

Report of the Director of Children's Services to the meeting of the Children's Services Overview & Scrutiny Committee to be held on 26 September 2018.

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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 2018. The Schools Forum has met three times since, most recently on 19 September 2018.
- 1.3 The Schools Forum has two further meetings scheduled for the autumn term, on 17 October and 5 December. The key meeting at which the Schools Forum will make final recommendations on the allocation of the 2019/20 Dedicated Schools Grant (DSG) will take place on 9 January 2019.
- 1.4 The principal items that were considered by the Schools Forum on 19 September and those that will feature prominently in forthcoming meetings are:
 - Primary and Secondary National Funding Formula (NFF) continued implementation and impact.
 - Early Years National Funding Formula continued implementation and impact.
 - Local formula funding arrangements for Bradford for the 2019/20 financial year.
 - Funding for SEND, sufficiency of high needs places and Dedicated Schools Grant High Needs Block financial pressures.

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 academies. 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 At August 2018 we have 189 mainstream primary and secondary maintained schools and academies of which 95 are maintained primary schools, 61 are academy primaries, 7 are maintained secondary schools, 22 are academy secondaries and 4 are all through academies. The composition of the Schools Forum has been previously 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

On 24 July 2018 the DfE published further information about 2019/20 DSG arrangements and on the direction of travel towards National Funding Formula. The headlines are:

We are one of 41 local authorities that decided locally to replicate the National Funding Formula (NFF) for the calculation of primary and secondary school budget shares in 2018/19.

The move to a Schools Block 'hard' NFF (central government not local authorities calculating primary and secondary school budget shares) will not take place in April 2020 as previously expected and there is still no confirmation about after April 2021.

There continues to be uncertainty about the speed of progress to the NFF 'end product'. The DfE has stated that policy direction and NFF values cannot be set out until after the autumn 2019 spending review and that NFF will be influenced directly by the amount of money available going forward. In particular we are unclear about:

- When / whether the increase in the Authority's High Needs Block will be fully realised.
- What the value of minimum funding guarantee (MFG) protection for primary and secondary schools will continue to be. Clarity on MFG protection is important for Bradford especially as the majority of our schools and academies are currently funded on the MFG (144 out of 189 (76%) schools and academies in 2018/19; total allocation of £8.87m).
- The future policy direction of early years funding, including whether nursery schools will continue to be protected after 2019/20.

As previously set out by the DfE, NFF has now replaced previous methodologies for the allocation of DSG to local authorities across all 4 Blocks. The key terms of this allocation in 2019/20 are relatively unchanged from previous announcements:

- The Schools Block has been calculated to allocate the equivalent of a minimum 1% per pupil increase on 2017/18 levels. The new minimum levels of funding (£3,500 primary; £4,800 secondary) are now funded at DSG level. We have effectively received in 2019/20 the full NFF result for all primary and secondary schools. The NFF variables remain unchanged other than for a small reduction to the value of the primary phase low prior attainment variable (reduced to £1,022 from £1,050). The NFF essentially retains the same profile, including its focus on Additional Educational Needs, low prior attainment within AEN, and the reduction in the value of the lump sum, which is the most significant factor in terms of impact on the primary phase formula.

- As in 2018/19, local authorities in 2019/20 have flexibility to set the Schools Block Minimum Funding Guarantee for primary and secondary schools at between minus 1.5% and positive 0.5% and to set their own ceilings to cap gains. Not previously announced, in 2019/20 authorities are permitted to use a new optional factor, which will allocate a 1% per pupil increase on 2017/18 NFF baselines to primary and secondary schools. The relative merit of such a factor, and whether we propose to adopt this, will be further considered with the Schools Forum in early autumn prior to consultation with schools.
- The increase in the High Needs Block allocation is capped, as expected, at 6.09% on 2017/18 baselines. There have been some updates to the HNB allocation e.g. for population growth. However, we are funded on this 6.09% cap. In addition, the HNB 'damped' NFF formula continues to allocate 50% of the national pot on historic spend, rather than the new needs-led formula. We estimate therefore, that £12.4m in total is 'owed' to us based on the latest 2019/20 High Needs Block calculations. Unless this funding is released, because the data that is updated annually evidences increasing need, the gap between the value of HNB funding we should receive under the final NFF 'end product' and what we actually receive will continue to increase and place our High Needs Block under greater financial pressure. The DfE however, has stated that the position of the 50% historic protection element of the High Needs Block will not be reviewed for another 3 financial years.
- The Central Schools Block allocation has moved to an amount per pupil formula and we continue to gain from this due to low previous spending albeit our gain is damped. The DfE will continue to fully fund all historic commitments in 2019/20 (we will receive £0.44m). We had expected, based on previous DfE announcements, that historic commitments funding would cease after 2018/19. The DfE now indicates that historic commitments funding will begin to reduce in 2020/21.
- The reduction in our 3 and 4 year old funding within the Early Years Block as a result of national reform will be complete in April 2019. Our DSG funding rate has reduced to £4.57 per hour from £5.19 at April 2016. Maintained nursery school funding continues to be specifically protected but 2019/20 is the final year of this protection under the current policy. Restrictions remain in place for 3 and 4 year old funding on the use of supplementary factors (no more than 10% of budget) and on spending on centrally managed activities (no more than 5%).

The DSG settlement for 2019/20, as previously forecasted, will not fully compensate DSG funded provisions for the growth in costs (especially salary costs) and therefore, there will be further erosion in the value of formula funding in real terms. For clarity, this is not a technical formula issue. It is an issue that is arising as a result of education funding falling behind as costs (of salaries and services) increase. The DfE has announced a new separate non-DSG additional Teacher's Pay Grant, to be allocated in 2018/19 and 2019/20, to support the September 2018 pay award. This is expected to fund costs of the award above 1%. Further details of this Grant are to be announced. The longevity of this grant is unclear.

Tellingly, the DfE's guidance includes the statement, "an increasing number of local authorities are now incurring a deficit in their overall DSG account, largely because of overspends on the high needs block." The DfE states that it intends to require a

report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019 (1% for us is £5.3m).

As in 2018/19, the Schools Block in 2019/20 is ring-fenced but there is flexibility to transfer monies to the High Needs Block; up to 0.5% (which is c. £2.1m for Bradford) subject to the School Forum's approval after consultation with all schools, without the need for Secretary of State approval (transfers greater than 0.5% require Secretary of State approval). We did not enact a transfer in 2018/19.

We understand that there is no intention to change current Schools Block de-delegation arrangements in the medium term. There had been a suggestion that de-delegation as a way of financing certain services for maintained schools e.g. trades unions facilities time would not be permitted after 2019/20.

The DfE's work to better 'describe' SEND needs, responsibilities and costs, replacing the concept of a 'notional SEND budget', is continuing and this work will influence future policy on high needs funding. There is no timescale currently for the release of further information about policy development in this area. There is no response to this work within the 2019/20 arrangements. However, there may be some changes in 2019/20 to the way place-element funding can be managed for post 16 provisions, to provide greater flexibility. These changes will be announced in September.

3.2 2019/20 Formula Funding Arrangements in Bradford

The Authority is currently drafting proposals for the 2019/20 formula funding arrangements, working with the Schools Forum and its subgroups. These proposals will be set out in 3 consultation documents, which are intended to be published following the Schools Forum meeting on 17 October. These proposals can be discussed with the Committee in the next update.

The consultations will focus on the key 'formula funding' decisions that need to be taken for 2019/20, which include:

- Schools Block: the value of the Minimum Funding Guarantee for primary and secondary schools and whether we enact a transfer from the Schools Block to support the High Needs Block in 2019/20.
- High Needs Block: the extent to which we revise our Ranges Model for the funding of the 'top up' element (element 3) to high needs providers in 2019/20. Work on revision is currently active.
- Early Years Block: how we continue to support settings to deliver the 3 and 4 year old entitlement as NFF reduces our Early Years Block funding and the establishment of a holistic approach to the funding of inclusion across all early years settings.

3.3 Academy Conversions – Balances

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.

There have been 54 academy conversions in total since September 2015. The number of conversions in 2017/18 (6) was substantially lower than the number that took place in the previous year. There have been 5 conversions so far in 2018/19 (up to 1 August 2018).

The Local Authority has completed the financial close of the 6 maintained schools that converted to academy status between April 2017 and March 2018. One of these closed with a small deficit balance. This is a converter academy. The Authority has processed this with the ESFA and the value of this deficit has been repaid.

The Local Authority is now processing the financial closures of five conversions that have taken place since 1 April 2018. Four of these schools are expected to close with surplus balances and one school may close with a deficit balance. However, the value of the deficit will be repaid by the EFSA to the Authority.

We have 120 maintained schools at 1 August 2018. We have immediate sight of around 20 schools that are planning conversion / may convert / are likely to convert over the next 12 months, including five that may convert on 1 September 2018 - the position changes regularly. We would expect 6 of the 20 to be regarded as sponsored academies, where any deficit would be retained by the Local Authority. Two of these schools held revenue deficit balances at 31 March 2018 and there is risk that these deficits will be present on conversion. Committee members are reminded that a de-delegated fund has been established to be available to cover the values of deficits in the primary phase.

3.4 Maintained Schools – Financial Positions (Balances held at 31 March 2018)

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 2017/18 financial year and gives a comparison against the absolute positions at the end of 2016/17.

	March 2018	March 2017	£ Difference
Nursery	£853,790	£658,544	+ £195,246
Primary	£6,693,814	£8,579,706	- £1,885,892
Secondary	- £1,537,811	- £634,646	- £903,165
Special	£654,155	£354,372	+ £299,783
PRUs	£457,141	£666,466	- £209,325
Total	£7,121,089	£9,624,441	- £2,503,352

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 2018, 7 fewer schools were maintained by the Local Authority than at 31 March 2017 (6 conversions and the amalgamation of 2 maintained schools at September 2017).

The 6 schools that have converted to academy status during 2017/18 held revenue balances in total of £0.518m at 31 March 2017.

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 2018	March 2017	Difference
Nursery	£853,790	£658,544	+ £195,246
Primary	£6,693,814	£8,128,811	- £1,434,996
Secondary	- £1,537,811	- £634,646	- £903,165
Special	£654,155	£287,686	+ £366,469
PRUs	£457,141	£666,466	- £209,325
Total	£7,121,089	£9,106,861	- £1,985,772

The gross value of total surpluses held at 31 March 2018 is £10.441m (vs. £11.467m at March 2017). The gross value of deficits is £3.320m (9 schools) (vs. £2.360m and 8 schools at March 2017).

The tables above show a mixed picture:

- The gross value of surplus balances at March 2018 held by the secondary sector is roughly the same as held at March 2017. However, this sector is in deficit overall, due to the position of one school. Two further maintained secondary schools hold deficit balances. £0.6m of the total gross surplus for this sector is held in IUB Schemes in support of contractual costs settlement (BSF).
- A reduction in the total value of balances held by primary schools, is a mixed picture, with 60 schools reducing and 40 schools increasing their balances. 6 schools hold a revenue deficit (compared with 4 schools at March 2017).
- A reduction overall in the value of balances held by the PRUs, mostly explained by the reduction in the balance at one PRU with the progression of building works (and the related revenue contribution to capital).
- An increase overall in the total value of balances held by special schools, largely the result of the decision to support the deficit position of one school from the DSG.
- An increase overall in the total value of balances held by nursery schools, with 5 schools increasing and 2 schools decreasing their balances.

The financial landscape for all schools and academies remains challenging and we expect the values of carry forward balances to continue to reduce during 2018/19. The Authority continues to regularly monitor this position and to work actively with schools that are at risk of deficit.

3.5 Consultation on the Scheme for Financing Schools

The Authority is currently consulting with maintained schools and the Schools Forum on proposals to [revise and re-issue the Authority's Financing Regulations for Maintained Schools \(FRfMS\) and Schools Contract Standing Orders \(SCSOs\)](#). As a number of the matters set out in the FRfMS and SCSOs come under the Authority's Scheme for Financing Schools (the 'Scheme'), the Authority is also required to consult with maintained schools on subsequent necessary amendments to the Scheme.

This consultation closes on 12 October. The FRfMS and SCSOs will then be presented to the Authority's Governance and Audit Committee for final decision / approval. The Authority intends to implement agreed amendments as soon as possible following the completion of the consultation and decision making processes.

One of the 'headline' amendments proposed to the Schools Contract Standing Orders is to increase the threshold above which 4 written quotations are required to be sought; from £4,000 to £10,000. This is proposed with specific reference to feedback from Internal Audit around enforcement and compliance, recognising that the current £4,000 threshold has not been uplifted for some time. Under the proposals, schools would be required to seek 4 written quotations where goods and services have a value between £10,000 and £75,000. Schools must still be able to demonstrate best value for money on purchases below £10,000 and this may include still seeking written quotations.

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 Committee Members are asked to consider and to note the information provided in this update.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

None