 2017
  - In the range of 40 SEMH places September 2017- March 2018

\* Document GX outlines that the notional saving from a 1.5% reduction in top up rates for specialist settings is £0.299m. GX Appendix 2 provides analysis of this. This saving is included here in the other delegated figures stated for the HNB.

### Starting Position for Modelling / Guiding Principles DSG 2017/18

The Forum's DSG discussions on 11 January will likely focus on 3 main areas:

- The impact of the expected reduction in Early Years Block resulting from the DfE's Early Years Funding Reform, including the allocation of the Nursery Schools Supplement and one off monies that may be able to provide some enhanced protection for provider funding rates in 2017/18.
- The size of the contribution that the Schools and Early Years Blocks should make to meet the cost of the growth in planned spending in the High Needs Block.
- The growth in planned spending in the High Needs Block.

Set out below are the suggested starting positions for the DSG modelling to be presented on 11 January and some principles to consider that may help guide the Forum's discussions and decision making at this meeting:

- At the very least, the Authority, with the Schools Forum, must set a balanced DSG allocation for the 2017/18 financial year, where on-going costs are not substantially supported by one off monies / reserves unless it is clear now how these on-going commitments can be financed in the future.
- The value of the Education Services Grant – Statutory Retained Duties – that is transferred into the DSG (estimated at £1.442m) will continue to be allocated to the Council to deliver statutory functions and will not be available for other purposes.
- The Early Years Block will be self contained (effectively ring-fenced), neither over nor under spending against the DfE's allocation, except for meeting the cost of the Early Years Inclusion Panel (EYIP) resource within the High Needs Block (currently set at £300,000). It is assumed 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 the DfE's Funding Reform proposals and to pay for the EYIP budget. As such, the Early Years Block would be excluded from any additional 'affordability' top slice relating to the High Needs Block. We would apply the existing principle that any over or under spend against the estimated cost of the EYSFF, resulting from termly adjustments and from the re-calculation of the DSG for January 2017 & January 2018 pupil numbers, will be written off from, or added back to, the Early Years Block in 2018/19.
- Where an affordability / High Needs Block contribution reduction to the primary and secondary schools funding formulae is applied e.g. at 1.5%, the same % reduction will be applied to both the delegated and centrally managed High Needs Block budgets, where the Regulations allow. For example, this means that the same % reduction would be applied to the rates of top up funding within our Ranges Model. However, we are not permitted to reduce the value of place-element funding as this is set by the Regulations at £10,000 for SEND and £8,000 for Alternative Provision. This follows the approach we took in 2016/17, where we applied a blanket 0.42% reduction. Please note however, that we cannot reduce the rates of top up funding in our Ranges Model by more than 1.5% without triggering the Minimum Funding Guarantee for special schools. As such, we would view 1.5% as the maximum reduction in top up rates.

Specifically regarding the Schools Block (primary and secondary):

- The Schools Block will meet its own pressures and will then be expected to make a contribution to the High Needs Block.

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- The reduction in contribution from delegated budgets within the Schools Block as a result of the cessation of the DSG's Matched Contribution to School Improvement at September 2017 will be added to the base funding per pupil (primary £11.56 and secondary £5.04 on a per pupil phase basis) before any further adjustments are made. This newly delegated funding will be excluded from the calculation of the Minimum Funding Guarantee.
- As applied in previous years, significant additional cost pressures in Schools Block Additional Educational Need formulae funding that come from changes in data recorded in the October 2016 Census will be contained within that formula area (by phase). For example, an increase in secondary phase FSM% will be contained within the secondary phase FSM deprivation funding formulae by reducing the value of the FSM formula variable. Any savings from data change as a result e.g. of a reduction in FSM will normally be taken to be added to the DSG headroom for consideration by the Forum on how to re-allocate. Information on the costs and savings resulting from data change in the October 2016 Census will be presented to the Forum on 11 January.
- A simple 1.5% reduction will be applied to the pupil-led factors within the primary and secondary funding formulae, as shown in previous versions of modelling presented to the Schools Forum. The first iteration of this will be a 1.5% blanket reduction across all pupil-led factors. However, some adjustments may be made where rates of funding have already been adjusted to take account of data changes (as explained in the paragraph above). The impact of this blanket reduction will be proportionately higher for the secondary sector where the rates of pupil-led funding are higher than in the primary sector e.g. in base AWPU funding (secondary £60.70 £app; primary £37.74 £app). The 'worst case scenario' for all schools and academies will also be included in the modelling. A draft of what this modelling will look like is shown in Document GW Appendix 1.

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

As outlined in this paper.

**Recommendations**

**Members are asked to consider the information presented in the report, in advance of making final recommendations on 11 January 2017.**

**List of Supporting Appendices / Papers (where applicable)**

None

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