

Report of the Director of Children's Services to the meeting of the Children's Services Overview & Scrutiny Committee to be held on 27 September 2017.

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Subject:

Schools Forum Update

Summary statement:

Children's Services Overview and Scrutiny Committee has asked for regular updates on the work of Bradford's 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 11 April 2017. The Schools Forum has met twice since on 5 July and 20 September 2017. The decisions lists from these meetings are attached at Appendix 1 and Appendix 2 (TO FOLLOW).
- 1.3 The Schools Forum has two further meeting scheduled for the autumn term, 18 October and 6 December. The key meeting at which the Schools Forum will make final recommendations on the allocation of the 2018/19 Dedicated Schools Grant (DSG) will take place on 10 January 2018.
- 1.4 The principal items that were considered by the Schools Forum on 20 September and those that will feature prominently in forthcoming meetings are:
 - National Funding Formula
 - Early Years National Funding Formula continued implementation and impact
 - Formula funding arrangements in Bradford for the 2018/19 financial year
 - SEND review, places sufficiency and Dedicated Schools Grant High Needs Block financial pressures
 - The future position of DSG centrally managed and de-delegated funds

In seeking to keep the volume of detail provided in this report to a manageable size, section 3 provides further detail on the most prominent matter of National Funding Formula as well as provides updates on items of interest to the Committee. All of the above matters will be covered in updates to the Committee this term.

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 Committee 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.
- 2.2 33 maintained schools have converted to academy status between 1 September 2016 and 1 September 2017 and we now have 78 primary / secondary academies and 111 primary / secondary maintained schools. The composition of the Schools Forum has been reviewed in the light of the number of pupils in maintained and academy settings. There are currently 13 academy members on Bradford's Schools

Forum, alongside 14 representatives of maintained schools.

2.3 The Schools Forum meets every half term with an additional meeting in the autumn.

3. OTHER CONSIDERATIONS

3.1 National Funding Formula

The final detail of the National Funding Formula (NFF) for the Schools (primary and secondary) 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. There have been 2 announcements regarding NFF over the summer.

For reference, the DfE conducted a separate consultation in 2016 on national formula arrangements for the Early Years Block, the outcomes of which have begun to be implemented from April 2018 and have been presented previously to the Committee. There is no suggestion that these outcomes are to be revisited although there is still some uncertainty (and promised further consultation) on the future funding position of maintained nursery schools after 2019/20. This means that the rates of funding we can allocate for the delivery of the early years free entitlements in nursery classes and the Private, Voluntary and Independent sector will reduce in 2018/19 as previously set out.

The Secretary of State announced on 17 July:

- A £1.3billion boost for core primary and secondary school funding; £416million in 2018-19 and £884million in 2019-20, “The new formula will maintain overall per pupil funding in real terms for the next two years; and it will allow for a cash increase for every school”:
 - Increases the basic amount that every pupil will attract in 2018-19 and 2019-20.
 - Allows for gains of up to 3% per pupil for “underfunded schools” for the next two years.
 - Provides at least a 0.5% a year per pupil cash increase for every school in 2018-19 and 2019-20.
 - Continues to protect funding for pupils with additional needs, as proposed in the consultation published in December.
 - Provides at least £4,800 per pupil for every secondary school.
- A new National Funding Formula for the Schools Block will be introduced in 2018, but the ‘hard’ NFF will not be introduced until April 2020 (previously this was April 2019) meaning a longer transition:
 - In 2018-19 and 2019-20, the National Funding Formula will set indicative budgets for each primary and secondary school, and the total schools funding received by each local authority will be allocated according to the national fair funding formula.
 - Local authorities will continue to set a local formula to distribute that funding, and to determine individual schools’ budgets in 2018 19 and 2019-20, in consultation with schools.

- The vast majority of funding provided for primary and secondary schools will be ring-fenced, although local authorities, in agreement with their local schools forum, will be able to move some limited amounts of funding to other areas, such as special schools, where this better matches local need.
- In 2018/19, all local authorities will receive some increase to the amount they plan to spend on schools and high needs in 2017-18.
- A detailed announcement on the construct of the NFF (and impact on local authorities) will be made in September 2017.
- The PE and Sports Premium for primary schools will increase from £160million to £320million. All primary schools will receive an increase in their PE and sports premium funding in the next academic year.
- Spending plans beyond 2019-20 will be set in a future Spending Review.

The Operational Guidance for 2018/19 has set out / confirmed:

- The creation of a *new* 4th block within the DSG – the Central Schools Block.
- The implementation of NFF at DSG Block level at April 2018, based on 2017/18 spending baselines, with the detail of the formula for each Block (and floors and ceilings) to be announced in September.
- Within the Schools Block, the DfE will provide for at least a 0.5% per pupil increase for each primary and secondary school in 2018/19 through the NFF. Within the High Needs Block nationally, the DfE will provide for at least 0.5% overall increase in 2018/19.
- The Schools Block formula will provide local authorities will per pupil funding of at least £4,800 for secondary schools that have pupils in years 10 and 11. A new formula factor is permitted so that authorities can begin to pass this onto eligible schools in 2018/19 as a step towards a minimum of £4,800 in 2019/20. *For reference, we have 2 secondary schools that are currently funded at lower than £4,800 per pupil.*
- Local authorities will be permitted to use both the clean FSM and Ever 6 FSM factors in their formulae for 2018/19, *meaning that full replication at local level of NFF is enabled.*
- Local authorities have flexibility to set a value of Minimum Funding Guarantee (MFG) of between 0% and minus 1.5% per pupil in 2018/19. Authorities must consult with schools on the value of the MFG. *This is a different approach / additional responsibility than that of previous years, when the DfE has set a national value of MFG (at minus 1.5%) without flexibility for local variation.*
- The Schools Block is ring-fenced from April 2018, but local authorities are permitted to transfer up to 0.5% of their Schools Block funding out to other blocks e.g. High Needs Block with the agreement of their Schools Forum and having demonstrated that they have consulted locally with all maintained schools and academies. There is an exceptions process, which will require Secretary of State approval for considering transfers greater than 0.5% and / or where the Schools Forum is opposed to the transfer. Other Blocks are not subject to restriction i.e. money can be moved flexibly between them. *For reference 0.5% of our Schools Block is c. £2m.*

- The rates of funding for Pupil Premium Plus (Looked After Children) will increase at April 2018.

Following these announcements it is evident that:

- *There is still a lot of uncertainty.* Sight of the detail, to be published in September 2017, regarding 2018/19 DSG and NFF is critical to our assessment of affordability and decision making for 2018/19 and beyond. It is difficult to set out firm spending and formula funding options and proposals without this detail.
- There continues to be significant risk around the funding position of our High Needs Block and the adequacy of the NFF settlement. We may need to continue to lobby Government specifically on this matter.
- There is doubt as to how the “0.5% per pupil increase for every school” statement made by the Secretary of State translates to guarantee every school a 0.5% per pupil increase in 2018/19.
- Once we have the detailed announcement we have some big decisions to take for 2018/19 on top of the usual decisions regarding the refresh of smaller aspects of our funding schemes:
 - 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.
 - The value of Minimum Funding Guarantee (MFG) we provide in 2018/19 (set between 0% and minus 1.5%) and managing expectations around this.
 - The value of the ceiling we adopt, which will cap gains and helps to afford the MFG.
 - The extent to which we begin transition to the £4,800 per pupil minimum for secondary schools and academies.
 - How we balance the High Needs Block where the NFF settlement may not be sufficient to meet spending demand due to damping. The extent to which we must consider a contribution from the Schools Block to the High Needs Block in 2018/19, up to the 0.5% maximum; under what conditions / circumstances could this be supported. How we continue to lobby Government on this issue.

How we communicate as early as possible with schools and consult effectively on these matters across the autumn term. Formal consultation is planned to begin following the Schools Forum meeting held on 18 October.

3.2 Academy Conversions – Balances Position Statement

The Committee has previously requested information to be provided regularly on the financial impact of academy conversions. One of the main financial risks to the Authority is where schools that convert under sponsored arrangements hold deficit balances, which must be retained by the Authority.

Since February 2016, the Local Authority has completed the financial close of 38 maintained schools that have converted to academy status. None of these have finally closed with deficit budgets (1 academy has repaid back a small overspend). A total of £7.62m of surplus balances has been paid across for these 38 conversions.

The Local Authority is currently processing the financial closures of 3 maintained schools that have converted to academy, none of which are sponsored academies i.e. there have been 41 conversions of maintained schools to academy status in total between February 2016 and June 2017. On current information, these 3 schools will convert with either surplus or zero balances.

At 1 September 2017, we have 130 maintained schools. We have immediate sight of around 20 schools that are planning conversion / may convert / are likely to convert during the 2017/18 financial year. This position is moving regularly. Approximately 4 of these 20 potentially will be regarded as sponsored academies, where any deficit balances must be retained by the Authority on conversion. On current information, there is risk of small value deficits in 2 of the 4 potential sponsored conversions. The Committee is asked to note that a de-delegated fund of £150,000 was established in 2017/18 within the DSG to be available to cover the value of deficits in the primary phase.

3.3 Maintained Schools – Financial Positions

The Committee has previously requested information on the carry forward balances positions of schools at the close of the financial year.

The table below summarises the carry forward balances positions for maintained schools by phase held at the end of the 2016/17 financial year and gives a comparison against the absolute positions at the end of 2015/16.

	March 2017	March 2016	£ Difference
Nursery	£658,544	£634,274	+ £24,270
Primary	£8,579,706	£13,192,865	- £4,613,159
Secondary	- £634,646	£3,306,510	- £3,941,156
Special	£354,372	£692,554	- £338,182
PRUs	£666,466	£1,041,564	- £375,098
Total	£9,624,441	£18,867,767	- £9,243,326

Please note that the totals above are affected by the reduction in the number of maintained schools, as schools convert to academy status. Balances held by academies are not included within the Authority's reporting. At 31 March 2017, 37 fewer schools were maintained by the Local Authority than at 31 March 2016. These 37 schools held revenue balances in total of £6.02m at 31 March 2016. The table below shows an analysis of the balances positions by phase, having removed

the 'distorting' effect of the conversion of maintained schools to academies:

	March 2017	March 2016	Difference
Nursery	£658,544	£634,274	+ £24,270
Primary	£8,579,706	£10,033,165	- £1,453,459
Secondary	- £634,646	£446,068	- £1,080,714
Special	£354,372	£692,554	- £338,183
PRUs	£666,466	£1,041,564	- £375,098
Total	£9,624,441	£12,847,625	- £3,223,184

The gross value of total surpluses held at 31 March 2017 is £11.984m. The gross value of deficits is £2.360m (8 schools). The gross value of deficits at 31 March 2016 was £1.162m (6 schools).

The table above shows a mixed picture:

- The gross value of surplus balances at March 2017 held by the Secondary sector is roughly the same as held at March 2016 by remaining maintained schools. However, this sector is in deficit overall, driven especially by the worsened position of 1 school. 2 further schools hold deficit balances. £0.492m of the total surplus for this sector is held in Intended Use of Balances schemes in support of contractual costs.
- A reduction in the total value of balances held by Primary schools, but a mixed picture, with 64 schools reducing and 42 schools increasing their balances. 4 schools hold a revenue deficit (compared with 1 school at March 2016).
- A sizeable reduction in the value of balances held by the PRUs, mostly explained by the reduction in the balance at 1 PRU with the progression of building works (and the related revenue contribution to capital).
- A sizeable reduction in the total value of balances held by Special schools, with 2 of the 6 schools quite significantly reducing their balances. 1 Special school holds a revenue deficit, where the Executive is to be asked to take a decision specifically on whether this deficit is written off.
- A fairly static position in total in Nursery schools, but underlying this is some significant movement, with 3 schools increasing and 4 schools decreasing their balances by - £30k.

The financial landscape for all schools and academies remains challenging and we expect the values of carry forward balances to continue to reduce during 2017/18. The Authority continues to regularly monitor this position and to work actively with schools that are at risk of deficit.

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 (for reports to Area Committees only)

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 The information in this update be considered and noted.

11. APPENDICES

Appendix 1 – Schools Forum meeting 5 July 2017 Decisions List

Appendix 2 – Schools Forum meeting 20 September 2017 Decisions List (*to follow*)

12. BACKGROUND DOCUMENTS

None