

Appendix A - Annual Report on school and early years budget issues

1. Introduction

- 1.1 This report sets out proposed arrangements for various financial issues relating to schools and early years provision, as a basis for consultation with schools and early years providers and the Schools Forum, and including:
- The local funding formula for schools (for mainstream schools for pupils from reception classes to Year 11)
 - The early years single funding formula (for 3 and 4 year olds)
 - Financial issues relating to:
 - arrangements for the education of pupils with special educational needs
 - arrangements for the use of pupil referral units and the education of children otherwise than at school
 - arrangements for early years provision

Dedicated Schools Grant and Section 251

- 1.2 The Dedicated Schools Grant (DSG) is a ring fenced grant provided annually by central government to local authorities to fund education. The DSG is calculated in three blocks – schools, early years and high needs. Whilst the total increases each year, this is only because the school population has risen and there has been no increase in the cash amount available per pupil for several years.
- 1.3 Each year the local authority must submit a budget in a standard format by 31 March and an outturn statement for the previous financial year by 31 August. This return is called Section 251 (S251). The S251 budget for 2015/16 is shown at Annex 1. Expenditure is grouped under a number of headings and broken down by type of educational provision. S251 has two parts – the Schools Budget (i.e. the use of the DSG) and the non-Schools Budget (which details other council expenditure on educational services.)
- 1.4 The majority of funding goes to primary and secondary mainstream schools, including Academies and Free Schools. The funding for all schools is shown on S251, but the allocations for academies are recouped from the local authority, and paid directly to the school by the Education Funding Agency (EFA).
- 1.5 Section 251 also covers payment to many other educational providers, including special schools and independent specialist providers, private,

independent & voluntary (PVI) early years establishments, childminders, children's centres, hospital education and pupil referral units.

- 1.6 The types of expenditure than can be charged to the Schools Budget are highly prescriptive and enshrined in law. All expenditure must be explicitly for the education of children aged 0 to 19 (to 25 for young people with special education needs and disabilities). Costs of statutory services, central administration, finance, information technology or management of children's services cannot be charged to the Schools Budget. There are detailed instructions on what can be charged to each individual line of S251.

Mainstream primary and secondary schools

- 1.7 Mainstream maintained schools and Academies receive delegated budgets and have their own bank accounts. They are responsible for balancing their budgets, choosing service suppliers and managing their accounting systems. The Scheme for Financing Schools regulates this. Maintained schools report monthly and reclaim VAT through the local authority. Academies have a similar arrangement with the EFA.
- 1.8 Schools have a number of funding streams, the largest being their 'Budget Share'. This is funding calculated according to the local funding formula for all schools and provides the money to run the school and educate their pupils, including those with additional needs.
- 1.9 Other funding streams include high needs place funding and top-up funding, Pupil Premium, other government grants (e.g. PE, Infant meals), sixth form funding and early years funding – as well as any income they may generate from lettings, donations, etc.

Sixth forms

- 1.10. Students following post-16 schemes of study in 6th forms or at FE colleges are funded by a national funding formula. The allocations are calculated by the EFA and paid to local authorities to pass on to maintained school 6th forms without alteration. This formula has been changing over the years and transitional funding has been in place to protect schools. However, the overall effect has been to reduce the average level of funding per student, and this has become especially noticeable in 2015/16 when the main transitional funding has ended and schools' funding is coming into line with funding of FE colleges. Post-16 students are not eligible for the pupil premium. EFA funding for 6th forms is not part of the DSG, but is included in the Schools Budget reported on S251.

Pupil growth

- 1.11 Barnet's school population is growing rapidly and this is particularly noticeable at Reception age where recently schools have been opening extra classes each year to meet demand for school places. Schools are funded on pupil numbers in the October census which took place before the financial year. So, if a school opens an extra class, it needs additional funding to pay for staff in the year the new class opens.
- 1.12 Barnet has also had a number of new schools opening recently and more are planned in the next few years. These require not only pupil funding, but start-up and 'diseconomies' funding to support the infrastructure and management until the school is full. All new schools are Academies or Free Schools and the government is in the process of passing more of the costs of these schools on to local authorities. Free Schools were initially excluded from the DSG, although 'recouped academies' (generally those which converted from LA maintained) were included. In future funding for all schools will be included in the DSG and funding for Academies and Free Schools will be recouped from the local authority, except for Free Schools in their first year of opening. Schools that open to meet LA need (Basic Need Academies) are funded by the LA from the beginning.
- 1.13 The Barnet 'growth fund' to meet the costs above is estimated at budget time, six months before the beginning of the financial year, but in practice can be under pressure subsequently as it is not possible to predict new demand precisely. Rising pupil numbers are thus a substantial pressure on the Schools Budgets and this pressure is growing each year because the EFA does not provide advance additional resources in the DSG to local authorities with growing school populations. LAs are dependent on the lagged funding generated by pupils appearing on the school census the following year.
- 1.14 Growth in pupil numbers has been mainly concentrated in the primary sector so far. The average amount paid to schools for primary pupils is generally below the funding rate received in the DSG. However, these larger year groups will soon be moving into the secondary sector where the cost per pupil is much higher than the LA receives, especially in schools which have historically had large numbers of pupils eligible for free school meals. This increasing pressure on the Schools Budget will be difficult to manage unless government funding increases.

Central education expenditure

- 1.15 While the majority of the Schools Budget is paid to schools and providers for the education of children, there is some central expenditure which can be

charged to the Schools Budget. The same general rules apply to these budgets as mentioned above – i.e. no ICT, management or administration costs, etc. In Barnet these are:-

- The cost of School Admissions
- The cost of operating the Schools Forum
- Contributions to combined budgets (but only for pre-2013 commitments without any increase or new commitments allowed - Barnet's commitments are to family support services).
- Central expenditure on Under 5s
- Central SEN services (but not statutory SEN services)
- SEN Transport (pre-2013 commitments only)
- Direct Payments to pupils with SEN

1.16 The Schools Forum has to be consulted about any proposed increase in central budgets.

2. The local funding formula for schools

- 2.1 Since the introduction of local management of schools in 1991, schools have received a budget share calculated according to a locally developed formula. In 2013 the government introduced additional controls that limited the factors that could be used by local authorities and requiring authorities to use only data provided by the Education Funding Agency (EFA). This change created winners and losers among schools. The protection from the 'minimum funding guarantee' has been crucial for the losers. There is still a wide variation between funding formulae across the country and the coalition government had indicated that its ultimate aim was a single school funding formula for all LAs.
- 2.2. The Local Authority's funding formula must be submitted for checking by the EFA each year on the 'Authority Proforma Tool' (APT). A provisional version is sent at the end of October and the final version in late January. No changes can be made after this date.
- 2.3 For many years schools have been protected by the Minimum Funding Guarantee (MFG), which stipulates that the change in a schools average funding per pupil, deriving from the funding formula, between one financial year and the next one must not fall lower than the percentage set by the government. Currently the funding per pupil cannot fall by more than 1.5%. At the same time, LAs can set a cap on gains in order to make the funding formula affordable within the Schools Budget. Barnet's cap has been 0.5% for the last two years.
- 2.4. The effect of the MFG and Cap system is that a school's per pupil funding cannot rise or fall outside a very narrow range and it will take many years before the formula losers' and gainers' funding has normalised to the 'correct' level. For example, the biggest formula losers are JCROSS, Totteridge Academy and Whitefield, which are each topped up by an MFG of more than £400,000 each year, whilst St. James, which should be a gainer, has its budget capped by nearly £400,000 each year.
- 2.5. The static nature of the DSG means that schools have received no contribution towards pay or supplies inflation in the formula for several years. However, the pupil premium has increased substantially year on year and it is likely that this has masked the cost pressures. In 2015/16 there is virtually no increase in the pupil premium. A number of schools are now beginning to have problems balancing their budgets.

- 2.6. The current funding formula is now in its third year, with no changes having been made apart from those required by the government. There has been no request through the Schools Forum or individual schools to make a change, and, as noted above, the MFG/Cap system would nullify the effect of most changes anyway – although, if there was an overriding need to make a change, it is possible to apply to the Secretary of State for disapplication of the MFG. Nonetheless, in view of the apparent financial difficulties facing a number of schools, officers have modelled some possible changes.
- 2.7. Barnet’s funding formula is shown in Annex 2.
- 2.8. The only changes that have been considered are changes that do not assume/require a significant increase in budget provision other than for increasing pupil numbers, as it is assumed that there will be no increase in funding, even for inflation, for the foreseeable future.
- 2.9. As indicated above, the main constraint on changes is the DfE Minimum Funding Guarantee (MFG), which is balanced by allowing local authorities to cap gains under the formula. One area of flexibility is the nature of the cap. By varying it, some gainers may increase their budgets at a faster rate; there will be a negative impact on some other schools but the level of cap can keep this to a manageable level.
- 2.10. In the light of that, three options are proposed:

Option 1 – no change – cap on gains remains at 0.5%.

Option 2 - allow schools to keep **20%** of all potential gain. This may be worth more or less than setting a threshold of 0.5% after which schools lose all gains (as Option 1). Schools capped by a large amount will gain. Schools protected by the MFG are not affected. There will be losers among schools whose gain was between 0 and 0.5% which were not previously capped.

Option 3 – increase the Age Weighted Pupil Unit (**AWPU**) by **£10** and increase the gains by giving schools that gain **15%** of the potential gain. This may be worth more or less than setting a threshold of 0.5% after which schools lose all gains (as Option 1). Schools capped by a large amount will gain. Schools heavily dependent on the MFG are not affected. There will be some losers among other schools.

Options 2 and 3 will only have a marginal effect on the total budget required to fund schools (less than £150,000).

- 2.11 A working group of headteachers was appointed by the Schools Forum at its last meeting to work with officers on possible options for change. The options in this paper will be considered by that group initially and then by the next Schools Forum on 2 July 2015. The effect of each option on each school's budget will be included in the papers for the working group and the Schools Forum and in the subsequent consultation with all schools.
- 2.12 If, as a result of the discussions at these meetings, any further options emerge that do not require a significant increase in budget provision other than for increasing pupil numbers, then it is proposed to add these options to the three options above and consult on all of the options. Consultation with all schools will begin in early July and continue until mid-October. The Schools Forum will then meet again to consider the views from schools and to indicate its own views on the options.
- 2.13 It will then be necessary for the council to decide on which option to adopt, in the light of the consultation with schools and the Schools Forum, before the deadline for submitting the provisional formula to the DfE on 31 October. In the absence of a meeting of the Children, Education and Libraries Committee at the end of October, it is proposed to authorise the Commissioning Director, Children and Young People (Director of Children's Services) to decide on which option to adopt to enable the changes to be included in the submission of the Authority Proforma Tool (APT) to the DfE on 31 October.

3. Financial issues relating to arrangements for the education of pupils with special educational needs, arrangements for the use of pupil referral units and the education of children otherwise than at school

Pupils with high needs

- 3.1 In 2013 there was a major change in the way high needs pupils were funded. High needs pupils are defined as those whose cost of education and additional support exceeds £10,000 a year, with the assumption that £4,000 is the notional cost of a place in a mainstream school and £6,000 is for additional support.
- 3.2 In practice, most high needs pupils are those with a statement of special educational needs (SEN) in mainstream or special schools (or with an Education, Health and Care Plan – these will gradually replace statements). However, this group also includes those in alternative provision such as Pupil Referral Units (PRUs) or hospital provision.
- 3.3 All high needs pupils are funded via a system called 'Place Plus', where the total cost of their education is split between the school they attend and the local authority where the child is resident. The school provides the first £10,000 (£8,000 in PRUs, rising to £10,000 in September 2015) and then collects the remainder (the 'top-up') from the relevant local authority.
- 3.4. In mainstream schools the £10,000 is found from the delegated budget share, unless the child attends an Additional Resourced Provision (ARP) at the school, in which case the school receives £10,000 per ARP place but does not receive budget share for pupils in the ARP.
- 3.5 In special schools and PRUs, there is no formula funding and all base funding comes from place funding of £10,000 (£8,000 for PRUs until August 2015) per agreed place.
- 3.6 For Barnet, the change to place-plus was not so difficult for mainstream schools, because there was already a similar system in operation for pupils with statements. Special schools, ARPs and PRUs have found the change more difficult as they had been used to place funding which was not affected by pupils coming and going from their roll, and they did not previously have to collect money from other local authorities.
- 3.7 The council funds only the top-up for Barnet high needs pupils attending maintained schools, including mainstream Academies, and Special Academies (special schools that are Academies).
- 3.8 The same system applies to Non Maintained Special Schools (i.e. some independent special schools) and post-16 specialist providers – which now receive place funding from the EFA, leaving LAs to pay the top-up. However, the cost of the place funding is recouped from LAs so there is no overall benefit to the LA.

- 3.9 Other independent special schools are still funded by fees paid by local authorities.

Additional place funding

- 3.10 As part of the programme to reduce reliance on out-of-Borough (OOB) and independent specialist provision, recent capital developments have increased capacity at Oakleigh and Mapledown Special schools. These additional places require an extra £623,000 of revenue funding in 2015/16. There are also 7 additional ARP places required for 2015/16, costing £231,000, and 8 additional hospital places to cover the additional number of beds in Barnet General Hospital following the closure of NHS services in Enfield (costing an additional £92,000). The extra funding for these places in Barnet schools has been found from reductions in expenditure on places in out-of-Borough non-maintained and independent schools.
- 3.11 The Education Funding Agency was approached for additional exceptional funding in cases where provision was expanding, but unfortunately they did not regard any of the cases put forward met the criteria for this exceptional support.

Place-plus top-ups

- 3.12 The high needs top-ups are paid directly to the school by the local authority where the child resides. The amount paid depends on the needs of the child and the period of time the child is on roll, so, if a pupil leaves, funding ceases. In its purest form the top-up rate is an individual arrangement between the commissioner (usually the local authority) placing the child, and the provider (school).
- 3.13 In practice most local authorities have bands of need to which children are assigned to determine funding. The council's approach is set out below.

3.14 Special Schools

- 3.14.1 Prior to April 2015, special schools were funded on the basis of individual top-up rates unique to their school, with two rates based on the old 'Standard' and 'Complex' need categories. In 2013-14, top-up levels for special school places ranged from £2,036 to £21,271. In addition, a substantial number of children were supported by additional packages of support from the SEN contingency budget. Schools had to bid for these funds on a case by case basis.

3.14.2 During 2014, special school top-up rates were reviewed to provide more consistency and fairness between schools and to provide for pupils whose need is greater than the current bands at each school, thereby incorporating those currently covered by the SEN contingency. Funding descriptors were developed so that there is a link between the allocation of the top-up funding and the nature of provision being made for individual pupils. The allocation of individual pupils to each band is subject to an external moderation process to ensure consistency between different settings.

3.14.3 The process of identifying revised pupil bandings and top-ups in special schools is now complete and has been implemented from April 2015.

3.14.4 The new 5 band system allocates funding consistently between schools as follows:

Band Values	Primary Value	Secondary Value
Exceptional 1	£5,682.91	£6,251.20
Exceptional 2	£7,956.07	£8,751.68
Exceptional 3	£13,638.98	£15,002.88
Exceptional 4	£22,731.64	£25,004.80
Exceptional 5	£34,097.45	£37,507.20

3.15 Additional Resourced Provisions (ARPs)

3.15.1 ARPs are currently funded on the basis of individual top-up rates unique to their school. These are based on historic levels of funding and range from £8,099 to £20,547 per place.

3.15.2 Work is now underway to develop a new funding methodology for ARPs. A draft specification for the service features and outcomes is being developed following discussion with ARP head teachers and lead teachers to inform the distribution of resources across ARPs from April 2016. As the ARPs are smaller than special schools and cater for a narrower range of needs, it is envisaged that there will be a single band for each type of ARP specialism (e.g. ASD, Hearing Impaired, Speech and Language), with that band being applied consistently across ARPs catering for the same category of need.

3.16 Pupil Referral Units

3.16.1 A slightly different approach is currently applied for PRUs. This is because of the nature of the provision they make, the short-term nature of some

placements and because only a minority of pupils have statements or Education, Health and Care Plans. Work is underway to develop a funding strategy for PRUs that acknowledges the role of schools, as well as the Local Authority, in commissioning places and the need for continuity in funding in small provisions. Current top-up levels vary between £2,197 and £10,624 per place.

3.17 Mainstream Schools and Academies

3.17.1 For pupils attending mainstream schools, children's needs, and therefore the top-up values, have been defined as teaching assistant hours. This no longer fits with the concepts being introduced more widely across the High Needs Funding scheme, as provision may have no reference to additional teaching assistant support. New descriptors of provision are being developed for discussion with headteachers, which will replace the current funding bands from April 2016.

3.17.2 The funding bands currently used are:

Band	Value per year	TA hour equivalent
A	£2,382	10.1 to 15 hours
B	£5,176	15.1 to 20 hours
C	£7,970	20.1 to 25 hours
D	£10,764	25.1 to 30 hours
E	£13,558	30.1 to 35 hours
F	£16,352	35.1 to 40 hours
G	£19,146	40.1 to 45 hours

3.18 Central expenditure on SEN services funded from the Dedicated Schools Grant

3.18.1 The following SEN services are funded from the DSG:

- **Specialist Inclusion Services** (various SEN services including teams of advisory teachers who provide specialist support to schools in relation to particular types of special educational need, such as autism,

hearing impairment, visual impairment and physical disability). The budget is about £1.4 million a year.

- **SEN support for early years** (this service is partly commissioned from Oakleigh Special School but also the central specialist autism service for children under 5). Budget: £840,000.
- **Therapy services** (jointly commissioned by the council and the health service). Budget: £794,000.

3.18.2 In addition, the following services receive a fixed contribution towards their costs from the DSG, with the amount being limited to the historic level agreed for 2012/13:

- Educational Psychology Service: £121,000
- SEN Transport Service: £400,000

4. Financial issues relating to arrangements for early years provision, including the early years single funding formula

4.1 The DSG includes funding for 3 types of early years service:

- Provision for 3 and 4 year-olds
- Provision for 2 year olds
- Central services

Central services

4.2 The following central early years services are funded from the DSG

- The Early Years Standards Team (£406,000)
- The Early Years Vulnerable Children Fund (£275,000)
- Teachers in Children's Centres (£298,000)

In addition there has been budget provision in 2013/14 and 2014/15 for the cost of developing additional places for 2 year olds. The Schools Forum agreed at its meeting on 14 May 2015, that £735,000 of the underspend on provision for 2 year olds in 2014/15 may be used to fund the development of additional 2-year old places in 2015/16.

Free Early Education for 2 year-olds (FEE2)

4.3. Two-year old children are eligible for free education if they meet the criteria set out below. There are potentially around 2000 eligible children (i.e. the most deprived) in Barnet. Take-up is growing slowly among both parents and providers. It is paid out at a flat rate of £6 per hour for a maximum of 15 hours per week, 38 weeks per year. This is higher than the £5.53 per hour funding rate provided to Barnet in the DSG.

4.4 The FEE2 scheme became a statutory duty for targeted groups of children to access a free early education place in quality childcare provision from 1 September 2013. This entitlement expanded to an additional group of children from 1 September 2014. The eligibility criteria to access FEE2 places are:

- Children from families in receipt of qualifying benefits for the Free School Meals (FSM) criteria or
- Children whose families receive Working Tax credits (income less than £16,190 per year)
- Children who are looked after by the local authority
- Children with a current statement of special educational needs (SEN) or an education, health and care plan
- Children who receive Disability Living Allowance;

- Children who have left care through special guardianship or through an adoption or residence order.
- 4.5 Not all children take up their entitlement or access their full 570 hours (15 hours per week for 38 weeks). Additionally there are still some families that are not aware of the scheme or unable to access a place in their preferred setting. There have been lower than anticipated take up rates and therefore the full quota of place funding has not been utilised. This has resulted in an underspend of £1,407,747 (from 2014/15 place funding and capacity building allocation).
- 4.6 A programme to rapidly increase 2 year old numbers has been put in place, a key plank of which will require engagement and participation in the programme by Barnet Schools. The LA has a statutory duty to deliver places to all eligible children that require one. Additionally, there is an expectation from the DfE that up to 2000 places are delivered for all eligible two year olds in the borough. Barnet is currently delivering places to 43% of eligible children.
- 4.7 From April 2015, two-year old place funding in the DSG is allocated to LAs based on participation rates rather than the estimated number of places. Based on the January Early Years Census returns, the current take-up levels will result in a significant reduction in DfE funding in this area and will negatively impact on the ability of Barnet to deliver the programme. As the take-up rates continue to increase, additional burdens will be placed on the DSG budgets to fund the additional cohort of children throughout the year.
- 4.8 In order to increase capacity for two year old places the following activities will be progressed:
- Capacity building with childcare providers, in particular schools and council managed childcare settings
 - Having sufficient (time limited) staff for a clear focus and support to providers to establish places
 - A bespoke package of assistance will be developed for schools in order to help them deliver the required places in the targeted areas of the borough.
 - Continued development of the IT infrastructure programme to ensure the journey for parents and providers is as simple as possible
 - Targeted marketing for 'hard to reach' families using intelligence from take-up data
 - Identification of eligible families who are then engaged using a focused outreach programme.

Provision for three- and four-year olds

- 4.9 All 3 and 4 year olds are entitled to 15 hours free education for 38 weeks per year (570 hours per year) from the term following their third birthday. They can take this in any accredited provider including school nursery classes,

nursery schools, special schools, private, independent and voluntary (PVI) providers, children's centres or childminders. Barnet currently has around 240 funded providers.

- 4.10 The 3 and 4 year old funding formula is based on take-up by individual children. It has been used since 2011 and was constructed in discussion and consultation with all providers and met the government's requirements. It was very difficult to achieve consensus about the relative costs of different groups of providers - for example, some providers (e.g. nursery schools) argued they had higher staffing costs whilst other providers (e.g. PVI settings) argued that they had other costs that were higher, such as premises costs in the form of rent or mortgage payments. At the end of the consultation process, the same formula was applied to all types of setting. Nursery School funding and the link with the funding formula are explored further below.
- 4.11 Like the main school formula the early years formula has not been inflation linked since it was introduced. The average funding rate is about £4.20, although this varies from about £3.80 to £4.50 depending on the average deprivation levels of children at the setting and the degree of flexibility offered to parents in taking up FEED. A number of providers have indicated that they are struggling to remain viable at these rates of funding and they expect this problem will increase when the entitlement rises to 30 hours for some children.
- 4.12 From April 2015, 3 and 4 year olds from disadvantaged backgrounds will become eligible for the new early years pupil premium of £300 per year (£0.53p per hour) and this will be a welcome boost for providers, especially those taking children from more deprived areas.
- 4.13 Barnet's Early Years Funding Formula is shown at Annex 3

Nursery School funding

- 4.14 All early years 'free entitlement for early education' places in Barnet, including those in nursery schools, are funded through the Early Years' Single Funding Formula (EYSFF) which comes out of the Dedicated Schools Grant (DSG).
- 4.15 In April 2011, the funding formula for early years in Barnet changed, bringing in the EYSFF, with a single hourly rate paid for 3 and 4 year olds calculated on the participation rates of the establishment (per child per hour) rather than by place. This resulted in an arrangement where all early years providers would be funded on the same basis per 'free entitlement to early education' place they provide.
- 4.16 Had the funding of nursery schools been adjusted to these new levels immediately, it would have created significant financial problems for them. It was therefore agreed, with the support of the Schools Forum, that nursery schools should receive additional funding from the Schools Block within the Dedicated Schools Grant. However, this was only possible for two years, as the DfE then made it clear that this was no longer allowed. As a result, in

2013/14 and 2014/15 the extra funding to support the four maintained nursery schools came from the underspend in the DSG provision for places for two-year-olds. The underspend arose because DSG funding for two-year olds was based on target numbers and actual numbers lagged behind the targets. With effect from 2015/16 funding will be based on actual numbers at the time of the January census and so there will not be any underspend in this area of the budget from this year.

- 4.17 In the last financial year, 2014/15, the total subsidy was £890,000. During 2014, the council carried out a review of Nursery School provision and put forward proposals for the amalgamation of the nursery schools in order to create a different organisational model that would be sustainable without a continuing subsidy. In order to support the transition to the new model, the council asked the Schools Forum to continue to provide a subsidy at a reduced rate, at 50 per cent of the previous year's level in 2015/16 and at 25% of the 2014/15 level in 2016/17.
- 4.18 Three of the nursery schools, Brookhill, Hampden Way and St. Margaret's expressed an interest in working together on a new organisational model, whilst Moss Hall Nursery School decided against such a course but developed its own business plan, which involves some additional income generation and cost savings in order to remain sustainable for the next five years.
- 4.19 A report on the proposed amalgamation was submitted to the Children, Education, Libraries and Safeguarding Committee in October 2014 and was referred to the full Council, where the recommendations were amended and the following was agreed:
- That the Children, Education, Libraries and Safeguarding Committee note the update on the recommendations of the Early Years Review Task and Finish Group
 - Council and the Children, Education, Libraries & Safeguarding Committee (CELS) actively supports the ongoing discussions with Brookhill, St Margaret's and Hampden Way Nursery Schools but recognises that they need more time to resolve budgetary issues and ensure a mutually agreed and sustainable future. Council and the CELS Committee therefore instructs officers to work with these three nursery schools to achieve this and report back to the CELS Committee for a final decision.
 - Council and the CELS Committee supports and agrees the Moss Hall Nursery School Business Plan proposal that will save the London Borough of Barnet £160,000 each year from 2016/17, and instructs officers to implement the proposal.
- 4.20 Subsequently, and following consultation with staff, parents and other stakeholders, Brookhill, Hampden Way and St. Margaret's Nursery School Governing Bodies have voted to federate with effect from 1 September 2015. A decision to federate can be made by Governing Bodies and does not require the council's agreement. The decision means that a single governing body will govern all three schools. Each school will continue to exist as an individual school in relation to admissions and inspection. The governing body

of the federation will receive individual budgets for each of the federated schools, but will be able to pool these budgets and establish a single management structure. That is what the three governing bodies have now agreed. Following consultation with staff, a new staffing structure has been agreed and is now being implemented.

- 4.21 The three schools have decided to refer to the federated provision as the Barnet Early Years Alliance. The financial model underpinning the new structure is based on the following:
- The new model will realise management and back office efficiencies
 - Increased income for 2-year-olds based on the same number of 2-year-olds at St.Margaret's from September 2015 as are currently supported at Brookhill.
 - The local authority will commission the federated nursery schools to provide a service aimed at raising standards across early years settings, including children's centres, and ensuring school readiness.
 - Training income will increase, some coming from conferences and other training events and a specific element coming from partnerships with universities to offer training for Early Years Teacher status.
 - Teaching School status, currently awarded to Brookhill and Hampden Way Nursery Schools will enable the new federated provision to access other funding and income, as it will be seen as a centre of excellence for early years education both locally and regionally.

The Nursery Schools subsidy

- 4.22 The financial model and business plan for the three nursery schools in the Barnet Early Years Alliance assumes that the subsidy will reduce in line with the decision of the Schools Forum, to 50% of the 2014/15 level this year and to 25% next year, with no subsidy beyond that.
- 4.23 The business plan from Moss Hall Nursery School assumes the same reductions in subsidy in 2015/16 and 2016/17 as for the other three nursery schools but a continuation of the subsidy at 25% of the 2014/15 level in subsequent years. Discussions with the headteacher and chair of governors of the school indicate that the school believes it will be able to break even with this level of subsidy for five years (i.e. until 2019/20) but that the position beyond that is less certain. It would appear that the school's financial position may not be sustainable long-term with a 25% subsidy and that long-term sustainability may require a higher level of subsidy (e.g. 50% of the 2014/15 level).
- 4.24 The resolution agreed by the council in October provided for the continuation of a subsidy at 25% of the 2014/15 level for Moss Hall Nursery School. There is currently no funding source identified for the subsidy beyond 16/17 and so

an annual budget of £56,850 from 17/18 needs to be identified. The Children, Education, Libraries and Safeguarding Committee received an update on the Nursery Schools review at its meeting in January 2015, where it was noted that, if the nursery schools are all to be treated equally, the equivalent subsidy for the Barnet Early Years Alliance (the three federated nursery schools) would be £164,290 a year. This gives a total budget to be identified from 2017/18 of £221,140 per year beyond what has been agreed by the Schools Forum.

- 4.25 The table below outlines the subsidy levels agreed by the Schools Forum to be funded from the DSG:

	2014/15		2015/16		2016/17	
Barnet Early Years Alliance	100%	£657,161	50%	£328,581	25%	£164,290
Moss Hall	100%	£227,440	50%	£113,700	25%	£56,850

- 4.26 The Children, Education, Libraries and Safeguarding Committee at its meeting in January requested that a paper be brought back to a future meeting of the Committee to present alternative savings options to fund any ongoing subsidy to each of the four nursery schools from 2017/18. It is assumed these savings and this funding will come from the council's General Fund.
- 4.27 In the meantime, further representations have been made by Moss Hall Nursery School, with a request for a review of the Early Years Single Funding Formula and an adjustment to the formula in order to allow for the additional costs involved in providing nursery schools compared to other types of early years provision.
- 4.28 The school argues that the process of setting the Funding Formula in 2010/11 was flawed and should have allowed for the higher cost of nursery schools compared with other types of early years provision. They point out that a significant number of local authorities that have retained nursery schools have retained a differential in funding between nursery schools and other providers.
- 4.29 It is certainly the case that the DfE guidance on the introduction of the Early Years Single Funding Formula allowed local authorities some discretion in relation to the option of having differentiated rates of funding or of paying supplements in certain circumstances. What is clear, however, is the discretion did rest with each local authority in consultation with its Schools Forum and early years providers. Many different approaches have been taken by other local authorities and it has been reported ('Early Education - the British Association for Early Childhood Education') that over 100 Nursery Schools have closed in the last ten years. Nonetheless, Moss Hall School is

correct in stating that, where nursery schools have remained open, many of the local authorities have retained a differential funding formula.

4.30 The guidance also allowed for transitional funding in cases where the funding formula would result in significant changes in funding levels for certain types of provider. The council adopted this approach over the last four years and has extended this with the transitional subsidy at the reducing level agreed by the Schools Forum for two years and the council resolution extends it beyond that.

4.31 The table below outlines the difference in funding per hour for 3 and 4 year olds receiving the free entitlement in the borough in 2014/15.

Barnet settings delivering the free entitlement to early education for 3 & 4 year olds in 2014/15	Number of settings	Average deprivation	Pupils (Part time equivalent)	Proportion of pupils at each type of setting	Average funding per hour
Nursery Schools	4	19%	462	8%	£7.56
Nursery Classes in Primary Schools (in maintained, academy & Free Schools)	56	29%	2,745	46%	£4.32
PVI Providers	123	19%	2,467	42%	£4.34
Children's Centres	6	31%	184	3%	£4.42
Childminders	55	20%	50	1%	£4.67
Total	244	22%	5,909	100%	£4.59

Notes

- I. Nursery school funding included the additional subsidy of £890,000
- II. Deprivation is based on IDACI (Income Deprivation Affecting Children Index) for each child's postcode. IDACI has a range of 0% - 100%, but is rarely seen higher than 60% in Barnet. The average in Barnet is about 24%.
- III. Although the basic rate per hour for all settings is £3.74, average funding per pupil varies as a result of the level of deprivation and the flexibility of provision to meet parental need.
- IV. Volumes are estimates for the 2014/15 financial year based on historical take-up and Summer 14 claims.
- V. The table above represents take-up and funding for the Free Entitlement to Early Education (FEEE) for 3 & 4 year olds. Settings may also provide childcare for under 3s funded either by the LA or parents/carers

- VI. FEEE is available for a maximum of 15 hours per week, 38 weeks per year (i.e. 570 hours per annum)
- VII. The number of part time equivalent (PTE) pupils is calculated as (total hours funded)/570. This is an average over the year. Actual headcount will differ because not all pupils take up the full entitlement. Take-up is lowest in the autumn and highest in the summer term.

4.32 The report to committee on the Nursery Review in October considered possible sources of funding from within the DSG for the Nursery Schools subsidy and concluded that the subsidy could only be funded from the DSG in the long-term through one of the following:

- Reducing the funding allocated to the other 240 early years providers in the borough (by 5% per provider if the subsidy were to be maintained at its 2014/15 level). This would have taken place over the course of four years, because government legislation stipulates that the hourly rate cannot be reduced by more than 1.5% per year. In order to achieve this, the amount paid per hour per child under the Early Years Single Funding Formula would need to be reduced (subject to public consultation).
- Drawing funding from the High Needs Block of the Dedicated Schools Grant and thus reducing expenditure on support for pupils with special educational needs.
- Reducing funding for central teams (e.g., admissions, troubled families, the virtual school for looked after children).

It was noted that any reduction in DSG funding for central services or use of non-DSG funding would simply increase the overall requirement for reductions in the council's centrally-funded children's services.

- 4.33 It is not proposed to fund the subsidy for nursery schools through cuts in special educational needs budgets. The options are therefore to fund the subsidy from the Early Years block by changing the Early Years Single Funding Formula or to fund the subsidy by reducing other budgets within the Children's Service.
- 4.34 The committee is asked to consider the request from Moss Hall Nursery School for a change to the Early Years Single Funding Formula, noting that, if it is not agreed, following consultation, to make such a change, then the resolution of the council in October 2014 means that consideration will need to be given to making central savings in the Children's Services budget and a report will be brought back to a future meeting of the Committee to present alternative savings options.
- 4.35 In order to determine the issue raised by Moss Hall Nursery School, the Committee is therefore recommended to review the current Early Years Single Funding Formula and to consult with schools and other early years providers on whether the formula should remain as it is now or if it should be amended with effect from 2016/17. Three options are set out below and it is recommended that the committee decides:
- a) whether to express a preference for one option over the others at this stage or to await the outcome of consultation
 - b) which options to consult on – one, two or all three.
- 4.36 The committee is asked to consider the following options:

Option one – no change to the EYSFF

Funding levels per pupil hour would remain as now. There would be no additional funding for nursery schools through the formula. All providers would receive the same average amount per hour.

Option two – amend the EYSFF by reducing the funding per hour for all providers other than nursery schools by 1.5% - from £3.74 to £3.68, in order to generate additional funding for nursery schools, so that their combined funding levels from the formula and subsidy remain at a similar level to that planned for 2016/17 (based on a subsidy at 25% of the 2014/15 level).

Option three – amend the EYSFF by reducing the funding per hour for all providers by 3% - from £3.74 to £3.63, in order to generate additional funding for nursery schools, so that their combined funding levels from the formula and subsidy remain at a similar level to that paid in 2015/16 (based on a subsidy at 50% of the 2014/15 level). Only a 1.5% reduction in the hourly rate could be made in one year, so if the balance were to be found in the first year, reductions would also be required in the flexibility or deprivation elements of

the formula, meaning nursery providers offering flexibility and/or in deprived areas would suffer disproportionately.

Notes:

1. Option 2 would mean a reduction in funding for primary schools (including and academies) with nursery classes of between £800 and £2,500 per year, depending on the size of the nursery. A PVI provider offering a nursery class of, say, 20 children, both mornings and afternoons, would lose around £1,200 a year.
2. Option 2 would cost an additional £25,000 in total. If that cannot be found within the overall DSG budget (depending on the amount allocated to the council for 2016/17) it may be necessary subsequently to make a further small adjustment to reduce the flexibility or deprivation elements of the formula.
3. Option 3 would mean a reduction in funding for primary schools with nursery classes of between £1,600 and £5,000 per year, depending on the size of the nursery. A PVI provider offering a nursery class of, say, 20 children, both mornings and afternoons, would lose around £2,400 a year.
4. The nursery school subsidy levels arising from options 2 and 3 would be as follows:

Nursery School subsidy levels

	St Margaret's	Moss Hall	Brookhill	Hampden Way	Total
Current plan for 16/17	56,468	56,860	55,483	52,475	221,285
Option 2	67,981	65,276	50,214	36,529	220,000
Option 3	135,963	130,551	100,428	73,058	440,000

Annex 1 – Section 251 budget 2015/16

S251 Budget 2015 -16

LA Table: Local Authority Information

LA Name

Description

Gross

1 SCHOOLS BUDGET

1.0.1 Individual Schools Budget (before Academy recoupment) 264,376,737.62

DEDELEGATED ITEMS

1.1.1 Contingencies	194,850.00
1.1.2 Behaviour support services	77,612.80
1.1.3 Support to UPEG and bilingual learners	85,563.71
1.1.4 Free school meals eligibility	0.00
1.1.5 Insurance	0.00
1.1.6 Museum and Library services	0.00
1.1.7 Licences/subscriptions	0.00
1.1.8 Staff costs – supply cover excluding cover for facility time	0.00
1.1.9 Staff costs – supply cover for facility time	47,512.48

HIGH NEEDS BUDGET

1.2.1 Top-up funding – maintained schools	16,142,716.33
1.2.2 Top-up funding – academies, free schools and colleges	6,854,903.38
1.2.3 Top-up and other funding – non-maintained and independent providers	9,835,971.25
1.2.4 Additional high needs targeted funding for mainstream schools and academies	0.00
1.2.5 SEN support services	3,198,187.71
1.2.6 Hospital education services	530,006.00
1.2.7 Other alternative provision services	0.00
1.2.8 Support for inclusion	0.00
1.2.9 Special schools and PRUs in financial difficulty	0.00
1.2.10 PFI/ BSF costs at special schools and AP/ PRUs	0.00
1.2.11 Direct payments (SEN and disability)	200,000.00
1.2.12 Carbon reduction commitment allowances (PRUs)	0.00

EARLY YEARS BUDGET

1.3.1 Central expenditure on children under 5 979,072.00

CENTRAL PROVISION WITHIN SCHOOLS BUDGET

1.4.1 Contribution to combined budgets	777,892.00
1.4.2 School admissions	361,200.00
1.4.3 Servicing of schools forums	34,680.00
1.4.4 Termination of employment costs	0.00
1.4.5 Falling Rolls Fund	0.00
1.4.6 Capital expenditure from revenue (CERA)	0.00
1.4.7 Prudential borrowing costs	0.00
1.4.8 Fees to independent schools without SEN	0.00
1.4.9 Equal pay - back pay	0.00
1.4.10 Pupil growth/ Infant class sizes	1,041,250.00
1.4.11 SEN transport	400,000.00
1.4.12 Exceptions agreed by Secretary of State	0.00
1.4.13 Other Items	106,500.00
1.5.1 Other Specific Grants	0.00
1.6.1 TOTAL SCHOOLS BUDGET (before Academy recoupment)	305,244,655.29

Annex 2 – Barnet School Funding Formula -

LA Name:	Barnet		
LA Number:	302		
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Reception uplift	No	
	Description	Amount per pupil	
	Primary (Years R-6)	£3,315.75	
	Key Stage 3 (Years 7-9)	£4,762.86	
	Key Stage 4 (Years 10-11)	£4,762.86	
	Description	Primary amount per pupil	Secondary amount per pupil
2) Deprivation	FSM6 % Primary	£1,383.56	
	FSM6 % Secondary		£1,375.32
	IDACI Band 1	£0.00	£0.00
	IDACI Band 2	£0.00	£0.00
	IDACI Band 3	£0.00	£0.00
	IDACI Band 4	£215.00	£247.00
	IDACI Band 5	£717.00	£819.00
	IDACI Band 6	£4,205.00	£2,917.00
3) Looked After Children (LAC) – not used in Barnet	LAC X March 12	£0.00	
4) English as an Additional Language (EAL)	EAL 2 Primary	£530.00	
	EAL 2 Secondary		£1,378.00
5) Mobility	Pupils starting school outside of normal entry dates	£422.90	£618.53
	Description	Weighting	Amount per pupil
6) Prior attainment. Not used in Barnet formula	N/A	100.00%	
	N/A		
	Secondary pupils not achieving (KS2 level 4 English or Maths)		£0.00
Factor			Lump Sum per School (£)
7) Lump Sum			£122,000.00
8) Sparsity factor (not applicable to Barnet)			£0.00
9) Fringe Payments (not applicable to Barnet)			£0.00
10) Split sites - £29,958 (primary) or £99,412 (secondary). Also, sliding scale for secondary schools for Staff Travel depending on the distance between sites.			
11) Business Rates			As invoiced

Annex 3 – Early Years funding formula

1. EYSFF (three and four year olds) Base Rate(s) per hour, per provider type		Description		Unit Value (£)		
				PVI	Nursery School	Primary Nursery Class
1		Base rate	£3.74	£3.74	£3.74	
2. Supplements (please provide in written format a short explanation of your supplement payments)	Deprivation (Mandatory)	Description		PVI	Nursery School	Primary Nursery Class
		1	Deprivation	£400.00	£400.00	£400.00
	Quality (if applicable)	Description		PVI	Nursery School	Primary Nursery Class
		1	N/A	£0.00	£0.00	£0.00
	Flexibility (if applicable)	Description		PVI	Nursery School	Primary Nursery Class
1		Flexibility level 1 or 2 Level 1 = £95/ Level 2 = 2* £95	£95.00	£95.00	£95.00	
Sustainability (if applicable)	Description		PVI	Nursery School	Primary Nursery Class	
	1	Transitional funding for Nursery schools	£0.00	£1.00	£0.00	
3. Other formula factors and lump sums (if applicable)		Description		PVI	Nursery School	Primary Nursery Class
		1	Basic Entitlement per child, capped at £3,000 per setting per annum	£100.00	£100.00	£100.00
		1	Insurance (new delegation)	£0.00	£1.00	£0.00
4. Additional funded free hours eg full time places (if applicable)		Description		PVI	Nursery School	Primary Nursery Class
		1	N/A	£0.00	£0.00	£0.00
TOTAL FUNDING FOR EARLY YEARS SINGLE FUNDING FORMULA (3s AND 4s) :						
5. Two year old Base Rate(s) per hour, per provider type		Description		PVI	Nursery School	Primary Nursery Class
		1	Base rate	£6.00	£6.00	£6.00
6. Two year old supplements (please provide a short explanation of your supplement payments)	Quality (if applicable)	Description		PVI	Nursery School	Primary Nursery Class
		1	N/A	£0.00	£0.00	£0.00
	Other supplements (if applicable)	Description		PVI	Nursery School	Primary Nursery Class
		1	N/A	£0.00	£0.00	£0.00

Links

Barnet Schools Funding and Finance website containing guidance and school funding allocations
www.barnet.gov.uk/school-funding

School and Early Years Finance Regulations

<https://www.gov.uk/government/consultations/school-and-early-years-finance-england-regulations-2014>

Information about the Dedicated Schools Grant for 2015-16

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2015-to-2016>

School funding for 2015-16

<https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016>

High Needs funding for pupils 5 and over

<https://www.gov.uk/government/publications/high-needs-funding-2014-to-2015-academic-year>

High needs provision for students aged 16-25

<https://www.gov.uk/16-to-25-young-people-with-high-needs-funding-principles-for-2015-to-2016>

Guidance on Section 251 returns

<https://www.gov.uk/section-251-2015-to-2016>

Guidance on the Schools Forum

<https://www.gov.uk/schools-forum-a-guide-for-schools-and-academies>

Barnet Schools Forum

<https://www.barnet.gov.uk/wwc-home/information-for-schools/school-funding-and-finance/schools-forum.html>

Barnet guidance for early years providers

<https://www.barnet.gov.uk/wwc-home/early-years-practitioners/free-entitlement-to-early-education.html>

Early Education and Childcare for Under 5s

<https://www.gov.uk/government/publications/early-education-and-childcare--2>

Early Education for Two Year Olds

<https://www.gov.uk/2-year-old-early-education-entitlement-local-authority-guide>

Pupil Premium

<https://www.gov.uk/pupil-premium-information-for-schools-and-alternative-provision-settings>

Early Years Pupil Premium

<https://www.gov.uk/government/policies/improving-the-quality-and-range-of-education-and-childcare-from-birth-to-5-years/supporting-pages/early-years-pupil-premium>