

Impact Assessment Briefing Note

This note sets out an assessment of the impact of the proposals published by the DfE on 14 December 2016. The proposals are very detailed and this note does not provide a narrative. It focuses on headline impact.

In reading this briefing note, please think about the proposed funding changes in 3 stages:

- Firstly, the changes that are proposed in the numerous variables and measures that are combined to calculate funding allocations in the Dedicated Schools Grant and for individual schools.*
- Secondly, how the full impact of the changes to the variables and measures will be ‘damped’ so that the impact of change, on a longer term or more permanent basis, is lessened.*
- Thirdly, how the changes to the variables and measures will be implemented under transitional arrangements, which will mean that losses and gains will be realised incrementally over time.*

Summary – Overall Impact

1) Our Dedicated Schools Grant (DSG) position under a fully implemented National Funding Formula (after transitional arrangements) is basically standstill when compared against the 2016/17 baseline. Within this position however, there is a significant amount of transfer of monies between the different DSG components:

a) Schools Block	a loss of £5.7m on a baseline of £386.5m (-1.5%)
b) High Needs Block	a gain of £8.2m on a baseline of £56.9m (+14.4%)
c) Central Schools Block	a gain of £0.2m on a baseline of £2.1m (+9.5%)
d) Early Years Block	a loss of £2.4m on a baseline of £39.0m (-6.2%) *
Total	a gain of £0.3m on a baseline of £484.5m (+0.1%)

** the Early Years Block has been covered in previous briefing notes and so is not discussed in this one.*

2) There is a significant amount of damping within this overall position (this is in addition to transitional implementation measures). Damping quite significantly ‘overrides’ the clean impact of the National Funding Formula (NFF):

- To our benefit in the Schools Block (primary and secondary delegated allocations): without the proposed 3% protection factor (meaning that no school’s pupil-led funding will reduce by more than 3% on ‘current’ levels) our loss in the Schools Block would be £12.5m vs. the £5.7m shown above. The value of the 3% protection is £6.8m. This damping is more significant for our primary phase and this phase fares worse under NFF proposals; 75% of primary schools have their losses dampened by this factor, compared with 24% of our secondary schools. A major reason for this is the reduction of the value of the lump sum factor to £110,000, which is £65,000 lower than our current value. Another key reason is the NFF phase weighting. We assume that the 3% protection factor will be a permanent feature of the NFF going forward, but there is risk that this could be removed or reduced in the future (or that this protection is changed as a result of the consultation). On a more positive note, the DfE has put back into the formula a pupil-mobility factor.
- To our detriment in the High Needs Block: the DfE proposes to allocate only 50% of the national HNB budget on the basis of the new formula, with 50% allocated on the basis of current spending levels (of which ours is lower than the average). Our gain if the NFF was 100% on formula would roughly be £16m vs. the £8.2m stated above; we lose £8m of our gain as a result of this damping. The DfE does not state for how long 50%

of the HNB will be based on historic spending. If this is reduced in the future we may begin to see better gains. However, the 3% protection in the Schools Block could be reduced at the same time and net this off.

- c) The balance of damping is broadly not in our favour (a gain of £6.8m in the Schools Block vs. a loss of £8m in the High Needs Block).
- 3) In addition to this, there will be transitional floors and ceilings, which will mean that the full effect of the dampened NFF will take some years to be realised:
- a) Again, transitional measures are to our benefit in the Schools Block: No school's individual budget will reduce by more than 1.5% a year. This will protect against the reduction in the value of the lump sum. The value of this protection means that we will be out of transition in the Schools Block in 2 to 3 financial years.
 - b) Again, transitional measures are to our detriment in the High Needs Block: our core HNB funding will not increase by more than 3% a year in 2018/19 and 2019/20 (assuming that this is a progressive year on year cap). The DfE has not committed to a % after this, but assuming the continuation of 3% on a progressive basis, we will not see the full value of our £8.2m gain until 2022/23 (for 5 years). On this basis, the pace of gain in the High Needs Block is slower than the pace of loss in the Schools Block. There is a factor in the HNB formula that will fund every occupied place in special schools, special academies and our placements in independent special schools at £4,000. On a positive note then, although allocated on a lagged basis, where we increase our places in our special schools, our HNB formula allocation will grow undampened e.g. 360 places = £1.44m.
 - c) However, we have the ability to alter the starting positions of the Blocks through an updated re-baseline exercise, which may help us i.e. we can start the NFF change using either the 2016/17 baseline or our updated spending based on our 2017/18 DSG allocation. This will be important for us if we move a sizeable sum from the Schools to the High Needs Block in 2017/18. This will have the effect of reducing the protection in the Schools Block in favour of increasing the baseline of the High Needs Block at April 2018. The Schools Forum will consider this on 11 January.
- 4) The NFF is basically doing what we expected it to, which is to transfer monies from the Schools Block into the High Needs Block. We expected this from our analysis of our spending positions and how our distribution of pupils with SEND is different from that in other authorities. As a quick reminder, roughly benchmarking the number of specialist places funded by our High Needs Block evidences that we have significantly fewer funded places in discrete specialist settings than found in other authorities. In relation to 0-19 population, Bradford's DSG funds 1 SEND place in Bradford-located settings for every 116 young people. The national average is 1 for every 83; on this basis Bradford has 518 fewer places proportionately than the national average. Based on 2015/16 data.

The scale of loss in the Schools Block is not as great as feared only due to the damping effect of the 3% protection factor. The scale of gain in the High Needs Block is lower than we hoped because of the 50% historic spending damping.

- 5) This change begins at April 2018. Nothing announced on 14 December directly affects the DSG budget position for 2017/18.
- 6) The Local Authority, as previously announced, will 'lose the control' of the Schools Block formula funding from April 2019. The Authority will continue to have responsibility for the management of the High Needs, Early Years and Central Schools Blocks. This means that we will continue to set the formulae and distribution of funding in

each of these areas, albeit under tight regulatory restrictions. It appears that the Schools Forum will still have a role on the future, but its position and membership is to be reviewed.

- 7) The DfE has allocated a new Strategic SEN Grant, through which Bradford is allocated £232,000 (1.2% of the national value). The purpose of this is to enable local authorities to identify capacity through which to strategically review their SEND and Alternative provisions.
- 8) Pupil Premium is set to continue on a cash flat basis as a separate grant.
- 9) The Education Services Grant Retained Duties element will form part of the new Central Schools Block. It is estimated that we may be a marginal gainer out of this Block (+£0.2m). This means we may have more budget available e.g. for admissions and for other statutory duties. However, any gain will be eroded if the DfE does not match the growth in cost year on year of copyright licensing. We also identify that the way the DfE is proposing to apply transitional protections in this Block may cause us problems.
- 10) De-delegation back to the centre is still expected to cease at April 2019.
- 11) Please note that the figures quoted for the Schools Block in this note exclude the funding of 7 establishing schools, where the DfE has not yet provided modelling data. Our Schools Block loss will be greater than £5.7m as we would expect these 7 schools to lose.

Summary – Main Areas of Challenge and Concern

1) Schools Block:

- a) The size of the un-dampened loss, especially in primary school budgets.
- b) Any risk to the permanence of the 3% protection damping factor.
- c) The lack of response to the growth in costs in real terms (this is the major financial problem in all schools across 2016-2020). For clarity, this is not a formula issue. It is an issue that is arising as a result of the quantum of education funding falling behind as costs (of salaries and services) increase.
- d) The lack of available headroom that will be present in Bradford's 2018/19 Schools Block position (and the requirement to move to NFF at April 2018 – see 2c below).
- e) The adequacy of the funding of in year growth with this being based on the spend level in the previous year.

2) High Needs Block:

- a) That damping halves our gain from £16m to £8m and that there is no view about whether / when this damping will be lifted.
- b) Our planned 2017/18 HNB spending level already exceeds what our dampened NFF HNB allocation will be at 2022/23. Our spending position is set to further increase across 2018-2023. It does not appear that the DSG HNB will be sufficient to cover this.
- c) Because we are a loser in the Schools Block, we will need to implement the NFF for our schools and academies in 2018/19 (because we will not be allocated the Schools Block funding to do anything else). Even though there is some flexibility for the Schools Block budget to be transferred to the High Needs Block from April 2018, we will not have the money to do so. In effect then, 2017/18 is the final time we will be able to transfer significant sums to support High Needs Block pressures. Where we do this, we will improve our HNB resources but at the cost of reducing the protection that will be providing for individual school budgets from April 2018.

3) Central Schools Block:

- a) That the modest gain in this Block (£0.2m) will be eroded if the DfE does not match the growth in cost year on year of copyright licensing.
- b) That the DfE's proposed transitional implementation measure actually appears to reduce our on-going funding rather than increase it over the transitional period!

Some More Detail about the Schools Block

The extract 1 below gives a more detailed analysis of the differences in formula factor values in the NFF compared against Bradford's 2016/17 formula. This highlights how allocations differences are being generated.

Schools Block Factor Variable Values	Prim		Sec	
	Bfd 16/17	£ Diff	Bfd 16/17	£ Diff
	Base APP	2,871	-160	
Base APP KS3			4,139	-341
Base APP KS4			4,257	55
Lump Sum	175,000	-65,000	175,000	-65,000
Deprivation - FSM Ever 6	1,055	-515	956	-171
Deprivation - FSM	0	440	0	440
Deprivation IDACI A	1,016	-441	1,328	-518
Deprivation IDACI B	831	-411	1,087	-487
Deprivation IDACI C	646	-286	845	-330
Deprivation IDACI D	554	-194	725	-210
Deprivation IDACI E	462	-222	604	-214
Deprivation IDACI F	369	-169	483	-193
EAL	198	317	1,192	193
SEN Attainment	241	809	494	1,056

The extract 2 below gives a detailed analysis of the cash differences by formula factor NFF vs. Bradford's current formulae in 2016/17. It also shows the number and % of schools on the 3% protection factor.

<u>Analysis of Areas of Loss and Gain in NFF / Reliance on 3% Protection</u>				
<i>Uses 2016/17 NFF vs. 2016/17 base (including MFG)</i>				
	Primary	Secondary	All Through	Total
AWPU	-8,475,692	-4,240,400	-360,459	-13,076,551
Deprivation FSM	-4,535,140	627,152	-8,677	-3,916,666
Deprivation IDACI	-7,336,057	-3,585,332	-288,609	-11,209,998
Pupil Mobility	0	0	0	0
SEN Prior Attainment	17,361,687	7,907,349	531,303	25,800,339
EAL	3,863,243	178,757	82,240	4,124,240
Lump Sum	-10,140,000	-1,625,000	-130,000	-11,895,000
PFI	0	78,622	0	78,622
Rates	0	0	0	0
Split Sites	0	0	0	0
Area Cost Adjustment	33,711	22,463	1,488	57,662
High Needs Block Transfer (DSP and ARC Places)	-318,218	-706,880	0	-1,025,098
Sub Total	-9,546,467	-1,343,269	-172,714	-11,062,450
Minimum Funding Guarantee / Ceiling	-15,716	-1,557,647	0	-1,573,363
3% Protection	4,910,274	1,860,948	0	6,771,223 **
Grand Total	-4,651,908	-1,039,968	-172,714	-5,864,590
Value of Loss Without the 3% Protection	-9,562,183	-2,900,916	-172,714	-12,635,813 ***
Grand Total loss Figure from DfE Modelling	-4,492,000	-1,022,000	-167,000	-5,681,000
Importance of the 3% Protection factor	No.	%		
Number of primary schools on the 3%	118	75.6%		
Number of secondary schools on the 3%	6	24.0%		
Number of all through schools on the 3%	0	0.0%		
Totals	124	67.8%		

PLEASE NOTE THERE ARE 7 SCHOOLS NOT INCLUDED IN THE DFE'S ANALYSIS YET (ESTABLISHING SCHOOLS)

The 2nd stage consultation document provides clear pointers to the DfE's guiding aims in setting out the new NFF:

- Increasing the focus on the pupil-led basis of funding i.e. funding follows the pupil. This is behind an increase in the proportion of funding allocated via the Age Weighted Pupil Unit (AWPU) with a reduction in the value of the lump sum.
- Ensuring a consistent and minimum value of basic funding for all schools.
- Restricting the ways in which monies can be managed centrally or 'top sliced', seeking to ensure maximum delegation to schools. Seeking to move Council services onto a traded basis within a competitive market place.
- Maintaining the current overall weighting of funding between the primary and secondary phases (secondary weighting of 1:1.29). The DfE sees that there is no current evidence base on which to change this weighting (there is no evidence that a change in the weighting will deliver improvement in pupil outcomes).
- Maintaining a very significant weighting of funding towards supporting children with additional educational needs (AEN), but placing a greater emphasis in the distribution of these monies between schools on measures of low attainment and English as an Additional language (EAL), with a corresponding decrease in the weighting for deprivation measures (FSM and Income Deprivation Affecting Children Index). In this, the NFF will work alongside the continuing sizeable (£36m for Bradford) Pupil Premium Grant, which is a grant that is mostly allocated on the basis of deprivation (FSM).
- Targeting the 'Just About Managing'. The greater emphasis on low attainment, as well as the reduced emphasis on the IDACI deprivation measure helps to target funding more to this group, with a corresponding reduced weighting towards schools with the greater proportions of children from more deprived backgrounds.
- Continuing to recognise that the mobility of pupils is an issue in schools affecting both costs and educational outcomes.

The extracts on the previous page show for Bradford that:

- The majority of formula variable rates under the NFF are lower than current rates in Bradford (extract 1). This is related to our current higher weighting of funding in the Schools Block vs. the High Needs Block. Please see paragraph 4. Our net total undamped loss of £12.6m (extract 2) is driven by a loss of £27.4m in base funding factors (mainly the AWPU and the lump sum). This is money coming out of all schools, with the impact of the reduction in lump sum being felt more in smaller schools.
- There is a continued very significant emphasis in the NFF on additional educational needs (AEN). This emphasis is in fact greater than Bradford's existing spend weighting. Extract 2 shows that, within a total undamped loss of £12.6m, our funding on AEN factors will actually increase by £14.8m.
- Within the suite of AEN factors however, a lower weighting is given to the deprivation measures (FSM and IDACI). It is assumed that the DfE's rationale is that the separate Pupil Premium (which is focused on FSM) will continue to target funding to this group.
- Within the suite of AEN factors, a greater emphasis is given to SEN low attainment and English as an Additional Language (EAL), which are weighted significantly higher than in Bradford's current formula. This change in emphasis redistributes monies identified for support children with SEN across schools in the District.

- That the negative impact of the undamped NFF proposals is very significant (a £12.6m loss) and that this impact is greater for the primary phase. The primary phase has a greater reliance on the 3% protection factor. A major reason for this is the reduction of the value of the lump sum factor. There is a correlation between the scale of reliance on the 3% and size of school. Another key reason is the overall NFF secondary to primary weighting, which is set at 1:1.29. We have indicated previously that, when we look at the primary to secondary funding ratio at the level of formula funding, our spending on secondary schools is proportionately lower than the national position and the NFF follows this.