

TO: SCHOOLS FORUM
DATE: 13 MARCH 2014

**PROPOSALS FOR THE 2014-15 EARLY YEARS AND HIGH NEEDS BLOCK
ELEMENTS OF THE SCHOOLS BUDGET
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek comments from the Schools Forum on proposals from the Council for the 2014-15 Early Years and High Needs Block elements of the Schools Budget. There are also a small number of decisions for the Forum to consider in line with the statutory funding framework.
- 1.2 Recommendations agreed from this report will form the basis of proposals to be presented to the Executive Member for Children, Young People and Learning, who has responsibility for agreeing most aspects of the Schools Budget.

2 RECOMMENDATIONS

That the Forum AGREES:

2.1 That the Executive Member makes the following decisions:

For the 2014-15 Early Years Block funded budgets:

1. That funding rates for the free entitlement to early years education and childcare for 2, 3 and 4 year olds remain unchanged from those paid in the 2013-14 financial year;
2. That a new hourly funding rate supplement of £9.00 be paid to providers taking 2 year olds with severe or complex needs;
3. Providers of the free entitlement to early years education and childcare for 2 year olds continue to be funded on the basis of agreed number of places, rather than on actual participation;
4. The total initial budget is set at £5.383m, it incorporates the changes set out in paragraph 5.12, and relevant budgets are therefore updated to those set out in Annex 2.

For the 2013-14 forecast under spending on Early Years Block funded budgets:

5. That subject to there being a sufficient under spending on the overall Schools Budget, that any net under spending in 2013-14 on the following budgets are carried forward into 2014-15 as follows
 - a. Trajectory funding: to support the development of provisions for 2 year olds, currently estimated at £0.118m;
 - b. Payments to providers for the free entitlement to education and childcare for 2, 3 and 4 year olds: to support the

development of a sufficient number of places for eligible 2 year olds, currently estimated at £0.141m.

For the 2014-15 High Needs Block funded budgets:

- 6. That no budget decisions are made until the level of government funding is more certain.**
- 2.2 In its role of statutory decision maker, that there are appropriate arrangements in place for:**
- 1. Early years provision:**
 - 2. The education of pupils with SEN, and**
 - 3. The use of pupil referral units and the education of children otherwise than at school.**
- 2.3 The revised eligibility criteria for allocating funds to schools from the SEN Contingency (paragraph 5.39).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the 2014-15 Schools Budget is set in accordance with the new funding framework, the views of the Schools Forum and the anticipated level of resources.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 A range of options have been presented for consideration as part of the budget setting process.**

5 SUPPORTING INFORMATION

Background

- 5.1 A number of reports have previously been presented to the Schools Forum relating to the 2014-15 budget. So far, these have concentrated on the Schools Block element of Dedicated Schools Grant (DSG) which in essence funds delegated school budgets and the small number of services that the Department for Education (DfE) allows LAs to manage centrally on behalf of schools. This report presents proposals relating to the Early Years Block that funds provisions and support for children up to 5, including those in maintained school nurseries, and the High Needs Block that supports pupils with additional needs above £10,000, which is the national funding threshold set by the DfE.**
- 5.2 This two staged approach reflects the different timescales that relevant budget information becomes available, with Early Years Block DSG being partly set on January 2014 census, and the High Needs Block DSG not being confirmed until March 2014, whereas Schools Block DSG funding was announced in late December 2013.**

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- 5.3 Members of the Forum will be aware that the Schools Budget is funded by a 100% ring fenced government grant, called the DSG. It can only be spent on the purposes prescribed by the DfE. Any under or overspending in a year must also be ring fenced and applied to a future Schools Budget. LAs can add to this grant from their own resources, but are not allowed to plan to spend at a lower amount. The strategy of the Council is to plan for the Schools Budget to be funded to the level of external funding, in general “passport” funds from each DSG Block into the services they are intended to finance, with the Executive Member authorised to agree the final budget allocation to schools and the amounts to be centrally managed by the Council. In setting each budget, the Executive Member has always agreed the recommendations proposed by the Forum.
- 5.4 The statutory regulatory framework also requires the Council to consult with the Schools Forum each year relating to the arrangements proposed to be put in place to meet various Schools Budget functions and this is also included within the report.

Early Years Block

Provisional estimate of Early Years Block DSG income

- 5.5 The Early Years Block income for 3 and 4 year olds is calculated in the same way as that for the Schools Block; an amount per pupil multiplied by pupil numbers. The DfE has confirmed that per pupil funding rates for each LA will remain unchanged from 2013-14, meaning no allowance for inflation or other pressures. The BF per pupil funding rate therefore stays at £3,928.30. The pupil number multiplier is calculated from a combination of relevant January censuses and adjusted in-year to reflect changes in take-up.
- 5.6 The initial allocation of Early Years Block DSG for 2014-15 will be made based on the January 2013 Early Years Census. This will be updated during 2014-15 for January 2014 and January 2015 pupil numbers which means that the final Early Years Block will be based on 5/12ths January 2014 numbers, to cover likely costs between April and August 2014, and 7/12ths January 2015 numbers, to cover likely costs between September 2014 and March 2015. The initial 2014-15 funding allocation for budget purposes is proposed to be based on the 1,125 eligible pupils at January 2103 which will generate £4.419m of DSG. As set out above, this will be subject to change once relevant census data becomes available, which is expected to become known at June 2014 and June 2015 respectively. If a significant change in income is anticipated, there will need to be an in-year review of budgets.
- 5.7 In addition to the core income based on the head count data of 3 and 4 year olds, DfE allocates fixed additional funding for the development of places for the most disadvantaged 2 year olds. This became a new statutory duty for LAs from September 2013, where initially LAs were required to provide 15 hours a week of free childcare for the 20% most deprived children. This supports the government programme to improve the attainment and life chances of the most vulnerable children.
- 5.8 From September 2014, eligibility for 2 year old provision increases from the 20% most deprived to the 40% most deprived. The programme will be expanded by widening the eligibility criteria to include where:
- they meet the eligibility criteria also used for free school meals;

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- their families receive Working Tax Credits and an annual income of no more than £16,190;
- they have a current statement of SEN or an Education, Health and Care plan;
- they attract Disability Living Allowance;
- they are looked after by the LA;
- they have left care through special guardianship or an adoption or residence order.

- 5.9 Funding from the DfE for 2 year olds continues to be divided into two elements; place funding which is expected to be passed on to providers for provision of places, and trajectory funding which is intended to help develop sufficient high quality local provision and support services. For allocations of funding for places, the DfE uses a £5.09 per hour pupil funding rate multiplied by a snap shot of eligible head count data held by the Department for Work and Pensions (DWP) and forecasts from Her Majesty's Revenue and Customs (HMRC). The financial settlement for BF identifies a potential 182 pupils at April 2014 (using DWP data) and 321 at September 2014 (using HMRC data). This produces funding of £0.190m and £0.670m respectively. A further £0.104m has been added for trajectory funding, with the DfE using September 2014 head count data as the basis of allocating funds to LAs. Overall, BF will receive £0.964m in 2014-15 for 2 year old funding, out of total national funding of £775m.
- 5.10 Taking account of the initial funding estimate for 3 and 4 year olds of £4.419m and £0.964m for 2 year olds, the initial Early Years Block DSG income is forecast to be £5.383m, and the initial budget is recommended to be set at this level.

Proposed use of Early Years DSG income

- 5.11 There are three main areas that Early Years Block DSG income has been allocated to fund in BF:
1. The local Early Years Single Funding Formula (EYSFF), which must be used to fund providers delivering the free entitlement of 15 hours a week of childcare and early years education for 3 and 4 year olds. The EYSFF is a sub-Formula to the main BF Funding Formula for Schools. Funds are allocated each term on actual participation levels, on an hourly funding rate basis, consisting of a base rate paid to providers (£3.17 for maintained schools, £3.71 for private, voluntary and independent (PVI) sector providers), supplemented by hourly rates where qualifying criteria is met for High Deprivation (ranging from 0p - 32p) and High Quality (ranging from 0p - 48p). Note: amounts quoted relate to the 2013-14 financial year, where the average provider funding rate is £3.84. Funding rates are set out in full at Annex 1.
 2. Provision of free childcare and early education for eligible 2 year olds (see paragraph 5.8 above for relevant criteria). To support LAs in their work with providers to expand capacity, the DfE has relaxed the rules on participation based funding and currently allows place based funding for 2 year olds. This is expected to be a temporary arrangement until at least 2015. The Forum agreed that this approach should be applied in BF for 2013-14. In order to avoid local formulae complexity, the DfE also encourage LAs to fund providers using a single hourly base rate without additional supplements. The Forum also agreed that this should be adopted in BF

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where the affordable level of funding was set at £5.10 per hour. The one exception to this being an agreement to pay an additional supplement of £7.20 per hour for pupils with Special Educational Needs (SEN).

3. Central support services for 2, 3 and 4 year olds. Subject to agreement of the local Schools Forum, LAs are permitted to retain funds centrally to support early years providers. The current year budget includes agreement from the BF Forum to centrally retain funds for a contingency, designed to meet in-year cost increases from rising participation rates, SEN etc, a multi-professional assessment centre, specialist SEN support, and to meet the cost of providing free milk to children.

Annex 2 provides more details on Early Years budgets, including 2013-14 funding levels.

- 5.12 All elements of the budget as set out above in paragraph 5.11 are proposed to continue into 2014-15 unchanged, including retaining base funding rates and supplements at 2013-14 levels. However, some changes to budget amounts are proposed, as set out below:

1. Updated budget provision for payments to providers to reflect:
 - a. Actual participation rates for 3 and 4 year olds by provider during January 2013, April 2103 and October 2013, using current funding rates. Note; this is the most up to date data available to forecast the likely budget requirement next year, but payments will be adjusted in-year to reflect actual participation together with revised hourly rates should provider supplement payments for deprivation and quality change. Any differences in payments will be funded through the contingency. These costs are forecast to increase and in part, be funded from the allocation for 2 year olds;
 - b. Estimated places to be taken up for 2 year olds, based on DWP and HMRC headcount data adjusted to allow for an expected gradual increase in take-up of places, again with any in-year differences to be funded through the contingency. Experience from the current year indicates that there will be lower actual take up than the funded figures, with the circa 85% take up expected in 2013-14 being used as a guide for 2014-15. Part of the allocation is not expected to be required and is therefore proposed to be used to fund the cost increase anticipated on provisions for 3 and 4 year olds;
2. Payment of a second, higher additional hourly rate of £9.00 for 2 year olds with severe or complex needs, which is estimated to affect around 1% of all pupils;
3. Reduce trajectory funding by £0.147m to £0.104m, equivalent to the amount included in the 2014-15 funding settlement from the DfE;
4. Set aside a 5% contingency for in-year changes in take up of provisions by 2 year olds at £0.035m;
5. Set aside a provision of £0.106m to develop additional places to meet the accommodation shortage anticipated for 2 year olds. This amount is the balance of budget after meeting all of the assessed needs, and will remain uncommitted until it is clear that sufficient funds have been allocated for items 1-4 above. Paragraph 5.18 below sets out more information relating building up provider capacity.

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- 5.13 The Forum is recommended to agree this approach to setting the budget and also confirm that appropriate arrangements are in place for Early Years provisions, which the LA is required to consult with the Forum on each year. Annex 2 identifies the resultant breakdown of the Early Years budget if the proposals in this report are agreed, with Annex 3 setting out further information on the proposals and details of the more significant budget calculations.

Changes proposed for 2015-16 Early Years Block DSG funding

- 5.14 The DfE has indicated that from the 2015-16 financial year, LAs will be funded for 2 year olds on actual participation rates which will be solely based on head count from the January 2015 School and Early Years censuses. Trajectory funding is expected to cease at that point as the entitlement will be fully implemented.
- 5.15 As the funding system moves to the number of children taking up the entitlement, rather than the agreed number of places based on eligibility, it is to be expected that the headcount data used to calculate DSG income will reduce, lowering income. It is therefore important to maximise use of funds now available in the development of sufficient numbers of high quality places.

Proposed use of 2013-14 Early Years under spending

- 5.16 To recognise the importance of successfully implementing the new duty on providing the free entitlement to eligible 2 year olds, and to reflect two years allocation of trajectory funding by the DfE in the 2013-14 funding settlement, in setting the 2013-14 Early Years Budget, the Forum agreed that subject to there being a sufficient overall year end surplus balance on the Schools Budget, that any under spend against the 2 year old element of the grant would be ring fenced and carried forward to 2014-15 for use to support successful delivery of the programme.
- 5.17 Latest information on forecast spend in 2013-14 (as at the end of the December reporting cycle) indicates that place funding will under spend by £0.231m, mainly as a result of less places being taken than forecast in the DfE funding settlement through a combination of insufficient capacity from providers and parental choice, with trajectory funding forecast to under spend by £0.118m, which was anticipated when the budget was set on the original basis of a two year plan in March 2013. There is also a forecast over spending of £0.090m on the free entitlement for 3 and 4 year olds that needs to be taken into account in the use of any budget balance from 2013-14, meaning net payments to providers is forecast to under spend by £0.141m.
- 5.18 Whilst this £0.141m forecast under spending on payments to providers was not expected, it presents an opportunity to assist in meeting the statutory duty to provide sufficient childcare by financing the development of additional places where shortages remain and there is no funding source. Sufficiency data identifies areas already lacking provision, added to which need is anticipated to increase at Crown Wood/The Parks, Jennetts Park/Great Hollands North, and Sandhurst. These areas will require capital investment to provide the level of accommodation required to meet local demand. Provisional costings indicate that £0.418m is required to finance the required projects, of which £0.153m is available from the DfE capital grant funding of £0.170m that was awarded in 2013-14 with the remaining £0.265m proposed to be financed by converting unallocated revenue funding to capital as follows:

- The 2013-14 forecast under spend on payments to providers of £0.141m;

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- £0.018m of the 2013-14 forecast under spending on trajectory funding of £0.118m;
- The 2014-15 unallocated revenue funding of £0.106m.

Annex 4 sets out detailed information on the proposed capital investments.

- 5.19 The Forum is therefore recommended to agree that provided the 2013-14 outturn for the overall Schools Budget has sufficient under spending, the net saving on Early Years payments to providers, currently estimated at £0.141m and trajectory funding, currently estimated at £0.118m are carried forward into 2014-15 to fund Early Years activities.

The High Needs Block

Coverage and outline of High Needs Funding

- 5.20 The High Needs Block covers funding for education provision for high needs pupils and students from birth to 24. This is in line with the proposals set out in the Green Paper on SEN and disability.
- 5.21 The DfE has determined that where the cost of provision is above £10,000 it will be classified as high needs. In such circumstances, a “place-plus” approach to funding will be used which can be applied across all providers that support high needs pupils and students as follows:
- a. **Element 1, or “core education funding”**: equivalent to the age-weighted pupil unit (AWPU) in mainstream schools, which the DfE has stated the national average is around £4,000.
 - b. **Element 2, or “additional support funding”**: a clearly identified budget for providers to provide additional support for high needs pupils or students with additional needs up to £6,000 (as set by the DfE).
 - c. **Element 3, or “top-up funding”**: funding above elements 1 and 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil’s or student’s assessed needs.

Provisional estimate of High Needs Block DSG income

- 5.22 The High Needs Block is the most complex area of DSG funding and is subject to further change in 2014-15. Whilst the “place-plus” approach to funding providers will remain unchanged, the DfE are amending the way that the High Needs Block DSG will be calculated. Rather than looking at pre and post 16 levels of funding, the calculation will be undertaken separately with two sub blocks; one for schools and another for post schools. The change has been made as the DfE consider it more helpful to look at high needs funding for schools as a whole rather than making a division by pupil age. These changes will inevitably result in funding turbulence for LAs.
- 5.23 The schools sub block will include funding for the purchase of places at specialist providers that cater exclusively for pupils with needs above the £10,000 threshold, such as maintained special schools, non-maintained special schools and pupil referral units, at the current £10,000 / £8,000 per place i.e. elements 1 and 2. There will also be an allowance to fund “top up” payments i.e. element 3 to providers above

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the £10,000 threshold. Funding will be “cash flat”, so no allowance will be added for inflation or other pressures. There is “some funding available for growth in places” but how that will be allocated will be dependent on the outcomes of data returns from all LAs. These set out anticipated 2014-15 academic year numbers of each LAs high needs pupils by expected provider and to ensure affordability, the DfE will not make funding decisions until all the data has been collected and analysed.

- 5.24 For the post school sub block, which covers Further Education (FE) Institutions and Independent Special Providers (ISP) including Charitable and Commercial Providers (CCP), LAs will be funded for top up payments only i.e. element 3, which are above the £10,000 threshold. The Education Funding Agency (EFA) – the executive agency arm of the DfE - will pay providers directly for elements 1 and 2.
- 5.25 On the basis of this new methodology, DfE have calculated an initial 2014-15 High Needs Block allocation for BF of £12.722m. This amount is after adding back the old post 16 SEN grant previously provided to LAs, at 2012-13 funding levels, for which BF received £0.543m and before deduction of schools sub block post 16 place funding of elements 1 and 2 which the EFA will pay directly to school providers and any other changes in funded places for pre-16 pupils that may be agreed.
- 5.26 The DfE has indicated that the schools sub block deduction for the 2014-15 academic year will be made on the basis of actual student numbers for the 2013-14 academic year. LAs can supply figures other than actual 2013-14 academic year numbers where “there are significant changes”. The BF return for post 16 students was made on the basis of forecast academic year student numbers as this is expected to rise by 16 students from 82 to 98 (20% increase). If the additional places identified are not funded by the EFA, then the council will need to negotiate an appropriate amount to pay to the providers for elements 1 and 2 but should retain a higher amount of DSG than would otherwise be the case as less places will be deducted.
- 5.27 In respect of pre 16 place numbers in the schools sub block, these are also subject to change which where agreed by the DfE will also have an impact on the initial High Needs Block funding amount calculated by the DfE. An analysis of known places indicates a reduction of 14 to 255 (5% decrease). Aggregate places in maintained schools are expected to remain unchanged, but the current student profile indicates 14 less places will be required in Non-Maintained Special Schools. This reduction just about offsets the increase in post 16 numbers highlighted above in paragraph 5.26 and therefore, provided the DfE accepts the changes proposed for high needs pupils on the BF data return, no significant financial impact should arise in the DSG allocation.
- 5.28 The LA data return with required high needs places included net addition places of 22. The balance of increase in numbers from the changes set out in paragraphs 5.26 and 5.27 relates to post school providers, where places are expected to increase by 20 to 50 (67% increase). Element 1 and 2 payments to providers of these places are an EFA responsibility and there is a risk that if insufficient funds exist at the EFA to finance the national change in numbers, individual LA funding allocations will be top-sliced to contribute to the cost of rising numbers or they will be unfunded with the consequence for LAs being the need to negotiate fees for unfunded places with individual providers and pay for elements 1 and 2 from DSG that does not reflect their numbers. This could present a full year pressure of up to £0.200m.

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- 5.29 Taking account of the revised number of high needs places included on the BF return to the EFA, there is estimated to be a £0.840m deduction to the initial DSG amount of £12.722m to reflect element 1 and 2 funding transfers for the 98 post 16 high needs pupils. This would result in a revised High Needs Block funding of £11.871m which is £0.011m more than that received in 2013-14.
- 5.30 The BF return of head count data was completed and submitted to the EFA by the 23 December deadline, with the expectation that funding adjustments would be confirmed in February. However, there have been difficulties with the EFA's new data collection systems and funding allocations have yet to be confirmed. At this stage it is assumed that there will be no material impact from the outstanding adjustments although clearly, this may not be the case.
- 5.31 The complicated process to calculate funding, together with further changes to funding responsibilities and an incomplete data set makes it difficult to accurately forecast the likely level of High Needs Block income for 2014-15. A further factor to bear in mind is that the High Needs Block is calculated on an academic year basis, which means adjustments to funding allocations will take effect from September 2014 and therefore only have a part year effect on 2014-15 income.

Proposed use of High Needs DSG funding

- 5.32 As the DfE has yet to confirm all the funding adjustments required to the High Needs Block for 2014-15, it is not considered appropriate to present budget proposals at this time, but rather to wait for the release of detailed funding allocations and then present a decision report to the Forum for review in-year. The initial 2014-15 budget allocations will therefore remain unchanged from the current 2013-14 amounts. These are set out at Annex 5 for information.
- 5.33 The Schools Block Budget paper presented to the Forum in January indicated that initial work on likely costs in 2014-15 against High Needs budgets had shown a potential pressure of £0.200m. Work has been on-going since then to refine and update this amount with the latest estimate now showing a pressure of £0.273m, with the estimated budget impact set out in Annex 5. Of this total, £0.023m relates to the increased spend expected at Kennel Lane Special School from meeting the equivalent of the Living Wage, which will be financed from a draw down from the Job Evaluation Reserve, so the pressure on DSG income is £0.250m. This is before inflation, and the Council is currently negotiating with providers to maintain charges at 2013-14 prices. If this is not successful, then the pressure will increase further.
- 5.34 As set out above, there is also the possibility that the EFA will not fully fund the council for all required pupil places (elements 1 and 2), in which case a funding contribution will need to be negotiated with each provider. Experience in the current financial year shows that additional payments do have to be made to providers if placements are required outside those funded by the EFA. Clearly, there is a high probability that this will occur as place numbers for funding, which must be by individual provider, are requested by LAs in the December prior to the start of the academic year that the funding relates to.
- 5.35 During the 8 months between proposing the number of expected places required, and actual take up by students, there is the likelihood of numerous changes for a wide number of reasons. However, despite the probability of change in needs, there will be no adjustment to funding allocations. An allowance of £0.090m for the purchase of additional, unfunded places, has been made at this stage. Forum

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members will be aware that SEN budgets are volatile and high cost, and therefore subject to significant change at short notice.

- 5.36 Once the High Needs Block DSG income is clarified, the Forum will be presented with relevant budget proposals. If an over spending is still forecast, then there may be a requirement to draw down funding from the surplus Schools Budget balance, which it is estimated will be around £0.5m at 31 March 2014 and then consider whether savings options need to be implemented to move spend into line with annual income. On the basis that no changes are being proposed to services provided through the High Needs Block, the Forum is requested to confirm that arrangements in place for SEN pupils and those in Pupil Referral Units and other education outside schools are appropriate.

High Needs Contingency – to be funded from the Schools Block DSG

- 5.37 In January, the Schools Forum and Executive Member agreed that an SEN specific contingency should be created to provide additional financial support to schools with a disproportionate number of high needs pupils with qualifying schools receiving £1,100 per high needs pupil. This had been calculated from setting aside £100,000 of the Schools Block DSG, with funding targeted to:
- Where the proportion of pupils on roll classified as high need exceeds 4% of total pupil numbers in a primary school and 2% in a secondary school
 - Where the proportion that top up funding paid to support High Needs pupils compared to the total budget allocated via the BF Funding Formula exceeds 2% in a primary school and 1% in a secondary school
- 5.38 These funding thresholds were set based on high needs pupil data as at October 2012 which would have resulted in 2 primary schools (total of 22 pupils) and 3 secondary schools (total of 70 pupils) receiving funding top ups.
- 5.39 Moving to the October 2013 census, 3 secondary schools (total of 67 pupils) trigger additional funding allocations, but there are no qualifying primary schools. As the original thresholds were set for the first time on the October 2012 data, during which time there has been a 4.4% increase in the number of pupils in primary schools, it is proposed to adjust the qualifying level for primary schools from those where 4% of pupil numbers are classified as high needs in primary schools to those where 3% of pupil numbers are classified as high needs. This change would result in the same 2 primary schools (total of 20 pupils) receiving additional funds and the Forum is therefore recommended to agree this change in funding threshold. Due to the volatility of numbers of high needs pupils and school demographics in general, it is likely that funding thresholds will need to be regularly reviewed.
- 5.40 Annex 6 sets out the funding allocations that result from applying the revised thresholds which the Forum is asked to approve.

Next steps

- 5.41 The views of, and decisions taken by the Schools Forum are expected to be adopted by the Executive Member in making final decisions for the 2014-15 Schools Budget. Proposals for High Needs budgets will be presented for a decision when there is greater certainty on the level of DSG income.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are comprehensively set out in the body of this report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out in the supporting information. At this stage it is unclear whether the DfE will allocate sufficient resources to meet expenditure commitments. If a funding shortfall does materialise, it will need to be dealt with through use of the accumulated surplus balance on the Schools Budget or through the introduction of in-year savings, or a combination of both.

Equalities Impact Assessment

- 6.3 The budget proposals ensure funding is targeted towards vulnerable groups and an EIA is not required.

Strategic Risk Management Issues

- 6.4 The funding reforms and tight financial settlement together with on-going demographic growth present a number of strategic risks, most significantly:
1. Insufficient funding to cover increases in the required number of high needs places.
 2. Price increases by providers.
 3. The ability to absorb an increasing number of high needs pupils.
- 6.5 In the first instance, if insufficient funds are received from the DfE, these risks will be managed, if necessary, through use of the accumulated surplus balance on the Schools Budget that is estimated at £0.5m.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Schools Forum.

Method of Consultation

- 7.2 Written report.

Representations Received

- 7.3 To be gathered at 13 March meeting of the Schools Forum.

Background Papers

Previous budget reports to the Forum

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Various DfE guidance notes and letters

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**Provider funding rates for 3 and 4 year olds
(including eligibility criteria for supplements)**

<u>Funding rates - breakdown of hourly rate</u>	<u>Maintained Schools</u>	<u>PVI providers</u>
Hourly base rate (minimum amount, no eligibility criteria)	£3.17	£3.71
Deprivation Supplement (where eligibility criteria met)		
Band 3 Deprivation ranking within the 10% most deprived settings. Top up at 3 times the basic rate.	£0.32	£0.32
Band 2 Deprivation ranking below the 10% most deprived settings but still within the 35% of most deprived settings. Top up at 2 times the basic rate.	£0.21	£0.21
Band 1 Deprivation ranking below the 35% most deprived settings but still within the 60% of most deprived settings. Top up at basic rate.	£0.11	£0.11
Band 0 Deprivation ranking outside the 60% most deprived settings. No top up.	£0.00	£0.00
Quality Supplement - as measured by workforce qualifications (where eligibility criteria met)		
Band D Qualified Teachers on Upper Pay Scale 2 or higher cost with 75% of staff at level 3 or above.	£0.48	£0.48
Band C Graduate (level 5 or 6) leading the EYFS Practice and 60% of staff at level 3 or above.	£0.27	£0.27
Band B Level 4 or above leading the Early Years Foundation Stage (EYFS) and 35% of staff with a level 3 or above	£0.21	£0.21
Band A Other, lower qualification levels. No top up.	£0.00	£0.00
Maximum hourly rate	£3.97	£4.30
Minimum hourly rate	£3.17	£3.71
Average hourly rate	£3.65	£3.95

Early Years Block Budgets

Budget Item	2013-14 Actual Budget £	2014-15 Proposed Budget £
Free entitlement to early years education and childcare for 3 and 4 year olds:		
Maintained school nurseries	£1,284,140	£1,348,080
PVI provider settings	£2,687,830	£2,662,020
Provider Contingency – for in-year increases in take-up and other support to providers e.g. SEN children, providers in financial difficulty (3%)	£130,550	£130,550
Multi professional assessment centre – Currently provided through contract with Action for Children, based at Margaret Wells Furby Children’s Centre	£156,850	£156,850
Free milk – net cost of free milk to eligible children.	£11,210	£11,210
Special Educational Needs and other support e.g. Special Educational Needs Co-ordinators.	£147,390	£147,390
Free entitlement to early years education and childcare for 2 year olds:		
Payments to providers (including SEN supplements)	£643,100	£682,000
Trajectory funding: Outreach support, delivery of sufficient places, workforce development, publicity and marketing.	£250,900	£104,000
Provider Contingency – for in-year increases in take-up and other support to providers e.g. SEN children, providers in financial difficulty (5%)	-	£35,000
Development of sufficient places – convert revenue funding to capital	-	£105,900
Total Early Years Block Budget	£5,311,970	£5,383,000

Note: the initial 2013-14 Early Years budget of £5.470m was reduced by £0.159m to £5.311m to reflect the re-calculation of DSG following receipt of actual January 2013 head count data, which was lower than the January 2012 level used in the initial DSG calculation.

Early Years Block Budgets – Supporting Information

Budget requirement for payments to providers for 3 and 4 year olds

	Maintained Schools		PVI providers	
	Funded Hours	Costs	Funded Hours	Costs
January 2013	110,270	£402,440	203,339	£798,228
May 2013	138,086	£503,965	275,412	£1,088,204
October 2013	121,366	£441,676	195,573	£775,588
Grand total	369,722	£1,348,081	674,323	£2,662,021

Budget requirement for payments to providers for 2 year olds

FORECAST 2 YEAR OLD PLACE & SEN/AEN FUNDING 2014/15	% forecast places taken	Additional Places	Total No of Places	No of Hrs p/wk	No of Wk/s Summer term	Hourly Rate	Forecast Cost
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Place numbers

Summer 2013-14 Academic Year

(DfE forecast 182 places)

April			152	15	12	£5.10	£139,536
May		3	155	15	9	£5.10	£2,066
June		5	160	15	5	£5.10	£1,913
July		5	165	15	3	£5.10	£1,148
							£144,662

(A)

Autumn 2014-15 Academic Year

(DfE forecast 321 places)

September	70%		225	15	15	£5.10	£258,188
October	75%	16	241	15	11	£5.10	£13,464
November	80%	16	257	15	7	£5.10	£8,568
December	90%	32	289	15	3	£5.10	£7,344
							£287,564

(B)

Spring 2014-15 Academic Year

(DfE forecast 321 places)

January	70%		225	15	11	£5.10	£189,338
February	80%	32	257	15	7	£5.10	£17,136
March	90%	32	289	15	4	£5.10	£9,792
							£216,266

(C)

Unrestricted

Budget requirement for payments to providers of 2 year olds (continued)**FORECAST 2 YEAR OLD PLACE & SEN/AEN FUNDING 2014/15****SEN/AEN Support Funding Higher Rate**

Summer 2013-14 Academic Year <i>(DfE forecast 182 places)</i>	Places	%	Rate	hrs	wks	Amount
April	152	4%	£7.20	9	12	£4,727.81
May	155	4%	£7.20	9	9	£69.98
June	160	4%	£7.20	9	5	£64.80
July	165	4%	£7.20	9	3	£38.88
Autumn 2014-15 Academic Year <i>(DfE forecast 321 places)</i>						
September	225	4%	£7.20	9	15	£8,748.00
October	241	4%	£7.20	9	11	£456.19
November	257	4%	£7.20	9	7	£290.30
December	289	4%	£7.20	9	3	£248.83
Spring 2014-15 Academic Year <i>(DfE forecast 321 places)</i>						
January	225	4%	£7.20	9	11	£6,415.20
February	257	4%	£7.20	9	7	£580.61
March	289	4%	£7.20	9	4	£331.78
SEN/AEN Support Funding Higher Rate						
Summer 2013-14 Academic Year <i>(DfE forecast 182 places)</i>						
April	152	1%	£9.00	15	12	£2,462.40
May	155	1%	£9.00	15	9	£36.45
June	160	1%	£9.00	15	5	£33.75
July	165	1%	£9.00	15	3	£20.25
Autumn 2014-15 Academic Year <i>(DfE forecast 321 places)</i>						
September	225	1%	£9.00	15	15	£4,556.25
October	241	1%	£9.00	15	11	£237.60
November	257	1%	£9.00	15	7	£151.20
December	289	1%	£9.00	15	3	£129.60
Spring 2014-15 Academic Year <i>(DfE forecast 321 places)</i>						
January	225	1%	£9.00	15	11	£3,341.25
February	257	1%	£9.00	15	7	£302.40
March	289	1%	£9.00	15	4	£172.80

Forecast SEN/AEN Funding	<u>£33,416</u>	(D)
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Contingency @ 5%	<u>£35,000</u>	(E)
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FORECAST TOTAL PLACE FUNDING 2014/15 (A) + (B) + (C) + (D) + (E)	£717,000
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Budget requirement for payments to providers of 2 year olds (continued)

- **Hourly rate** – as no allowance has been made for inflation in the DfE funding settlement, it is proposed that the hourly place funding rate remains the same at £5.10 per hour for 570 hours per year.
- **SEN/AEN** – a number of children accessing funded places will require additional support. The 2013/14 AEN allocation was based on a DfE commissioned report ‘Children with Special Educational Needs 2010: an analysis’ which identified that “Pupils with special educational needs were much more likely to be eligible for free school meals than those without special educational needs.” The same report identified that in 2010 approximately 21% of school aged children would be identified with SEN/AEN. However, based on 2013/14 although approximately 20% will have SEN/AEN, the majority of needs are quite low and can be supported within place funding. It is anticipated approximately 5% will require additional financial support and of this 5% providers have evidenced that the current hourly support rate of £7.20 is insufficient to meet the high needs of a small group of children (approx 1%) with complex needs. Two SEN supplements are therefore proposed for 2014-15:

- **Lower Additional Support Funding Rate £7.20 per hour**

Individual children’s needs are assessed by relevant professionals to ascertain support requirements to facilitate full access to early years provision and enable each child to develop and progress to their potential. Where deemed necessary an additional hourly support rate of £7.20 enables settings to provide appropriately qualified 1-to-1 support. The majority of children receive a maximum of 9 hours per week 1-to-1 rather than the full 15 hours as work is done to fully include them into group provision. This early intervention is aimed at minimising the potential for this need at age 3+.

- **Higher Additional Support Funding Rate £9.00 per hour**

For the small number of children presenting with severe and complex needs, as assessed by relevant professionals, an increased additional support funding rate is required to enable settings to provide appropriately qualified 1-to-1 support. £5.10 base hourly funding plus £9.00 per hour AEN funding is equivalent to the average hourly cost of a Level 5 qualified practitioner (no allowance for on-costs) total £14.10 per hour. These children are likely to require the full 15 hours per week funded at the additional hourly rate and are those most likely to be put forward for statutory assessment of SEN.

Budget requirement for payments to providers of 2 year olds (continued)

Trajectory Funding

Trajectory funding is intended to help develop sufficient high quality local provision and support services as the new duty is rolled out to more eligible children. All of the trajectory funding is proposed to be centrally managed within the Schools Budget to ensure a strategic approach is adopted in the use of this one-off funding.

Funding and support will continue to be targeted at those areas of the borough identified by the Childcare Sufficiency Assessment as having insufficient places to meet needs. This will include extension and development of existing provision and plans to build new provision.

When planning use of trajectory funding consideration has been given to the following:

- **Sufficiency (PVIs)** – currently, January 2014, 166 eligible 2 year olds are placed with childcare providers (including childminders). Whilst it appears that these placements have been achieved with minimal financial implications, it is important to recognise they have been placed to the detriment of 3 and 4 year olds places; as identified by the Childcare Sufficiency Assessment, i.e. providers would rather take funded 2 year olds with guaranteed place funding of £5.10 per hour than 3 year olds with participation funding at a substantially lower rate. Therefore continuing work to develop new places is considered a major priority. There has also been an impact on sufficiency of places for those non eligible families wishing to access childcare for 2 year olds.
- **Sufficiency (Maintained Schools)** – maintained schools have the option to deliver 2 year old early education, however no schools in Bracknell currently offer this service. Negotiations have been held with interested schools in BFC; however this avenue for providing places has not, to date, been successful. Work with schools is continuing, although it is not anticipated that this route will have any significant impact on the number of places, or be able to offer the flexibility required to meet parental need and demand.
- **Outreach and uptake** – The free entitlement for two year olds targets the least advantaged two year olds, including children in the hardest to reach families in the borough. Two outreach workers have been employed on fixed term contracts to encourage the uptake of the new entitlement. These roles have proved invaluable and have resulted in a successful identification, engagement and placement of in excess of 80% of eligible children each term. It is proposed to extend the fixed term contracts to March 2015.
- **Management** – trajectory funding will continue to support the cost of LA staff managing the expansion of the two year old free entitlement and developing the necessary provider capacity and quality of provision.

Proposals for additional capital investment to create sufficient places

Anticipated Funding	
Balance on £170,000 DfE capital grant from 2013-14	£153,000
2013/14 forecast net under spending on payments to providers	£141,000
Part of £118,000 forecast under spending on 2013/14 trajectory funding	£17,800
2014/15 unallocated revenue funding	£105,900
Total funding to support Capital Projects	£417,700
Project Plans	
Jennetts Park & Great Hollands North	
Planning costs support	£17,000
New Site Development contingency	£7,000
32 funded place set up costs @ £750 p/place	£24,000
Total Capital Plans	£48,000 (A)
Crown Wood & The Parks	
32 funded place set up costs @ £750 p/place	£24,000
Development of Provision (80sq M @ £2k p/sq m) - <i>new (extension) build costs</i>	£160,000
Professional fees @ 11%	£17,600
Contingency @ 10%	£18,400
Total Capital Plans	£220,000 (B)
Sandhurst	
32 funded place set up costs @ £750 p/place	£24,000
Development of Provision (30sq M @ £2k p/sq m) <i>new (extension) build costs</i>	£60,000
Internal works to make building suitable for use	£10,000
Professional fees @ 11%	£7,700
Contingency @ 10%	£8,400
Total Capital Plans	£110,100 (C)
Whitegrove / Warfield	
Adaption of building (exit door from main hall)	£5,000
8 funded place set up costs @ £750 p/place	£6,000
Contingency @ 10%	£1,100
Total Capital Plans	£12,100 (D)
Provider Portal	
Implementation of online portal for submission of claims by providers	£27,500
Total Capital Plans	£27,500 (E)
Total Capital Plans (A) + (B) + (C) + (D) + (E)	£417,700

Current 2013-14 High Needs Block Budgets

Budget Item	2013-14 Actual Budget £	Provisional change for 2014-15 £
Element 3 top-up payments. For pupils where assessed needs exceed the £6,000 cost of support threshold set by the DfE:		
BFC maintained schools and academy.	£651,720	£91,000
Non-BFC maintained schools	£950,000	£2,000
Kennel Lane Special School *	£1,213,650	£23,000
PVI providers	£4,250,000	-£90,000
FE colleges	£315,000	£173,000
Elements 1 and 2 for specialist places – For block purchase of places in BFC maintained specialist providers, at the £10,000 per place funding rate set by the DfE:		
Kennel Lane Special School	£1,850,000	£0
BFC maintained schools	£292,000	-32,000
BFC academy **	£50,000	-50,000
Education out of school:		
College Hall Pupil referral Unit	£711,490	£0
Home Tuition	£252,160	£20,000
Family Outreach Work	£99,130	£0
Other support to high needs pupils:		
Teaching and Support Services	£704,350	£0
Sensory Impairment Service	£226,470	£0
Autism Support Service	£84,000	£25,000
Traveller Education	£75,140	£0
Other, e.g. specialist equipment, medical support etc	£146,010	£32,000
Allowance for the purchase of 15 unfunded Element 2 places	-	£90,000
Potential DSG increase	-	-£11,000
Total High Needs Block Budget	£11,871,120	£273,000

* £0.023m to be released from the Job Evaluation Reserve to fund the estimated impact from adopting the equivalent of the Living Wage at Kennel Lane Special School.

** From September 2013, EFA became responsible for funding places in academy schools.

Proposed allocations from the 2014-15 SEN Specific Contingency

SCHOOL	No. top-up pupils by school	Top-up pupils %	Qualify? Yes / No	Top-up as % of school budget	Qualify? Yes / No	Qualify under both criteria?	2014-15 funding
Ascot Heath Inf	2	0.97%	No	1.16%	No	No	
Ascot Heath Jun	5	2.09%	No	1.72%	No	No	
Binfield	1	0.24%	No	0.04%	No	No	
Birch Hill	7	1.80%	No	1.68%	No	No	
College Town Inf	1	0.47%	No	0.44%	No	No	
College Town Jnr	4	1.42%	No	0.80%	No	No	
Cranbourne	0	0.00%	No	0.00%	No	No	
Crown Wood	8	1.88%	No	1.58%	No	No	
Crowthorne CE Primary	4	1.91%	No	2.17%	Yes	No	
Fox Hill Primary	2	1.04%	No	0.66%	No	No	
Great Hollands Primary	11	3.00%	Yes	2.66%	Yes	Yes	£12,100
Harmans Water Primary	7	1.12%	No	0.90%	No	No	
Holly Spring Infant and Nursery	1	0.35%	No	0.68%	No	No	
Holly Spring Junior	9	3.63%	Yes	2.56%	Yes	Yes	£9,900
Jennetts Park Primary	2	0.80%	No	0.70%	No	No	
Meadow Vale Primary	3	0.60%	No	0.38%	No	No	
New Scotland Hill Primary	4	1.94%	No	2.40%	Yes	No	
Owlsmoor Primary	3	0.60%	No	0.78%	No	No	
The Pines Primary and Nursery	2	1.01%	No	1.30%	No	No	
Sandy Lane Primary	13	2.04%	No	1.91%	No	No	
St Joseph's Catholic Primary	5	2.38%	No	3.54%	Yes	No	
St Margaret Clitherow Catholic Primary	2	0.97%	No	0.39%	No	No	
St Michael's Easthampstead CE Aided Primary	3	1.24%	No	1.24%	No	No	
St Michael's CE Aided Primary (Sandhurst)	0	0.00%	No	0.00%	No	No	
Uplands Primary	1	0.47%	No	0.45%	No	No	
Warfield CE Primary	2	0.96%	No	1.74%	No	No	
Whitegrove Primary	3	0.68%	No	0.68%	No	No	
Wildmoor Heath	1	0.55%	No	0.22%	No	No	
Wildridings Primary	7	1.90%	No	1.78%	No	No	
Winkfield St Mary's CE Primary	0	0.00%	No	0.00%	No	No	
Wooden Hill Primary and Nursery	8	2.46%	No	3.10%	Yes	No	
Brakenhale	14	1.64%	No	1.15%	No	No	
Easthampstead Park	18	2.59%	Yes	1.02%	Yes	Yes	£19,800
Edgbarrow	23	2.20%	Yes	1.75%	Yes	Yes	£25,300
Garth	25	1.88%	No	0.69%	No	No	
Ranelagh Church of England School	26	3.35%	Yes	1.98%	Yes	Yes	£28,600
Sandhurst School	11	1.30%	No	0.76%	No	No	
Primary total	121	1.29%	2	1.24%	6	2	£22,000
Secondary total	117	2.11%	3	1.18%	3	3	£73,700
Total ALL	238	1.59%	5	0.00%	9	5	£95,700