Waltham Forest

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	**SCHOOLS FORUM** **12 November 2014**	Agenda Item	**7**
Report Title	**DSG Funding Blocks 2015-16**		
Decision/ Discussion/ Information	For Information and decision		
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Appendices	None		

1. SUMMARY

1.1 At its meeting on 17 September 2014, Schools Forum received a report on the outturn figures for the three funding blocks – Schools, High Needs and Early Years. This report explains:

(a) how the EFA will determine the level of funding for each of these three blocks for 2015-16; and

(b) the case for why it may be necessary to make transfers at a local level between these three funding blocks for 2015-16.

2. RECOMMENDATIONS

2.1 **Schools Forum to note**

2.1.1 How the Dedicated Schools Block [DSG] funding for each of the three funding blocks will be calculated for 2015-16.

2.1.2 The decision on recommendation 2.2.1 in the High Needs Block report to increase from **£0.446m** to **£0.500m** the amount transferred from Early Years Block to the High Needs Block to meet the cost of specialist provision and outreach support services for children aged 2-4 years.

2.1.3 The decision on recommendation 2.2.6 in the High Needs Block report to transfer **£0.125m** in 2015-16 from Schools Block to High Needs Block to meet the cost of the increase in place-led funding in the PRUs.

2.2 **Schools Forum to agree**:

2.2.1 To transfer **£0.125m** from Early Years Block to Schools Block to meet the cost of rates for primary school buildings used for the provision of early years education as set out in 8.12(b).

3. REASON

3.1 The Local Authority is required to consult with Schools Forum regarding any changes to the distribution of funding between the three DSG funding blocks.

4. BACKGROUND INFORMATION

4.1 The breakdown in the funding distribution between the three DSG funding blocks for 2015-16 is as follows:

- Schools Block £183.149m
- Early Years Block £ 20.298m (including 2YO revenue funding)
- High Needs Block £ 34.041m
- Total **£237.488m**

4.2 This allocation by the Education Funding Agency [EFA] is before adjustments for recoupment academies from the Schools Block, direct payments by the EFA within the High Needs Block and some other minor adjustments.

4.3 Actual allocations by the Local Authority [LA] to these funding blocks may differ because of the inclusion of DSG underspends from previous years and transfer of funding between the funding blocks as determined by the LA after consultation with Schools Forum.

4.4 At its meeting on 15 January 2014, Schools Forum agreed to continue in 2014-15 with the transfer of **£0.446m** from the Early Years Block to the High Needs Block to cover the costs of SEN support for high needs pupils aged 2-4 years.

Calculation of DSG funding for 2015-16

5. SCHOOLS BLOCK

5.1 For the Schools Block, funding is determined by the actual number of pupils in maintained and recoupment academies in the 2 October 2014 School Census count. The school population is multiplied by the Schools Block guaranteed unit of funding for Waltham Forest which remains at **£5,204.86** in 2015-16.

5.2 At the September meeting of Schools Forum it was reported that based on a forecasted school population of 36,806 (including the two new recoupment academies) Schools Block funding was likely to be **£192.337m** – a rise of **£9.220m** although this included an extra **£5.826m** for the two new recoupment academies based on their NOR in October 2013.

5.3 The latest guidance from the EFA now suggests that the Schools Block uplift for Emmanuel Primary and Walthamstow Academy will be recalculated using actual NOR in October 2014. The EFA will not be making announcements on funding for Schools Block DSG for 2015-16 until 15 December 2014, although

school census data may be available a few days before that. This will enable the LA to produce a final version of the Local Funding Formula for presentation to Schools Forum at its meeting on 14 January 2015.

6. EARLY YEARS BLOCK

6.1 The provisional Early Years funding for 3-4 year olds for 2015-16 is based upon the January 2014 Early Years Census (EYC), so these pupil numbers are already known: **2,970**. However, as in 2014-15 this figure will be adjusted: firstly in June 2015 for the January 2015 EYC; and secondly, in April 2016 for the January 2016 EYC.

6.2 Final funding is pro-rated at 5/12ths for period April 2015-August 2015 on the January 2015 EYC; and 7/12ths for the period September 2015 to March 2016 on the January 2016 EYC.

6.3 The funding rate for early years pupils in Waltham Forest is **£4,884.45** per fte pupil – equivalent to **£5.14p** an hour. The effect of the above is that the provisional funding allocated for 3-4 year olds in Waltham Forest in 2015-16 is **£4,884.45 x 2,970 = £14.507m** based on January 2014 Census data. This will be updated in June 2015, after provisional budget shares have been agreed for early years providers, and again in April 2016.

6.4 In addition, the Government has recently announced extending Pupil Premium to 3-4 year olds from April 2015. The initial allocation for Waltham Forest is **£0.329m** based on headcount eligibility of 1,142 pupils and proxy FSM PTE of 1,089 making it roughly equivalent to **£300** per qualifying pupil.

6.5 Up to now, funding for 2 year olds has been based on target numbers set, based on the DFE's estimate of the number of eligible children in each LA. From April 2015 this changes to participation driven funding based upon census data collected in the Early Years Census in January 2015. The EFA will not be able to confirm pupil numbers until June 2015 but have recently confirmed with LAs what their hourly rate of grant will be for 2015-16. This will enable LAs to calculate funding for 2015-16 ahead of DfE announcements.

6.6 The rate for Waltham Forest remains at **£5.28p** per hour – the lowest in London along with some other LAs in north east and south west London. The EFA plan to update the census data in October 2015. However, as this is the time of year when numbers tend to be at their lowest this may have little impact on grant adjustments.

6.7 A significant problem for Waltham Forest is that with a growing child population any increase in early years grants lags behind demand for places. This makes planning budget shares for early years providers a complex task to ensure that the LA remains within budget provision. In addition, along with many other LAs, funding based on participation rates may be lower than the current grant in 2014-15. However, the LA does have anunderspend on Early Years Block of **£1.261m** carried forward from 2013-14.

7. HIGH NEEDS BLOCK

7.1 Unlike the Schools and Early Years Block, funding is only partly based upon High Needs student numbers. Essentially funding is based upon past spend

patterns adjusted for growth in number of places needed in specialist SEN and alternative provision [AP].

7.2 For 2015-16, the EFA have confirmed that LA funding will be based on funding for 2014-15 with a small adjustment if the LA is successful in its submission for funding for an extra 58 places. This will be topped up with any underspend rolled forward from 2014-15. The report on High Needs Block identifies significant cost pressures for 2015-16 that exceed the current forecasted reserves carried forward from 2014-15.

8. TRANSFER OF FUNDING BETWEEN THE THREE FUNDING BLOCKS

8.1 Whilst the EFA allocates DSG into three discrete funding blocks, LAs have the power to transfer funding between the blocks if there is good reason to do so and if they consult their Schools Forum. For 2014-15 the only remaining transfer of funding was **£0.446m** from the Early Years Block to the High Needs Block in recognition of the fact that SEN support for high needs pupils is funded from the High Needs Block.

8.2 The LA is now asking Schools Forum to consider a further adjustment for 2015-16.

8.3 There is an anomaly in how rates are treated for early years providers. PVIs receive a higher hourly rate as a contribution to rates and or rent of premises. The rates for Nursery Schools are met within the Early Years Block. However, rates for buildings used by nursery classes in maintained primaries and academies are not separated from the overall rates bill for the school and are met from the Schools Block.

8.4 The reason for this approach was that originally funding for 3-4 year olds was paid for from the same funding pot as 5 -16 year olds and therefore there was no need to go through the process of apportioning the rates between under-fives and pupils of statutory school age.

8.5 With the new funding system from April 2013, some authorities do now separate rates on the basis that if this is not done then it under values the true cost of providing free education for under-fives in maintained nursery classes compared to nursery schools and PVI settings.

8.6 There are two approaches that could be taken here to correct this anomaly.

(a) The LA could do an apportionment of the rates for every primary school with a nursery and this would then be allocated to primary schools through the Early Years Single Funding Formula (EYSFF) by extending the rates factor to cover all schools rather than just the three nursery schools. Some nurseries are on separate sites and rates are easy to identify. However, for the rest, an apportionment would need to be based on sq. mtr. of provision but nursery provision is often a higher sq. mtr per fte pupil than for pupils aged 5-11.

(b) A quicker and more cost effective method would be for the LA to use proxy data such as under-fives number on roll as a percentage of total primary numbers and apply this to the total rates bill. The sum identified

would then become a charge to the Early Years Block (similar to that for High Needs). For example, if this approach was applied to the May 2014 Census data, under-fives expressed as FTE would make up 8.3% of the total primary school roll including early years provision. As the rates bill for 2014-15 for all primary schools and academies was approximately **£1.5m,** the money to be transferred from Early Years Block to the Schools Block would be approximately **£0.125m.**

8.7 The Local Authority believes therefore that method b) would be the best way of addressing this funding issue.

9. CONSULTATION

9.1 The LA is consulting directly with Schools Forum on the issue of transferring funding between the three DSG funding blocks.