

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information



### **Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

This report outlines the draft working principles that are being considered for the development of Bradford's formula funding arrangements for 2018/19.

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

These principles have not yet been considered specifically for 2018/19 but follow from principles established in the Forum's DSG decision making previously and that have been discussed in working groups.

### **Background / Context**

This report follows from Document HR.

These principles are considered prior to the fuller announcements by the DfE on 2018/19 DSG arrangements and National Funding Formula, which are needed in order for Authority, with the Schools Forum, to clearly set out proposals for formula funding arrangements for the 2018/19 financial year.

The Authority expects more formal consultation reports, for the Schools Block, Early Years Block and High Needs Block, to be presented to the Schools Forum at the next meeting, with these consultations being published immediately after.

Following this timetable, responses to these consultations would be considered by the Forum at its December meeting. The Schools Forum will be required to make its final recommendations on 2018/19 DSG and formula funding arrangements at its January 2018 meeting.

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

Each autumn the Local Authority, with the agreement of the Schools Forum, publishes 3 separate consultations on DSG management and formula funding arrangements for the following year:

- Schools Block – this consultation presents proposals for the formulae to be used to calculate budget shares for primary schools and academies, for the criteria to be applied in the allocation of the Growth Fund and other Schools Block centrally managed funds, and asks for feedback on the position of de-delegated Schools Block funds.
- Early Years Block – this consultation presents proposals for Bradford's Early Years Single Funding Formula, which is used to allocate funding for the delivery of the 2,3 and 4 year old free entitlements to early years education.
- High Needs Block – this consultation presents proposals for Bradford's Place-Plus funding system to be used to allocate High Needs Block funding to schools and other providers.

As explained in Document HR, the final detail of the National Funding Formula (NFF) for the Schools and High Needs Blocks is critical to our medium to longer term DSG financial planning as well as how we shape spending and formula funding decisions for 2018/19.

**The purposes of this report are to set out the principles that are being developed for formula funding and Block management arrangements for 2018/19, to check with the Schools Forum that 'we are on the right lines' and to allow Forum members to provide feedback and direction in advance of more formal consultation documents being presented to the next meeting.**

#### Early Years Block & the Early Years Single Funding Formula 2018/19

The principles on which we are developing proposals for 2018/19 were established in our response to the DfE's implementation of Early Years National Funding Formula reform at April 2017. A key guiding principle is guarding against moving too far away from what we have agreed and set out for providers previously, on the basis that providers have used this information to inform their business planning. We have already set out the

### Details of the Item for Consideration

following:

- For 2018/19 – the intention to adopt new arrangements under protection - the adoption of new formula arrangements, including a universal base rate and reviewed supplements under an additional transitional protection mechanism but incorporating the necessary response to the expected further reduction in Early Years Block funding. This will include transferring the full spending of the Nursery School Supplement to a separate sustainability factor, to enable a universal base rate to be established.
- Below are the rates of funding we forecasted and published within the autumn 2016 consultation:

<b>ESTIMATED Rate Per Hour</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
2 YO Offer - Universal Base Rate	£4.83	£5.20	£5.20	£5.20
<b>3 &amp; 4 Year Old Entitlement</b>				
Setting Base Rate – Nursery Schools	£5.70	£5.45	£4.12	£4.11
Setting Base Rate – Nursery Classes	£4.13	£4.11	£4.11	£4.11
Setting Base Rate – PVI Providers	£4.62	£4.42	£4.12	£4.11
Mean Deprivation & SEN Rate	£0.68	£0.50	£0.49	£0.47
Nursery Schools Supplement	£1.07	£1.87	£3.16	£3.18
Looked After Children Additional	£1.75			
Early Years Pupil Premium	£0.53	£0.53	£0.53	£0.53

- In the January 2017 recommendations for 2017/18 we:
  - Agreed to 'ring-fence' the Early Years Block in 2017/18 and to apply this principle in future years.
  - Identified a (minimum) sum of £500,000 of DSG one off monies, which is held to allocate into the 2018/19 EYSFF in particular to support the value of the setting base rate for the PVI sector.
  - Agreed with the Schools Forum the enhancement of the Early Years Block's SEN Inclusion budget from April 2017 (a budget total of £600,000, funded 50/50 between the Early Years and the High Needs Block).
- In July 2017, we presented an informal early consultation to the Schools Forum on the proposed movement from a termly headcount based formula approach to a full 'starters and leavers' formula approach, which would be fully implemented at April 2018 but may be implemented in pilot before this.

Having discussed the position initially with the Early Years Working Group in July 2017 (understanding that there are still more detailed discussions to take place in the EYWG), the Authority is developing proposals for 2018/19 on the basis that:

- We will continue the policy of ring-fencing of the Early Years Block.
- We will move to monthly starters and leavers counting at April 2018, which will replace the termly headcount count methodology (and 2nd headcount for the 2 year old offer). The Technical Statement will be updated to explain this in detail. \*
- We will seek to simplify the processes for PVI providers, which will include no longer publishing a 'hard copy' pre-calculated Confirmed Indicative Budgets for PVI providers in March. Instead, we will begin monthly payments based on the latest confirmed position and we will enable providers to use a ready reckoner to estimate funding before the start of the year.
- Our Early Years Single Funding Formula will continue to 100% pass through the DSG funding rate for:
  - The 2 year old free entitlement (subject to on-going review)
  - The Early Years Pupil Premium (required)
  - The Disability Access Fund (required)
- We will continue & increase the Early Years Block's contribution to EY SEN Inclusion funds, which will be managed through a new SEND EY Centres of Excellence structure (subject to consultation).
- We will establish a Universal Base Rate for the 3 & 4 year old offer, as required by the DfE (at April 2019 at the latest), with this overridden in 2018/19 for:
  - Nursery Schools – with the allocation of the specific MNS factor, meaning that the funding rates for each nursery school (base and deprivation) will continue to be retained at the 2016/17 value, as we have done in 2017/18.
  - PVI providers and nursery classes – through the allocation of additional one off monies on a transitional / temporary basis only. The intention will be to set a base rate at £4.12 per hour, as set out in the 2017/18 consultation (see the table above). \*

### Details of the Item for Consideration

- We will continue the nursery school sustainability supplement using the current methodology but bringing the 30 hours extended entitlement into the calculation (will reduce the cost of the sustainability supplement).
- We will continue our current deprivation supplement within the 3&4 year old EYSFF in 2018/19, calculated at 9.5% of EYSFF, and will keep this under review. Deprivation rates will reduce in 2018/19 because the overall EYSFF funding envelope is also reducing (as the EYB reduces because of national reform).
- We will not introduce any further supplements in 2018/19 and will keep this position under review, noting that any additional supplements would erode the value of the deprivation supplement (with the supplements cap being set at 10% in total).
- We will aim to hold one off monies within the Early Years Block so that a minimum 3 & 4 year old base rate of £4.11 can be afforded in 2019/20, as set out in the 2017/18 consultation (see the table above). This will be subject to the value of one off monies available. \*

\* there is uncertainty about how the movement to monthly starters and leavers, as well as the delivery of the 30 hours extended offer, will affect the ratio between the number of hours we are funded for at EYB DSG level (based on the January Censuses) for the 3 & 4 year old entitlement and the number of hours providers actually deliver. Previously, the latter has been lower than the former, meaning that we can set a base rate of funding that is c. £0.12 per hour higher than the DSG EYB rate of funding. We are not certain that we are able to continue this. We need to collect data over the next couple of years to assess the position and this will affect the funding rate from April 2020 should one off monies not continue to be available to recycle. On current modelling, without one off monies, the 3 and 4 year old universal base rate in 2020/21 would be c. £4.00 per hour.

### High Needs Block - the Place Plus System

It is the Authority's view that Bradford's current Place-Plus funding system – the system that is used to calculate allocations to providers for high needs pupils and students, which is primarily based on the use of our Ranges Model - is robust and fit for purpose. This has been developed and adjusted incrementally over time.

Given the extent of discussion that is taking place about the District's SEND model, and the change that is anticipated may come from these discussions, the Authority holds the view that continuity in the funding model in 2018/19 will be welcomed.

As a result, consultation for 2018/19 is expected to recommend the continuation of the 2017/18 Place-Plus model, based on the current Ranges Model, with small amendments:

- Responding to the technical changes directed by the DfE. The main technical change is the adjustment of the funding of the place-element in resourced provisions attached to mainstream schools and academies. We await the ESFA's High Needs Block operational guidance to finalise whether there are any further technical adjustments. As these are directed revisions there is unlikely to be scope for local decision making (and as such little to consult locally on).
- Adjusting Bradford's model to enable the outcomes of the SEND Strategic review to be implemented, which are still subject to consultation. Following the Authority's proposals, this would include the establishment of the already developed Place-Plus based method for the allocation of funding in support of the 100 places established in the Early Years hubs.
- Implementing the outcomes of the current discussions on the role of the High Needs Block in funding the top-up (the Plus element) of children without EHCPs that are placed in Bradford's PRUs and maintained alternative provisions. The Authority has previously discussed with the Schools Forum the outline intention for the cessation of funding from the High Needs Block for the Plus element of these placements from September 2018.
- Maximising value for money in the context of the High Needs Block continuing to be under significant financial pressure. This includes discussion on whether the Top Up (Plus) rates of funding allocated by the Ranges Model are reduced in 2018/19, up to a maximum of 1.5%. Members are reminded part of the Option 4 method used to balance the 2017/18 DSG was the reduction of Plus rates by 1.5%.

Alongside the consultation on the structure of our Place-Plus funding model it is expected that the Forum will wish to assess in detail the position of the High Needs Block, having sight of full forecasted spending.

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

### **Schools Block & Primary and Secondary Formula Funding**

As set out in Document HS, there is still a lot of uncertainty and it is difficult to set out firm spending and formula funding options and proposals without the detail that is to be published in September. The 5 key decisions that the consultation document on primary and secondary formula funding arrangements for 2018/19 must cover are:

1. Whether, as we have previously set out for schools, we replicate the NFF locally for the calculation of our primary and secondary school and academy budget shares from April 2018, or whether we stick to our current formula, or whether we do something in between or in transition leading up to hard NFF at April 2020.
2. The value of MFG we provide in 2018/19 (set between 0% and minus 1.5%)
3. The value of the ceiling we adopt, which will cap gains and helps to afford the MFG.
4. The extent to which we begin transition to the £4,800 per pupil minimum for secondary schools.
5. How we balance the High Needs Block where the NFF settlement may not be sufficient to meet spending demand due to damping. Under what conditions / circumstances can a contribution from the Schools Block to the High Needs Block in 2018/19, up to the 0.5% maximum, be supported?

**It will be helpful for Schools Forum members to provide (and also to collect from colleagues further) feedback on these key decisions, in advance of a formal consultation document from the Authority.**

As explained earlier in this report, the guiding principle behind proposals for the Early Years Single Funding Formula is not to vary substantially from the information on 2018/19 onwards that has previously been published and on which is it expected that settings have planned.

The Authority has provided forecasts for schools (including within the HCSS Budget Software) and academies for 2018/19 onwards on the basis that:

- The NFF (as proposed in the 2<sup>nd</sup> stage consultation in December 2016) will be used to calculate individual budget shares for the 2018/19 financial year.
- This will be implemented under a Minimum Funding Guarantee (MFG) of minus 1.5% and a ceiling of positive 3% in 2018/19.

Currently, we do not know the final construct of the NFF. We also do not know the value of our Schools Block, which is critical to us in working out what we can afford to provide in terms of a formula settlement for schools and academies in 2018/19. The value of the High Needs Block is critical to our assessment of whether a contribution, if affordable, from the Schools Block must be considered in 2018/19.

However we do know that:

- Primarily because of the transfer of Schools Block monies to the High Needs Block in 2017/18, the majority of our schools and academies are currently funded on the MFG or on the ceiling. Therefore, the points that these 'overrides' are set at in 2018/19 will be more influential to the value of allocations for most individual schools than the type of formula we use (whether we use current formula or move to NFF).
- The majority of our primary schools and academies lose under the NFF as proposed in December because of the reduction in the value of the lump sum. This is unlikely to change unless the DfE significantly changes its stance around the lump sum. Therefore, most of our primary schools, under NFF, are likely to be on the MFG. So the value of the MFG is the most important factor in 2018/19 as most primary schools are on the MFG now and will be in the future.
- Because our published forecasts assumed the continuation of an MFG at minus 1.5% in 2018/19, setting an MFG at a higher value will mean that actual settlements for schools on the MFG, subject to changes in pupil numbers, will be higher than these forecasts.
- Because our published forecasts assumed that the ceiling would be set at 3% in 2018/19, setting a ceiling at a lower value will mean that actual settlements for schools on the ceiling, subject to pupil numbers and the construct of the NFF, will be lower than these forecasts.
- A number of schools, especially in the secondary sector, gained from the NFF as proposed in December. Therefore, we can anticipate that if we did not implement NFF at April 2018 (we continued with our current formula) the settlements these schools will actually receive may be significantly lower than the forecasts previously published, irrespective of the values of the MFG or the ceiling.

Putting these together, it feels appropriate to begin our modelling of proposals for 2018/19 on the basis that we would seek to move from our current formula to implement NFF for primary and secondary between a minus 1.5% MFG and a 3% ceiling, with movement towards the £4,800 secondary minimum per pupil for applicable schools. Subject to the value of the Schools Block then, and decisions about the position of the High Needs Block, we would consider whether we can afford to provide for a better MFG up to the permitted 0%. We would manage affordability though by adjusting the value of the MFG rather than adjusting the value of the ceiling downwards. Our consultation will need to set out our proposals on these, but will also need to set out how we may vary our proposals where the October 2017 dataset / final 2018/19 DSG announcement in December is significantly different from what was anticipated.

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

As set out in the report (this is an item for information)

**Recommendations**

The Schools Forum is asked to begin to consider the draft working principles and whether these are agreeable. Members are also asked to discuss how best to communicate as early as possible this term with schools and other providers, and collect feedback, about arrangements for 2018/19 (in advance of more formal consultation beginning in October).

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

None

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