

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 2020/21.

Date (s) of any Previous Discussion at the Forum

These principles have not yet been considered specifically for 2020/21 but follow from principles established in the Forum's DSG previous decision making.

Background / Context

This report follows from Document KV (National Funding Formula). These principles are considered prior to the finalisation of the Authority's formal proposals for formula funding arrangements for 2020/21.

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 2020/21 DSG and formula funding arrangements at its January 2020 meeting.

As we set out in July, we expect that our recent decisions and actions will influence / inform how we will respond to announcements concerning 2020/21 DSG and formula funding arrangements and changes. Locally we have already recently:

- Moved to mirror the DfE's NFF for primary and secondary mainstream formula funding. We expect to continue to do so in the run up to the 'hard' NFF.
- Identified how significant decisions about the Minimum Funding Guarantee will be going forward for the formula allocations received by individual mainstream schools and academies, especially in the primary phase. This is likely to be a key recommendation for the Forum for 2020/21.
- Identified issues related to falling rolls and under-subscription. The Schools Forum has a sub-group to discuss these issues and has established a primary-phase Falling Rolls Fund in the Schools Block. First allocations from the Falling Rolls Fund are scheduled to be presented to the Forum in spring 2020.
- Identified the funding of PFI (BSF) as an area to watch in the development of the Schools Block NFF. The Forum has received a report on the affordability of PFI at school level.
- In 2019/20, enacted a transfer of £2m (0.48%) from the Schools Block to the High Needs Block. We would expect to repeat this transfer in 2020/21 where there is no significant release of the damping within the High Needs Block and no significant uplift in high needs funding. The Authority has previously presented how the 5 year forecast for the High Needs Block shows a sharpening deficit where funding is not substantially increased.
- Begun to review and re-shape responsibilities between the High Needs Block and schools in respect of the funding of alternative provision. We expect to continue and complete this work.
- In 2018/19 and 2019/20, used scope within the Central Schools Services Block and the Early Years Block to support high needs provision costs and release some of the pressure on the High Needs Block.
- Identified the need, and made a commitment, to review our high needs funding model to ensure that this 'enables' the re-structure of SEND provision and alternative provision and works to support the continuum of provision.
- Identified the significance going forward of approaches that will ensure the correct minimum level of SEND / AEN funding in schools. This is a key part of the DfE's 'call for evidence' and this will be crucial in our development of our 'SEND Funding Floor' arrangements, which we have previously indicated we will review.
- Completed our 3 year strategy for the funding of early years provision, which we developed in response to the DfE's early years NFF reform in 2016. This strategy has included the use of one off monies to protect the value of the 3&4 year old universal base rate in 2018/19 and 2019/20. It has also included the adoption of a new holistic SEND Inclusion model. We have identified that we now need to holistically review our rates of funding and, in this specifically, the relationship between universal base rate and deprivation funding for 3&4 year olds.
- Identified the significance of pending DfE decisions concerning the continuation or cessation of the Maintained Nursery Supplement.

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 KV, 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 2020/21.

The purposes of this report are to set out the principles that are being developed for formula funding and DSG Block management for 2020/21, 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.

Forum Members are invited to attend a ‘Formula Funding Working Group’ session, on Tuesday 1 October (8am) or Wednesday 2 October (8am) or Tuesday 8 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 2020/21 that will be set out for consultation in October.

Early Years Block & the Early Years Single Funding Formula 2020/21

For important reference, we explained within our consultation published for 2019/20 arrangements that:

- 2019/20 is the final year of our three year strategy, which we initially set out in autumn 2016. Our strategy has included the allocation of reserves brought forward within the Early Years Block to soften the reduction in the 3 & 4 year old Universal Base Rate that has come from the national reform. Our strategy has also included an initial reduction in the proportion of the 3 & 4 year old EYSFF that is allocated via our Deprivation and SEND supplement.
- The Authority’s review of the options for our EYSFF from April 2020 will need to take account of the following as these become clearer:
 - Further directed changes from the DfE on the operation of the EYSFF.
 - The specific outcomes of the DfE’s consultation on the funding of nursery schools.
 - The position of the High Needs Block and the relative responsibilities (between the High Needs Block and the Early Years Block) for the funding of centrally managed support services for high needs children in early years settings.
 - The impact of our new holistic Early Years SEND Inclusion Fund (EYIF) and the role this has in supporting providers and children with additional needs. The positive impact that access by 2 year olds to this Inclusion Fund has, or would be lost if access was removed, recognising that access by 2 year olds to EYIF is non-statutory.
 - At the point we have ‘exhausted’ Early Years Block reserves, where we continue to spend 9.5% of our EYSFF for 3 & 4 year olds on the Deprivation & SEND supplement, our 3 & 4 year old Universal Base Rate could be lower than £4.00 per hour. This could be uplifted by reducing the proportion of the EYSFF spent on the Deprivation & SEND supplement. Benchmarking indicates that the national average spending on supplements in 2018/19 was 4.4%, and the average of our statistical neighbours was 5.7%, compared against our current 9.5%.

We indicated this time last year that it was likely, if the maximisation of the Universal Base Rate is viewed to be the main priority for our EYSFF going forward, that our Deprivation and SEND supplement rates would need to reduce to these averages in order to protect our Universal Base Rate at least at the current £4.11.

Details of the Item for Consideration

We are developing our proposed approach for 2020/21 on the basis that:

- We are exploring the introduction of a new single Bradford Provider Gateway for all providers to use to submit all their entitlement delivery information to the Authority.
- We will continue our current termly headcount methodology (and 2nd headcount for the 2 year old offer). Although we do not propose to revisit for 2020/21 the option suggested previously to move to a monthly counting arrangement (a 'starters and leavers' approach), the possible / planned introduction of a single Gateway for the collection of delivery information, will provide further opportunities for us to explore with providers the pros and cons of moving at a point in the future to a counting arrangement that is more sensitive to the movement of children and fluctuations in numbers during the year.
- In response to provider feedback, we will make a small adjustment to the payment profile for PVI providers for the spring term 2021.
- We aim to go ahead with the planned increase in the contribution from the Early Years Block to early years high needs activities. We transferred £0.3m of cost from the High Needs Block to the Early Years Block in 2019/20. We plan to transfer £0.6m in 2020/21.
- Regarding the Early Years SEND Inclusion Fund (EYIF):
 - EYIF will continue to be fully funded from the Early Years Block.
 - We will continue to apply to all providers the Inclusion Fund approach we established in 2019/20, which will be further informed by the pilot and by feedback from providers that have been a part of this.
 - 2 year olds will continue to be eligible for EYIF. We indicated in last year's consultation our intention that, where EYIF continues to be extended to eligible 2 year olds going forward, we could top-slice the 2 year old flat rate of funding of £5.20 per hour to provide for this. We do not propose however, to enact a top-slice in 2020/21; the cost of 2 year old access to EYIF will continue to be met from the 3&4 year old Early Years Block budget supported by one off monies.
- Regarding the 2 year old entitlement, providers in 2020/21 will continue to be funded on a single flat rate per hour with no additional supplements. This rate was £5.20 in 2019/20, which meant that 100% of the rate of funding the Authority receives from the DfE for the 2 year old entitlement is passed on to providers. The DfE has not yet confirmed Bradford's rate of funding for 2 year olds in 2020/21. We might expect however, following the Chancellor's announcement, that this will be increased in line with inflation and we would anticipate passing this uplift onto providers if this is the case.
- Regarding funding the 3 & 4 year old entitlement, whilst recognising that reserves / one off monies are still currently available and will be deployed in 2020/21, we are currently considering the proposal to take incremental action, which is aimed at both reducing the reliance on one off monies and maximising the value of our Universal Base Rate over the medium term. To this end, we are currently considering a reduction of the proportion of our 3 & 4 year old EYSFF that is allocated via the Deprivation & SEND supplement, with the intention to reduce this down to the average of our statistical neighbours over time. In this:
 - We would continue to employ one off monies to help maximise the 3 & 4 Year Old Universal Base Rate (UBR). Our UBR in 2019/20 was £4.11. The DfE has not yet confirmed Bradford's overall rate of funding for 3 & 4 year olds in 2020/21. We might expect however, following the Chancellor's announcement, that this will be increased in line with inflation and we would anticipate passing this uplift onto providers if this is the case.
 - We would not to introduce any more supplements (in addition to deprivation) into our 3 & 4 year old EYSFF. These supplements would dilute further both the Universal Base Rate and the Deprivation & SEND rates at a time when we see our priority to be to maximise the value of the UBR for all providers.
- We are currently still waiting for information on the position of the funding of maintained nursery schools, which is needed in order for us to consider and to develop a full formula funding response for the 2020/21 financial year. To date the DfE has announced the continuation of protection until the end of the 2019/20 academic year. We anticipate being in a position to present a fuller picture for 2020/21, and a work-through of options and proposals, to the Forum in October.

Details of the Item for Consideration

High Needs Block - the Place Plus System

The financial position of the High Needs Block, and financing high needs provision, is likely again to dominate decisions about DSG Block management (the transfer of budget and costs between blocks) in 2020/21.

It is also the case that our funding model may be required to respond to changes in the national methodology that is set by the DfE. For example, if the value of place funding changes from £10,000 or the value of the threshold is changed from £6,000.

At this stage, in terms of our high needs funding model in 2020/21 - our 'Place-Plus' mechanism for the calculation of delegated allocations supporting high needs pupils in mainstream and specialist settings:

- The Authority has committed to a full review of our model (known as the 'Ranges Model') for funding EHCPs in both mainstream and specialist provisions. This review is currently taking place and the new model it produces is anticipated will be in place for April 2020. This being said, the timescale for the further development of, and consultation on, this model is likely to extend beyond the autumn term. How top-up funding for individual pupils currently with EHCPs is protected will also need close attention. The new EHCP funding model will replace the current Ranges Model for all specialist SEND settings (special schools, DSPs, ARCs, EY Enhanced Provisions) as well as for pupils within EHCPs in mainstream primary and secondary schools. It will also change the basis of the funding of students with EHCPs in the post 16 further education sector. It is anticipated that a fuller update on the progress of this review will be presented to the next Forum meeting.
- The Authority has also committed to the review of the top-up funding arrangements for the PRUs, aligning with the clarification of the PRU offer (for pupils that have been permanently excluded) and the transition from current arrangements. The Authority has developed a fairly simple 'day-rate' mechanism for Primary PRU and Bradford Central Alternative Provision Academy, which is being piloted from this September. There is still a need during 2019/20 to provide for stability as change progresses and for protections to remain in place. Separate discussions are taking place with respect of the funding of District PRU and the Primary Behaviour Centres. As recorded in Forum minutes – the Authority has set out that the High Needs Block will cease its funding of District PRU and the Primary Behaviour Centres at August 2019. Forum Members have asked for a working group to be established to explore alternative options (including alternative non-High needs Block based collaborative financing options).
- The DfE's Call for Evidence on the financial arrangements for SEND and alternative provision, conducted in summer 2019, and the DfE's announcement at the beginning of September of a larger SEND system review, are now important factors in our consideration of our notional SEND and SEND Funding Floor arrangements going forward. For example, the DfE's Call for Evidence asked specific questions about whether the Regulations should be more prescriptive about how local authorities define notional SEND budgets and provide minimum levels of SEND funding in mainstream schools. Generally, at this stage, the Authority is possibly minded not to propose any local amendments to our existing notional SEND and SEND Floor arrangements in 2020/21 and until the outcomes of the DfE's reviews are known. We do not feel that it is productive to potentially implement new arrangements in these two important areas for these to be immediately overridden by new Finance Regulations. Also, as we expect our high needs funding consultation to set out proposals for changes to the banding model used for funding EHCPs, which will have knock on implications for the SEND Floor in particular, we also feel that it may be more beneficial to have a new model agreed and in place before seeking then to develop and adopt any new Floor mechanism.

Central Schools Services Block

Our strategy in the Central Schools Services Block (CSSB) in both 2018/19 and 2019/20 has been to use the headroom available within this Block, present as a result of National Funding Formula gain, to support the financial position of the High Needs Block. We have retained existing CSSB allocations cash flat in order to maximise this headroom.

As CSSB budgets have not increased for inflation and pay award for 2 years and, given that there now expected to be an inflationary increase in the overall DSG settlement in 2020/21, the Authority is minded to propose, subject to the confirmation of affordability, that the main budgets in the CSSB increase in line with the settlement inflation measure (which is 1.8%). The Authority would also wish to propose that the statutory duties element of the CSSB budget increases by £15,000, on top of inflation, to provide for a budget SACRE activities. Forum Members should note that increase in cost to the CSSB relating to copyright licences will be set by the DfE and is expected to be confirmed in December.

Details of the Item for Consideration

Schools Block - Primary and Secondary Formula Funding

It is helpful to summarise briefly the key Schools Block decisions we have taken recently. In 2018/19:

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:
 - Pupil Mobility.
 - Business rates (actual cost).
 - Split sites.
 - PFI (Building Schools for the Future).
 - Growth Funding.
 - The definition of Notional SEND.
 - 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 set a Minimum Funding Guarantee (protecting 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 increase.
4. We set a Ceiling (capping gains for individual schools) at positive 3.0% per pupil.
5. We established the DfE's new optional minimum levels of per pupil funding (MFL) 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.
6. We did not transfer any monies from the Schools Block to the High Needs Block.

In 2019/20:

1. We continued to closely mirror NFF and adopted the 'directed' changes in the prior attainment primary variable adjustment and in the MFL factor.
2. We retained unchanged our existing local approaches in areas of formula funding that NFF does not yet cover (please see the list above).
3. We transferred budget of £2m (0.48%) from Schools Block to the High Needs Block.
4. As a result of this transfer, we set a Minimum Funding Guarantee at 0% per pupil, meaning that a school funded on the MFG with the same pupil numbers recorded in October 2018 as in October 2017 has received the same core formula funding in 2019/20 as they received in 2018/19.
5. In line with this cash flat MFG, all formula funding variables (except for the prior attainment primary phase variable that was adjusted by the DfE) were kept at 2018/19 values.
6. We did not implement the optional factor, which would have provided for a minimum of a 1% increase on published 2017/18 NFF per pupil baselines for each school.
7. We fully removed the Ceiling, removing any capping of year on year gains for individual schools.
8. We established a new Falling Rolls Fund for our primary phase.

The combination of our transfers from the Schools Block to the High Needs Block, and our implementation of the DfE's NFF to calculate individual school budget shares, has created the following formula funding landscape in Bradford in 2019/20:

- Primary phase: 144 out of 156 schools (92%), including academies, were funded on the Minimum Funding Guarantee (at 0%) at a total value of £7.47m. 16 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.

Details of the Item for Consideration

- Secondary phase: 17 out of 31 schools (55%), including academies, were funded on the Minimum Funding Guarantee (at 0%) at a total value of £1.99m. 3 schools were funded at the £4,800 minimum level, receiving £0.67m in total via this factor. All other schools were funded above £4,800 per pupil.
- All through schools: 3 out of the 4 academies (75%) were funded on the Minimum Funding Guarantee (at 0%) at a total value of £0.37m. All of these academies were funded above the £4,042 minimum level.

From these summary statistics, 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 2020/21.

There were a couple of issues that were created by our movement to NFF that we identified need closer attention. These were:

- The knock on implications for our Notional SEND calculation, where our movement to NFF, because of the increased weighting this gives low prior attainment, has meant that the values of notional SEND budget for all schools substantially increased in 2018/19. Following further analysis and benchmarking work, we agreed to continue to use our existing methodology for the definition of notional SEND in 2019/20.
- The knock on implications for our SEND Funding Floor, where our movement to NFF, because of the increased weighting this gives Additional Educational Needs (AEN), has meant that most schools would not receive SEND Floor funding. We agreed to protect allocations in 2018/19, by guaranteeing that all schools would receive at least the same cash allocation as they did in 2017/18. We agreed to continue this arrangement in 2019/20, whilst identifying that we need to find a better way of calculating additional mainstream SEND funding support now that we have moved to National Funding Formula.

In advance of the detail from DfE, there feel to be 6 key decisions we need to take on Bradford's 2020/21 mainstream primary and secondary funding formula arrangements. These are:

1. Whether we continue to closely mirror the DfE's NFF and adopt 'directed' change.
2. Whether we uplift our minimum levels of funding per pupil, from £3,500 to £3,750 (primary) and from £4,800 to £5,000 (secondary), to pass through to schools and academies the uplift funded by the DfE. In addition, whether we commit now (or signal our intention) to further uplift our minimum level of funding per pupil for primary schools and academies to £4,000 in 2021/22.
3. Whether we continue our existing local approaches to the factors not yet covered by the NFF.
4. Whether we continue to transfer budget from Schools Block to the High Needs Block in support of high needs sufficiency delivery and, if we do, the value of this transfer.
5. Directly influenced by decision 4:
 - a. The value of Minimum Funding Guarantee we provide.
 - b. The value of uplift to formula variables under NFF.
 - c. The value of uplift to non-NFF formula variables.
 - d. Whether we adopt any new or amended floor mechanisms permitted by the DfE
6. Whether we retain, with their existing criteria and methodologies, the funds currently managed centrally within the Schools Block:
 - a. Growth Fund.
 - b. Falling Rolls Fund (primary phase).
 - c. Funds de-delegated from maintained primary and secondary schools.

It is not really possible to fully explore our responses to these matters until the DfE announces the full detail of the 2020/21 DSG settlement, National Funding Formula, and operational guidance. This is expected in early October and we anticipate presenting proposals to the Schools Forum on 16 October.

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.
- (2) Members are invited to attend a 'Formula Funding Working Group' session.
- (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 2020/21 (in advance of more formal consultation beginning in October).

List of Supporting Appendices / Papers (where applicable)

None

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