

DERBYSHIRE COUNTY COUNCIL**CABINET****21st January 2014****Report of the Strategic Director for Children & Younger Adults****Schools Block DSG 2014-15 – Proposals – (Children and Young People)**1. Purpose of the Report

To inform Cabinet of the Dedicated Schools Grant (DSG) settlement for 2014-15 and to ask Cabinet to approve the basis for determining Schools Block budgets.

2. Information and Analysis

On the 18th December 2013 the DfE published details of the 2014-15 Dedicated Schools Grant (DSG) settlement for local authorities. The allocation for Derbyshire was as follows:

	2013-14	2014-15	Diff
	£m	£m	£m
Schools Block	406.721	404.272	(2.449)
High Needs Block	60.664	61.524	0.860
Early Years Block	32.987	34.524	1.537
Total	500.372	500.320	(0.052)

The overall settlement included no allowance for inflation but reflected key changes such as the funding for vulnerable 2 year olds and pupil data changes. The overall DSG is ring-fenced but monies can be moved between the individual blocks.

The allocations are provisional as further technical changes have still to be applied. For example the High Needs Block allocation will be adjusted to reflect the actual number of high needs places at pre and post 16 that the Education Funding Agency (EFA) agrees to support in Derbyshire. The Early Years Block is an estimate and will be refined during the year to reflect the actual numbers of early years children recorded on the January 2014 and 2015 census returns.

The allocation of the High Needs and Early Years Blocks will be the subject of a further report to Cabinet in the near future. The remainder of this report is focused solely on the Schools Block as there is a statutory requirement for the mainstream schools' funding formulae to be determined and details submitted to the EFA on or before 21st January 2014.

2.1 Schools Block DSG Income

The Schools Block DSG income for 2014-15 is as follows:

Data	2013-14	2014-15	Change
Pupils	95,845	95,568	(277)
Reception uplift	159	135	(24)
ERS places adjustment	(233)	(308)	(75)
Total NOR funded	95,771	95,395	(376)
DSG Per pupil	£4,245.28	£4,245.28	£0.00
Allocations	£m	£m	£m
Gross SB DSG (£m)	406.575	404.978	(1.597)
NQT allocation	0.146	0.144	(0.002)
Carbon Reduction Commitment	0.000	(0.850)	(0.850)
Schools Block DSG Income	406.721	404.272	(2.449)

The Newly Qualified Teacher (NQT) allocation reflects the change (September 2012) to the induction regulations which allowed schools to act as the appropriate body to monitor and quality assure NQT induction. In order to allow schools to pay for the services of their preferred appropriate body, the funding for NQT statutory induction was moved into the DSG in 2013-2014 to allow funding to be delegated to all schools through local funding formulae. The funding received in 2014-15 for this purpose is broadly in line with 2013-14.

The Carbon Reduction Commitment (CRC) deduction reflects the national decision to remove schools and academies from the CRC framework. The CRC deduction is £150k more than the budget set aside for this purpose in 2013-14.

Most of the Schools Block has to be delegated to schools via the simplified funding formulae. However, limited resources can be retained centrally for defined purposes with the agreement of the Schools Forum. At its meeting on 17th October 2013 the School Forum agreed to allow the Council to continue to retain the maximum sum allowed under the regulations. The total to be retained for these existing responsibilities is £5.795m; details of the individual allocations are set out in Appendix 1.

In addition, as part of the DSG announcement, authorities were informed that the DfE has agreed with the following agencies to purchase a single national licence managed by the DfE for all state-funded schools in England:

- Copyright Licensing Agency (CLA) (no change from 2013-14)
- Music Publishers Association (MPA) (no change from 2013-14)
- Newspaper Licensing Authority (NLA) (new for 2014-15)
- Education Recording Agency (ERA) (new for 2014-15)
- Motion Picture Licensing Company (MPLC) (new for 2014-15), and

- Filmbank Distributors Ltd (for the Public Video Screening Licence (PVSL)) (new for 2014-15)

Local authorities (LAs) and schools/academies will no longer need to negotiate individual licences; instead these will be paid by the DfE and recharged to LAs. LAs are permitted to hold the funding to meet these recharges centrally. At the time of writing the DfE had still to inform LAs of the extra cost of the new licences, a notional figure of £150k has therefore been assumed, any variation from this figure will be added to/deducted from the DSG underspend and the baseline corrected in 2015-16.

Finally, in January 2013 the Schools Forum agreed to support the transfer of £3.040m Schools Block funding to the High Needs Block to meet a range of pressures as set out in Appendix 2. It is proposed that this transferred funding remains in the High Needs Block for 2014-15. The Schools Block funding available for mainstream schools' delegated budgets is therefore:

	£m
Gross DSG per previous table	404.272
Central spend – Appendix 1	(5.795)
Additional sum – Licences	(0.150)
High Needs Block Transfer – Appendix 2	(3.040)
Available for schools' delegated budgets	395.287

2.2 Proposed Changes to Formula Multipliers

This section sets out the rationale behind the proposed changes to the mainstream formula multipliers for 2014-15. Details of the impacts are set out in Appendices 3a and 3b.

2.2.1 Licences – Funding for the ERA licence is currently delegated and re-pooled, this arrangement will cease for 2014-15 and formula multipliers have been reduced accordingly. No transfers have been made for the other changes to licences in section 2.1 as no specific resources were ever delegated to schools for them.

2.2.2 Low Cost High Incidence (LCHI) Additional Educational Needs - the bases for these counts have changed significantly for 2014-15. For 2013-14 the primary sector used the number of pupils scoring below 73 at the Early Years Foundation Stage. This count is not available for pupils transferring into Year 1 from reception as the tests have not been taken. The DfE have therefore used the number of Reception pupils not achieving a “good level of development” instead.

In the secondary sector, the count is now based on the number of children not achieving level 4 in English or maths rather than English and maths. As a result the count has increased by over 120%.

The autumn consultation with schools and the Schools Forum proposed that, in the event the change in counts were significant, the multipliers would be adjusted to keep the total allocated for low cost additional educational needs in line with 2013-14. This approach has been adopted in the calculations for 2014-15.

2.2.3 Lump Sum - the recent consultation proposed to raise the secondary sector lump sum to £150,000. The cost of this would be £724k, lower than the “pure” increase of £1.1m due to the impact of Minimum Funding Guarantee (MFG) protection. One of the options for funding this increase set out in the consultation was to pare back other secondary sector multipliers. However, as secondary school budgets are generally reducing due to falling pupil rolls, this proposal is not now recommended, the additional net cost will instead be dealt with as part of the overall balancing of the Schools Block DSG. The Schools Forum supported this approach.

2.2.4 Other pressures (including traded services) – given the significant financial pressures facing the Authority it is likely that schools will increasingly be asked to pay for services which were previously free at the point of delivery. In addition the Authority is expected to agree to pay the Living Wage to its employees currently below this national rate (£7.65 per hour) from April 2014 and this has the potential to increase the charges for services to schools. Schools are also expected to meet their share of the on-going costs of other developments including the new MIS system, the electronic safeguarding case management system and SAP accounts payable and support.

Schools themselves are facing internal pressures such as the impact of falling rolls and reduced post 16 allocations in the secondary sector, and unfunded pay awards and price inflation across all schools.

To help with all of the above it is proposed to increase the formula multipliers, excluding the lump sum, by 1% and to increase the primary lump sum by £2k at a net cost of around £2.3m (the secondary lump sum proposals were set out in 2.2.3 above.) The Schools Forum supported these changes.

2.2.5 Capping – the consultation also indicated that the Authority would seek to limit the cap on gains, subject to affordability. The proposal is that a cap of 6% per pupil be applied which, in conjunction with the other changes in this report, would leave only 1 secondary school and 36 primary schools with a capped gain in 2014-15; this compares with 12 secondary schools and 117 primary schools in 2013-14. The Schools Forum supported this change.

2.2.6 Teaching and Learning Consultants - as part of the Children and Younger Adults Service’s strategy to meet its savings target, the department is reviewing the provision of Teaching and Learning consultancy support to schools. This service is provided by the Education Improvement Service and provides specialist support to schools, particularly those in an OFSTED category or at risk of falling into a category. The Service is looking to change the way schools are supported in the medium term, options could include trading the existing service, outsourcing it, ceasing the provision or moving to a peer to peer model of support.

In order to provide continuity of provision for 2014-15, whilst at the same time reducing costs to the Council, the Schools Forum was asked to support the delegation of £1m of DSG underspend to schools through the formula for 2014-15. The intention would be that individual schools/academies are invited to re-pool this

funding on a voluntary basis for 2014-15 to help support the service whilst the work on future support models is concluded. It is intended that this allocation would be for 2014-15 only. The Schools Forum considered the matter at its meeting on 17th December 2013 and supported the proposal.

The actual allocation of resources would be pro rata to the number of pupils in each sector which results in £593k for primary schools and £407k for secondary schools. The primary sector share would be allocated 25% on the number of schools and 75% on pupil numbers; all of the secondary sector share would be allocated on the basis of the number of Key Stage 3 and 4 pupils.

2.3. Impact of the data changes and multiplier proposals

The implied budgets using the updated multipliers to reflect the issues in 2.2 and 2014-15 data are set out in Appendices 3a and 3b. The total value of the budgets at this point is:

	£m
Primary	213.037
Secondary	187.971
Total	401.008

This exceeds the available DSG in section 2.1 by £5.721m, of which £1m is one-off (Teaching & Learning). It is proposed that this shortfall be funded by utilising some of the accumulated DSG underspend from previous years. The cash position before and after this support is given below:

	£m	£m
Accumulated underspend - 31 st March 2013	22.861	
Forecast underspend 2013-14	6.973	
Forecast accumulated underspend - 31 st March 2014		<u>29.834</u>
Commitments:		
MIS Support for one off costs	(1.100)	
Single Status in Schools	(5.000)	
Hope Valley post 16	(0.250)	
Sub total		(6.350)
Uncommitted balance		23.484
Support for 2014-15 allocations – on-going		(4.721)
Support for 2014-15 allocations – one off (T&L consultants)		(1.000)
Revised balance		17.763

Notwithstanding the changes which may take place nationally in respect of school funding from April 2015, the on-going support for schools' delegated budgets per annum funded from DSG underspends will be sustainable for at least the next

three years. Even if no other changes were allowed for there would still be around £8.3m DSG underspend available at 31st March 2017. In reality the actual calls on DSG underspends for 2015-16 and 2016-17 are likely to reduce due to the savings which will naturally occur in MFG protection entitlements and the impact of rising rolls in the primary sector which will bring increased Schools Block funding.

2.4. Single Status in Schools

Within the above DSG underspend the Authority has earmarked £5m to help schools meet the additional costs of the first two years of Single Status. The Authority's best estimate of the additional costs for each sector is as follows:

Sector	Additional cost 2014-15	Number of schools modelled/total	Funding Requirement 2014-15
	£m		£m
Primary	1.528	345/350	1.562
Secondary	0.613	26/45	1.172
Special	0.235	10/10	0.235
Nursery	0.041	8/8	0.041
Other	0.005	-	0.005
Total	2.422	-	3.015

The additional costs have been based on the data for those schools covered by the Single Status framework. However, any additional financial support has to be distributed by the funding formula to all schools and academies, including those not covered by Single Status, hence the higher mainstream "funding requirement" figures.

The funding requirement for 2014-15 is £3.015m, more than half of the £5m funding set aside for the two years 2014-15 and 2015-16. It is proposed that the 2014-15 funding requirement be released from the DSG underspend with a view to funding the extra costs in 2015-16, over and above the balance of the £5m, by a further one off deduction from the uncommitted DSG underspend. This approach would be the subject of additional work with the Schools Forum and a further report to Cabinet during the year.

The variable distribution of the additional costs of Single Status at an individual school level for 2014-15, coupled with the requirement on the Authority to operate a simplified funding formula, means that it is not possible to delegate the additional resources in line with individual schools' cost pressures. The proposal is therefore to allocate the released funding for primary and secondary schools by a pro rata increase in the formula multipliers, thus recognising that a school's budget, and staffing levels, are driven by all the formula factors. The percentage uplifts for the primary and secondary sectors are 0.75% and 0.645% respectively.

The indicative final multipliers for 2014-15, including the impact of the Single Status allocations, are set out in Appendix 4.

3. Impact of MFG

One potential complication relating to the Single Status and Teaching and Learning Consultants increases was the potential impact of these allocations on the Minimum Funding Guarantee arrangements. At its simplest there was a danger that a school in receipt of Minimum Funding Guarantee (MFG) protection would not receive its full share of these resources as its allocations could be largely, or entirely, offset by a reduction in its MFG protection. Thus a school would have the increases in costs with only limited additional resources.

The Authority sought approval from the Secretary of State to exclude these allocations from the MFG calculations and this approval was received on 3rd January 2014.

4. Schools Forum

The proposals in this report were considered by the Schools Forum at its meeting on 17th December 2013 and the Forum gave its support to them.

5. Concluding comments

Although this paper sets out proposals for the period 2014-15 to 2016-17, the School Finance Regulations do not permit any binding decisions to be taken by the Authority in respect of 2015-16 and 2016-17 and decisions concerning those years will have to be lawful within the regulations applicable at the time.

At the time of writing work was still on-going to calculate schools' allocations. Consequently, there remains the possibility that late changes might have to be made to multipliers for reasons such as changes in the formula data e.g. pupil numbers which also drive the Schools Block allocation, school rateable values, refinements to the Single Status calculations etc. The final formulae are also subject to the approval of the Education Funding Agency to ensure they meet the requirements of the national framework.

In view of these uncertainties, coupled with the need to publish final schools' budgets as soon as possible, Cabinet is asked to allow any matters of detail to be resolved by the Strategic Director for Children and Younger Adults in consultation with relevant Cabinet Members.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.

7. Background Papers

Working files held in CAYA Finance.

8. Strategic Director's Recommendations

Cabinet is asked to note the report and agree:

- (i) To retain centrally the amounts in Appendix 1;
- (ii) To retain a further £0.150m to fund the costs of licences as set out in section 2.1;
- (iii) To amend the 2014-15 formula and multipliers as set out in section 2.2;
- (iv) To fund the extra costs of the formula allocations for 2014-15 over and above the residual Schools Block DSG by release of DSG underspend as set out in section 2.3;
- (v) To invite the Governing Bodies of mainstream schools and academies to re-pool the funding for Teaching and Learning consultants for 2014-15;
- (vi) To further increase the formula multipliers for 2014-15 to assist schools with the additional costs of Single Status in accordance with section 2.4;
- (vii) To fund the additional costs in (vi) above from the DSG underspend;
- (viii) That a further report on the funding implications of Single Status in schools for 2015-16 be considered later in the year; and
- (ix) That any matters of detail relating to schools' delegated budgets be resolved by the Strategic Director for Children and Younger Adults in consultation with the relevant Cabinet Members.

IAN THOMAS
Strategic Director for Children & Younger Adults

Service	£k	Description of services
Admissions	468	Provision of service to allocate places at schools and academies in accordance with national requirements
Schools Forum	28	Support for costs of Schools Forum including direct costs and officer time
Contribution to Combined Budgets	2,721	This funds a variety of initiatives including support for: <ul style="list-style-type: none"> (i) raising standards in schools e.g. Journey to Excellence; (ii) vulnerable students; (iii) ad hoc initiatives e.g. reading recovery, elective home education; (iv) schools causing concern; (v) schools, via the MAT teams, for families and children with behaviour, attendance and other needs.
Pupil Growth Fund	2,310	Additional support to infant and primary schools to assist them in meeting the Key Stage 1 class size requirements
Licences	188	This is to fund the cost of Copyright Licensing Agency (CLA) and the Music Publishers Association (MPA) licences for all schools and academies as required by the DfE
SEN Transport	80	This is funding towards the costs of SEN placements which, although more cost effective overall, result in higher Council funded transport costs. The funding is effectively a contribution towards the extra costs incurred by the Council.
Total	5,795	

	2013-14	Reason for transfer
Item	£k	
Change in SENTA threshold	700	Schools were originally expected to pay for the first 10 hours of a SENTA statement to meet government's £6k threshold. 9.5 hours more accurately reflects the threshold (9.5 hours x£634.54 = £6,028.) The transfer reflects the increased liability of the HNB
Increased SENTA hours	1,200	To cover the increased number of hours in schools
Early Intervention & Positive Play	490	Reflects the work of these services in supporting children with High Needs
AEN contingency	300	A contingency fund to provide support for schools with clusters of pupils with AEN for which finding multiple £6k contributions is unreasonable
LDD contingency	300	From August 2013 the Authority became responsible for all top up payments for post-16 students aged 16-24. The funding and existing commitments were transferred from the EFA and this contingency is to cover any shortfall
Further delegation – early years	50	To cover nursery units' share of the 2013-14 delegated funds (non-pooled)
Total	3,040	

	KS1/2 Pupils	Ever 6 Fsm	LCHI AEN	EAL	Lump sum	Split site <500m	Split site >500m	Rent/Rates £k	MFG £k	Capped Gains £k	Total £k
2013-14 Count	55,646.00	12,432.55	6,820.24	246.35	350.00	6.00	2.00	-	-	-	-
2013-14 Multipliers	£2,504.87	£1,469.13	£160.97	£350.17	£126,006	£2,447	£34,482	-	-	-	-
Total budget 2013-14 (£k)	139,386	18,265	1,098	86	44,102	15	69	3,207	2,481	(1,422)	207,287
2014-15 Counts	56,475.00	12,766.91	6,851.61	328.47	350.00	5.00	2.00	-	-	-	-
Changes to multipliers/cash:											
ERA Licence – now central	(£0.35)	-	-	-	-	-	-	-	-	-	-
1% increase/lump sum	£25.05	£14.69	£1.61	£3.50	£2,000	£24.47	£344.82	-	-	-	-
Rent/Rates inflation	-	-	-	-	-	-	-	54	-	-	-
Net changes in MFG & capped gains (incl. change in cap %)	-	-	-	-	-	-	-	-	(897)	1,106	-
Sub total	£2,529.57	£1,483.82	£162.58	£353.67	£128,006	£2,471.40	£34,827	-	-	-	-
Total budget 2014-15 (£k)	142,857	18,944	1,114	116	44,802	12	70	3,261	1,584	(316)	212,444
Other multiplier changes (time limited)											
T & Learning consultants	£7.87				£423.29			-	-	-	593
2014-15 Multipliers (excl. Single Status)	£2,537.44	£1,483.82	£162.58	£353.67	£128,430	£2,471.40	£34,827	-	-	-	-
Total budget 2014-15 (£k) (excl. Single Status)	143,302	18,944	1,114	116	44,950	12	70	3,261	1,584	(316)	213,037

Secondary - Multipliers/allocations 2014-15

Appendix 3b

	KS3 Pupils	KS4 Pupils	Ever 6 Fsm	LCHI AEN	EAL	Lump sum	Split site	Rates/PFI £k	MFG £k	Cap Gains £k	Total £k
2013-14 Count	23,356.00	16,656.00	8,626.92	3,651.89	49.02	46.00	2.00	-	-	-	-
2013-14 Multipliers	£3,547.53	£4,178.19	£1,786.76	£2,359.75	£316.75	£126,006	£107,159	-	-	-	-
Tot. budget 2013-14 (£k)	82,856	69,592	15,414	8,618	16	5,796	214	4,755	2,974	(466)	189,769
2014-15 Counts	22,493.00	16,308.00	8,962.87	8,128.73	37.89	45.70	2.00	-	-	-	-
Changes to multipliers/cash:											
ERA Licence – now central	(£0.62)	(£0.62)	-	-	-	-	-	-	-	-	-
LCHI –change in count	-	-	-	(£1,298.53)	-	-	-	-	-	-	-
Lump sum incr. (sec only)	-	-	-	-	-	£23,994	-	-	-	-	-
1% multiplier increase	£35.47	£41.78	£17.87	£9.52	£3.17	£0.00	£1,071.59	-	-	-	-
Rates/PFI –inflation/ revaluations	-	-	-	-	-	-	-	206	-	-	-
Net changes in MFG & capped gains (incl. change in cap %)	-	-	-	-	-	-	-	-	(1,701)	447	-
Sub Total	£3,582.38	£4,219.34	£1,804.63	£1,070.74	£319.92	£150,000	£108,231	-	-	-	-
Total budget 2014-15 (£k)	80,578	68,809	16,175	8,704	12	6,855	216	4,961	1,273	(19)	187,564
Other multiplier changes (time limited)											
T & Learning consultants	£10.50	£10.50	-	-	-	-	-	-	-	-	407
2014-15 Multipliers (excl. Single Status)	£3,592.88	£4,229.84	£1,804.63	£1,070.74	£319.92	£150,000	£108,231	-	-	-	-
Total budget 2014-15 (£k) (excl. Single Status)	80,814	68,980	16,175	8,704	12	6,855	216	4,961	1,273	(19)	187,971

Primary

	KS1/2 Pupils	Ever 6 Fsm	LCHI AEN	EAL	Lump Sum	Split site <500m	Split site >500m
Multipliers per Appendix 3a excl S Status	£2,537.44	£1,483.82	£162.58	£353.67	£128,429.76	£2,471.40	£34,827.20
Single Status increase	£19.00	£11.11	£1.21	£2.65	£961.85	£18.51	£260.83
Final Indicative 2014-15 Multipliers	£2,556.44	£1,494.93	£163.79	£356.32	£129,391.61	£2,489.91	£35,088.03

Secondary

	KS3 Pupils	KS4 Pupils	Ever 6 Fsm	LCHI AEN	EAL	Lump sum	Split site
Multipliers per Appendix 3b excl S Status	£3,592.88	£4,229.84	£1,804.63	£1,070.74	£319.92	£150,000.00	£108,230.57
Single Status increase	£23.17	£27.28	£11.63	£6.90	£2.07	£967.40	£698.01
Final Indicative 2014-15 Multipliers	£3,616.05	£4,257.12	£1,816.26	£1,077.64	£321.99	£150,967.40	£108,928.58