

Schools Forum

12th December 2012

School Funding Reforms 2013/14 Update

Introduction

1. The purpose of this paper is to update on School Funding Reform related information since the last meeting.

Dedicated Schools Grant (DSG) 2012/13 Baselines

2. The DfE have issued notional spending block baselines based on 2012/13 Dedicated Schools Grant. However, they do not include:-
 - a. Adjustments for non-maintained special schools as they are to be included in the place plus system in 2013/14.
 - b. Funding for disadvantaged two years olds, recent announcements of which are covered later in this paper
 - c. Funding for post 16 high needs places in colleges and other institutions other than schools.
3. In respect of the post 16 high needs mentioned in c above, this is an area of particular concern as the EFA acknowledge there is a significant national increase in high need student numbers but no additional funding nationally to meet this rise. At the recent session held at the end of November the EFA informed LA's that there was likely to be a squeeze on the level of top up funding that was to be transferred to LA's. As result, LA's may be passed the responsibility for top up payments but against which there would be a funding shortfall.
4. There are a number of changes that have had an impact on the amount of funding allocated to the authority. The DfE have updated baselines to cover out of Borough High Needs placements. Hospital schools will be funded directly with effect from 2013/14. In order to fund the hospital schools, local authority DSG allocations have been top sliced pro-rata to overall DSG allocations. For Stockton, this equates to a reduction in our funding of £233k. The authority has objected to this as we only spent £57k on out of area hospital tuition in the last year.
5. The latest adjusted provisional gross DSG baselines (i.e. prior to academy recoupment) for the Borough notified by the DfE for 2012/13 totals £139.6m and is split as follows:-

- a. High Needs Block £19.0m
- b. Early Years Block £7.2m
- c. Schools Block £113.4m

6. The DfE is still finalising funding arrangements for 2013/14 and will not be announcing DSG figures until later this month also incorporating the October 2012 pupil census figures. It is still unclear how the DfE intends to fund growth / reductions in local authority pupil numbers.

Local School Formula

7. Since the last Schools Forum meeting on 23rd October, the Schools Block formula has been submitted to DfE for review. The Appendix to this report shows school level information that was submitted, but as requested at the last meeting, is presented in the same format that was provided as part of the School Funding reform consultation. The existing funding incorporates the up to £6k individually assigned resources that have been baselined and thus will be transitionally protected via the minimum funding guarantee.
8. Following submission, the DfE have confirmed that Stockton's data passed their reasonableness checks. The DfE have queried the use of split site factor criteria because they are not allowing it to apply to grounds / playing fields. It is however permissible for split site buildings. As a consequence, the split site grounds factor of approx. £1,500 will be removed from the two applicable schools who currently receive it.
9. The DfE have set a deadline of 18th January for the final completed return, the format of which they are currently working on. This timescale will be challenging given that the DSG settlement isn't due until later this month.

Disadvantaged Two Year Olds

10. As previously reported to members, early years education will become a statutory entitlement for eligible two year olds from 1 September 2013, with the local authority having a duty to secure provision. Some 571 children in Stockton, around 20% of two year olds, are expected to receive free early education from September 2013. The duty to secure free early education for two year olds relates to: 1) Looked after children; 2) Children who meet the Free School Meal criteria.
11. The programme will be extended from September 2014 to include around 260,000 children nationally, some 40% of two year olds. The Government recently consulted on proposed eligibility criteria for this extended entitlement. The consultation ended on 15 October 2012, and the Government expects to publish an analysis and conclusion in early 2013.

12. Local authority allocations for two year old free early education will, alongside funding for three and four year olds, form part of the notional Early Years block within the reformed DSG.
13. Local authority allocations have been calculated using a formula to divide the funding available between local authorities, based on an estimate of the number of eligible two years olds likely to receive provision in each local authority. The formula estimates the number of eligible children using free school meal data (from the School Census) for four to six year olds as a proxy, multiplied against population estimates for the number of two year olds in each local authority in September 2013. The formula then takes account of different costs in different local areas by using an area cost adjustment (ACA).
14. Each local authority's allocation includes a notional amount for statutory places (which must be funded once the entitlement for 20% of two year olds comes into force from September 2013) and a notional amount for trajectory building which will be used, in the main, to create non-statutory places in preparation for the 2014 entitlement for 40% of two year olds. The funding statutory place allocation for Stockton for 2013/14 is £1.578m and the trajectory building allocation is £0.620m
15. The Government say the allocation has been split in this way to provide maximum transparency for local authorities and providers on the funding allocation each local authority will receive and the number of places this is intended to support. In particular, they state that this should enable local authorities to set hourly rates in 2013-14 which can be sustained into 2014-15. Stable and sustainable funding rates are vital to give providers the confidence to offer new two year old places.
16. The result of the formula is that the Department is allocating funding to local authorities at an average national hourly rate of £5.09 (£4.85 for Stockton) for statutory two year old places. This compares favourably to the Daycare Trust Cost Survey 2012 which shows average hourly childcare fees in England are £4.13 per hour for under-tuos and £3.95 per hour for children aged two and over. The rate is also higher than that for 3 and 4 year olds as the staff to child ratio is lower for two year olds ie. Four children to one member of staff are required, in contrast to eight children to one for 3 and 4 year olds, and thirteen if there is an Early Years Professional working at the setting.
17. Local authorities will be required from April 2013 to fund two year old places through an Early Years Single Funding Formula (EYSFF). This requirement will be contained in the Schools and Early Years Finance Regulations 2013, which the Department intends to make shortly.
18. Local authorities will be required to work with and consult providers to create their own EYSFF for two year old places, in a similar way to current arrangements for three and four year olds. The National Audit Office report 'Delivering the free entitlement to education for three and

four year olds' (February 2012) highlighted the complexity of some local formulae. Local authorities are, therefore, being strongly encouraged to fund providers on the basis of a flat hourly rate for two year old places with no additional supplements. Following consultation the Government has decided against introducing, through the Finance Regulations, a mandatory quality supplement for providers of two year old early education.

19. The Government believes the funding allocated contains sufficient flexibility to provide additional support for two year olds with additional educational needs and Special Educational Needs. Local authorities are encouraged to be clear with providers on the additional resource available to meet the needs of these children.
20. Research evidence is clear that high quality early education is critical to the success of the two year old entitlement. The Government expects local authorities to fund places in any settings that are rated good or outstanding by Ofsted. Government aspiration is that all eligible two year olds are able to receive early education in good and outstanding provision.
21. From 2013-14 local authorities will be required to submit to the DfE details of the funding rates they pay providers for two, three and four year old places. This information will be collected through the new early years proforma as part of the Section 251 financial returns. Once collected, this information will be published on the DfE's website and will enable providers and parents to compare funding rates in different areas..
22. The DfE is currently considering the most suitable formula for allocating funding to local authorities for 2014-15 for the 40% entitlement. More information will be made available on this in due course.
23. One key role of the Local authority is raising awareness of the programme with parents and it is the government's strong intention to reward local authorities who achieve high levels of take-up by moving to participation funding. This is not possible in 2013, but they intend to do so as quickly as possible, from 2015.
24. The Borough has been allocated £0.391m of capital funding in 2012-13 as a contribution to local authorities' capital budgets. This additional funding may be used for any capital purpose, but it is intended to support implementation of early education for two year olds. This funding is being paid to local authorities under section 31 of the Local Government Act 2003 and is not ring-fenced for the early years programme for two year olds for lower income families. Local authority allocations have been calculated using the same formula used for revenue funding to estimate the number of eligible two year old children likely to receive provision in each area. Funding has then been distributed using a capital specific area cost adjustment.

25. Proposals are currently being developed and will be brought to a future meeting.

Recommendations

26. The Schools Forum is asked to note and comment on the above.

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