

Report of the Director of Finance to the meeting of the Executive to be held on 23 February 2016 and Council to be held on 25 February 2016.

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Subject:

Allocation of the Schools Budget 2016/17 Financial Year

Summary statement:

The report seeks Executive approval of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2016/17 and subsequent recommendation to Full Council.

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**Portfolio: Leader of Council and Strategic
Regeneration**

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Overview & Scrutiny Area: Corporate



1. SUMMARY

- 1.1 This report informs the Executive of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for the 2016/17 financial year.
- 1.2 The Schools Budget is part of the overall budget proposal for the Council, which includes:
- the recommended Capital Investment Plan (Document BB)
 - the Revenue Estimates (Document BA)
- 1.3 This report is submitted to enable the Executive to make recommendations to Council on the setting of the budget and the Council Tax for 2016/17, as required by Article 4 of the Council's Constitution.

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 (DSG)), is managed. The Forum also has some specific technical decision making powers.
- 2.2 Central Government is to consult imminently on a new DSG national funding formula, which is expected to be implemented from April 2017. The key changes already implemented in preparation for a national formula are listed in the bullet points below. A national funding formula may substantially change how the Schools Budget is calculated and allocated from 1 April 2017 and may also substantially affect the level of DSG funding allocated into the District and to individual schools, academies and other settings. It is likely to change decision making at a local Council and Schools Forum level and it also may require a review of service delivery in the areas where the Schools Budget currently contributes to the Council's budget and capacity. A significant increase in the number of maintained schools converting to academy status during 2016 may also necessitate a review of the delivery of functions that are currently funded through de-delegation from maintained schools.
- The DSG is calculated in three notional blocks: the Schools Block, based on October 2015 pupil census data; the Early Years Block, based on January 2016 and 2017 censuses; and the High Needs Block, which is based on 2012/13 spending level with some uplift for demographic growth.
 - The number of Schools Block formulae factors has been reduced.
 - Budgets for High Needs providers must be calculated using the national 'Place-Plus' methodology.
 - A greater proportion on the DSG must be delegated to school budgets.
 - The minimum funding guarantee (MFG) continues in 2016-17 at minus 1.5%.

2.3 The total estimated amount of DSG available for distribution in 2016/17 is £510.349m, which includes a forecasted value of under spend within the DSG up to 31 March 2016 of £9.637m. The final 2016/17 DSG allocations and one off DSG carry forward will be confirmed by June 2016. The distribution of the estimated DSG is summarised in the table below:-

Description	Early Years £m	Schools £m	High Needs £m	One Off £m	Total £m
Estimated DSG available 2016/17	41.085	413.436	46.191	-	500.712
Estimated DSG B'fwd from 2015/16	-	-	-	9.637	9.637
Total DSG Funding 2016/17	41.085	413.436	46.191	9.637	510.349
Delegated to Schools / Providers	40.528	401.870	36.203	-	478.601
Non-Delegated Items	0.164	6.385	15.562	-	22.111
Allocation of One Off	-	-	-	5.114	5.114
Total Funding Allocated	40.692	408.255	51.765	5.114	505.826
Difference (reserve)	0.393	5.181	- 5.574	4.523	4.523

2.4 Members are asked to consider and approve the recommendations of the Schools Forum. Should Members wish to propose amendments then representation must be made back to the Schools Forum. In the event that agreement cannot be reached then the Council must refer the matter to the Department for Education (DfE).

3. SCHOOLS FORUM RECOMMENDATIONS ON THE ALLOCATION OF THE SCHOOLS BUDGET IN 2016/17

SCHOOLS BUDGET AVAILABLE IN 2016/17 (€000)

3.1 The Schools Block £413,436

This Block funds delegated budgets, support services and contingencies held centrally, for Primary and Secondary schools and academies (including free schools). The total is calculated on the number of pupils recorded in Primary & Secondary schools and academies in the October 2015 Census x £4,869 per pupil (this figure is set by the Education Funding Agency (the EFA)). There is no increase for inflationary cost pressures in the 2016/17 DSG settlement. The Schools Block however, includes £3.2m of growth for the additional 656 pupils recorded in schools and academies in the October 2015 Census.

3.2 The High Needs Block £46,191

This Block funds resources for pupils in mainstream schools with Special Educational Needs (SEN) Statements (and Education Health and Care Plans), delegated budgets for Special Schools, Pupil Referral Units and resourced units. These budgets are calculated under the new national 'Place-Plus' framework. All other DSG provision relating to high needs pupils, which is either delegated or centrally managed, is funded from this Block. This includes behaviour support, the Behaviour and Attendance Collaboratives (BACs), Early Years SEN support, Education in Hospital provision and the placement of Bradford children in out of

authority and non-maintained provisions. The value of funding in 2016/17 is based on our actual spending on high needs provision back in 2012/13 with some uplift for demographic growth. The funding for high needs places in Bradford-located academies and Post 16 settings is 'top sliced' from this Block so that these settings can be funded directly by the EFA.

3.3 The Early Years Block £41,085

This funds delegated budgets, support services and contingency funds held centrally, relating to the provision of the free entitlement to nursery education for 2, 3 and 4 year olds in Nursery schools, Primary schools with nursery classes and private, voluntary and independent settings. The total value of this Block will be calculated on the number of children recorded in the January 2016 and January 2017 Censuses x £4,928 per FTE pupil aged 3 / 4 and £4,608 per FTE pupil aged 2 (these figures are set by the EFA and are the same as in 2015/16). In addition, an estimated figure of £0.757m is included in this Block for the Early Years Pupil Premium.

3.4 DSG Carry Forward from Previous Years £9,637

Final DSG allocations are not confirmed by the DfE until later in the financial year and the Forum's recommendations are based on estimates of expenditure. These estimates are reconciled at the end of each year and differences are added to the DSG headroom for the Schools Forum to allocate on a one off basis.

Total Schools Budget Available in 2016/17 £510,349

4. ALLOCATION TO SCHOOL DELEGATED BUDGETS (£000)

Total Allocated to School / Provider Delegated Budgets £478,601

Broken down as follows:

4.1 Early Years Providers via Single Funding Formula £40,528

This is funding delegated to maintained Nursery Schools, nursery classes in primary provisions and Private, Voluntary and Independent (PVI) providers, to support the delivery of the free entitlement to nursery education:

- Nursery Schools 3 / 4 year old entitlement £2.939m
- Nursery Classes in Primary Provisions 3 / 4 year old entitlement £15.635m
- PVI Providers 3 / 4 year old entitlement £11.245m
- The free entitlement for the 40% most deprived 2 year olds £9.952m
- Early Years Pupil Premium £0.757m

The Forum has agreed to continue to use the existing approved Early Years Single Funding Formula to calculate budget shares for settings delivering provision for 2 and 3 / 4 year olds in 2016/17. Setting Base and Deprivation Funding rates are reduced by 0.42% from those in 2015/16 from the application of the cross-Block rates reduction, which is recommended to be used to remove the overall DSG funding gap (to balance the Schools Budget).

4.2 Primary and Secondary Schools and Academies

£401,870

Primary £229.348m
Secondary £172.522m

The Forum has agreed to:

- Use the formulae outlined in Appendix 1 to calculate budget shares. The formulae have been agreed, following consultation with schools. The EFA approved an initial version of this pro-forma in October 2015. We submitted the final version as required by 21 January and this is subject to final validation by the EFA.
- Set formulae funding rates at 2015/16 values minus 0.42%, to remove the overall DSG funding gap.
- Continue a transfer from the Schools Block to the High Needs Block, to support on-going cost pressures, which increases from £3.627m to £5.181m in 2016/17. This transfer represents a contribution of £60.97 per pupil from Primary & Secondary schools and academies.
- Continue the value of the DSG contribution to the Building Schools for the Future affordability gap, at £6.384m in 2016/17.
- Meet the cost of expanding places in primary and secondary schools and academies through the DSG Growth Fund (a total planned budget of £1.731m).
- Delegate the sums released from changes to the DSG's Matched Contribution to School Improvement and Early Childhood Services to individual school budgets in support of the sector-led delivery model. These changes are further detailed in paragraph 5.1.
- Retain the overall level of formula funding spending per pupil on the Free School Meals (FSM), English and an Additional Language (EAL) and Income Deprivation Affecting Children Index (IDACI) factors that allocate budget to schools in support of additional educational needs.

4.3 Special Schools and Special Academies

£19,067

The national definition of a "High Needs" pupil is one whose education, incorporating all additional support, costs more than £10,000 per annum. The Government has introduced a national framework of "Place Plus" to allocate funding to schools and other settings. The "Place" element has been set nationally at £10,000 for both SEN and Alternative Provision settings. The "Plus" element is the top up funding above the "Place" funding and is based on an assessment of the additional need of an individual pupil. Local authorities are permitted to establish bands or ranges for this element of funding. The allocation of the High Needs Block for 2016/17 is recommended on the basis on Bradford's existing Place-Plus model. This uniform banding model, and the values of 'Plus' funding attached to each range, are outlined in Appendix 2. The funding values are reduced by 0.42% on those in 2015/16 (DSG funding gap reduction). The planned budget includes provision for an increased number of funded places, needed to meet demand resulting from demographic growth. The removal of the Bradford-specific Minimum Funding Guarantee is also built into this budget cost. Please note that funding for places in special academies is top sliced from the DSG so that direct payments can be made by the EFA to these settings.

4.4 Pupil Referral Units (PRUs) £5,984

The PRUs are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2.

4.5 Behaviour Centres (Primary) £1,072

The Primary Behaviour Centres are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. This planned budget is ring-fenced so that this sum is available in the re-development of primary-aged behaviour support strategies.

4.6 Resourced Provisions £2,870

All Resourced Provisions attached to mainstream schools and academies; Designated Specialist Provisions (DSPs) and Additional Resourced Centres (ARCs), in 2016/17 are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. Please note that funding for places in resourced provisions in academies is top sliced from the DSG so that direct payments can be made by the EFA to these settings.

4.7 SEN Statements in Mainstream Schools and Academies £3,634

The funding is delegated to mainstream schools and academies for pupils with Statements of Special Educational Needs. This cost incorporates the SEN Funding Floor (the factor that ensures a minimum level of funding for SEND provision in schools and academies) and also funding allocated by the Early Years Inclusion Panel for children with SEND in early years settings.

4.8 Post 16 Further Education Providers £2,500

The cost of Post 16 High Needs provision was transferred into the DSG at August 2013. Please note that the place-element funding is top sliced from the DSG so that direct payments can be made by the EFA to these settings. For the 'Plus' element, Further Education providers are funded for the vast majority of students at 60% of the Ranges Model value (shown in Appendix 2) for the primary need of the student. The exceptions are students with the primary need of sensory impairment (Hearing / Visual), where funding is calculated on an actual cost basis.

4.9 Early Years Children's Centre Plus £300

Early Years Children's Centre Plus provision is funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The Schools Forum has agreed that the total £1.14m earmarked DSG budget for Early Years SEND in 2016/17 can be allocated flexibly across the different early years provisions (including portage – out of school - support services) to respond to the distribution of demand. The £300,000 planned budget here is the value of the £1.14m that is initially estimated will be delegated to settings in 2016/17, with the remaining element being centrally managed.

4.10 Education in Hospital and Tracks Provision **£776**

Education in Hospital and Tracks provision is funded on the agreed planned number of places, with the Finance Regulations requiring that the funding per place in 2016/17 is not lower than that the value in 2015/16.

5. AMOUNT ALLOCATED TO NON-DELEGATED BUDGETS **(£000)**

Total Allocated to non-delegated Budgets **£22,111**

Broken down as follows:

The School and Early Years Finance (England) Regulations 2012 altered the treatment of non-delegated items and contingencies. The Regulations require a greater proportion of the DSG to be delegated to school budgets and require that the Forum makes recommendations for individual items that are permitted on a phase basis.

5.1 Early Years and Schools Block non-delegated budgets **£6,549**

A total of £6.549m is recommended to be held within the Early Years and Schools Blocks, to fund centrally managed items, 'de-delegated' items and contingency funds in 2016/17. These are funds that support historic commitments, centrally managed services that schools access, budget 'insurance' schemes and enable specific additional resources to be allocated to schools in year e.g. to support the cost of capacity expansion.

The Forum has agreed the following key recommendations that change the position from that of the 2015/16 financial year. These recommendations respond to the review work that has taken place over the last year, including the development and establishment of the sector-led school improvement model:

- To begin making provision for the revenue formula funding cost of places capacity growth in the secondary phase from September 2016, with an initial budget of £300,000.
- Continuation of de-delegation from maintained schools in 2016/17 for Primary Education Social Behavioural Difficulties (ESBD) Support but so that the review (the Council's proposals for a Virtual School for Vulnerable Children and the development of a sector-led delivery model for specialist SEND teaching services) can determine the allocation / re-allocation of monies.
- Cessation of de-delegation from maintained schools, from the end of April 2016, for Minority Ethnic Support, with provision from the DSG in the 2016/17 financial year made at 1 month's cost of service plus the DSG's proportionate contribution to re-structure costs. This follows the Council's review and the establishment of the new Centres of Excellence.
- Delegation of the sum of £432,640, released from ceasing the DSG's contribution to the Bradford Achievement Service consultants teams, to Primary and Secondary budget shares, and to Early Years delegated budgets.

- Delegation of the sum of £128,582, by reducing by 25% the DSG's Matched Contribution to School Improvement for the period 1 September 2016 to 31 March 2017, to Primary and Secondary budget shares, and to Early Years delegated budgets.
- Delegation of the sum of £96,550, by reducing by 25% the DSG's contribution to Early Childhood Services for the period 1 September 2016 to 31 March 2017, to Primary and Secondary budget shares, and to Early Years delegated budgets.
- Continuation of the DSG's Matched Contribution to School Improvement and to Early Childhood Services for the period 1 April 2017 to 31 August 2017 but at the values for the period 1 April 2015 to 31 August 2015 reduced by 25%.
- Full cessation of the DSG's Matched Contribution to School Improvement and to Early Childhood Services at 31 August 2017, with the released sums delegated to Primary, Secondary and Early Years budgets in 2017/18 and 2018/19.

5.2 High Needs Block non delegated budgets £15,562

A total of £15.562m is to be held within the High Needs Block, to continue existing centrally managed statutory support provisions, out of authority and independent provision and other provision costs. This total incorporates a £0.500m increase in the planned budget for placements in non-maintained and independent settings, in response to demand, and a £0.03m reduction across centrally managed budgets from the application of the recommended cross-Block 0.42% DSG funding gap adjustment.

The Schools Forum has made recommendations on the continuation of centrally managed High Needs Block budgets on the understanding that the proposed re-commissioning of SEND teaching support services (proposed in the Council's budget consultation for 2016/17) may mean that centrally managed budgets are re-allocated (to schools) during the financial year.

6. AMOUNTS ALLOCATED ON A ONE OFF BASIS (£000)

Total allocated on a one off basis in 2016/17 £5,114

The £5.114m is made up of the following allocations:

- £1.244m of commitments made by the Forum in previous decisions to spend from April 2016 (£0.228m final year of revenue support for the outdoor education centres, £0.166m first academic year post-opening budget for Bradford Forster Academy, £0.650m for the deficit of a school converting to academy status and £0.200 Early Years Inclusion Panel funding for 2 year old SEND).
- £1.602m of forecasted balances of funds retained to continue to be used for their original purposes:
 - a. £0.766m Joint Improvement Investment Fund: to continue to be managed and allocated by the Bradford Education Improvement Commissioning Board (the BEICB).
 - b. £0.085m Primary Behaviour Support: to continue to fund strategic change and transition, including to continue to fund the cash budget protection factor for the Primary Behaviour Centres for as long as this is applicable in 2016/17 (timescale to be determined by the current strategic review).

- c. £0.600m Secondary Behaviour Support: to be spent specifically to help resolve the immediate pressure for places, especially at District PRU.
- d. £0.151m Admissions Support: to delegate responsibility for the allocation of this sum, including to the establishment of the Fair Access Officer post approved by the Schools Forum, to the Bradford Education Improvement Commissioning Board (BEICB).
- £0.517m to minimise the extent to which formula funding rates have to be reduced in 2016/17 to absorb the cost of growth in former non recoupment academies now transferred by the EFA into the DSG.
- £0.773m retained primarily to be allocated in support of the further development of 2 year old places capacity but also to resource work to assess the impact of the 2 year old free entitlement offer on educational outcomes.
- £0.428m for the financing of the post-opening diseconomies of scale budget for Bradford Forster Academy for the 2017/18 financial year (to be paid during 2016/17).
- £0.550m for the estimated cost in 2016/17 of the agreed financial support model for Beckfoot Upper Heaton Academy (formerly Belle Vue Boys Secondary School). This is part of a larger sum that has been set aside within the DSG to meet this multi-year commitment and which is outlined in paragraph 7 below.

7. AMOUNTS NOT ALLOCATED IN 2016/17 (€000)

Total amount not allocated in 2016/17 £4,523

The Forum has agreed to hold an amount of the one off monies available both to support specific expenditures committed after March 2017 and to ensure that the Schools Budget remains resilient.

The £4.523m is made up of the following sums:

- £1.555m to support meeting the cost of the financial support model for Beckfoot Upper Heaton Academy (formerly Belle Vue Boys Secondary School) after 31 March 2017. This sum, plus the estimated 2016/17 allocated value above, means that a total of £2.105m of provision has now been made to support the DSG's agreed commitment to financial support for this academy.
- £2.000m DSG resilience reserve, available to be used to support unexpected additional costs.
- £0.968m DSG reserve from which to finance capital loans and which also can be used to support unexpected additional costs (if not allocated to loans).

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

If the allocations are not agreed by Elected Members then representations have to be made to the Schools Forum. In the event that agreement cannot be reached with the Schools Forum, the Council must refer the matter to the Department for Education (DfE).

9. LEGAL APPRAISAL

Local Authorities are required to calculate budgets for all maintained schools using a funding formula. The formula for the financial year 2016-2017 is governed by the School and Early Years Finance (England) Regulations 2015 . The Schools Forum has some decision making powers in relation to school budget functions. The role of the Local Authority is to make proposals to the Forum on the allocation of the Schools Budget. The Local Authority can request amendments to these recommendations set out by the Schools Forum. Where the Schools Forum and the Local Authority are in disagreement about proposals then the Secretary of State for Education will adjudicate.

10. OTHER IMPLICATIONS

There are no direct implications resulting from this report.

11.1 EQUALITY & DIVERSITY

There are no direct implications resulting from this report.

11.2 SUSTAINABILITY IMPLICATIONS

There are no direct implications resulting from this report.

11.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct implications resulting from this report.

11.4 COMMUNITY SAFETY IMPLICATIONS

There are no direct implications resulting from this report.

11.5 HUMAN RIGHTS ACT

There are no direct implications resulting from this report.

11.6 TRADE UNION

There are no direct implications resulting from this report.

11.7 WARD IMPLICATIONS

There are no direct implications resulting from this report.

12. NOT FOR PUBLICATION DOCUMENTS

None

13. OPTIONS

Please see the recommendations below.

14. RECOMMENDATIONS

14.1 It is recommended that the Executive asks Council to:

- a) Approve the total amount of £510.349m to be appropriated in respect of all schools covered by the Bradford Scheme for the Local Management of Schools, so as to establish the Individual Schools Budget for 2016/17.**
- b) Accept and approve the proposals from the Schools Forum for the allocation of the 2016/17 DSG as set out in this report.**

11. APPENDICES

- Appendix 1 – Local Authority Funding Reform Pro-Forma 2016/17
- Appendix 2 – High Needs Provision: Proposed Fund Categories, Bands & Amounts 2016/17

12. BACKGROUND DOCUMENTS

None