

Schools Forum

24th June 2014

Allocation of additional Dedicated Schools Grant for 2015/16

This report relates to both maintained and academy schools

Recommendation

The Schools Forum is recommended to:

1. Agree to allocating the additional DSG between the blocks and agree the % of the additional DSG to the blocks
2. Agree which option should be used to allocate any additional Dedicated Schools Grant (DSG) to schools in 2015/16 as shown in paragraph 3.2
3. If there is any additional funding to the HNB (following recommendation 1), that the first call on this funding is to uplift the top up funding budget for special schools at a comparable rate to mainstream schools and that the remainder will be subject to allocation as part of the DSG Review Group
4. If there is any additional funding to the EYB (following recommendation 1), that the first call on this funding is to the nursery schools bid (if the Forum have agreed to this in an earlier item on the agenda) and that the remainder is used to increase the 3 and 4 year old funding rates within the EYSFF

1.0 Background

1.1 At the last Schools Forum, a paper was presented regarding the additional DSG that the Local Authority is expecting to receive in 2015/16.

1.2 Whilst it was agreed that maintained schools would be consulted on the principles of how any additional funding should be distributed to them, the Forum did not come to a conclusion as to whether any of the DSG should be used to offer additional funding to other schools and central provision within the Early Years and High Needs Blocks.

1.3 This report updates members on the consultation with schools and offers further details regarding the allocation of the additional funding between the blocks.

1.4 At the time of writing this report, there has been no announcement from the Department for Education (DfE) regarding the outcome of the national consultation but it is still expected that this will be received during the summer term. At this point, the actual amount of additional funding will be determined.

2.0 Allocation of additional DSG to the funding blocks

2.1 In the report considered by the Forum in May, the option to apportion some of this additional funding to all blocks was considered but there was a request for more information regarding the intentions of the extra funding by the DfE before a local decision was made.

2.2 Looking at the consultation document issued on March 13th, there is no consistent terminology used by the DfE; sometimes it talks about “schools” being poorly funded and on occasion’s talks about “local authorities” being poorly funded. For example, this is an extract from the introduction:

2.3 *“We are now determined to provide additional funding to the least fairly funded local authorities in 2015-16. After we have met our commitment to fund all local authorities at the same cash level per pupil as in 2014-15, we have decided to add a further £350m to fund schools in the least funded authorities. This will be the first time in a decade that funding has been allocated to local areas on the basis of the actual characteristics of their pupils and schools, rather than simply their historic levels of spending”.*

2.4 The description on the DfE website attached to the consultation is as follows:

2.5 *“The Department for Education proposes to allocate an additional £350 million in the 2015 to 2016 financial year, to increase the per-pupil funding for the least fairly funded local areas.*

2.6 *The proposal will mean that in the 2015 to 2016 financial year, every local area will attract a minimum level of funding for each of its pupils and schools, making the distribution of funding to local areas fairer while ensuring that no area receives a cut to its per-pupil funding. We are proposing to continue the same local funding arrangements for the 2015 to 2016 financial year as are currently in place for the 2014 to 2015 financial year.”*

2.7 However, the consultation document does include a footnote which states the following:

2.8 *“Any additional funding allocated would be applied only to the schools block within local authorities DSG allocations. Local Authorities will continue to be free to move funding between their schools, high needs and early years blocks in 2015-16*

provided they comply with the requirements of our Minimum Funding Guarantee (MFG)”

2.9 The reality is that the schools block has been subject to the most up to date work and assessment of funding than either of the other two blocks in recent years following the introduction of the restricted formula factors in 2013/14. There is also recognition in the DfE that there currently is no correlation between high needs data and spending patterns and research work is being commissioned to potentially work towards a formulaic approach in future. There is also recognition that as the early years providers are so diverse, that using this element as a way of allocating additional funding would not be robust. The only credible option therefore to allocate the additional £350m is by using the schools block data.

2.10 In terms of the need for the additional funding, in the House of Commons debate on March 13th, the Secretary of State for Schools noted the following:

2.11 “We understand, however, that schools, like all public sector organisations, face cost pressures from pay, energy price inflation and the necessary implementation of the proposals of the Hutton report on paying for high-quality public sector pensions. The changes will ensure that the least well-funded schools can now not just deal with such pressures but spend extra money to improve attainment.”

2.12 The Forum members should note that there are “schools” and educational provision in all blocks: special schools are funded from the High Needs Block and nursery schools, nursery classes within primary schools and non-maintained early year’s provision in the Early Years Block.

2.13 The Schools Forum members are recommended therefore to agree that an appropriate level of funding is allocated to the three blocks to represent the increasing cost pressures faced by all education provision within Warwickshire in all funding blocks. It would also assist in offering more opportunity to meet expectations and increasing demand for provision for vulnerable pupils, such as those being provided for by ABP’s or in early intervention programmes.

2.14 As noted in the last report, the most relevant options for allocating between the blocks are either based on the DSG funding breakdown to the Local Authority or the allocation of the overall DSG by the Local Authority. The table below uses the example of the Local Authority receiving £13m.

	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

2.15 The Schools Forum is asked to discuss the options for allocating any additional DSG between the funding blocks and recommend an approach.

3.0 Consultation with schools

3.1 Head teachers and Chairs of Governors in all Warwickshire mainstream schools and academies were consulted regarding the way in which any further funding received in 2015/16 would be allocated. An example of an additional £10m was used for illustrative purposes.

3.2 As agreed at the Forum in May, the options were as follows:

Option One - Any additional DSG funding to schools would be allocated through core pupil funding only (the Basic Entitlement). This would benefit all schools and follows the principle of “funding following the pupil”.

However, there were 2 distinctions made in the methodology:

Option One (a) would have the same amount to be allocated to the Basic Entitlement for every pupil, regardless of whether they are primary or secondary. In the example used, this was £145.

Option One (b) recognises that the current Basic Entitlement is weighted between primary and secondary pupils so another option would be to increase each of the current Basic Entitlements and retain the funding ratio. In this example, the primary was increased by £120, Key Stage 3 by £161 and Key Stage 4 by £214.

Option Two – Any additional DSG funding to schools would be allocated through all of the pupil related factors of Basic Entitlement, Deprivation and Prior attainment. Again, this follows the principle of “funding following the pupil” but also focuses additional funding on schools with pupils indicating lower level SEN.

Option Three – Any additional DSG funding to schools would be allocated through all pupil related factors plus the lump sum. This essentially allocates the additional DSG evenly against all of the current schools funding factors in Warwickshire.

3.3 Appendix A shows the financial impact on all schools of these 4 options. It breaks down the schools in to primary and secondary and the highlighted cells show the option that is most favourable financially to each school. It also shows the geographical allocation of the additional funding and the impact on smaller schools.

3.4 It is clear that option 1a is most beneficial to primary schools and that secondary schools would benefit from either option 1b or option 2. In terms of assessment of the schools responses, the fact that there are significantly more primary schools than secondary schools should be taken into account.

3.5 The Forum has, in the past, also been interested in the ratio of funding between the primary and secondary sectors when considering formula changes. In terms of the ratio of funding per pupil between the primary and secondary sector, only Option 1a alters the existing ratio, moving it from 1:1.30 to 1:1.29. The DfE have offered no steer recently on these parameters but a movement to 1:1.29 will not move Warwickshire away from an average position.

3.6 It should also be noted that the figures included in Appendix A take no account of the Minimum Funding Guarantee (MFG) in each schools budgets. If the existing MFG in a school is greater than the increase as a result of these changes, the school will only see a reduction in MFG, not an increase in their overall budget. Until the final allocation is know it would not be useful to include MFG in determining basic allocation principles.

3.7 The responses were as follows:

	Primary Votes	Secondary Votes	Total Votes
Option One (a)	59		59
Option One (b)	2	9	11
Option Two	10	14	24
Option Three	27	3	30
TOTAL	98	26	124
% response	52%	74%	55%

3.8 The Schools Forum is asked to discuss these options, taking into account the feedback from schools and the principles regarding each of the options and then to recommend the methodology to be used to allocate additional DSG to schools.

4.0 High Needs and Early Years Blocks

4.1 If the Forum agrees to allocate an element of the additional funding to the other blocks, then work will be required to determine how this funding is best allocated.

4.2 The High Needs Block funding would be considered in the overall DSG review work that is being undertaken; any additional allocation to this block will not resolve the centrally managed shortfall issues and a systematic review of policies and outcomes will still be undertaken to ensure there is efficiency and effectiveness in this increasingly demanding area of spending.

4.3 That said, if the principle noted above regarding the additional funding being allocated to the Local Authority is to offset additional costs in schools, then it is recommended that a % uplift is made to the top up funding in the special schools part of the High Needs Block. This percentage uplift should be comparable to that of mainstream schools (which will be known once the final funding announcement is made).

4.4 If the Schools Forum has agreed elsewhere on the agenda that funding should be allocated to the nursery schools to support their bid, then this will be the first call on any additional DSG to the Early Years Block. It is proposed that the remainder is used to increase the hourly rates within the Early Years Single Funding Formula for 3 and 4 year olds, this being an element providing funding to providers with no inflationary increase for 3 years. As there is just the hourly rate plus an element for deprivation in this formula, there seems little need for consultation with Early Year providers. Instead, communication can take place earlier to allow for better financial planning.

4.5 For reference, the breakdown of budget headings and values within the High Needs and Early Years Block is attached at Appendix B.

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