

Report of the Director of Finance to the meeting of the Executive to be held on 21 February 2017 and Council to be held on 23 February 2017.

Document BH

Subject:

Allocation of the Schools Budget 2017/18 Financial Year

Summary statement:

The report seeks Executive approval of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2017/18 and subsequent recommendation to Full Council.

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Director of Finance

**Portfolio: Leader and Strategic
Regeneration**

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Overview & Scrutiny Area: Corporate



1. SUMMARY

- 1.1 This report informs the Executive of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for the 2017/18 financial year.
- 1.2 The Schools Budget is part of the overall budget proposal for the Council, which includes:
- the recommended Capital Investment Plan (Document BI)
 - the Revenue Estimates (Document BG)
- 1.3 This report is submitted to enable the Executive to make recommendations to Council on the setting of the budget and the Council Tax for 2017/18, as required by Article 4 of the Council's Constitution.

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 consultative; to recommend to the Council's Executive Committee how the funding, which the Government provides for schools and individual pupils (known as the Dedicated Schools Grant (DSG)), is managed. The Schools Forum also has some specific technical decision making powers.
- 2.2 The DSG in 2017/18 is calculated in three notional blocks: the Schools Block, based on October 2016 pupil census data; the Early Years Block, based on January 2017 and 2018 census data; and the High Needs Block, which is based on 2016/17 planned spending levels with some uplift for demographic growth.
- 2.3 In setting out the Schools Forum's recommendations in previous years for the allocation of the DSG, the changes that have been made in preparation for the implementation of a National Funding Formula for the DSG and for schools have been highlighted. The key changes have been:
- The number of Schools Block formulae factors has been reduced.
 - Budgets for High Needs providers must be calculated using the national 'Place-Plus' methodology.
 - A greater proportion of the DSG must be delegated to school budgets, with strict rules around how DSG monies can be centrally retained.
 - The Minimum Funding Guarantee (MFG) continues for primary and secondary schools, and special schools, at minus 1.5%.
- 2.4 National Funding Formula for the Schools and High Needs Blocks is set to be implemented by Government from April 2018. The Government published, on 14



December 2016, its 2nd stage of consultation on its proposals. The Schools Forum has made its recommendations on the 2017/18 DSG in this context. The Authority, with the Schools Forum, will formally respond to this consultation in due course.

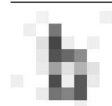
2.5 A separate consultation was conducted by Government earlier in 2016 on reform of the funding of early years. The details of the changes in the Early Years Block, beginning from April 2017, are now confirmed and are incorporated into the recommendations set out in this report.

2.6 The total estimated amount of DSG available for distribution in 2017/18 is £521.321m, which includes a forecasted value of under spend (one off carry forward) within the DSG up to 31 March 2017 of £5.874m. The final 2017/18 DSG allocation, and one off DSG carry forward, will be confirmed by July 2017. The recommended distribution of the estimated DSG is summarised in the table below:-

Description	Early Years £m	Schools £m	High Needs £m	One Off £m	Total £m
Estimated DSG available 2017/18	42.041	414.122	59.284	-	515.447
Estimated DSG B'fwd from 2016/17	-	-	-	5.874	5.874
Total DSG Funding 2017/18	42.041	414.122	59.284	5.874	521.321
Delegated to Schools / Providers	41.827	401.279	49.699	-	492.805
Non-Delegated Items	0.214	7.114	15.835	-	23.163
Allocation of One Off	-	-	-	1.639	1.639
Total Funding Allocated	42.041	408.393	65.534	1.639	517.607
Difference (reserve)	0.000	5.729	- 6.250	4.235	3.714

2.7 The National Funding Formula, as currently proposed, is neutral to us on a cash basis at the level of total DSG over the next 5 years. However, within this overall position:

- o National Funding Formula will not address the very significant cut in the real terms value of school funding. This is a national issue. The National Audit Office has calculated, in its report published in December, that on a national average basis the reduction in the real terms value of existing levels of education funding is 8.7% across 2016-2020. 8.7% is roughly a reduction in £44m in Bradford's DSG in real terms. The NAO's figure includes inflationary pressures on non-staffing spending, the apprenticeship levy, annual pay awards and salaries increases, teacher pension scheme costs and increases in national insurance contributions. In addition to these factors, locally, education budgets will be required to absorb increased employer contributions to non-teaching staffing pension costs (an increase in contributions from 14.2% to 17.5% at April 2017).
- o National Funding Formula cuts our funding for early years provision by a net £2.4m (-6.2%).



- National Funding Formula reduces the on-going budgets of 89% of Bradford's primary and secondary schools and academies, albeit that the full scale of reduction is mitigated by a proposed mechanism which limits the reduction for any school to a maximum of 3%. (This 3% protection is just on the main schools block of the funding i.e. excludes early years and post 16 funding) 68% of our schools will be on the 3% floor. These reductions amplify the impact of the cut in the value of school funding in real terms. Our smaller schools are demonstrably more negatively affected.
 - National Funding Formula does increase Bradford's High Needs Budget. However, under damping proposals, Bradford will not receive the full value of the increase that the National Formula would otherwise legitimately allocate (a full gain of £16m is damped to £8m) and also, under transitional protection, this £8m will take up to 5 years to be received. Under these terms, our High Needs Budget will be insufficient to meet increasing pupil need.
- 2.8 Members are asked to consider and approve the recommendations of the Schools Forum. Should Members wish to propose amendments then representation must be made back to the Schools Forum.

3. SCHOOLS FORUM RECOMMENDATIONS ON THE ALLOCATION OF THE SCHOOLS BUDGET IN 2017/18

SCHOOLS BUDGET AVAILABLE IN 2017/18 (€000)

3.1 The Schools Block €414,122

This Block funds delegated budgets, support services and funds held centrally, for Primary and Secondary schools and academies (including free schools). The total is calculated on the number of pupils recorded in Primary & Secondary schools and academies in the October 2016 Census x £4,826 per pupil (this figure is set by the Education Funding Agency (the EFA)). There is no increase for inflationary cost pressures in the 2017/18 DSG settlement. The Schools Block however, includes £4m of growth for the additional 835 pupils recorded in schools and academies in the October 2016 Census. In preparation for the National Funding Formula, the existing values of the Schools and High Needs Blocks have been adjusted so that the previous 'notional' allocations now reflect 2016/17 spending by block. The DfE has also transferred the £1.4m Education Services Grant – Centrally Retained Duties – funding into the Schools Block for 2017/18.

Please note that the funding for the delegated budgets of academies and free schools is 'top sliced' from this Block so that these settings can be funded directly by the Education Funding Agency.

3.2 The High Needs Block (€'000) €59,284



This Block funds resources for pupils in mainstream schools with Special Educational Needs (Statements and Education Health and Care Plans), delegated budgets for Special Schools, Pupil Referral Units and resourced units. These budgets are calculated under the national 'Place-Plus' framework. All other DSG provision relating to high needs pupils, which is either delegated or centrally managed, is funded from this Block. This includes behaviour support, the Behaviour and Attendance Collaboratives (BACs), Early Years SEN support, Education in Hospital provision and the placement of Bradford children in out of authority and in non-maintained provisions. The value of funding in 2017/18 is based on our planned spending on high needs provision in 2016/17 with some uplift for demographic growth.

Please note that the funding for high needs places in Bradford-located academies and Post 16 settings is 'top sliced' from this Block so that these settings can be funded directly by the Education Funding Agency.

3.3 The Early Years Block **(£'000)**
£42,041

This Block funds delegated budgets, support services and other funds held centrally, relating to the provision of the free entitlement to nursery education for 2, 3 and 4 year olds in Nursery schools, Primary schools and academies with nursery classes and private, voluntary and independent settings. The total value of this Block is currently estimated and will be finalised on the number of children recorded in the January 2017 and January 2018 Censuses x £4,588 per FTE pupil aged 3 / 4 and £4,940 per FTE pupil aged 2. The January 2018 Census will record the uptake of the new extended 30 hours entitlement for eligible 3 and 4 years olds and our DSG will be funded on this basis. Estimated figures of £0.342m and £0.160m are included in this Block for the Early Years Pupil Premium and for the new Disability Access Fund. In addition, an estimated £1m is included for the DfE's Nursery School Supplement, which is a separate specific allocation to protect current levels of funding for maintained nursery schools.

As part of its recommendations, the Schools Forum proposes to establish the 'ring-fencing' of the Early Years Block going forward from April 2017, meaning that increases and decreases in both expenditure and income relating to the Early Years Block are to be contained within this block.

3.4 DSG Carry Forward from Previous Years **(£'000)**
£5,874

Final DSG allocations are not confirmed by the DfE until later in the financial year and the Forum's recommendations are based on estimates of expenditure. These estimates are reconciled at the end of each year and differences are added to the DSG headroom for the Schools Forum to allocate on a one off basis.



	(£'000)
Total Schools Budget Available in 2017/18	£521,321
4. ALLOCATION TO SCHOOL DELEGATED BUDGETS	(£000)
Total Allocated to School / Provider Delegated Budgets	£492,805
Broken down as follows:	
	(£'000)
4.1 Early Years Providers via Single Funding Formula	£41,827

This is funding delegated to maintained Nursery Schools, nursery classes in Primary provisions and Private, Voluntary and Independent (PVI) providers, to support the delivery of the free entitlement to nursery education:

- Nursery Schools 3 / 4 year old entitlement, incorporating the Nursery School Supplement £2.741m
- Nursery Classes in Primary Provisions 3 / 4 year old entitlement £14.417m
- PVI Providers 3 / 4 year old entitlement £10.289m
- Delivery of the extended 30 hours 3 / 4 year old entitlement from September 2017 (estimate of cost across all settings) £4.453m
- The free entitlement for the 40% most deprived 2 year olds £8.925m
- Early Years Pupil Premium £0.342m
- Disability Access Fund (new for 2017/18) £0.160m
- Contribution to the delegated Early Years Inclusion budget £0.300m
- Contingency for the cost of delegated allocations £0.200m

The Schools Forum recommends that the amendments that were set out in the Authority's consultation document, published in October 2016, are taken forward to be incorporated into our Early Years Single Funding Formula (EYSFF) used to calculate budget shares for settings delivering provision for 2 and 3 / 4 year olds in 2017/18. These amendments specifically respond to the Government's early years funding reform, which has placed further restrictions on how early years funding can be allocated e.g. in setting a maximum spend on additional supplements, including deprivation. A simple summary of Bradford's EYSFF, recommended for 2017/18, is attached at Appendix 3.

	(£'000)
4.2 Primary and Secondary Schools and Academies	£401,279
Primary £228.624m	
Secondary £172.655m	

The Forum has agreed to:

- Use the formulae outlined in Appendix 1 to calculate budget shares. The formulae have been agreed, following consultation with schools in the autumn.



We submitted the final version of the required Pro-forma on 19 January and this is subject to final validation by the EFA.

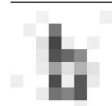
- Set formulae funding rates incorporating a transfer of £5.605m in total from the delegated Schools Block to the High Needs Block. £2.145m of this total comes from the transfer of headroom (unallocated monies) within the Schools Block. The remaining £3.460m comes from an explicit contribution of £1.823m; £33.25 per pupil (primary phase) and £1.637m; £52.73 per pupil (secondary phase).
- Continue the value of the DSG contribution to the Building Schools for the Future affordability gap, at £6.608m in 2017/18.
- Meet the cost (estimated) of expanding places in primary and secondary schools and academies through the DSG Growth Fund; a total planned budget of £1.790m, excluding items funded by one off monies.
- Delegate the sums released from changes to the DSG's Matched Contribution to School Improvement and Early Childhood Services to individual school budgets in support of the sector-led delivery model. These changes are further detailed in paragraph 5.1.

4.3 Special Schools and Special Academies **(£'000)**
£22,044

The national definition of a "High Needs" pupil is one whose education, incorporating all additional support, costs more than £10,000 per annum. The Government has introduced a national framework of "Place Plus" to allocate funding to schools and other settings. The "Place" element has been set nationally at £10,000 for both SEN and Alternative Provision settings. The "Plus" element is the top up funding above the "Place" funding and is based on an assessment of the additional need of an individual pupil. Local authorities are permitted to establish bands or ranges for this element of funding. The allocation of the High Needs Block for 2017/18 is recommended on the basis on Bradford's existing Place-Plus model with two significant structural amendments, which were set out in the autumn term consultation document; the amendment of the cash budget protection factor from 1.5% to 3% of the previous year's allocation, and the establishment of a small setting factor for resourced provisions. This uniform banding model, and the values of 'Plus' funding attached to each range, are outlined in Appendix 2. The funding values are reduced by 1.50% on those in 2016/17.

4.4 Pupil Referral Units (PRUs) **(£'000)**
£6,449

The PRUs are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The Schools Forum has recommended, in its measures to balance the overall DSG budget in 2017/18, to adjust the formulaic funding of placements of pupils without SEN Statements or Education Health and Care Plans (EHCPs) in alternative provisions, so that a greater proportion of the cost of these placements is met by mainstream schools from September 2017, recognising current double funding. The initial adjustment for the period September 2017 to March 2018 is relatively small (£0.1m) but is begun in anticipation of a larger adjustment in 2018/19.



4.5 Behaviour Centres (Primary) **(£'000)**
£834

The Primary Behaviour Centres are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The adjustment described in paragraph 4.4 above relating to the funding of placements of pupils without Statements or EHCPs also applies to this sector. The amendments, described in paragraph 4.3, of the cash budget protection factor from 1.5% to 3% of the previous year's allocation, and the establishment of a small setting factor for resourced provisions, are also applicable here.

4.6 Resourced Provisions **(£'000)**
£6,100

All Resourced Provisions attached to mainstream schools and academies; Designated Specialist Provisions (DSPs) and Additional Resourced Centres (ARCs), in 2017/18 are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The amendments, described in paragraph 4.3, of the cash budget protection factor from 1.5% to 3% of the previous year's allocation, and the establishment of a small setting factor for resourced provisions, are also applicable here. Please note that ARC provision is centrally managed, with places funded in schools.

4.7 SEN Statements in Mainstream Schools and Academies **(£'000)**
£4,668

The funding is delegated to mainstream schools and academies for pupils with Statements of Special Educational Needs and Education Health and Care Plans. This cost incorporates the SEN Funding Floor (the factor that ensures a minimum level of funding for SEND provision in schools and academies). The Schools Forum has recommended, in its measures to balance the overall DSG budget in 2017/18, that the variable values of the SEN Funding Floor are reduced by 1.5% and the lump sum values reduced by 25% on 2016/17.

4.8 Post 16 Further Education Providers **(£'000)**
£3,964

The cost of Post 16 High Needs provision was partly transferred into the DSG at August 2013. The remaining place-element for Further Education providers has been transferred into the DSG at April 2017. For the 'Plus' element, Further Education providers are funded for the vast majority of students at 60% of the Ranges Model value (shown in Appendix 2) for the primary need of the student. The exceptions are students with the primary need of sensory impairment (Hearing / Visual), where funding is calculated on an actual cost basis.

4.9 Early Years Children's Centre Plus **(£'000)**
£300

Early Years Children's Centre Plus provision is funded via the Place-Plus



framework explained above. The Schools Forum has established the principle that the total £1.06m earmarked DSG budget for Early Years SEND in 2017/18 can be allocated flexibly across the different early years provisions (including portage – out of school - support services) to respond to the distribution of demand. The £300,000 planned budget here is the value of the £1.06m that is initially estimated will be delegated to settings in 2017/18, with the remaining element being centrally managed.

4.10 Early Years Inclusion (EYIP) **(£'000)**
£300

Within the 2017/18 DSG allocations it is recommended that a total budget of £600,000 is available for funding additional support for children with additional educational needs accessing the 2, 3 and 4 year old free entitlements. £300,000 of this budget is funded by the Early Years Block (see paragraph 4.1) with the remaining £300,000 coming from the existing High Needs Block EYIP fund. How this budget is to be fully deployed is to be further considered by the Schools Forum, but it will build on the already established Early Years Inclusion Panel framework.

4.11 Education in Hospital and Tracks Provision **(£'000)**
£837

Education in Hospital and Tracks provision is funded on the agreed planned number of places, with the Finance Regulations requiring that the funding per place in 2017/18 is not lower than the value in 2016/17.

4.12 Planned Budget for Additional High Needs Places **(£'000)**
£4,203

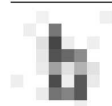
The Schools Forum has recommended that a total sum of £4.203m is established within the 2017/18 DSG High Needs Block to finance the creation of additional places in high needs provisions in Bradford for pupils with SEND and SEMH. This recommendation is based in the detailed discussions that have taken place across the last 18 months about the distribution and sufficiency of high needs places in Bradford. £4.203m will finance a 1st tranche of 120 SEND and 20 SEMH places for a full year plus a 2nd tranche of 120 SEND and 20 SEMH places for the period September 2017 to March 2018.

5. AMOUNT ALLOCATED TO NON-DELEGATED BUDGETS **(£000)**

Total Allocated to non-delegated Budgets **£23,163**

Broken down as follows:

In preparation for National Funding Formula, the School and Early Years Finance (England) Regulations 2012 altered the treatment of non-delegated items and contingencies. The Regulations now require a greater proportion of the DSG to be delegated to school budgets and also require that the Forum makes



recommendations for individual items that are permitted and some on a phase basis.

5.1 Early Years and Schools Block non-delegated budgets **(£'000)**
£7,328

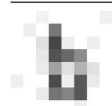
A total of £7.328m is recommended to be held within the Early Years and Schools Blocks, to fund centrally managed items, 'de-delegated' items and contingency funds in 2017/18. These are funds that support historic commitments, centrally managed services that schools access, budget 'insurance' schemes and enable specific additional resources to be allocated to schools in year e.g. to support the cost of capacity expansion.

The Forum has agreed the following key recommendations that change the position from that of the 2016/17 financial year. These recommendations respond to the review work that has taken place, including the development and establishment of the sector-led school improvement model, to:

- Make more substantial provision for the revenue formula funding cost of places capacity growth in the secondary phase from September 2017, with a budget of £680,000 increased from £300,000.
- Continue the DSG's contribution to school improvement and Early Childhood services at a reduced value of £0.458m for the period 1 April to 31 August 2017 and then to fully cease the DSG's contribution at 31 August 2017, with sums released to Primary, Secondary and Early Years delegated budgets. In this, the Schools Forum has ratified the recommendation that was accepted by Council in February 2016, but with a recommended further £24,121 reduction in the 2017/18 budget (as one of the measures for balancing the 2017/18 DSG budget).
- Passport to the Local Authority's budget 95% of the Education Services Grant Centrally Retained Duties that has been transferred into the DSG Schools Block, at £1.331m in 2017/18, in support of the statutory duties delivered by the Local Authority on behalf of all state funded schools and academies. This incorporates a 5% reduction recommended as one of the measures for the balancing of the 2017/18 DSG.
- Cease de-delegation from the maintained secondary phase for licences subscription (Fischer Family Trust), the school maternity / paternity 'insurance' fund (from 1 July 2017), school staff public duties and suspensions fund and the exceptional circumstances / schools in financial difficulties fund.
- Establish a new de-delegated fund from the maintained primary phase, with an initial value of £150,000, to be available to meet the cost of deficit balances of primary schools that convert to academy status under sponsored arrangements during 2017/18.

5.2 High Needs Block non delegated budgets **(£'000)**
£15,835

A total of £15.835m is to be held within the High Needs Block, to continue existing centrally managed statutory support provisions, out of authority and independent provision and other provision costs. This total incorporates:



- A £0.900m increase in the planned budget for placements in non-maintained and independent settings
- A £0.481m reduction across centrally managed budgets from the application of a 5% reduction, which is one of the measures recommended to balance the 2017/18 DSG budget.
- The cessation of the additional specialist equipment budget for special schools (£0.037m), which again is one of the DSG balancing measures.

6. AMOUNTS ALLOCATED ON A ONE OFF BASIS (€000)

Total allocated on a one off basis in 2017/18 £1,639

The £1.639m is made up of the following allocations:

- £0.268m allocated back into Schools Block delegated formula funding as required by Regulations.
- £0.324m for the financing of the final amount for the agreed post-opening diseconomies of scale budget for Bradford Forster Academy.
- £0.253m carried over from the initial £0.600m used to finance additional placements in alternative provisions (managed by the BACs). This will be spent in 2017/18 on additional provision.
- £0.500m estimated for the cost in 2017/18 of the financial support for Beckfoot Upper Heaton Academy via the agreed model.
- £0.294m balance from the Joint Improvement Investment Fund, which will be allocated by the Bradford Education Improvement Commissioning Board in 2017/18.

7. AMOUNTS NOT ALLOCATED IN 2017/18 (€000)

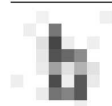
Total amount not allocated in 2017/18 £3,714

The Schools Forum has agreed to earmark £0.52m of one off monies to be available to balance the 2017/18 DSG budget should further savings not be found during 2017/18 against planned estimated expenditure. The assumption that this £0.52m is used for this purpose leaves a remaining value of £3.714m of DSG unallocated in 2017/18.

The Forum has agreed to hold an amount of the one off monies available both to support specific expenditures committed after March 2018 and to ensure that the Schools Budget remains resilient.

The £3.714m is made up of the following sums:

- £1.438m to support meeting the cost of the agreed financial support model for Beckfoot Upper Heaton Academy after 31 March 2018.
- £0.650m for the deficit of a school converting to academy status.



- £0.500m earmarked to be allocated via the Early Years Single Funding Formula in 2018/19 to protect early years providers for one year against the full value of the reduction in funding rates resulting from the Government's early years national reform.
- £1.126m DSG resilience reserve, available to be used to support unexpected additional costs but also to finance items that are currently under negotiation. This sum is effectively the remaining unallocated balance within the DSG.

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

If the allocations are not agreed by Elected Members then representations have to be made to the Schools Forum. In the event that agreement cannot be reached with the Schools Forum, the Council must refer the matter to the Department for Education (DfE).

9. LEGAL APPRAISAL

Local Authorities are required to calculate budgets for all maintained schools using a funding formula. The School and Early Years Finance (England) Regulations 2017 require the Local Authority to decide the formula it will use for the financial year 2017-2018 . The Schools Forum has some decision making powers in relation to school budget functions. The role of the Local Authority is to make proposals to the Forum on those matters which the Forum can decide and to consult the Forum annually in connection with various schools budget function. Where the Schools Forum and the Local Authority are in disagreement about proposals made by the Authority the Secretary of State for Education will adjudicate.

10. OTHER IMPLICATIONS

There are no direct implications resulting from this report.

11.1 EQUALITY & DIVERSITY

There are no direct implications resulting from this report.

11.2 SUSTAINABILITY IMPLICATIONS

There are no direct implications resulting from this report.

11.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct implications resulting from this report.

11.4 COMMUNITY SAFETY IMPLICATIONS

There are no direct implications resulting from this report.



11.5 HUMAN RIGHTS ACT

There are no direct implications resulting from this report.

11.6 TRADE UNION

There are no direct implications resulting from this report.

11.7 WARD IMPLICATIONS

There are no direct implications resulting from this report.

12. NOT FOR PUBLICATION DOCUMENTS

None

13. OPTIONS

Please see the recommendations below.

14. RECOMMENDATIONS

14.1 It is recommended that the Executive asks Council to:

- a) Approve the total amount of £521.321m to be appropriated in respect of all schools covered by the Bradford Scheme for the Local Management of Schools, so as to establish the Individual Schools Budget for 2017/18.**
- b) Accept and approve the proposals from the Schools Forum for the allocation of the 2017/18 DSG as set out in this report.**

11. APPENDICES

- Appendix 1 – Local Authority Funding Reform Pro-Forma 2017/18
- Appendix 2 – High Needs Provision: Proposed Fund Categories, Bands & Amounts 2017/18
- Appendix 3 – Early Years Single Funding Formula 2017/18

12. BACKGROUND DOCUMENTS

None

