

**Decision 1 – Whether we continue to closely mirror NFF and adopt ‘directed’ change**

1.1 The table below shows the variable values of the DfE’s NFF applied to Bradford in 2019/20 (so including Area Cost Adjustment). These are the same as applied in 2018/19, with the exception of the value of the primary phase low prior attainment variable, which is highlighted, which the DfE has reduced from £1,055 to £1,022. The DfE has done this to retain the total proportion of spend nationally on low prior attainment in the primary phase as the changes made to the Early Years Foundation Stage Profile in 2013 now fully work through.

Factor	NFF £ 2019/20
Primary – Base £APP	£2,747.44
Secondary – Key Stage 3 Base £APP	£3,863.62
Secondary – Key Stage 4 Base £APP	£4,386.70
Lump Sum – Primary & Secondary	£110,017
Primary - Deprivation – FSM Ever 6	£540.09
Primary - Deprivation – Flat FSM	£440.07
Secondary - Deprivation – FSM Ever 6	£785.13
Secondary - Deprivation – Flat FSM	£440.07
Primary - Deprivation – IDACI F	£200.03
Primary - Deprivation – IDACI E	£240.04
Primary - Deprivation – IDACI D	£360.06
Primary - Deprivation – IDACI C	£390.06
Primary - Deprivation – IDACI B	£420.07
Primary - Deprivation – IDACI A	£575.09
Secondary - Deprivation – IDACI F	£290.05
Secondary - Deprivation – IDACI E	£390.06
Secondary - Deprivation – IDACI D	£515.08
Secondary - Deprivation – IDACI C	£560.09
Secondary - Deprivation – IDACI B	£600.10
Secondary - Deprivation – IDACI A	£810.13
Primary - English as an Additional Language (3)	£515.08
Secondary - English as an Additional Language (3)	£1,385.22
Primary – Low Prior Attainment	£1,022.16
Secondary – Low Prior Attainment	£1,550.25
Primary – Minimum £APP	£3,500
Secondary – Minimum £APP	£4,800

1.2 So the NFF in 2019/20 retains the same dynamic, including its focus on Additional Educational Needs (AEN), 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.

1.3 The Authority’s case for moving in 2018/19 to fully replicate the DfE’s NFF in our calculation of individual primary and secondary formula allocations was strongly supported. As such, we believe that schools will continue to support the principle that, in this period prior to the establishment of the ‘hard’ NFF, our local formula funding arrangements should move in line with the DfE’s NFF as this incrementally may develop.

1.4 We propose therefore, that **we amend our local formula to adopt the lower prior attainment variable value in the primary phase**. Materially, the impact of this reduction on individual primary allocations is negated in the vast majority of cases by either the Minimum Funding Guarantee or the £3,500 Minimum Level of Funding.

1.5 We also propose that **we amend our calculation of the £3,500 (primary) and £4,800 (secondary) minimum per pupil funding** to come more closely in line with the DfE's NFF calculation, which excludes the additional funding that schools may receive via split sites and pupil mobility factors.

1.6 We do not propose to alter our primary and secondary funding formula in 2019/20 other than for these two amendments.

## **Decision 2 - Whether we transfer budget from Schools Block to the High Needs Block**

**2.1 The Local Authority proposes that the sum of £2.0m of budget (which is slightly under 0.5% of the Schools Block) is transferred from the Schools Block to the High Needs Block in 2019/20.** This is rooted in the current position in Bradford where the need for spending on provision for high needs children and young people is growing at a faster rate than our High Needs Block NFF allocation.

2.2 Essentially, a transfer of £2.0m means that the 2019/20 funding formula, including the Minimum Funding Guarantee, will be set at cash flat (0%) on 2018/19 rather than being set at positive 0.5%. As such, this transfer does not represent an 'active cut' to primary and secondary school budgets. It represents using the small amount of growth in the 2019/20 Schools Block DSG settlement to support high needs provision system pressure.

2.3 The Authority's proposal is one of four cross-block budget movements that seek to manage the pressure within an inter-related high needs funding system. All the positive growth across the DSG in 2019/20 is being allocated to support high needs spending. The relatively recent separation of the DSG into blocks (Schools Block, High Needs Block, Central Services Block, Early Years Block) is not helpful in this regard as it leads to the view that the blocks operate in isolation, where monies transferred between them are lost to originating block, when in fact spending is inter-connected. There are five very visible connections (dependencies) that exist between the Schools Block and the High Needs Block (HNB):

- Where the HNB does not provide for a sufficient number of specialist places for high needs children and young people the knock on consequences of this are felt across the system, including in mainstream primary and secondary schools. The HNB is reliant on schools delivering effective universal and alternative provision to support pupils with lower level higher incidence and emerging SEND. There then needs to be sufficient HNB funded provision to enable pupils with higher levels of SEND to receive support appropriate to their levels of need. 95% of the HNB (95% of £68m) is spent on delegated / places provision. The HNB for the 2019/20 academic year is forecasted to fund 686 more specialist places in Bradford-located settings than were initially planned to be funded in 2016/17 (2,634 in total, excluding out of authority and independent placements). A breakdown of the places funded by the HNB can be viewed within the High Needs Funding consultation. However, our demographic and needs-led data clearly evidences the need to continue to develop more places, incurring substantial additional cost to the HNB.
- The HNB funds the top up (element 3) for children and young people with EHCPs educated in mainstream primary and secondary schools and academies. The Schools Block funds elements 1 and 2 (in the national system these total £10,000) for pupils both with and without EHCPs. The SEND resources that are allocated within mainstream school budgets are shown for reference in Appendix 2. Where the numbers of pupils in mainstream settings with SEND increases this creates a financial pressure on both the Schools Block and the HNB, where the Schools Block must fund a greater number of element 2s and the HNB must fund a greater number of top ups. The number of children with EHCPs in mainstream schools in Bradford has increased substantially year on year, resulting in an annual growth in spending pressure in this element of the HNB of between 20%-22%; £1.1m - £1.3m in cash terms. This is additional spending from the High Needs Block for pupils that are educated in mainstream schools.
- The HNB, through the existing SEND Funding Floor mechanism, provides £0.48m of additional support to ensure that mainstream schools and academies have a minimum value of element 2 funding to support pupils without EHCPs.

- The HNB funds the place-element for 309 alternative provision placements across PRUs, the primary behaviour centres, alternative providers and education in hospital settings. These places are accessed by pupils without EHCPs that are on the rolls of mainstream primary and secondary schools and academies. This HNB spend continues then to support mainstream schools in managing the costs of alternative provision.
- The HNB continues to fund SEND teaching support services that work directly with mainstream schools and academies.

2.4 Our medium term financial modelling very clearly evidences that our HNB allocation from the DfE, on its own, is not sufficient to meet demand. As a result, there is both a high risk of deficit within our HNB and a risk around the creation of specialist places. Whilst the Authority continues to develop our strategy for the creation of more specialist places, and how we can balance our HNB, contributions are required across the DSG, including from the Schools Block. It is likely that a contribution will continue to be required in future years unless there is a significant change in the way the DfE transitions to NFF.

2.5 The NFF outcome for our High Needs Block 2019-2022 is significantly damped and is therefore, wholly inadequate. Bradford's 2019/20 allocation, calculated on needs-led data, should be c. £16.9m higher than our 2017/18 baseline. This increase however, is substantially reduced due to damping. An estimated £12.4m of the £16.9m growth we should receive now under the NFF 'end product' is missing. We expect only £4.2m of this £12.4m to be allocated to us over 2020-22; approximately an additional £2m a year. The impact of this transition is actually the root cause of our HNB financial problem. As an illustration, £1.3m of this £2m income growth in 2019/20 is immediately needed to meet the forecasted rising cost of EHCPs in mainstream settings before we begin to look at how we can finance more specialist places and meet other system pressures.

### **Decision 3a – The value of Minimum Funding Guarantee we provide**

3.1 Following from the proposal for the transfer of £2.0m of budget from the Schools Block to the High Needs Block, **the Authority proposes to set the Minimum Funding Guarantee (MFG) in 2019/20 at 0%**. 0% means that a school or academy that is funded on the MFG and has the same pupil numbers recorded in October 2018 as in October 2017 will receive the same core formula funding in 2019/20 as they received in 2018/19.

3.2 0% is proposed in sight of the following:

- This is the level of MFG we recommended in February 2018 that schools use in their budget planning going forward and we set up the Authority's budgeting software on this basis.
- Whilst the value of the overall school funding settlement continues to be eroded in real terms, due to the growth in salaries cost, there is new additional grant funding to be allocated – the Teachers' Pay Grant (limiting the cost of the September 2018 award on school budgets to 1%) and an expected additional grant to offset the increase in the employer's contribution to teacher pensions - which will in 2019/20 reduce the scale of this erosion and will improve the budget forecasts of schools. It is acknowledged that the position of these grants after 2019/20 is not clear nor is whether a further grant would accompany a pay award for teachers higher than 1% at September 2019. However assuming that this is the case, we estimate broadly that the overall average expenditure increase for primary and secondary schools in 2019/20 will be between 2.3% and 2.8%. The two key drivers of this increase are the pay award for NJC scale associate staff (which is not supported by additional grant monies) and inflation on prices. This average expenditure increase is estimated to be lower than that to be met by special schools (3.3%) and nursery schools (3.5%) in 2019/20. Nursery schools will also be funded on a cash-flat (0%) basis in 2019/20. The position of the funding of special schools is still being reviewed, but the place-element, which allocates more than 50% of funding, is retained cash flat at £10,000 in 2019/20.

- The Authority expects to use a proportion of the projected under-spending within de-delegated funds in 2019/20 to reduce the cost to maintained primary schools of the maternity & paternity insurance scheme. Whilst this will only benefit maintained primary schools, the impact on these schools will be significant. We currently estimate that the cost per pupil will reduce in 2019/20 only from £43.28 to £19.11.
- The Authority proposes, with our consultation on the Early Years Single Funding Formula, to implement a new holistic Early Years SEND Inclusion Fund, which will allocate additional funding to low level emerging SEND in early years, funded from the Early Years Block. This will allocate new funding into primary schools and academies with nursery provision in 2019/20.
- The adoption of NFF has increased the funding in real terms of a number of secondary schools and academies. Without the application of a ceiling in 2019/20 (see decision 4), the NFF end product for 'winners' is now fully allocated. Even following a cash flat (0%) settlement, the total / average funding per pupil allocated to the secondary phase in 2019/20, indicatively, has increased by 1.6% compared with 2017/18.
- The £3,500 (primary) and £4,800 (secondary) minimum per pupil funding levels have been adopted in full. These are unaffected by a transfer from the Schools Block. A number of lowest funded schools and academies (15 primaries; 2 secondaries) have received significant funding growth as a result, which is consolidated in 2019/20.

#### Decision 3b – The value of uplift to formula variables under NFF

3.3 Following from the proposals a) to transfer £2.0m of budget from the Schools Block to the High Needs Block and b) to set the Minimum Funding Guarantee (MFG) in 2019/20 at 0%, **the Authority proposes to retain the formula variables cash flat (also at 0%) on 2018/19**. Therefore, primary and secondary formula funding allocations would be calculated using the variable values shown on page 1 without further uplift.

#### Decision 3c – Whether we use the new optional factor, which would provide a minimum of a 1% increase on published 2017/18 NFF per pupil baselines for each school

3.4 The proposal to transfer £2.0m of budget from the Schools Block to the High Needs Block allocates the growth within the 2019/20 Schools Block settlement. As a result of this, **it would not be possible to adopt the DfE's optional 1% factor**. However, in reviewing what this factor does, we have concluded that we would not wish to propose to adopt this in any case.

3.5 The 1% factor does not affect the schools and academies that are funded on the MFLs (£3,500 and £4,800) but are not on the MFG. A large number of secondary schools and academies are already in receipt of growth exceeding 1% per pupil so this factor would not add value here. For most remaining primary and secondary schools and academies, the difference the 1% factor makes is small; the difference between a 0.4% settlement in 2018/19 + a 0.5% settlement in 2019/20 = 0.9% vs. 1% on 2017/18; a difference of 0.1%. To adopt 1% now, we would effectively override the decision we took in 2018/19, for affordability reasons, to set the MFG at 0.4% not 0.5%. For a small number of primary schools and academies the difference is more sizable. This is because these schools are in receipt of pupil mobility funding and, whereas, pupil mobility funding is included in the calculation of the MFG, under the 1% option it is excluded and then added after a 1% increase has been allocated. The 1% factor then treats pupil mobility as an 'add on', because it is not included in the NFF yet, whereas we have always treated this as a factor that is part and parcel of a school's formula allocation as are the other additional educational needs factors. As such, we do not think it would be correct for us now to separate off pupil mobility funding in this way, especially as it is to be brought into NFF at April 2020.

#### Decision 4 – The value of the ceiling we adopt, if we adopt one

4.1 **The Local Authority proposes not to apply a ceiling in 2019/20, subject to final affordability.** A +3.0% per pupil ceiling was in place in 2018/19 in recognition that the increases that NFF allocates to a small number of our schools and academies were capped at 3% by the DfE within our Schools Block DSG settlement i.e. we had not been given the money by DfE to fund increases in per pupil funding above 3%. However, the full values of NFF increases are now allocated to our Schools Block in 2019/20. As such, it feels fair to fully pass these increases out to schools and academies through our funding formula.

4.2 Our modelling indicates that only a very small number of schools would be capped by a ceiling if there was one of e.g. 3% in 2019/20. Our modelling also indicates that the value of the reduction in funding for these schools would be substantial as a proportion of the school's allocation. Our modelling is currently based on October 2017 Census data and the position of schools on a ceiling may change when October 2018 Census data is used. Hence why we place a 'subject to final affordability' caveat here. However, we feel that it is now reasonable to permit the NFF to work un-capped as the two reasons for increases in per pupil funding from this point are a) NFF increase and b) October 2018 Census data evidencing a greater level of pupil-led need in the school.

#### Decision 5 – Whether we continue our existing local approaches to the factors not yet covered by the NFF

5.1 **The Local Authority proposes to continue our current 2018/19 formulae for the allocation of both split sites and pupil mobility.** These factors will be updated for October 2018 Census data. The values of the formula factors will be cash flat (0%) on 2018/19. As the NFF is likely to contain a factor for pupil mobility from April 2020, we feel it makes sense to retain our current formula in 2019/20 and to review whether we adopt the NFF approach in 2020/21 once the details of this are known.

5.2 Business rates will continue to be funded at actual cost.

5.3 **We propose to continue to pass through the specific BSF DSG affordability gap values using our current method,** continuing the adjustment to ensure that the amounts passed on to academies by the ESFA on an academic year basis are equivalent to the amounts that the Authority requires academies to pay back on a financial year basis. The DfE is currently looking how PFI funding can be brought into the NFF but there is no timescale for this yet.

5.4 Following further analysis and benchmarking work, **we propose to continue to use our existing methodology for the definition of notional SEND budgets for mainstream primary and secondary schools and academies within the Schools Block funding formulae.** 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.

5.5 Also following further analysis, **the Local Authority proposes to continue to protect SEND Floor allocations for primary and secondary schools and academies at 2017/18 levels, subject to the conclusion of the discussions that are to take place with the Schools Forum on the transfer of Schools Block monies to the High Needs Block in 2019/20** (decision 2). We have identified that we need to find a better way of calculating additional mainstream SEND funding support now that we have moved to National Funding Formula. So review is planned by April 2020 and this will be discussed with the Schools Forum. This review most likely may not result in a change in the total value of support overall that will continue to be funded, but may result in this support being more concentrated. However, we wish to ensure continuity in 2019/20.

#### Decision 6 – Whether we retain our existing Growth Fund methodology and criteria.

6.1 The DfE's National Funding Formula does not yet include a methodology, which prescribes how Growth Funding should be allocated at individual school or academy level. Local authorities in 2019/20 therefore,

retain the responsibility for determining arrangements locally, albeit within tight Regulations. Local authority compliance with these Regulations is checked annually by the ESFA.

**6.2 Our proposed Growth Fund arrangements and criteria are unchanged from current arrangements with the exception of some clarification on the timing of the confirmation of allocations to secondary schools and academies that have already begun expansion before 2019/20.**

**Decision 7 – Whether we take any specific action in relation to the issue of falling rolls and ‘under-subscription’.**

6.3 The Authority has set out a proposal, in principle, **for the establishment of new Falling Rolls Fund within the Schools Block and also asks for feedback regarding the use of de-delegated funding in support of maintained schools only that are affected by falling rolls and / or under-subscription that would not be eligible for funding from a Falling Rolls Fund because of their latest Ofsted judgement.**

6.4 This is a matter still under consideration with the Schools Forum and, as such, feedback from schools and academies is important at this stage in helping to further shape proposals, especially on the scope of, and eligibility triggers for, financial support.

6.5 This has so far been presented to the Authority as a primary-phase issue. The proposal therefore, focuses on the primary phase. Secondary-phase colleagues will wish to consider how this matter affects them. However, the Authority is currently minded to suggest that Falling Rolls mechanism, if approved, is not extended to the secondary phase in 2019/20.

6.6 To give schools an idea about possible costs of a Fund, the median average value of funds held by other local authorities nationally is £200,000 and we would envisage holding a fund of a similar value. There are currently in the region of 24 primary schools and academies that have lower than 90% occupancy. However, a number of these would not be eligible for falling rolls funding.