



Walsall Council

Walsall Children's Services

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| Report to: | Schools Forum |
| Date: | 11 February 2014 |
| Subject: | Principles of Future Surplus use and Further Proposals for 2014/15 (specifically Early Years) |
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| Purpose of the report: | <p>For Schools Forum to consider:</p> <ul style="list-style-type: none">• The use of future surpluses• A set of principles to apply to future surpluses• The issues on 2 year old places• Information on 'School Ready' work |
| Recommendations: | See final section of report |

1. Executive Summary

1.1 This report seeks to establish the principle that 'the money follows the child' and therefore that surpluses should follow the child. Therefore 2 year old funding is spent on 2 year old activity, where possible High Needs funding is spent on High Needs and surpluses are divided from nursery to Year 13.

1.2 This report looks to invest the c£1m surplus on 2 year old funding into Children Centres to provide further front line services to support school readiness.

2. Purpose of the Report

2.1 Schools Forum received a report in January 2014 which discussed dividing up the previous year surplus. There was also a forecast for a surplus for 2013/14 financial year and that was also divided amongst schools. This was in line with previous Schools Forum discussions. A flat per pupil rate was used for pupils from nursery to Year 11.

2.2 As highlighted in the January report, there are 3 other areas of underspend in 13/14 that might create a surplus. These areas are High Needs top up funding, 2 year old trajectory funding and 2 year old place funding. Schools Forum in January chose to ring fence the trajectory money to pump prime 2 year old places (as the money was intended to do so). However, no decision was taken regarding 2 year old monies or High Needs.

2.3 This report focuses on the 2 year old element of this.

2.4 To ensure consistency, this report also looks to confirm previous principles of surplus distribution and where appropriate, seeks to establish further principles.

3. 2 year old place funding

3.1 DfE stated that funding to create 2 year old places was within the Early Intervention Grant (EIG) for 2011/12 and 2012/13. With EIG ending in 2012/13, the 2 year old funding was moved into Dedicated Schools Grant (DSG) and was therefore subject to the normal regulation. 2013/14 is the first year we have had to deal with 2 year old issues in DSG.

3.2 DfE stated that it expected Walsall to provide places to c943 disadvantaged 2 year olds in the 2013/14 financial year. Clearly this is based on an academic year basis so 2 years olds will both 'enter' and 'leave' the 2 year old funding

regime during that time. The DfE does not give details of who these 2 year olds are but just provides an estimated number. Clearly the number of 2 year olds receiving the service does not remain static, with the highest number being at the end of a term and the lowest at the start as the newly turned 3 year olds move out of the places. At December 2013 there were 843 2 year olds receiving a place but by January that had dropped to 580.

3.3 There was c£2.6m allocated to 2 year old places for 2013/14 academic year. It is believed that for the period September '13 to March '14 c£950k will be spent and therefore there will be a surplus of £ 1.65m at the end of the current financial year, however a proportion of this surplus is to meet 2 year old provision in the summer term '14. Assuming take up remains at current levels then by September 2014 there will be an uncommitted surplus of c£1m.

3.4 The trajectory funding for 2 year olds awarded in the 2013/14 DSG was c£1.033m. This funding was to cover summer term 2013 costs and help create places. Further work is ongoing but is believed that spend will be c£370k as at 31 March 2014. This will leave a surplus of c£660k that Schools Forum have voted to ring fence to developing places. Walsall is expected to be able to accommodate 2100 2 year olds by September 2014.

3.5 These monies are not ring fenced in any other way. The rules that apply for all DSG, apply equally to these funds. What is clear from discussion with DfE and their representatives is that this money is meant to help disadvantaged 2 year olds and not any other way. Clearly if we had full take up of places then there would be a much smaller surplus.

3.6 Recent briefings to Director of Children's Services nationally imply that DfE will look to ring fence these monies to 2 year olds in future financial years. There is no reference to this in Schools and Early Years Finance Regulations 2014/15, so it is believed that this ring fencing will take place in 2015/16 either through new DSG rules or separating these funds into a new ring fenced grant.

3.7 The proposal for use of these funds is to ensure that the largest proportion of these monies is allocated to 2 year olds. This ensures that these monies are deployed to children as quickly as possible and meet their intended of giving young children (particularly disadvantaged ones) the very best start in life.

3.8 The proposal for these funds is to provide a one off amount of money ' to be used to commission early years improvement services across early help geographical areas with the intention of improving early years foundation stage profile outcomes and increasing the percentage of children achieving a good level of development (GLD). There will be no infrastructure costs but more available funding directly to front line services commissioned against

improvement and need priorities identified in the School Ready Improvement Plan. For example a focus on early language development and children's social and emotional development, alongside parenting support and the awareness of the importance of home learning environments.

3.9 It is proposed to set up a sub group of Schools Forum to monitor this progress and work with Council officers to define a plan. The group is there to receive information about expenditure, performance and impact of this investment. The group could also schedule regular review meetings in addition to just receiving information. It would be hoped that colleagues with interest in the 2 year old agenda would be involved and it would be useful to have an academy as well. Schools Forum would receive regular updates. It is important to have value for money built into this approach as these funds are one off and are being used to pump prime services.

4. Further principles

4.1 Having established a principle that 2 year old monies should be ring fenced for 2 year olds, there needs to be consideration around whether further principles linked to surplus need to be adopted.

4.2 The surplus divided by the January 2014 report was done on all pupils from nursery to year 11. Nursery pupils were weighted at less than 1 FTE. However years 12 and 13 were excluded. The principle of excluding years 12 and 13 was that they are outside of DSG which is a grant aimed at pre 16.

4.3 The issue this creates is one of equity. A surplus for one year is generated by pupils in the education system not receiving the monies that were meant for them. Schools have been consistently criticised in recent years where big balances have built up on this same issue.

4.4 Based on current Walsall principles, a child could be part of developing that surplus when they are in year 11 but then the benefit will go to the children in nursery and the 6th form pupil misses out. There is an argument that years 12 and 13 should be included in future calculations.

4.5 A potential extension of this argument would be that monies meant for 2 year olds should therefore go to 3 year olds. The issue here though would be different because the 2 year old monies are aimed at disadvantaged 2 year olds and by passing this onto 3 year olds we would in effect be double funding some pupils. The intention for Walsall is to develop a clear 0 to 5 school readiness approach with resource for a high quality universal offer and a clear and specific focus on more vulnerable early learners. By allocating funding through the six Early Help areas this enables resource to be most effectively targeted across the 0 to 5 age group whilst implementing the 2 year old offer

effectively by building the capacity of local settings to provide a good and outstanding service. To be clear, Schools Forum is allocating these funds to local 2 year old activity as part of an overarching 0 to 5 strategy.

4.6 For simplicity and fairness the proposal is that any future general surplus is divided based on pupil numbers from nursery to Year 13. This solution cannot be implemented perfectly as years 12 and 13 are outside DSG. Therefore secondary schools will benefit from an increased one off AWPU (as happened this year) but it can't be done on per pupil for 6th form. Therefore an equivalent value will be added into secondary AWPU but will be divided on years 7-11. This means that secondary schools with high year 7-11 numbers but low 6th form numbers will benefit disproportionately but there seems no other solution. Assuming Schools Forum recommend this we will look for the best technical solution possible.

4.7 The other principle that will be set is that wherever possible the surplus will follow the child. Therefore, 2 year old funding can be deployed to support 2 or 3 year olds. Where this is not possible then the surplus will be divided on a flat per pupil rate across all phases of pupils including years 12 and 13.

5. Frequently asked Questions

Do the 2 year old monies have to be spent on 2 year old activity?

Walsall Council has a duty to create 2 year old places. The trajectory funding is there to create places and fund summer term 2013 places and place funding to fund the places for academic year 2013/14. This money does not have to be spent in its entirety on these activities but that is the intention of DfE. The DfE are gathering data on 2 year old take up and will be evaluating the impact of this investment. The left over funds can be deployed as other DSG surplus can be.

What is clear is that DfE are going to ensure that monies meant for 2 year olds will be spent on 2 year olds in the future. This looks likely to be 15/16 but could be introduced before then.

Any underspend on places will be one off.

What is the governance process for all this?

In short, any monies retained to be spent centrally on under 5's is signed off by Schools Forum annually. If the surplus 2 year old monies are spent on activities which comply with early year's central expenditure then a Schools Forum resolution will be enough to put this into place. If the spend does not comply then it would require Secretary of State Approval.

Why do we get these surpluses?

We have budgeted for the correct number of 2 year olds. 943 2 year olds multiplied by 15 hours multiplied by 38 weeks multiplied by £4.89 = £2.628m. However we have not had that level of demand. There is no single reason why parents have not taken up this offer but the Early Years team is currently contacting each family to find out why. Examples include families making conscious choices that they feel 2 is too early to take up a place even if it is free.

Why are DfE looking at the rules?

DfE want money intended for disadvantaged 2 year olds to be spent on disadvantaged 2 year olds. The governance framework does not enforce that currently. Therefore, a fresh approach is planned. Currently the situation is that many authorities have had c80% take up or up to 90% but that still means that over 10% of the funding is not being deployed as intended.

What does 'High Needs' mean in this context?

High Needs is a term that EFA use in schools funding and DfE use more widely. High Needs are pupils with Special Educational Need (SEN) and who are in Alternative Provision (AP) such as Pupil Referral Units (PRU). There have been several reports since summer 2012 detailing Walsall's evolving approach to this and this will be further picked up on tonight's agenda under Special Schools Funding Formula. The underspend is called 'top up funding' in this report. Top Up funding is the funding given to a specific pupil to meet their needs; this funding is above the basic 'place' funding which is not specific. Therefore the underspend is caused because the anticipated need of the pupil has not materialised for whatever reason.

What is 2 year old trajectory funding in this context?

DfE awarded all applicable councils funding to pay for 2 year old places in the summer term 2013 and to help build capacity. Building capacity can be termed in many ways but could be capital to build extensions etc., could be marketing or incentives to help create places.

6. Recommendations

- 6.1 Schools Forum approves the use of £1m of underspend from 2013/14 2 year old place funding (Time 2 Start) on School Readiness activities to be delivered through Children Centres (Early Help Areas). This is to ensure that 2 year olds receive the benefit of funding intended for them.
- 6.2 To ensure the effectiveness of this investment, Schools Forum will form a sub group to monitor the development of plans to use the funding, monitor the impact of the funding and ensure value for money.

6.3 Schools Forum agrees the principle that where future underspend or improved value for money creates a surplus, wherever possible the principle of 'the money follows the child/student is adopted'.

6.4 Schools Forum note that in January 2014 funds were distributed amongst schools based on all pupils from nursery to Year 11. On the basis that money should follow the children, then 6th form pupils (years 12 and 13) will be included in future surplus calculation.

6.5 Schools Forum note that the investment of 2 year old funds may be subject to Secretary of State Approval and endorse a submission going to the Secretary of State to seek approval and delegate Chair and Vice chair to endorse any submission if needed before the next Schools Forum meeting.