

## **Schools Forum**

**October 17<sup>th</sup> 2014**

### **Allocation of Additional DSG 2015/16**

This report relates to both maintained and academy schools

Voting – Maintained and Academy Head Teachers and Governor plus the PVI representative.

### **Recommendation**

The Schools Forum is required to:

- 1.0 Decide which of the options, detailed in paragraph 2.7 and 2.8, be used to allocate the additional funding between the 3 Dedicated Schools Grant (DSG) blocks in 2015/16.
- 2.0 Consider removing the capping arrangements from the schools funding formula in Warwickshire from 2015/16
- 3.0 Consider revising the Pupil Increase Funding Policy in Warwickshire from one of the options included in Appendix A to be effective from April 2015.
- 4.0 Consider retaining sufficient funding within the central Schools Block to cover the increased costs of the Pupil Increase Policy (as detailed in Appendix A) from the additional DSG in 2015/16
- 5.0 Consider retaining £200,000 in the centrally managed Schools Block in 2015/16 to cover the pre and initial post opening costs of the newly built academy schools opened in response to increased pupil numbers
- 6.0 Decide the approach to be taken to allocate funding within the High Needs Block and,
- 7.0 Agree that the Early Years Block funding is allocated to providers by an increase to the per hour funding rates included in the Early Years Single Funding Formula

#### **1.0 Introduction**

1.1 The Department for Education (DfE) confirmed in July that Warwickshire will receive an estimated £15.4m additional DSG in 2015/16. This amount is based on the pupil characteristics of 2014/15 and so is liable to change as the pupil data is

updated following the key stage assessments from the summer 2014 and the October 2014 census.

1.2 When deciding how to allocate this additional funding, there is a 2 tier process: the first is to make a decision about how much DSG funding blocks are increased and the second is to decide how the additional funding, allocated to the blocks, is then distributed to individual schools/budget headings.

## 2.0 Allocation between Funding Blocks

2.1 The Schools Forum have already considered the allocation of the additional funding at its meeting on June 24<sup>th</sup> 2014 and concluded that all 3 blocks should be uplifted; the Schools Block, the High Needs Block and the Early Years Block. However, the Forum did not make a final decision regarding the level of increase in each block.

2.2 The Forum was presented with the 2 options as follows:

	<b>Option One</b>		<b>Option Two</b>	
	As per the DfE DSG Funding allocations (as at July 2014)	% allocation	As per the LA DSG spending allocations (as per March 2014)	% allocation
	<b>£m</b>		<b>£m</b>	
Schools Block	280.964	78.5%	285.73	80%
EY Block	25.443	7.1%	24.868	7%
HN Block	51.624	14.4%	46.726	13%
	<b>358.031</b>	<b>100%</b>	<b>357.324</b>	<b>100%</b>

2.3 A third option was then tabled at the June meeting and officers were requested to assess the impact of allocating the additional funding to reflect “schools” spending patterns. The intention of this proposal was that the additional funding should “follow the pupil” and be allocated to direct educational provision.

2.4 The definition of “schools” spending is not necessarily straight forward but the following list encompasses areas whereby funding is focused on direct provision:

- Maintained and academy mainstream schools
- Maintained and academy special schools
- Maintained nursery schools and nursery classes (including special schools) for 3 and 4 year olds
- PVI nursery providers for 3 and 4 year olds

- SEN top up funding to all settings (pre and post 16)
- Area Behaviour Partnership allocations
- Independent special school places

2.5 In each of these categories of spend, the funding is allocated directly to schools or Early Years providers to fund educational provision, either universal in the case of mainstream schools or pupil specific in the case of special schools and top up funding. Funding for disadvantaged 2 year olds has been excluded in the calculation as the rate for this provision has only just been agreed centrally and locally.

2.6 The impact of this 3<sup>rd</sup> option is as follows:

	<b>Option Three</b>	
	Based on actual spend of provision listed in para 2.4 in 2013/14	
Schools Block	281.180	82.7%
EY Block	17.830	5.2%
HN Block	40.859	12.1%
	<b>339.869</b>	<b>100%</b>

2.7 The 3 options fund each of the blocks slightly differently.

	<b>Option One</b>	<b>Option Two</b>	<b>Option Three</b>
	<b>% allocation</b>	<b>% allocation</b>	<b>% allocation</b>
Schools Block	78.5%	80%	82.7%
EY Block	7.1%	7%	5.2%
HN Block	14.4%	13%	12.1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

2.8 Based on the indicative additional funding of £15.4m, the impact on the blocks would be as follows:

	<b>Option One</b>	<b>Option Two</b>	<b>Option Three</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Block	12.085	12.314	12.736
EY Block	1.094	1.072	0.801
HN Block	2.221	2.014	1.863
	<b>15.400</b>	<b>15.400</b>	<b>15.400</b>

2.9 The Schools Forum is asked to agree which option, detailed in the tables in paragraphs 2.7 and 2.8 should be used to allocate the additional funding between the blocks.

2.10 After deciding how to allocate the funding between the blocks, the next step is to determine how the extra funding in each block should be distributed.

### **3.0 Allocation within the Blocks**

#### **3.1 Schools Block**

3.2 The Schools Forum, at its meeting in June, decided that where additional funding is retained within the Schools Block, it should be allocated via the agreed schools funding formula by inflating the following unit values:

- Basic Entitlement
- Prior Attainment
- Free School Meals Ever 6 Years

3.3 In addition to this increased funding, this is an ideal opportunity to assess the retention of the capping arrangement within the agreed formula in Warwickshire. When the schools funding formula was updated in 2013/14 to meet the revised national regulations, the impact on individual schools was such that the Minimum Funding Guarantee (MFG) increased by around £2m. To offset this, the Local Authority (LA) was allowed to introduce a capping mechanism to restrict the “gaining” schools. This offset the MFG by around £1.6m. However, this was the first time that Warwickshire had such a capping arrangement and the intention was always to minimise the impact of the changes introduced in 2013/14.

3.4 As the proposed changes to the formula in 2015/16 are significant, it is recommended that the capping arrangements are deleted from the formula. When

modelling the impact of these funding increases, by retaining the capping, MFG is around £1.3m and capping is £8.1m. This means that the LA is scaling back schools budgets by more than the protection that is being funded. This is not a permissible position in terms of the national schools funding regulations. The MFG levels have on average been £2m in Warwickshire over the last 5 years, taking out capping means that more schools will see the full benefit of the increased funding and the MFG will still be lower than in previous years at around £1.3m. Having a lower MFG is preferable as it means schools are funded on the core factors, rather than being artificially supported by protection funding.

3.5 The Schools Forum is recommended to remove the capping arrangements from the funding formula in Warwickshire from 2015/16.

3.6 In terms of the Schools Block, there are increasing pressures being faced by the LA with regard to the expansion of schools to meet the increase in pupil numbers and the development of newly built academy schools whereby dis-economies of scale need to be met by the DSG as the school opens.

3.7 As part of the school funding reforms implemented in April 2013, the Local Authority was allowed to retain funding centrally to help schools where pupil numbers increase at the request of the LA to meet its statutory requirements but revenue funding, through the schools funding formula, is lagged. The Schools Forum, at its meeting in March 2013, agreed the level of funding as follows for the Pupil Increase Funding:

£23,000	Average cost of a classroom teacher in Warwickshire County Council (WCC) primary schools for a 7 month period (Sep-Mar) including NI and superannuation costs
£4,500	15 hours of an average Teaching Assistant (TA) in WCC primary schools for a 7 month period (Sep-Mar) including NI and superannuation costs
<b>£27,500</b>	<b>TOTAL ONE OFF CONTRIBUTION</b>

3.8 The original budget allocation for 2014/15 was £530,000 based on the estimated number of schools requiring additional classrooms to cope with an increase in pupil numbers. However, following the annual admissions process, some schools have expanded more than expected and the revised cost is now £845,750.

3.9 Based on the currently agreed policy and the latest estimated school expansions required for 2015/16, the Pupil Increase Funding budget will need to increase to £650,000 next year.

3.10 However, the LA has been made aware that some schools consider this funding to be insufficient to meet all of the running costs of a new classroom. As such, this is an ideal opportunity for the Forum to review the current funding policy.

3.11 The suggested options that the Schools Forum is asked to consider are:

1. Continue with the existing criteria
2. Continue with the existing criteria and add an allocation for resources and materials
3. Use Age Weighted Pupil Unit (AWPU)
4. Use all pupil related factors from the schools funding formula

3.12 Appendix A details each of these options and estimates the cost of each one for 2015/16 if all classes had 30 pupils and the number of expansions is as currently expected. Also noted are policies from neighbouring Authorities for reference.

3.13 The Schools Forum is asked consider revising the Pupil Increase Policy, effective from April 2015, from one of the options included in Appendix A. In addition, either the retention of the current arrangements or a change in policy will result in additional costs in 2015/16. The Forum is therefore recommended to agree to retain sufficient funding to cover these increased costs from the additional DSG.

3.14 As well as requiring new classes to be opened in schools to meet statutory demand, some of the increased pupil demand is being met from the opening of newly built academy schools. This is the case for the new SEN school in Nuneaton (on the old Manor Park site) and potentially for the new primary wing at Aylesford secondary academy. The usual Pupil Increase Funding Policy is unlikely to meet the needs of these schools where the new classes do not just add to the incremental costs but may involve significant organisational and structural changes. The regulations make it clear that the DSG needs to fund any dis-economies of scale where new schools open and any pre-opening costs (such as recruitment of head teachers). Whilst detailed analysis still needs to be undertaken, initial estimations are that around £200,000 may be required to cover these costs in 2015/16.

3.15 The Schools Forum is recommended to agree that £200,000 be retained from the additional DSG to offset these unavoidable new academy opening costs.

### **3.16 High Needs Block**

3.17 There are several options that have been considered to allocate additional funding within this block;

- 1.0 All budgets within the High Needs Block (HNB) could be increased equally
- 2.0 Only the budgets where funding is focused directly on pupils is increased.
- 3.0 The DSG Review group could suggest where the priority areas are for additional funding

3.18 Whilst it is not possible at this stage to illustrate how the HNB would be allocated by the DSG Review Group, based on an estimated increase of £1.8m, the other 2 options above would result in the following:

	All HNB Spending		Direct HNB Spending	
	All HNB spend 13/14	Allocation of £1.8m	Direct HNB spend 13/14	Allocation of £1.8m
	£m	£m	£m	£m
In year Statements & Mainstream SEN Top Ups	4.925	0.191	4.925	0.217
Special School Top Ups	8.403	0.325	8.403	0.370
Out of County	13.536	0.524	13.536	0.596
Post 16 Top Ups	3.034	0.117	3.034	0.134
IDS Teaching & Learning	3.579	0.138		
ABP's	3.069	0.119	3.069	0.135
Central Management Overheads	1.250	0.048		
Other	0.725	0.028		
School Forum Agreements	0.105	0.004		
Special schools	7.892	0.305	7.892	0.348
<b>TOTAL</b>	<b>46.517</b>	<b>1.800</b>	<b>40.859</b>	<b>1.800</b>

3.19 The Schools Forum should consider which approach to allocating the High Needs Block should be used for the additional DSG for 2015/16 but are recommended to opt for the approach that focuses increased funding to direct provision.

3.20 Waiting for the DSG Review group to undertake further analysis is likely to mean that a decision will not be available in time for the start of the new financial year. Acknowledging that all services are facing cost pressures, an approach that is based on current spending patterns is pragmatic and equitable.

### 3.21 Early Years Block

3.22 As per the 2014/15 budget allocation presented to the Schools Forum in March 2014, the Early Years Block budgets total £24.868m of which £17.268m is allocated to 3 and 4 year olds through the Early Years Single Funding Formula (EYSFF) and £5.673m is allocated to disadvantaged 2 year olds, also through the EYSFF. The remaining £1.927m funds centrally managed budgets or overheads.

3.23 If the Early Years Block were to receive a further £800,000, as with the Schools Block increase, this could be used to increase the funding rates within the EYSFF that have not changed for several years. The increase would be around 4.6%.

3.24 The impact on the sectors, using an estimate of £800,000 would be as follows:

	<b>Budget allocation in 2014/15</b>	<b>Additional allocation of £800,000</b>
	<b>£m</b>	<b>£m</b>
PVI 3 and 4 year olds	12.000	0.556
Nursery schools	1.888	0.087
Nursery classes	3.380	0.157
	<b>17.268</b>	<b>0.800</b>

3.25 The nursery schools in Warwickshire presented a report to the Schools Forum in June requesting additional funding to the value of £240,000. This option would go some way to offsetting that request. This is in addition to the recently announced introduction of Early Years Pupil Premium where early indications are that the nursery schools may receive a further £18,000 in 2015/16.

3.26 These changes to the way schools are funded, whilst positive in that it will result in additional funding, comes at the end of a 4 year period that has seen many changes as a result of both local and national formulae reviews. The impact on schools over this period is shown in Appendix B.

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