

SCHOOLS FORUM AGENDA ITEM

For Action

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For Information

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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 2018/19 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 10 January 2018.

Date (s) of any Previous Discussion at the Forum

The DSG's position in 2018/19 has begun to be considered within the National Funding Formula and formula funding consultation items discussed in recent meetings.

Background / Context

Our DSG allocation in 2018/19 will be split into 4 blocks (in size order):

- Schools Block – funding Primary & Secondary school and academy formula allocations, School Block delegated items (maintained schools) and Growth Funding. c. £416m
- 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 as well as support services. c. £66m
- Early Years Block – funding the Early Years Single Funding Formula and centrally managed items relating to early years provision (the 2, 3 and 4 year old entitlements). c. £44m
- Central Schools Block – a newly established block at April 2018, which incorporates items previously funded via 'topslice' within the Schools Block, including admissions, copyright licensing and statutory duties (transferred from ESG). The establishment of this block ceases topslicing by establishing the funding of legitimate central functions on a specific formula basis. c. £3m

As presented in previous reports, each of these Blocks now has a National Funding Formula (NFF) basis, which includes transition and damping as the DSG system moves towards the fuller implementation of NFF. 2018/19 is the first year of implementation of the NFF distribution under damped arrangements.

Many aspects of the DSG for 2018/19 have already been confirmed and will now not change. However, there are still some critical elements that will be confirmed by Government later in December and some that will be confirmed during 2018/19, including Early Years Block funding and adjustments to the High Needs Block for imports and exports between authorities. A more detailed analysis of the 2018/19 DSG position as this is currently known / predicted will be provided for the Schools Forum on 10 January.

In the recommendations made for 2017/18, the Schools Forum established the principle of 'ring-fencing' of the Early Years Block, meaning that the spending pressures / funding adjustments relating to this block are contained within it i.e. if funding goes down, spending goes down. The Authority assumes that the Schools Forum, in its management of the DSG going forward, will wish to extend this principle across all 4 Blocks, certainly in 2018/19. As set out in Document IA, the Authority also assumes that block ring-fencing will be applied, informally, to the management of reserves / one off monies.

For reference, the Schools Block is formally ring-fenced in Regulations. From April 2018, authorities are permitted to transfer a maximum of 0.5% of the Schools Block to the High Needs Block, with the approval of the Schools Forum. Larger transfers must be approved by the Secretary of State. This means that 99.5% of Schools Block monies must be spent on Schools Block activities. The Regulations also require a pass through of 95% of the Early Years Block 3 & 4 year old funding to the funding rates for 3 & 4 year old providers. This has the effect of limiting the size of centrally managed budgets within the Early Years Block as well as restricting the value of the EYB that could be transferred to other blocks. There are no formal 'ring-fencing' restrictions set in the Regulations for the Central Schools Block or the High Needs Block.

Additional reports to this meeting provide more details of the management of spending within each of the blocks based the establishment of block ring-fencing. There are a set of decisions within each block that are required in order either to allocate headroom or to balance overspending. These decisions include the strategic use of DSG reserves.

Details of the Item for Consideration

Appendix 1 provides a high level position statement of the 2018/19 DSG based on current forecasts. As stated earlier in this report, there are a number of aspects of the DSG that are still to be confirmed. One of these is the cost of Schools Block formula funding using the October 2017 Census dataset. As such Members are asked to view this summary with caution.

Appendix 1 shows the position of the DSG by block:

- Before the Schools Forum makes a recommendation on the allocation of the headroom within the Schools Block. This is further discussed in Document IC. It is assumed simply that the Forum will make a series of recommendations that will fully spend the Schools Block on Schools Block activities. It is also assumed that adjustments will be made to ensure that this block does not over spend.
- Applying the principle of ring-fencing to the Early Years Block, including the proposal to allocate EYB reserve to protect 3 & 4 year old funding base rates in 2018/19 (therefore, balancing the overspending that this protection produces).
- Allocating the Central Schools Block, and the headroom within this block, as set out in Document IG, including transferring £0.48m of current High Needs Block spending activity into the Central Schools Block in 2018/19.
- Before identified 'mitigating activity' is included in the forecasted High Needs Block spending position. The Authority expects that the focus of the Forum's discussion will be on the High Needs Block. The forecast is shown in this way to highlight the budget risk within the High Needs Block. Please see below.

High Needs Block – 2018/19

Appendix 1 identifies a forecasted potential overspending of £2.13m in the High Needs Block in 2018/19. £0.512m of pressure is carried over from 2017/18 (Members will recall that within the option 4 solution for the DSG in 2017/18 was the use of £0.521m of DSG reserve). Within the £2.13m forecast it is assumed that:

- Additional places are delivered and funded as set out in Document IE and are 100% occupied. The total additional forecasted spend on places, compared against the planned 2017/18 budget, across all provisions and including the cost of EHCPs in mainstream schools and OLA placements, is £4.7m. £1.8m of this is the forecasted increase in the cost of EHCPs in mainstream primary and secondary schools and academies. The remaining £3m relates to additional places in high needs providers (175 18/19 academic year). The 2018/19 High Needs Block finances, on a full year equivalent basis, 313 of the additional 450 SEND and SEMH places the Authority has set out to create as discussed with the Forum.
- £0.48m of central activities that are currently funded by the High Needs Block but that can legitimately be funded from the Central Schools Block are transferred to the Central Schools Block, as set out in Document IG.
- That the cost of the Early Years Inclusion budget is transferred to the Early Years Block, reducing the High Needs Block's spending by £0.3m. This is more than counter balanced by additional spending on early years SEND provision within the High Needs Block (including an additional £0.6m spend on early years DSP places).
- The SEND review (of teaching support services) impacts on the High Needs Block from 1 September 2018 (part year impact). A further presentation on this will be made on 10 January.
- That the High Needs Block ceases to fund the double-funded Plus element for non-EHCP placements in the primary behaviour centres and Bradford Central PRU from 1 September 2018 (part year impact), reducing spending by c. £0.5m in 2018/19.
- That the values of Plus funding allocated by the Ranges Model are reduced by 1.5%, reducing spending by c. £0.3m in 2018/19.

It is then assumed:

- That the Schools Forum will not recommend a further contribution, by top-slice, from the Schools Block in 2018/19 to meet High Needs Block pressures. This is a clear steer that has come from previous discussion in the Forum as well as from feedback to our consultations. Members will be aware that decisions around the allocation of the High Needs Block, such as the removal of double funding of the non-EHCP placement Plus element in alternative provisions, place new spending pressure on primary and secondary delegated budgets and have the effect of transferring responsibility from the High Needs Block to the Schools Block.
- As an initial measure, that £0.512m of High Needs Block transition fund would continue to be allocated into the 2018/19 position, to reduce the forecasted over spending to £1.61m.

Forum Members will understand the fluid / volatile nature of High Needs Block expenditure and how estimated

Details of the Item for Consideration

spending can change during the year. In thinking about how to address a £1.61m over spending forecasted at this stage, Members should be aware of the following factors, which may / are likely to reduce this forecasted over spending:

- That the planned High Needs Block budget assumes that places will be 100% occupied. In reality, as occupancy fluctuates during the year, it is anticipated that the actual cost of the Plus element (top up element) will be reduced on the planned budget provision. It is difficult at this stage however, to quantify this and it is prudent to not assume that this reduction will be realised.
- That the planned High Needs Block budget includes unallocated provision of £0.75m for costs that may not be incurred where the Authority is able to take further action to avoid the growth of spending pressure within home tuition provision and placements in OLA and independent provisions.
- That the Authority is currently working with the SEMH review group, as well as the BACs, to redesign the secondary SEMH continuum of provision, incorporating both Bradford Central and Bradford District PRUs, with the stated outcome of ceasing the High Needs Block's funding of the Plus element for non-EHCP placements in District PRU from September 2018. The successful delivery of this will reduce High Needs Block spending by £0.6m in 2018/19 (a part year reduction).
- In addition, the Authority forecasts that a further £1.11m of High Needs Block transition fund will be available to support the 2018/19 budget in addition to the £0.521m already allocated.

Understanding the steer from the Schools Forum and schools, the Authority must look to balance pressures by delivering significant structural solutions within the High Needs Block, allied with the targeted use of the High Needs Block transition fund in the short term as well as using the Early Years Block and the Central Schools Block where the Regulations allow this. The sum of this activity, if successfully delivered, currently is anticipated to be sufficient to balance the High Needs Block in 2018/19 to the extent that the total cumulative budget position, including reserves, will not be in deficit at the end of 2018/19. However, there is significant risk within this forecast. It may also be the case that the majority of the High Needs Block's transition fund will need to be deployed in 2018/19 in order to achieve this. The position of the High Needs Block will be closely monitored and will need to be regularly considered by the Schools Forum during 2018/19. An end of year conversation may need to be had where the High Needs Block is in deficit.

High Needs Block – Trajectory from April 2019

The Authority's forecast, based on current information, indicates that 2018/19 is a bulge year in terms of cost pressure within the High Needs Block. This is because it is the only first year of NFF formula increase and the structural changes to spending being proposed and delivered by the Authority will only have part year affect.

The budget position for 2019/20, 2020/21 and 2021/22 is currently forecasted to significantly improve, to the extent that so long as planned structural change is delivered, alongside other already identified actions such as the re-designation of 2 PRUs to special schools, the High Needs Block will broadly balance as a stand alone budget. However, this trajectory is based on estimates of spending in volatile areas, including OLA placements and also makes big assumptions about the establishment of new free school provision. The budget trajectory modelling certainly confirms the necessity for the successful delivery of significant structural change in SEND and alternative provision as well as the success of the District's early help strategy. It also indicates the necessity for a continued control of the value of the 'top up' allocated by our High Needs Block ranges model.

The budget position after 2021/22 appears to be very challenging and it is at this point that we must see the release of the remaining £7.5m HNB funding that the NFF calculates that we should receive.

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 10 January 2018.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2018/19 Indicative DSG Summary

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