

## Schools Forum 16<sup>th</sup> January 2013

### Final Dedicated Schools Block for 2013/14 and Proposed Adjustments by the Local Authority between the Early Years, High Needs and Schools funding blocks for 2013/14

Report written by Graham Moss, Strategic Development Consultant

---

#### Introduction:

Schools Forum have been kept informed on DfE and EFA contact with the Local Authority in determining the DSG Baseline for 2012/13 and resultant changes for 2013/14. Essentially funding for 2013/14 is the DSG Baseline for 2012/13 but adjusted for:

- Changes in the school population between October 2011 and October 2012 (excluding pupils funded through the High Needs Block).
- The additional responsibility placed upon Local Authorities for students aged 16-24 with learning difficulties and disabilities which previously had been the responsibility of the EFA.
- Actual number of 3 and 4 year olds receiving free education for 15 hours a week as shown in the School Census and Early Years Census in January 2013 and January 2014.
- The integration of funding for free education for two year olds from low income families from April 2013.

Schools Forum was provided with provisional data from the 4<sup>th</sup> October Census Count at its meeting on 17<sup>th</sup> October 2012. Schools were subsequently sent a provisional school budget share for 2013/14 based upon the Local Funding Formula agreed by Cabinet on 9<sup>th</sup> October 2012 and the provisional NOR and pupil characteristics data for their school.

On 10<sup>th</sup> December 2012, the EFA and DfE published the final pupil data to be used in calculating school and Academy budget shares for 2013/14. They also published the final value of the DSG for 2013/14 and showed the breakdown for this in the Early Years, High Needs and Schools Funding Blocks. This report sets out how the final values for DSG and the three funding blocks were arrived at and the Local Authority's proposals to make slight adjustments between these funding blocks and the reasons for doing so.

#### Final DSG for 2013/14:

**Table 1: The value of the DSG and the component funding blocks for 2013/14:**

<b>Funding Block</b>	<b>NOR</b>	<b>GuF</b>	<b>£m</b>	<b>GuF Rank</b>
Schools Block	34,723	£5,204.86	£180.728	18 <sup>th</sup> in London / 14.4% above national average of £4,549.96 per pupil
Early Years Block	2,793	£4,884.45	£13.642	19 <sup>th</sup> in London / 12.3% above national average of £4,282.41 per pupil
High Needs Block			£32.222	
<b>Total - Funding Blocks</b>			<b>£226.592</b>	
Additions			£4.354	
<b>Total DSG</b>			<b>£230.946</b>	

Interestingly, had these changes not have happened our total school roll including pupils now counted in the High Needs Block and Early Years Block would have been 38,219 which at the old GuF rate of £5,841.83 would have produced a DSG of £223.269m as well as net recoupment of **£1.240m** and EFA SEN Grant of **£1.568m** making a total of **£226.077m**. However, the **£226.592** for 2013/14 includes the extra responsibility for element 3 for 16-24 LDD Students from September 2013 for which **£0.618m** has been added. Thus overall there is not a significant difference in moving from the old to the new system of funding in 2013/14.

As Table 1 shows, the final number on roll in mainstream schools aged 5-16 was **34,723** (including an adjustment for 110 extra reception class children between October 2011 and January 2012). This figure excludes pupils in Special Resourced Provision as they are 100% funded from the High Needs Block. This total is lower than reported to Schools Forum in October 2012 because of the adjustment for pupils with the same Unique Pupil Number [UPN] appearing on the roll of two schools. Nonetheless it represents an increase of **988 or 2.93%** over the October 2011 School Census Count.

The additional **£4.354m** in Table 1 can be broken down as follows:

**Table 2: Breakdown of additional funding**

<b>Funding</b>	<b>£m</b>
Funding for early years places for 2 year olds from lower income families	3.987
Transitional funding following ending of the 90% funding floor protection for 3 year olds	0.313
Newly Qualified Teachers (transferred from the LA formula grant)	0.053

National funding for 2 year olds is **£525m**. Our allocation of **£3.987m** is **0.76%** of the national pot whereas our 3 and 4 year old population only makes up **0.57%** of the national cohort. Our allocation which is 30% above the national average is indicative of the level of social deprivation in Waltham Forest.

Waltham Forest was one of relatively few local authorities where the number of three year olds receiving free education was less than 90% of the cohort as calculated by the ONS. In 2012/13 we received an extra **£0.626m** to bring up to 90%. Therefore **£0.313m** represents 50% of the previous grant and is paid as a transitional arrangement for 2013/14 only.

The breakdown of funding across the three blocks can be compared to the national data as shown in Table 3 below.

**Table 3: Relative shares of the DSG for 2013/14:**

<b>Funding Block</b>	<b>£m</b>	<b>% DSG</b>	<b>WF % DSG</b>
Schools	30,038,244	81.5%	79.7%
Early Years	2,107,059	5.7%	6.0%
High Needs	4,735,958	12.9%	14.2%
DSG	36,854.999	100%	100%

Note: Percentage figures are rounded and add up to less or more than 100%.

This table shows that Waltham Forest spends above the national average on High Needs Pupils (14.2% compared with 12.9%). This is primarily due to having a high level of social deprivation and a high influx of families from certain countries in Eastern Europe who have a higher incidence of children with learning difficulties and disabilities than the average for children born in this country.

### Schools Block:

As Table 1 shows, the final number of qualifying pupils was **34,723**. This figure excludes pupils in Special Resourced Provision as they are 100% funded from the High Needs Block. This is **70** lower than the figure of **34,793** reported to Schools Forum in October and therefore generates less funding e.g. 70 fewer pupils at £5,204.86p per pupil equates to **£0.364m**.

In addition, since Schools Forum in October 2012, the DfE made two downward adjustments to the DSG Baseline data for 2012/13 which affected the Schools Block and these were as shown in **Table 4** below:

**Table 4: Adjustments to Schools Block**

<b>Adjustment:</b>	<b>£m</b>
Top slice for national funding pool for Hospital Education	-0.292
Removal of 90% Universal Provision for 3 year olds	-0.496
<b>Total downward adjustment</b>	<b>-0.788</b>

The total top slice for Hospital Education across all 3 funding blocks was **£0.368m** with **£0.053m** removed from the High Needs Block and **£0.023m** from the Early Years Block, but then **£0.363m** was added back to High Needs Block.

The total sum removed for 90% Universal Provision for 3 year olds was **£0.626m** with **£0.090m** removed from the High Needs Block and **£0.039m** removed from the Early Years Block.

The net effect of these two adjustments (and some minor positive adjustments) was to reduce the value of the Schools Block GuF from **£5,219.91** to **£5,204.86p** or **£15.05p** per pupil less. On the school census count of 34,723 this means a reduction in the School Block of **£0.522m**.

This information was released shortly after the Local Authority had submitted the provisional school budget shares to the EFA on 31<sup>st</sup> October 2012 based on a Schools Block calculation of **£181.409**. After deducting **£2.850m** for In-year Growth Fund and **£1.998m** for centrally retained funding this left **£176.561** (the Control Total) for delegation to schools.

However, the final figure for Schools Block at **£180.728m** is **£0.681m** less leaving **£175.881** for delegation to schools & Academies. Clearly, total funding to be allocated will be lower as there are slightly fewer pupils attracting AWPU and other pupil driven funding. Nonetheless there is now a shortfall in funding. Options to address this shortfall include:

- Reduce AWPUs from original £3,200 (primary) and £4,850 (secondary) – this would have no impact on schools better off under MFG. The EFA suggests this as the most obvious way to make minor adjustments in funding between provisional and final allocations.
- Lower the ceiling gain from 1.6% to say 1.25% - but this would affect adversely those schools that made gains of more than 1.25%.

However, the Local Authority has considered other ways of ensuring that the original rates of funding on which provisional school budget shares were announced can be maintained or even improved upon:

1. Reduce funding retained in the In-Year Growth Fund. The latest data suggests that only **£2.675m** of the **£2.850m** need be retained; releasing an extra **£0.175m** for primary schools (as this is where all but **£0.100m** was top sliced from). This is equivalent to **£8** per pupil in primary schools
2. Use the **£0.313m** transitional protection for 90% funding floor for 3 year olds to be added to the Schools Block offsetting part of the **£0.496m** top slice by the EFA.
3. Transfer **£0.450m** of the forecasted underspend in DSG in 2012/13 to Schools Block for 2013/14. The report to Schools Forum in September 2012 showed that there could be substantial underspends amounting to **£1.901m**, although **£1.183m** related to SEN underspends. Since September the forecast has not changed substantially (see separate report to Schools Forum). Therefore it seems reasonably safe to earmark **£0.450m** now for transfer to the Schools Block with any further underspends (final figures will not be known until June 2013) being added to High Needs Block as contingency.

The effect of these three proposed actions would be to increase Schools Block by **£0.763m** (i.e. items 2 and 3) and the Control Total by **£0.938m** (items 1, 2 and 3). This would make the final value of the Schools Block **£181.491m** (£180.728+£0.763m) and the Control Total **£176.819m** (£175.881+£0.938m) – some **£0.258m** higher than when the provisional school budget shares were calculated allowing some further improvement in overall funding for schools.

### **Early Years Block:**

The Local Authority proposes three adjustments to the Early Years Block:

1. The transfer of **£0.296m** of SEN and AEN Centres of Excellence funding to the High Needs Block so that all SEN funding supporting individual children is in the High Needs Block.
2. The transfer of £0.150m of In-year SEN funding to the High Needs Block so that all SEN funding supporting individual children is in the High Needs Block.

3. The inclusion of the **£3.987m** for free education for two year olds from low income families. This money will be ring-fenced by the Local Authority for two year olds only in 2013/14.

This means that the revised total for the Early Years Block will be as set out in Table 5 below:

**Table 5: adjustments to the Early Years Block for 2013/14**

<b>Funding source</b>	<b>£m</b>
DSG Baseline	13.642
Minus transfer of SEN funding to High Needs Block	-0.296
Minus transfer of in-years SEN funding to High Needs Block	-0.150
Plus free education for two year olds from low income families	3.987
<b>New Total</b>	<b>17.183</b>

### **High Needs Block:**

There have been further adjustments by the EFA to the High Needs Block for Local Authorities since those reported to Schools Forum on 5<sup>th</sup> December 2012. This is set out in Table 6 below:

**Table 6: Further Adjustments to High Needs Block by EFA in December 2012**

<b>Funding</b>	<b>£m</b>	<b>Commentary</b>
Baseline figure	32.548	
Minus Post-16 SEN Block Grant	-1.488	Contributes to post-16 costs for students in special schools
Plus Post-16 SEN Block Grant	0.544	For period April – July 2013
Plus Post -16 high needs funding August 2013 – March 2014	0.618	This covers element 3 contributions for all post 16 LDD students in special schools, sixth forms and colleges
<b>Revised Total</b>	<b>32.222</b>	

These adjustments relate to the fact that the EFA will pay direct to institutions with post-16 High Needs students the cost of elements 1 and 2 which amount approximately to £10,000 per qualifying student. The Local Authority will be responsible for paying element 3 for Special Schools from April 2013 and then will have the additional responsibility for element 3 payments to sixth forms and colleges from September 2013. The Local Authority remains totally unconvinced that the funding added to the High Needs Block is anywhere near adequate to meet these new commitments and it needs to make contingency provision.

The Local Authority is proposing to add the following sums of money set out in Table 7 to the High Needs Block for 2013/14:

**Table 7: Additional monies to be added to High Needs Block for 2013/14**

<b>Funding</b>	<b>£m</b>	<b>Commentary</b>
SEN funding for 3 and 4 year olds	0.446	Transferred from Early Years Block
SEN underspends in 2010/11 & 2011/12	1.183	Retained within central funding for 2012/13
Remaining underspend from centrally retained funding for 2012/13	?	Any underspend over and above the £0.450m earmarked for adding to Schools Block for 2013/14

## **The Replacement of LACSEG by the Education Services Grant from April 2013**

One of the few remaining funding differences between maintained schools and Academies has been the payment of additional funding to Academies to compensate them for the loss of certain services provided free of charge by Local Authorities to maintained schools but not to Academies.

For 2012/13, Academies received two extra payments:

DSG LACSEG – for DSG funding held centrally by the Local Authority for functions such as Contingency Fund and Staff Supply cover (e.g. Trade Union representation). In Waltham Forest this amounted to £28.27p per pupil for Primary Schools and £36.92p per pupil for secondary schools. With the Government requiring these monies to be fully delegated to both schools and Academies in 2013/14, DSG LACSEG ceases. However, a whole range of services for High Needs Pupils and Inclusion remain free to both maintained schools and Academies.

LA LACSEG – covered services and functions funded through formula grant. The functions included Therapies and other health services, pupil support, education welfare service, school improvement, asset management (education), music service, visual and performing arts, outdoor education, statutory and regulatory duties, new provision for premature retirement/ redundancy costs and monitoring the national curriculum.

After consultation with local authorities, schools and Academies, the Government has recently announced that funding spent by Local Authorities on these functions (£1.04billion) in 2012/13 will now be transferred to a new Education Services Grant from April 2013. There are some statutory functions that relate to education welfare, asset management and statutory and regulatory duties that stay with the Local Authority.

The Government will be top slicing Local Authority grants for the cost of the transfer. The new grant will be allocated on the basis of a simple per-pupil basis to both Local Authorities and Academies according to the number of pupils they are responsible for as follows:

- £15 for every pupil will be paid to Local authorities for the statutory functions not transferring to Academies.
- £116 per pupil - a single national rate – paid to Academies and to Local Authorities.
- A multiplier of 4.25 for special schools/Academies and 3.75 for PRUs and Alternative Provision including Academies making the per pupil rates £493 and £435 respectively.

There is no provision for deprivation or for Area Costs as analysis of spending by Local Authorities showed very little or no correlation with these factors.

The EFA will pay the ESG grant direct to Academies and allocate the balance of funding to the Local Authority for its maintained schools. It will be for the Local Authority to determine the level of services it provides to its maintained schools including any delegation of functions and funding to them.

However, in the short run, the EFA has determined that as these rates are substantially below the LA LACSEG rates currently paid to Academies, they will receive transitional protection of £150 per pupil in 2013/14 and £140 per pupil in 2014/15 with the extra costs met from DfE central funding. After 2014/15 there will be further “unwinding” of these protected rates so that the rates for Local Authorities and Academies are brought together over a limited period of time.

In addition and separate from this exercise, funding for NQT Induction has also been removed from the formula grant to Councils and paid to Local Authorities for delegation to schools and Academies. For Waltham Forest this amounts to £53,000 (just under £1.50 per pupil). The Local authority will discuss with schools & Academies how this sum can best be managed but it might be possible to agree a pooled arrangement to spread the risk of costs incurred when employing NQTs.

### **Conclusion:**

This report explains how final values for DSG and the three funding blocks for Early Years, High Needs and Schools have been determined, with some further adjustments proposed by the Local Authority. It also sets out how LACSEG will be replaced by a new Education Services Grant. Further information on this may be presented at a future meeting of Schools Forum.

There are three further linked reports that set out how funding is to be allocated to schools and other Early Years settings, where appropriate, through the Early Years, High Needs and Schools Blocks.

### **Action by Schools Forum:**

- 1. To note the updated information on DSG for 2013/14 and how the values for the spending blocks for Early Years, High Needs and Schools have been determined by the EFA.**
- 2. To agree the Local Authority proposals for internal adjustments to the size of the Early Years, High Needs and Schools funding blocks.**
- 3. To note the likely impact of the introduction of a new Education Services Grant which replaces LACSEG for Academies but also removes most education funding from the national formula grant for Councils.**