

DERBYSHIRE COUNTY COUNCIL

CABINET

22nd January 2013

**Report of the Strategic Director for
Children and Younger Adults**

Mainstream Schools' Delegated Budgets 2013-14 (Education)

1. **Purpose of the Report**

To seek Cabinet approval to the arrangements for calculating mainstream schools' 2013-14 delegated budgets.

2.1 **Background**

During 2012-13 the Authority undertook two consultations with mainstream schools regarding proposed changes to the funding formulae to ensure they would meet the DfE's new requirements: the consultations focussed on the simplification of the existing formulae and the additional delegation of budgets to schools. The shape of the new formulae, specifically the indicators to be used, was agreed by Cabinet at its meeting on 6th November 2012. The final arrangements for 2013-14, including the final formula indicator values (referred to as the multipliers), now need to be confirmed in order that they can be submitted to the Education Funding Agency by the required deadline, 22nd January 2013.

Under the DfE's new approach the Dedicated Schools Grant (DSG) has been split into three Blocks. These are:

High Needs Block: this will fund special schools' delegated budgets, placements in independent and non-maintained special schools, Alternative Provision (AP) (Pupil Referral Units or PRUs), Enhanced Resource Facility provision in mainstream schools, the costs of pupils with additional educational needs in excess of a national financial threshold in mainstream schools (£6k), and a raft of SEN support services.

Early Years Block: this will fund early years provision in schools and the private, voluntary and independent sectors.

Schools Block: the balance, and by far the largest element of the DSG, which funds mainstream schools' delegated budgets and a range of central school support services.

Funding within each Block is not ring-fenced but a ring-fence does apply to the DSG in total. The 2013-14 DSG allocations were published on 19th December 2012, the figures for Derbyshire were as follows:

	2013-14	2012-13	Change
Item	£k	£k	£k
Schools Block	406,721	405,570	+1,151
Early Years Block	32,987	27,391	+5,596
High Needs Block	60,664	57,939	+2,725
Total	500,372	490,900	+9,472

It should be noted that the DSG Blocks are largely historic as they have been derived from individual LA grant levels for 2012-13 adjusted for pupil number changes and changes in responsibilities. No move to a formulaic approach to calculating LAs' DSG shares is expected until April 2015 at the earliest.

The increase in the Schools Block reflects a small net increase in the overall pupil numbers. The primary sector's pupil count (reception to Year 6) increased by 1,072 (2%) but this was partially offset by a reduction in the secondary sector's 11-16 pupil population (814, (-2%)). The change also reflects an additional £146k for schools to help them to pay for the services of their preferred appropriate body to monitor and quality assure NQT induction. Derbyshire's 2013-14 per pupil Schools Block funding is £4,245.28, compared to an English Shire average of £4,549.96.

The Early Years Block is based on a per pupil funding rate of £4,294.88 and has been supplemented by £5.641m in respect of the additional funding for vulnerable two year olds announced at the end of November 2012. This initial allocation is based on 2012-13 pupil data and will be adjusted during the year on the basis of January 2013 and January 2014 counts.

The High Needs Block increase reflects a raft of technical changes including the cessation of the national inter authority recoupment arrangements and the transfer of responsibility to the LA to fund additional top up support for all pupils/students in schools and colleges from August 2013.

All three Blocks have collectively been reduced by £820k to reflect changes to the funding arrangements for hospital education.

2.2 2013-14 Schools Block – Central Allocations

From April 2013 local authorities' ability to retain funding centrally within the Schools Block will be much reduced both in terms of the purposes for which funding may be retained and the amounts which can be held. Attached as Appendix 1 is a list of the functions and budgets which it is proposed should be retained centrally for 2013-14. The items in Appendix 1 comply with DfE guidance and, with the exception of item 12, have been discussed and agreed with the Schools Forum at its meeting on 9th October 2012.

Item 12, Copyright Licencing Agency and the Music Publishers Association licences, will in future be paid for by the DfE and recharged to LAs. Schools and academies

will no longer have to buy their own licences. The new arrangements were announced without any prior notice on 19th December 2012.

Authorities are permitted to re-distribute funding between the various Blocks as they see fit. It is proposed to transfer some of the Schools Block into the High Needs and Early Years Blocks for 2013-14 to cover a range of known and potential liabilities. A list of the items and proposed values is set out in Appendix 2:

Retaining the items in Appendices 1 and 2 would leave an estimated Schools Block of £397,357k. This has been calculated as follows:

Item	£k	
Indicative Schools Block DSG	406,721	
Schools Block retained items	6,374	Per Appendix 1
Transfers to High Needs & Early Years Blocks	3,040	Per Appendix 2
Balance at this point	397,307	

2.3 School Funding Allocations

2.3.1 Proposed Methodology

The starting position for allocating funding is the multipliers published in the September 2012 consultation document adjusted for technical changes and updated pressures. These multipliers have been applied to the 2013-14 formula data supplied by the DfE. The resultant allocations are set out in Appendix 3 (item D).

The Schools Block DSG position at this point is as follows:

Item	£k	
Schools Block DSG	<u>397,307</u>	
Primary delegated budgets	204,694	Per Appendix 3
Secondary delegated budgets	188,317	Per Appendix 3
Balance remaining	4,296	

The above residual sum arises for several reasons. The school allocations in Appendix 3 are after the impact of capping individual year on year gains to no more than 2.5%. This approach, which is consistent with the preferences expressed by the significant majority of schools in the autumn 2012 consultation, reduces the cost of formula budgets by around £1,888k.

Secondly, the central DSG for 2012-13 was held at a higher level than was required, with the agreement of the Schools Forum. This decision, which predates the new framework, was designed to ensure the future stability in the formula multipliers at a time of falling rolls. Reductions in pupil numbers were expected which would have

resulted in a lower grant from the government. The original plan had been to meet the reduction in DSG by reducing central budgets, thus protecting schools' delegated budgets. However, the new framework does not allow for this approach and, in the event, the reduction in secondary sector rolls has, for 2013-14, been offset by increases in the number of Key Stage 1 pupils. The uncommitted central DSG (~£2.5m) has therefore been released for allocation to schools.

Finally, the 2012-13 central DSG budgets included £650k towards meeting the costs of schools' redundancies. The DfE have confirmed that from April 2013 any new redundancy costs in schools become a matter for the County Council to fund outside of the DSG. The central budget within the DSG has therefore been released to schools.

2.3.2 Further allocations

It is proposed that £250k of the residual sum be set aside as a pro rata share in respect of special schools, nursery schools and nursery provision in mainstream schools. This leaves a balance of £4,046k to allocate to mainstream schools.

In determining the allocation of this residual funding it is important to note the potential impact on both the levels of Minimum Funding Guarantee (MFG) protection and capped gains. The position at this point in Appendix 3 is as follows:

Sector	MFG	Capped gains	Net
	£k	£k	£k
Primary	2,481	-1,422	1,059
Secondary	2,974	-466	2,508
Total	5,455	-1,888	3,567

If additional funding were released by a simple increase in formula multipliers many of the schools in receipt of MFG protection will not see any increase in funding, instead the increased formula allocation will be offset by reductions in MFG protection. Similarly schools whose gains are already capped will see no change in their funding in 2013-14 either, instead the extent of the funding held back (the cap) will increase. By way of example a £60 increase in the per-pupil multiplier would have the following impact on MFG protection payments and capped gains:

Sector	MFG	Capped gains	Net
	£k	£k	£k
Primary	1,708	-3,095	-1,386
Secondary	2,404	-1,369	1,035
Total	4,112	-4,464	-352

The expected increase in delegated budgets should amount to £5,739k (£60x 95,658 pupils). However, the net increase for 2013-14 is only £1,821k, the difference of £3,918k being accounted for by the reductions in MFG (£1,343k) and an increase in capped gains (£2,575k).

In theory, therefore, the MFG and capping arrangements mean that formula values could be increased still further. However, in doing so, the amount of MFG would reduce significantly and to a level well below that of the capped gains. It must be remembered that when these capped gains are eventually released to schools this will create a pressure on the Schools Block. Ideally this pressure would be offset by reductions in MFG support but, if the release of capped gains were to exceed significantly the saving in MFG protection, future years' formula multipliers may have to be cut to balance the budget instead.

An alternative approach would be to treat the residual mainstream balance, £4,046k, as newly delegated funding. The MFG and capping requirements only apply to existing delegated responsibilities, treating the funding in this way would mean that all schools would receive an allocation in their budget. Regarding the balance as a newly delegated resource is reasonable as it is made up in large part of funding previously held centrally e.g. excess central DSG and the former redundancy payments budget referred to in section 2.3.1 above.

In terms of the allocation methodology, it is proposed that the lump sum allowance be increased for all schools by £2,000 at a cost of £792k with the balance being allocated by an increase in the per pupil values, equivalent to around £34 per pupil. This approach would allocate around 64% of the funding to primary schools and 36% to secondary schools. The final proposed multipliers, incorporating this additional allocation, are shown at the foot of the tables in Appendix 3.

The residual Schools Block funding will help all schools next year with their new responsibilities for maintenance, additional educational needs, NQT induction catering (primary) and careers advice and guidance (secondary). How schools choose to utilise their budget, including this residual Schools Block funding, remains a matter for individual governing bodies.

At the time of writing (11th January) 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, or to the financial pressures for 2013-14. In view of this uncertainty, 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.

2.3.3 Early Years

It should be noted that the primary sector delegated funding in Appendix 3 relates to pupils in reception through to Year 6. The funding of nursery units in mainstream

schools and nursery schools is covered by the Early Years Single Funding Formula (EYSFF). The EYSFF formula is largely unchanged by the additional delegations to schools. However, some changes may be required at the margin to ensure infant and primary schools receive a share of the delegated funds relating to pupils in their nursery units. Nursery schools are unaffected by the further mainstream school delegations and as such no changes are envisaged to their formula at this time.

2.4 Other matters

Subject to the agreement of Cabinet, and there being no material changes to the basis of the calculations set out in this paper, the Authority will submit the 2013-14 formula multipliers to the EFA as soon as possible. The EFA have to agree that the formula allocations meet the DfE's requirements; once this confirmation has been received schools' budgets will be formally published as soon as possible thereafter.

It should be remembered that the resultant allocations from this paper, whilst a key element of mainstream schools' funding next year, represent only part of the overall picture. The other elements include:

Early Years - primary and infants schools will receive allocations via the EYSFF which will be based on termly census data during the year;

High Needs Block – allocations will be paid during the year from the retained High Needs Block for agreed costs in excess of the £6k threshold for eligible pupils on the roll of the school;

Post 16 – secondary schools' 2013/14 academic year allocations are expected to be published by the Education Funding Agency on or before 31 March 2013; and

Pupil Premium – initial estimated allocations will be calculated and published by the Authority in the next few weeks but final figures, based on the DfE's final data set, is not likely to be available until summer 2013.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: - prevention of crime and disorder, equality of opportunity; environmental, financial, health, legal and human rights, personnel and property considerations.

4. Background Papers

Supporting papers held in CAYA Finance Section.

5. Strategic Director's Recommendations

That Cabinet:

- (i) Note the indicative Schools Block DSG for 2013-14;

- (ii) Agree to retain funding within the Schools Block for the items set out in Appendix 1;
- (iii) Agree to transfer funding from the Schools Block to the High Needs and Early Years Blocks in respect of the items listed in Appendix 2;
- (iv) Confirm schools' gains will be capped at 2.5% for 2013-14;
- (v) Agree the allocation methodology as set out in section 2.3; and
- (vi) Agree that any matters of detail relating to schools' delegated budgets be resolved by the Strategic Director for Children and Younger Adults in consultation with relevant Cabinet Members.

Summary of retained Schools Block functions 2013-14

Appendix 1

	S251 line	£k	Description of services	Funding issues
1	Admissions	455	Provision of service to allocate places at schools and academies in accordance with national requirements	Local authority has the responsibility for all schools and academies.
2	Schools Forum	27	Support for costs of Schools Forum including direct costs and officer time	Specific DfE approval to retain funding recognises pivotal role of Forum in determining funding framework which affects all schools and academies locally.
3	Carbon Reduction Commitment	705	Payment of amounts due under government's carbon reduction commitment proposals	Tax covers schools and academies. If delegated individual institutions would have to meet their own costs, this may be unfair as some schools are significantly more carbon efficient than others. Schools & academies may be exempt from 2014-15.
4	Combined Budgets	328	Payable to support 121 tuition, particularly for vulnerable students	Originally approved by Forum Feb 2011
5	Combined Budgets	240	Journey to Excellence to support raising of standards in schools	Uses funding approved by Schools Forum Feb 2011
6	Combined Budgets	120	Additional support for children with SEN	Originally approved by Forum Feb 2011
7	Combined Budgets	110	Study Support	Originally approved by Forum Feb 2011
8	Combined Budgets	1,356	Family Resource Workers	Contribution to multi agency team based FRWs to support early intervention
9	Combined Budgets	300	Support to schools causing concern	Originally approved by Forum Feb 2011
10	Combined Budgets	145	Support for small schools, reading recovery and elective home education	Originally approved by Forum Feb 2011
11	Combined Budgets	100	Vocational support	Support for 14-19 Learning Communities
12	Licences	188	Copyright Licensing Agency (CLA) and the Music Publishers Association (MPA)	DfE announced 19 th Dec 2012 that licences will be paid by DfE and LAs charged based on no. pupils.
13	Pupil Growth Fund	2,300	To support schools to meet the Key Stage 1 class size requirements	Key Stage 1 class size formula factor no longer permitted
	Total	6,374		

Proposed transfer of funding from the Schools Block to the High Needs Block (HNB) 2013-14

Appendix 2

	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 – 2012-13	600	Since April 2012 the number of stated SENTA hours has increased. This amount reflects the additional burden which the HNB will have to meet in 2013-14
Increased SENTA hours – 2013-14	600	This is a contingency to meet the additional costs of any increase in SENTA hours during 2013-14
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 will become responsible for all top up payments for post 16 students aged 16-24. The funding and existing commitments are to be transferred from the EFA and this contingency is to cover any shortfall
Further delegation – early years	50	To cover nursery units' share of newly delegated funds (non-pooled)
Total	3,040	

Summary of changes to Primary Sector multipliers/allocations

Appendix 3

	Item	Pupils	Deprivation	LCHI AEN	EAL	Lump sum	Split site <500m	Split site >500m	Other	Total
Consultation base multipliers (£)		£2,385.05	£1,176.21	£160.54	£0.00	£100,227.89	£2,446.93	£34,482.37	£k	£k
Reverse paring back to meet MFG		£6.31	£3.11	£0.43		£265.37				
Adjustments inc further delegation:										
Contingency		£14.66								
Insurance		£18.43								
Library & Museums		£1.41				£219.22				
Free School Meals eligibility			£3.04							
Licences and Subscriptions		£0.35								
Minority ethnic /under ach'g groups					£350.17					
Behaviour support		£1.65	£7.76			£200.00				
School cover costs		£21.15								
School catering			£226.74			£11,093.88				
Broadband support						£4,000.00				
DBS (formerly CRB) checks		£2.90								
Sports		£2.62								
Capital maintenance (£)		£12.11				£8,000.00				
Extended services		£4.23	£52.27							
Sub total – revised multipliers	A	£2,470.87	£1,469.13	£160.97	£350.17	£124,006.36	£2,446.93	£34,482.37		
2013-14 formula data	B	55,646	12,432	6,820	246	350	6	2		
Sub total allocations(£k)	C=AxB	137,493	18,265	1,098	86	43,402	15	69	4,266	200,428
Rents/Rates										3,207
MFG										2,481
Capping										(1,422)
Sub total – pre residual Schs Block (£k)	D	137,493	18,265	1,098	86	43,402	15	69	4,266	204,694
Residual Schs Block - multipliers	E	£34.00				£2,000.00				
Residual Schs Block – allocation (£k)	F=BxE	1,893				700				2,593
Final Multipliers 2013-14	A+E	£2,504.87	£1,469.13	£160.97	£350.17	£126,006.36	£2,446.93	£34,482.37	-	-
TOTAL ALLOCATION 2013-14 (£k)	C+F	139,386	18,265	1,098	86	44,102	15	69		207,287

Summary of changes to Secondary Sector multipliers/allocations

Appendix 3

	Item	KS 3 Pupils	KS 4 Pupils	Deprivation	LCHI AEN	EAL	Lump Sum	Split site	Other	Total
Consultation base multipliers (£)		£3,447.67	£4,065.13	£1,728.45	£2,357.31	£0.00	£115,741	£107,159	£k	£k
Reverse paring back to meet MFG		£3.57	£4.21	£1.79	£2.44		£265.37			
Adjustments inc further delegation:										
Contingency		£4.90	£4.90							
Insurance		£16.24	£16.24							
Free School Meals eligibility				£3.04						
Licences and Subscriptions		£0.62	£0.62							
Minority ethnic /under ach'g groups						£316.75				
Behaviour support		£0.25	£0.25	£1.20						
School cover costs		£20.21	£20.21							
Practical Learning			£12.56							
DBS (formerly CRB) checks		£2.25	£2.25							
Sports		£1.18	£1.18							
Twinning		£0.29	£0.29							
Capital maintenance (£)		£12.11	£12.11				£8,000.00			
Extended services		£4.23	£4.23	£52.27						
Sub total – revised multipliers	A	£3,513.53	£4,144.19	£1,786.76	£2,359.75	£316.75	£124,006	£107,159		
2013-14 formula data	B	23,356.00	16,656.00	8,626.92	3,651.89	49.02	46.00	2.00		
Sub total allocations(£k)	C=AxB	82,062	69,026	15,414	8,618	16	5,704	214	7,263	181,054
Rates										3,624
PFI Allowance										1,131
MFG										2,974
Capping										(466)
Sub total – pre residual Schs Block (£k)	D	82,062	69,026	15,414	8,618	16	5,704	214	7,263	188,317
Residual Schs Block - multipliers	E	£34.00	£34.00				£2,000.00			
Residual Schs Block – allocation (£k)	F=BxE	795	566				92			1,453
Final Multipliers 2013-14	A+E	£3,547.53	£4,178.19	£1,786.76	£2,359.75	£316.75	£126,006	£107,159	-	-
TOTAL ALLOCATION 2013-14 (£k)	C+F	82,857	69,592	15,414	8,618	16	5,796	214		189,770

AEN	Additional Educational Needs	AEN covers any aspect of a pupil's need that is over and above the normal curriculum. This is not just SEN but also EAL and Social Needs.
DBS	Disclosure and Barring Service	The DBS (formerly the Criminal Records Bureau, CRB) check the criminal background of all people who work with children or vulnerable adults in schools, voluntary organisations or professional bodies.
EAL	English as an Additional Language	Pupils for whom English is not a first language.
Ever 6 FSM	Ever 6 Free School Meal	Count based on a pupil ever being eligible to a free school meal (FSM) in the previous 6 years (18 census points). Pupils count as 1 regardless of the number of occasions they were entitled.
FSM	Free School Meals	Free school meals are offered to children of families who are in receipt of certain benefits; these include Income Support, Income Based Job Seekers Allowance or Tax Credit.
KS1 KS2 KS3 KS4	Key Stages (1 to 4)	Key Stages are the grouping of year groups within schools: Key Stage 1 = Reception to Year 2 Key Stage 2 = Year 3 to Year 6 Key Stage 3 = Year 7 to Year 9 Key Stage 4 = Year 10 and Year 11
LCHI	Low Cost High Incidence (SEN)	This equates to the first £6,000 of AEN support under the new funding arrangements. The indicators available are based on prior attainment. For primary schools, funding can be allocated on the Early Years Foundation Stage Profile. For secondary schools, funding can be allocated on the basis of the number of pupils who fail to achieve Level 4 or above in both English and Mathematics at KS2.
PFI	Private Finance Initiative	A PFI contract covers not only the design and construction of a new school but also the continuing provision of services that are needed to allow the school to function.
PPG	Pupil Premium Grant	A direct grant made by the DfE to schools based on Ever 6 free school meal eligibility, number of pupils recorded as living in Service families and Looked After Children.
SENTA	Special Educational Needs Teaching Assistant	Staffing support for a stated number of hours for a child with a Statement of SEN.