

## 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 2019/20.

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

These principles have not yet been considered specifically for 2019/20 but follow from principles established in the Forum's DSG previous decision making and that have been discussed recently in working groups.

### **Background / Context**

This report follows from Document JC (National Funding Formula).

These principles are considered prior to the finalisation of the Authority's formal proposals for formula funding arrangements for the 2019/20 financial year.

The Authority expects 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 will be considered by the Forum at its December meeting. The Schools Forum will be required to make its final recommendations on 2019/20 DSG and formula funding arrangements at its January 2019 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 and secondary schools and academies, for the criteria to be applied in the allocation of the Growth Fund and asks for feedback on the position of Schools Block de-delegated 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 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 shown in Document JC, the development 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 formula funding decisions for 2019/20. **The financial position of the High Needs Block however will dominate decisions about DSG Block management in 2019/20.**

**The purposes of this report are to set out the principles that are being developed for formula funding and DSG Block management for 2019/20, 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 2019/20

The principles on which we are developing proposals for 2019/20 were established in our response to the DfE's implementation of Early Years National Funding Formula reform at April 2017. The key guiding principle for 2019/20 is to guard 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 are developing our proposed approach for 2019/20 on the basis that:

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- We will continue the policy of ring-fencing of the Early Years Block. Within the Early Years Block however, we will be clearer about the split of funding between the 2 year old and the 3 and 4 year old entitlements. This specifically comes into play when looking at the financing of SEND Early Years Inclusion funding.
- We will continue our current termly headcount methodology (and 2nd headcount for the 2 year old offer). We do not currently plan to revisit the proposals that we made last year to move to a monthly counting methodology.
- We will continue our simplified processes for PVI providers, which include no longer publishing a 'hard copy' pre-calculated Confirmed Indicative Budget in March 2019. Instead, we will begin payments in April 2019 based on the latest confirmed position and we will enable providers to use a ready reckoner to estimate funding. The Authority will continue to develop the Bradford Provider Gateway and will continue to talk to PVI providers about how information submitted through the Gateway can feed into the payments system so that initial payments are made on the latest information.
- Our Early Years Single Funding Formula will continue to pass through to providers 100% of the DSG funding rate for the Early Years Pupil Premium (currently £0.53 per hour) and the Disability Access Fund (currently £615 per year).
- Settings will continue to be funded for the 2 year old entitlement on a single flat rate per hour with no additional supplements. In 2018/19 this rate was £5.20 and we expect this to be the rate funded in 2019/20. Where the decision is taken to continue 2 year old access to SEND Early Years Inclusion funding however, the value of the funding rate passed to settings for the 2 year old entitlement after 2019/20 will be reduced to cover the cost of the inclusion spending. For example, a budget of £100,000, on current numbers, would mean that the £5.20 per hour DSG funding rate in 2020/21 would be reduced by £0.06 to £5.14. To be clear, this reduction will not take place in 2019/20. However, where 2 year olds continue to access inclusion funds after 2019/20, the value of the single flat rate will be reduced to cover the cost.
- We have now established a 'universal base rate' for the 3 & 4 year old entitlement, as required by the DfE, with this overridden in 2019/20 for nursery schools via the allocation of the specific MNS factor. This means that that the total funding rates for each nursery school (both base and deprivation rates) will continue to be retained at their 2016/17 values. We will also continue the nursery school lump sum sustainability supplement, using the current methodology, continuing to bring in the 30 hours extended entitlement into the calculation. On current information, awaiting further announcement from the DfE, 2019/20 is the final year of this MNS protection.
- 2019/20 is the third and final year in the strategy we set out in autumn 2016 for the protection of 3&4 year old base rates for PVI providers and nursery classes. We propose to complete this strategy. Meaning:
  - We will allocate one off reserve monies brought forward within the Early Years Block to uplift the universal base rate for 3 & 4 year olds in 2019/20 to £4.11 per hour. £4.11 is the value in 2019/20 we set out in our autumn 2016 consultation. This will be the base rate for the 3 & 4 year old entitlement allocated for all PVI providers as well as all nursery classes in primary schools and academies.
  - We will continue our current deprivation supplement within the 3&4 year old EYSFF in 2019/20, calculated at 9.5% of EYSFF spending (excluding one off monies). Deprivation rates will reduce slightly in 2019/20 on a general basis because the overall EYSFF funding envelope is reducing due to the impact of national reform (the DSG funded Early Years Block rate is reduced from £4.59 to £4.57).
  - We will not introduce any further supplements into the 3 & 4 year old EYSFF in 2019/20.
- Regarding SEND Inclusion:
  - SEND Early Years Inclusion monies will continue to be 100% funded from within the Early Years Block. A budget of £800,000 has been held in 2018/19. We will consult in more detail with the Schools Forum on the value of budget required for 2019/20.
  - We are seeking to implement for (or during) 2019/20 a more holistic SEND inclusion fund approach for 2, 3&4 year olds, which will apply to all providers.
  - We are seeking to pilot the proposed new holistic model for schools and classes during the autumn 2018 and spring 2019 terms (and possibly summer 2019) and, subject to the outcomes of this consultation, bring PVI providers, schools and classes together under the new model from either April 2019 or September 2019. We will continue to operate the existing 'EYIP' inclusion model for PVI providers until the new model is introduced. Any allocations that have been agreed under the current model that extend beyond the introduction of the new model would be funded until these expire.

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- We will have more detailed conversations with the Schools Forum, and the Early Years Working Group, leading up to final decisions to be taken in January 2019, about the Early Years Block increasing its contribution to the cost of support for high needs early years aged children. These conversations focus on the extent to which the costs of centrally managed SEND support services for early years aged children, currently funded by the High Needs Block, are charged to the Early Years Block going forward. Local authorities are required to 'pass through' to providers at least 95% of the 3&4 year old Early Years Block funding. Allowing for the impact of one off monies, our pass through rate in 2017/18 was 99%. Benchmarking based on 2017/18 indicates that the national average pass through rate was 96% and the average of our statistical neighbours was 97%. We know that other local authorities charge their Early Years Blocks for the cost of SEND support services for early years aged children. The outcomes of these conversations will not affect the proposals for the values of provider funding rates in 2019/20. The outcomes however, may / are likely to / will directly affect how our EYSFF develops after 2019/20.
- There is significant further discussion required, and development work to take place, on how our EYSFF, and the values of funding rates, adjust and develop from April 2020. Discussion on this will be set out in the consultation document. There are a number of factors that will influence how our EYSFF develops.

### High Needs Block - the Place Plus System

The financial position of the High Needs Block will dominate decisions about DSG Block management in 2019/20 and this will filter into decisions about levels of spending / formula funding especially within the Schools and Central Schools Services Blocks.

As set out above, the Local Authority is minded to propose that the Early Years Block contributes to managing High Needs Block financial pressures by enabling the transfer of High Needs Block spending to this Block. But, this is only 1 of 4 cross-Block actions that are to be proposed.

In terms of our 'Place-Plus' mechanism for the calculation of delegated funding allocations supporting high needs pupils in mainstream and specialist settings in 2019/20:

- The DfE has still to announce the details of possible directed changes in certain aspects of high needs funding, including education in hospital / medical home tuition funding and Post 16. We await the ESFA's High Needs Block operational guidance and some consultation, which will enable us to finalise our proposals. However, the DfE has announced that the national High Needs system in 2019/20, with the exception of these targeted changes, will continue from what is already established. This includes the retention of the £10,000 definition / threshold; this has not been uplifted for inflation.
- The Authority continues to hold the view that, given the extent of discussion that is taking place about the District's SEND model, and the changes that may come from these discussions, continuity generally in the funding model in 2019/20, especially for mainstream settings, will be welcomed. Any change in the funding model should be managed incrementally.
- The Authority is currently working with the District Achievement Partnership (DAP) on a review of the funding of special schools, which incorporates a review of our 7 Ranges Model, and which is anticipated will be introduced in pilot for special schools for 2019/20. The concerns raised by the DAP have previously been reported to the Schools Forum. One of the key aims of the review is to better align the EHCP 'funding result' to the needs of the pupil. This review may mean that we take a different approach to the funding of special schools in 2019/20, which may include applying an adjusted Ranges Model (a model that has more steps and different funding values). If a new model is agreed, and is successful in its pilot period, the Authority would naturally look to implement the revised approach incrementally from April 2020 across all mainstream and specialist settings, including Further Education Colleges, in order to maintain the continuum of funding. This may mean, for example, that there are a greater number of funding steps, at different values, for mainstream pupils assessed at Range 4. However, we would continue to apply the existing Ranges Model in 2019/20.
- We must be clear about the financial implications of any Ranges Model change. Any proposed change that would uplift the rate of funding per capita must be assessed against the priority to ensure sufficient quantity of provision i.e. there is a balance to achieve between the value of funding per pupil and the number of pupils that can be afforded within a limited High Needs Block budget.
- The Authority expects to consolidate the changes already established in 2018/19 in the funding of alternative provision (the cessation of the funding from the High Needs Block of the top-up element for Block of the top-up element for non-EHCP placements) in the context of the development and Block of the top-up element for non-EHCP placements) in the context of the development and refinement.

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- Following analysis / benchmarking work, the Authority is minded to propose that we continue to use our existing methodology in the definition of notional SEND funds within the Schools Block funding formulae. The Authority is also minded to continue to protect SEND Floor allocations for maintained primary and secondary schools at 2017/18 levels, subject to the conclusion of the discussions that are to take place on the transfer of Schools Block monies to the High Needs Block in 2019/20.

#### Central Schools Services Block

Following the strategy employed this year, the Authority is minded to propose to the Schools Forum that the headroom that is forecasted to be present within the Central School Services Block, as a result of the gain from National Funding Formula, continues to be prioritised in 2019/20 to support the financial position of the High Needs Block. We would retain existing allocations at cash flat levels in order to maximise the amount of headroom available, with the exception of the cost of copyright licences, which would be charged at the actual cost set by the DfE.

#### Schools Block - Primary and Secondary Formula Funding

We set out in our autumn 2017 consultation the changes we proposed to make to Bradford's mainstream primary and secondary funding formula in 2018/19 in preparation for the establishment of the 'hard' NFF. These changes built on those we made in 2017/18, which were influenced by our analysis of the proposals the DfE set out in its December 2016 consultation. It is helpful to summarise briefly what we did for the current 2018/19 financial year:

1. We replaced our local formula with the DfE's NFF, using this as closely as the Regulations and affordability allowed to calculate individual formula allocations for both primary and secondary phases. We were one of 41 authorities nationally that did this. Within this, we adopted a principle for the clearer 'earmarking' of primary-phase and secondary-phase funding within the Schools Block i.e. we sought to spend primary Schools Block resource on the primary phase and secondary on the secondary phase.
2. We retained unchanged our existing local approaches in areas of formula funding that NFF does not yet cover. These are:
  - a. Pupil Mobility.
  - b. Business rates (actual cost).
  - c. Split sites.
  - d. PFI (Building Schools for the Future).
  - e. Growth Funding.
  - f. The definition of Notional SEND.
  - g. The SEND Funding Floor (where we protected each school's 2018/19 allocation at 2017/18 cash levels, funded by the High Needs Block).
3. We did not transfer any monies from the Schools Block to the High Needs Block.
4. We set a Minimum Funding Guarantee (protecting losses for individual schools) at positive 0.4% per pupil. This meant that all schools, regardless of NFF impact, received a minimum 0.4% per pupil formula funding increase.
5. We set a Ceiling (capping gains for individual schools) at positive 3.0% per pupil.
6. We established the DfE's new optional minimum levels of per pupil funding at their full values of £3,500 (primary) and £4,800 (secondary). We matched fairly closely the NFF methodology for the calculation of this funding, so far as the Regulations permitted, but we did not exclude split sites or pupil mobility funding from the calculation of the minimum levels.

The combination of our transfer of £5.7m from the Schools Block to the High Needs Block in 2017/18 and our implementation of the DfE's NFF to calculate individual school budget shares in 2018/19 has created the following formula funding landscape in Bradford:

- Primary phase: in 2018/19, 128 out of 156 schools (82%), including academies, were funded on the 0.4% Minimum Funding Guarantee, at a total value of £7.11m. 4 schools were capped by the 3% ceiling, by a reduction in total of £0.03m. 15 schools were funded at the £3,500 minimum level, receiving £0.80m in total via this factor. All other schools were funded above £3,500 per pupil.

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- Secondary phase: in 2018/19, 13 out of 29 schools (45%), including academies, were funded on the 0.4% Minimum Funding Guarantee, at a total value of £1.48m. 3 schools were capped by the 3% ceiling, by a reduction in total of £0.25m. 2 schools were funded at the £4,800 minimum level, receiving £0.52m in total via this factor. All other schools were funded above £4,800 per pupil.
- All through schools: in 2018/19, 3 out of the 4 academies (75%) were funded on the 0.4% Minimum Funding Guarantee, at a total value of £0.28m. None of these academies were capped by the 3% ceiling. All of these academies were funded above the £4,042 minimum level.

There are 7 key decisions we need to take on Bradford's 2019/20 mainstream primary and secondary funding formula arrangements. These are very similar to the decisions that were needed for 2018/19. The proposals against most of these are probably quite simple and non-contentious. Decision 2 is the most significant and knocks onto directly decision 3. From the summary statistics given above, it is quite easy to see how important decisions regarding the Minimum Funding Guarantee will be to the values of budget shares received by our schools and academies in 2019/20.

The 7 key decisions are:

1. Whether we continue to closely mirror NFF by adopting 'directed' change in a) the prior attainment primary variable adjustment and b) the MFL factor to exclude split sites and mobility. *Proposed response – Yes we should adopt these changes so that we continue to mirror NFF as closely as possible.*
2. Whether we transfer funds from Schools Block to the High Needs Block. *Proposed response – Please see below.*
3. Directly influenced by decision 2: *Proposed response – Please see below:*
  - a. The value of Minimum Funding Guarantee we provide. The Government permits this to be set between positive 0.5% and minus 1.5%. 0% would mean, for example, that a school that is funded on the MFG and has the same pupil numbers recorded in October 2018 as in October 2017 would receive the same core formula funding in 2019/20 as they received in 2018/19.
  - b. The value of any uplift to formula variables under NFF.
  - c. Whether we use the new optional factor, which would provide a minimum of a 1% increase on published 17/18 NFF per pupil baselines for each school.
4. The value of the ceiling we adopt, if we adopt one, which will cap increases for schools and academies that may be gaining from the 2019/20 formula funding approach and / or NFF. *Proposed response – As we have suggested previously, we should now remove the ceiling to allow the full NFF to work through.*
5. Whether we are still happy to continue with our local approaches to the factors not yet covered by the NFF. *Proposed response – Yes we should continue to use our existing local approaches unchanged. Pupil mobility is expected to be brought into NFF in 2020/21. There isn't a timescale yet published for the movement to a NFF for PFI / BSF.*
6. Whether we retain our Growth Fund methodology and criteria. *Proposed response – Yes we should continue to use our existing methodology and criteria.*
7. Whether we take any specific funding action in relation to the issue of 'under-subscription'. *Proposed response – this is considered in a separate report to this meeting. The Local Authority asks the Forum for a steer on this issue.*

The financial position of the High Needs Block (the forecasted growth in costs of meeting pupil-led needs) is such that the Authority is strongly minded to propose to the Schools Forum, and to schools, that a transfer is enacted from the Schools Block to the High Needs Block in 2019/20. A detailed report has been written, which sets out the context, the case and the impact. This will shortly be shared with the High Needs Block Steering Group as well as with Forum members that attend one of the scheduled FFWG sessions. The proposal would then be set out in full for the Schools Forum in October and for schools to consider within the Schools Block consultation document.

The Authority's proposal for 2019/20 is likely to be to transfer up to, but not exceeding, 0.5% of the Schools Block. This is c. £2.0m in cash terms. The Authority must have the Schools Forum's approval, following consultation with schools, but, as this transfer would not exceed 0.5%, does not require the approval of the Secretary of State. However, should the Schools Forum not approve the Authority's proposal, the Authority would then need to go to the Secretary of State.

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

A transfer from the Schools Block should be viewed as a mechanism, which, alongside activities to increase value for money and available funding by restructuring provisions and services, helps to compensate for the lack of release of the damping that is the prominent feature of the High Needs Block national funding formula across 2019-22. A transfer is one of 4 cross-DSG block actions, which are proposed over the period 2019-22 to help address the forecasted High Needs Block financial position.

The rationale for this transfer, if accepted, can be applied to argue for a budget transfer from the Schools Block to the High Needs Block recurrently after 2019/20 until the damping is released from the High Needs Block national funding formula. It may be necessary to consider a transfer of greater than 0.5% after 2019/20.

One of the reasons for growth in cost is the year on year increasing number of pupils in mainstream settings with EHCPs. As such, a large proportion of the 0.5% monies transferred to the High Needs Block at DSG level (c. £1.3m in 2019/20) will effectively be transferred back to primary and secondary schools at individual school level in the form of additional delegated funding for children with EHCPs. This 'direct benefit' of a transfer can also be said of the SEN Funding Floor (£0.48m).

A transfer of 0.5% would mean that the budget available to spend on Schools Block activity, mostly primary and secondary school and academy formula funding allocations, would be reduced by £2m.

The cost difference between a model, which provides for a 0.5% Minimum Funding Guarantee (MFG) with an uplift of 0.5% for all NFF variables, compared with a model which provides for a 0% MFG with no uplifts on NFF variables, is estimated to be £1.87m, based on October 2017 census pupil numbers and data. Therefore, in simple terms, referring to decision 3, the impact of a 0.5% transfer in 2019/20 would be that the MFG would be set at 0% rather than 0.5% and the NFF variables would be retained at 2018/19 values rather than being uplifted by 0.5%. In this context, we would not introduce the DfE's optional 1% 17/18 NFF baseline floor in 2019/20. We have 'in principle' argument for why we would not adopt this. But in any case, we would not have the Schools Block monies to implement it.

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

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

### **Recommendations**

- (1) The Schools Forum is asked to consider the working principles and proposals.**
- (2) Members are invited to attend a 'Formula Funding Working Group' session, on Monday 1 October (8am) or Tuesday 2 October (8am) or Thursday 4 October (8am). These sessions will enable Forum Members to consider in more detail the impact of formula funding decisions and to explore and guide the proposals for 2019/20 that will be set out for consultation in October**
- (3) Members asked to discuss how best to communicate as early as possible this term with schools and other providers, and collect feedback, about arrangements for 2019/20 (in advance of more formal consultation beginning in October).**

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

None

### **Contact Officer (name, telephone number and email address)**

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