

Schools Forum

15th May 2014

Additional Dedicated Schools Grant 2015/16 – Allocation Options

This report relates to both maintained and academy schools

Recommendation

The Schools Forum is recommended to:

1. Agree the suggested approach to managing the project to determine how any additional DSG will be allocated in 2015/16
2. Comment on the initial allocation of additional DSG between the blocks
3. Comment on including 3 options in the consultation with schools to allocating the additional DSG
4. Note that additional DSG funding allocated to the High Needs Block will be included in the overall review of this area
5. Note that further work is to be undertaken regarding options for allocating additional DSG in the Early Years Block with an update report being brought to the Schools Forum in June

1.0 Introduction

1.1 At the last Schools Forum, a verbal update was given regarding the announcement that a further £350m was to be added to the national Dedicated Schools Grant (DSG) funding for 2015/16 and that Warwickshire was expected to gain significantly from this new funding. The initial estimates were that it could mean an increase of £13m for the Local Authority but this is still to be confirmed.

1.2 Regardless of the exact amount, there needs to be an agreement on how this funding will be allocated to across schools and services. The consultation by the Department for Education (DfE) regarding the distribution of the £350m closed on April 30th and a copy of Warwickshire's response is shown at Appendix A. The outcome is not expected much before the end of the summer term and all schools will need to be consulted on any changes to the funding formula in Warwickshire. This additional resource could have a significant impact on a school by school basis and as such, schools will want to understand the likely impact as soon as possible to assist in financial forecasting.

1.3 The intention therefore is that consultation based on “principles” goes ahead straight away so that once the final additional funding is announced, the basis for its use has already been agreed.

2.0 Suggested approach to managing the process

2.1 Much work has been undertaken over the last 3 years regarding the funding formula in Warwickshire which has culminated in the Local Authority having carried out analysis of spending patterns within schools and considered the relevance of funding indicators (such as free school meals). As such, for the process of deciding how to allocate this additional funding, it is suggested that rather than having a separate project team to undertake this work, the Schools Forum as a whole decides the options that schools should be consulted on and then makes a decision in June following feedback from schools. This is considered by officers to be a manageable and efficient way to undertake this work.

2.2 The time table is therefore proposed as follows:

April 30 th 2014	DfE consultation closes regarding the distribution of the additional £350m
May 15 th 2014	Schools Forum meeting – options for consultation with schools considered and agreed
May 20 th 2014	Consultation issued to schools regarding the options
June 13 th 2014	Consultation with schools closed regarding the options
June 24 th 2014	Schools Forum meeting – final option for distribution agreed
June/July 2014	Final additional funding for Warwickshire announced by DfE
July 2014	Communication to all schools regarding the estimated additional funding. It will be stressed that this is indicative until the autumn term pupil data is received
October 2014	Initial schools funding pro forma submitted to the DfE and indicative budgets issued to schools
January 2015	Final schools funding pro forma submitted to the DfE
February 2015	2015/16 budgets issued to schools

3.0 The nature of the increase in DSG

3.1 As the DfE consultation paper indicated, the way in which the additional funding is being distributed stems from the calculation carried out when the DSG was split into 3 blocks in 2013/14. The per pupil funding in each Local Authority in the Schools Block has been used as a comparison to the Minimum Funding Levels that the DfE have identified for the Schools Block nationally. This is an important factor to take into account in agreeing how the additional funding is allocated in Warwickshire.

3.2 The DSG per pupil, pre 2013/14, covered all types of educational spend. In 2013/14, the block system was introduced. This worked by looking at spend on the Section 251 (a government education spending return), making assumptions about which block current funding streams should be allocated. The big issue with this methodology was how Local Authorities had previously managed the delegating of SEN funding to schools.

3.3 In some Local Authorities, the funding for SEN/statements was intrinsic to their formulae, perhaps allocated out via deprivation indicators. As such, when this exercise took place, the DfE assumption was that this was Schools Block funding.

3.4 In the case of Warwickshire, because statement pupils were funded in a very separate, pupil based way, the Local Authority was able to identify this part of the funding as “high needs”, and so it became part of the High Needs Block funding rather than Schools Block. This meant that our Schools Block allocation was lower compared to some other Local Authorities and, as a consequence, the per pupil amount was also lower.

3.5 In determining a national average as a Minimum Funding Level, the DfE have taken into account only the Schools Block per pupil value; as Warwickshire’s per pupil funding is lower than some other Local Authorities (partly because of the process noted above) this has benefitted the Local Authority. As such, this is not just about a schools related “windfall” but a DSG windfall overall. The regulations clearly state that it is the Schools Forum’s decision regarding the allocation of block funding and the agreement of movement between the blocks. Therefore, the option to allocate this funding in the High Needs Block and the Early Years Block is permissible.

4.0 Options to consider

4.1 On the basis that there is a case for the additional funding not being solely allocated to the Schools Block, there are a couple of obvious options for allocating the funding across the blocks.

1. Option One is to allocate the funding on the same percentage as the funding blocks are currently calculated by the DfE or;
2. Option Two is to allocate the funding on the same percentage as DSG is allocated to blocks by Warwickshire.

Using the estimated additional funding of £13m, this would result in the following:

	Option One – as per the DfE funding allocations	Option Two – as per the DSG budget allocations
Schools Block	10,201,948	10,395,300
High Needs Block	1,885,932	1,699,964
Early Years Block	912,120	904,736
TOTAL	£13,000,000	£13,000,000

4.2 The Schools Forum is asked to comment on the initial allocation of additional DSG between the blocks.

4.3 In each of the blocks, there will need to be an agreed approach to the more detailed distribution, which will be subject to consultation with schools and the School Forum.

4.4 Schools Block

4.5 The national regulations regarding the allowable headings within the schools funding formula remains the same. The Local Authority does not use all of the permitted headings to allocate funding to schools but reviewed those to be included in 2013/14 and also made a decision to retain these in 2014/15. As the only element that will change in 2015/16 is the amount of DSG, Local Authority officers suggested that the formula headings are not amended. Instead, the focus should be on which of the headings are increased to allocate the additional funding.

4.6 The headings that Warwickshire uses in its schools funding formula are as follows:

- Basic entitlement
- Free School Meal Ever 6 years
- Prior Attainment
- Lump Sum

4.7 There are a range of combinations of options but the main 3 identified by Local Authority officers are as follows:

Option One – allocate all additional funding via Basic Entitlement

Option Two – allocate additional funding via pupil based headings

Option Three –allocate additional funding via pupil based headings and the lump sum

4.8 Option One - in line with the principle of “funding following the pupil”, one option could be that all the funding is allocated via the Basic Entitlement. The use of this will benefit all schools. This could be on a basic per pupil amount (regardless of sector) or follow the ratio of the primary/KS3/KS4 as per the current formula. The impact of this is shown in the table below:

	Current Values	Additional on a straight line basis	Additional on a the basis of the same weighted per pupil ratio
Primary	£2,664	£3,853	£2,821
Key Stage 3	£3,569	£3,758	£3,780
Key Stage 4	£4,749	£4,938	£5,029

4.9 Option Two - in addition, the unit value in other formula headings could increase. The other pupil focused headings are that of Deprivation (FMS ever 6 years) and Prior Attainment. In total, these 3 headings allocate £255.263m to schools in 2014/15. An additional £10m would equate to an increase of 3.9% to the funding values.

4.10 This could result in the following new funding rates:

	Current Values	3.9% increase	Increase
Primary	£2,664	£2,768	£104
Key Stage 3	£3,569	£3,708	£139
Key Stage 4	£4,749	£4,934	£185
Primary Deprivation	£1,460	£1,516	£56
Secondary Deprivation	£1,780	£1,849	£69

Primary Prior Attainment	£1,460	£1,516	£56
Secondary Prior Attainment	£760	£790	£30

4.11 Option Three - the final option could be to incorporate an increase in the lump sum. Along with the pupil related headings, this allocates £276.638m to schools and an increase of £10m would equate to an overall increase of 3.6% to each of the headings.

4.12 This could result in the following new funding rates:

	Current Values	3.6% increase	Increase
Primary	£2,664	£2,760	£96
Key Stage 3	£3,569	£3,698	£129
Key Stage 4	£4,749	£4,920	£171
Primary Deprivation	£1,460	£1,512	£52
Secondary Deprivation	£1,780	£1,844	£64
Primary Prior Attainment	£1,460	£1,512	£52
Secondary Prior Attainment	£760	£787	£27
Lump sum	£95,000	£98,420	£3,420

4.13 The Schools Forum is asked to comment on each of these options and whether they should all be included in the consultation with schools.

4.14 High Needs Block

4.15 The Forum will recall at its March meeting agreeing to a deficit budget due to continuing pressures against Centrally Managed Expenditure, in particular the High Needs Block. Also, the intention is that the budget allocation of the High Needs Block is reviewed in line with revised Council priorities and having considered a risk and impact assessment. Any additional funding allocated to the High Needs Block would be incorporated in this process. It should be noted that the current forecast over spend in this area is in the region of £4.4m so any additional funding will mitigate medium term risk in service delivery alongside the development of service redesign to deliver the necessary savings.

4.16 Early Years

4.17 The Early Years block includes both centrally retained funding and that which is allocated to early years providers. Currently 90% of this block is distributed via the Early Years Single Funding Formula (EYSFF) to disadvantaged 2 year olds and universally to 3 and 4 year olds.

4.18 One option of distributing any additional funding would be to increase the rates within the EYSFF which have not been increased since 2011/12. This could either relate to just the rate for 3 and 4 year olds (original EYSFF element) or include the newly established 2 year old offer.

4.19 The impact of an additional £900,000 to this block could be as follows:

	Current Hourly Rate	5.2% increase for 3 and 4 year olds only	4% increase including disadvantaged 2 year olds
2 year old hourly rate	£4.95	£4.95	£5.15
EYSFF PVI hourly rate	£3.55	£3.73	£3.70
EYSFF nursery class hourly rate	£3.89	£4.09	£4.04
EYSFF nursery school hourly rate	£5.54	£5.83	£5.76

4.20 A second option could be to retain some of the additional funding to increase initiatives to raise the outcomes of children in nursery settings in Warwickshire. Whilst it is not possible at this stage to determine how much funding this might equate to, inevitably it will result in the increase in the EYSFF rates being lower than included in the table above.

4.21 Local Authority officers suggest that work is undertaken within the next month to develop a set of options which can be included in consultation with early year's providers, along with confirmation of the best approach to undertake this consultation. This can be included in a report to the June Schools Forum meeting with an achievable deadline of a decision being made at the October meeting as to any revision to the funding rates for providers

5.0 Further points to note

5.1 The Minimum Funding Guarantee remains at minus 1.5% in 2015/16 for schools. Once the value of the additional funding is confirmed, the impact on each school can be determined.

5.2 Also, Warwickshire currently has a capping arrangement which was intended to assist the transition in the changes of the 2013/14 formula. This may be an ideal opportunity to end this capping arrangement. This can be discussed with the Schools Forum in June once consultation with the schools has been undertaken.

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