

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**9<sup>th</sup> September 2014**

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

**Schools' Funding 2015-16**  
**(Children and Young People)**

1. **Purpose of the Report**

To inform Cabinet of recent national and local developments in respect of schools' funding, specifically:

- (i) The DfE announcements in respect of Dedicated Schools Grant (DSG) allocations for 2015-16 and associated technical matters; and
- (ii) The outcomes from the recent Authority consultation with schools regarding potential formula changes for 2015-16.

2. **Information and Analysis**

2.1 **DfE DSG Funding Announcement**

On 13<sup>th</sup> March 2014, the Schools Minister, David Laws, announced an additional £350m for schools for 2015-16 to be distributed amongst the least well-funded local authorities in the country. The announcement, which was subject to a consultation with LAs and other interested groups, would increase Derbyshire's Schools Block DSG funding to £4,392 per pupil, an increase of £146.72 against the current per pupil rate (£4,245.28). This revised methodology, based on 2013-14 data, would have generated an additional £14m for Derbyshire in 2014-15.

The above national consultation closed on 30<sup>th</sup> April with the DfE publishing its final proposals on 17<sup>th</sup> July 2014. Under the new methodology Derbyshire's Schools Block DSG per pupil for 2015-16 will be £4,416.52, an increase of £171.24 per pupil on the current figure. Based on 2014-15 data, Derbyshire's increase would be worth an extra £16.33m this year, equivalent to around 4.0% of the current Schools Block and £2.33m higher than the March announcement. A copy of the DfE's calculation underpinning the final allocation is provided at Appendix 1.

The increased allocation for Derbyshire is the result of the DfE updating the original (2013-14) consultation figures to reflect 2014-15 data, variations to the final multipliers used in the calculations and a £40m increase in the national financial quantum to support the least well-funded LAs (from £350m to £390m.)

## 2.2 Other matters arising from the DfE DSG Announcement

Alongside the announcement regarding the additional funding the DfE also published details of the funding arrangements for 2015-16. This included a number of important provisions, as follows:

- (i) Confirmation that the Minimum Funding Guarantee (MFG) protection will limit individual schools' year on year reductions to 1.5% per pupil;
- (ii) Sparsity factor – a refinement to the calculation will base schools' allocations on the average size of year groups rather than on the overall school population – Derbyshire doesn't currently use this factor and the DfE refinement is unlikely to change this;
- (iii) Lump sum – LAs will be allowed to apply to the DfE to be permitted to make an exceptional payment in the second year after a school amalgamation, currently this only applies to the first year;
- (iv) Early Years' funding – confirmation that in 2015-16 funding for two year olds will be based on participation levels rather than demographic information. This change had already been widely trailed.
- (v) Carbon Reduction Commitment (CRC) – the basis on which the DfE top slices funding to meet the costs of schools and academies' CRC payments will change from 2015-16. The deduction will be based on a per-pupil sum (£7.51) rather than historic spend reported in section 251 budget statements. Derbyshire's CRC deduction is set to reduce by around £134k (from £850k to £716k) as a result of this change. Future years' DSG per pupil allocations will be net of this permanent £7.51 deduction.
- (vi) The High Needs Block arrangements will be largely unchanged from 2014-15. However, the DfE will consult on the place element funding for Alternative Provision (Pupil Referral Units) increasing from £8k to £10k from September 2015. This change is designed to give institutions more funding stability and the DfE expect it will be cost neutral as LAs reduce the amount of top-up funding to compensate;
- (vii) Once the national High Needs calculations for 2015-16 have been completed, the DfE expects that some funding should be left over. Any residual High Needs DSG funding will be distributed to LAs on the basis of 2-19 populations;
- (viii) A new Early Years Pupil Premium to be created from April 2015 of up to £300 per child;
- (ix) LAs will be required to submit details of their indicative mainstream formula multipliers on or before 31<sup>st</sup> October 2014; and
- (x) Final mainstream multiplier values must be submitted on or before 20<sup>th</sup> January 2015.

## 2.3 Local Authority Formula Consultation

Following the announcement of the proposed £14m increase in DSG funding, the Authority undertook a consultation with schools to determine how the additional funding might be allocated. The proposals were as follows:

- Embed the current cash allocations for Single Status and Teaching and Learning Consultancy support in mainstream multipliers, the Early Years Single Funding Formula (EYSFF) for Nursery Schools and the top-ups for Special Schools and PRUs at a cost of ~£4.04m;
- Increase each sector's overall funding by a further 2% at a cost of £8.85m;
- Allocate the £8.85m funding above within each sector via increases in the AWPUs multipliers (mainstream), high needs pupil top-ups (Special/ERS/PRUs) and the basic hourly rate for early years provision in schools;
- Provide an increase (to 3.5%) to the basic early years hourly rate for Private Voluntary and Independent providers at a cost of £0.43m; and
- Retain the balance (£0.68m) to support central high needs and early years demographic and inflationary pressures.

The consultation received 102 responses from schools and early years providers. A numeric analysis of the responses is provided at Appendix 2 and shows that a significant majority were supportive of the LA's proposals. The impact of the above changes would be as follows.

- The 2014-15 mainstream formula multipliers would run through into 2015-16, in addition the Key Stage 1/2 and Key Stage 3/4 multipliers would increase above 2014-15 levels by £75.98 and £97.49 per pupil respectively. The revised indicative multipliers are set out in Appendix 3.
- The basic hourly funding rate for 3 and 4 year olds within the Early Years Single Funding Formula would rise by 3.5% from £3.79 per hour to £3.92 from April 2015.
- The non-term time top-ups for early years provision in schools would reduce by £0.04 per hour for nursery units and nursery schools to keep the sector increase at 2%.
- It is estimated that the pupil profile top-ups for special schools and PRUs would increase by 3.95% and 4.67% respectively to take account of the national place factors which cannot be increased. All other top-ups not relating to pupil profiles, where appropriate, would increase by around 2%.

It should be noted that some schools' shares of the additional funding will be offset, partially or fully, by reductions in MFG protection. The increased funding will, though, reduce these schools' levels of protection and thus reduce the long term losses that they would otherwise have faced when the protection ultimately ceases.

It is for the above reason that the consultation document also proposed allocating monies from the Single Status Reserve to schools in 2015-16, separate from the DSG increase. Subject to DfE approval for 2015-16, time limited allocations from this reserve would again be outside of the MFG arrangements and thus all schools would receive a contribution towards their costs of Single Status. It is proposed that the allocation arrangements for 2015-16 mirror those which operated in 2014-15.

The increases in formula values for 2015-16 set out in this report are only indicative at this stage and will remain so until the 2015-16 DSG settlement is confirmed in December 2014 and Cabinet has agreed the final allocations in January 2015. However, given the pressures facing schools and the need for schools to plan their resources effectively, it is recommended that the formula values in this report are used by the Authority and schools for planning purposes during the autumn, pending the final multipliers being confirmed in January 2015.

Whilst the additional funding is welcomed the increase has to be seen in context against the funding pressures facing schools, these include:

- General Pay and Prices – estimated at around 1.2%
- Employers' Teacher Pension contributions set to increase from 14.1% to 16.4% from September 2015, a pressure of around 0.8% in 2015-16.

In addition, secondary schools and academies continue to face the combined pressures of falling rolls and reductions in Education Funding Agency support for post-16 provision. In 2010, the number of pupils in secondary schools and academies was 48,949 which compares with 44,984 as at October 2013, a reduction of 3,965 (8.1%). Numbers are expected to reduce still further, the minimum point being reached in October 2016 at around 43,426.

In terms of post-16, the funding received by the current 18 maintained secondary schools for 2014-15 is £15.76m which compares with £19.82m in 2010-11; a reduction of £4.06m or 20.5%. The Authority does not have access to the equivalent data for academies.

The £16.3m increase in funding is £2.3m higher than that assumed when the consultation document was produced. Cabinet will therefore need to consider how the balance of the extra funding might be used later in the year. There are two particular areas of concern which Cabinet might wish to consider at that point.

The first relates to secondary schools. Due to the above reductions in funding, it is envisaged that up to 17 of the 31 maintained secondary schools are likely to have to make significant reductions in spending in order to balance their budgets in 2014-15 and/or 2015-16.

The second area relates to special schools' funding. The special school sector has argued for some time that their funding was below that of similar schools in other local authorities. However, historically, making comparisons between special schools has been problematic not least because the specialist nature of the provision makes finding two "similar" schools difficult and, prior to April 2013, the schools funding framework meant that different schools in different local authority areas had different levels of responsibilities and thus budgets delegated to them. This latter issue has largely been removed so the Authority is working with the special schools sector and East Midlands LAs to benchmark the position.

Further information on these two potential areas will be provided to Schools Forum and Cabinet as necessary.

### 3. Other Considerations

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

### 4. Background Papers

Working files held in CAYA Finance.

### 5. Strategic Director's Recommendations

Cabinet is asked to:

- (i) Note the increased DSG funding announced by the DfE for 2015-16;
- (ii) Note the other technical changes to the schools' funding framework as set out in section 2.2;
- (iii) Note the views of schools to the Authority's recent consultation;
- (iv) Following the responses to the consultation in (iii) above agree, in principle, to increase the multipliers as set out in the report;
- (v) Confirm, in principle, that additional funding will be allocated to schools to help with the costs of Single Status on the same basis as in 2014-15;
- (vi) Confirm, in principle, the increases in special school and PRU top-ups as set out in section 2.3;
- (vii) Confirm, in principle, the reductions in the non-term time top-up for early years provision in nursery schools and nursery units as set out in section 2.3;

- (viii) Note the continuing financial pressures facing schools, in particular secondary and special schools; and
- (ix) Note that proposals to allocate the residual DSG increase will be considered by Cabinet as part of the 2015-16 budget setting process.

**IAN THOMAS**  
**Strategic Director for Children & Younger Adults**

Derbyshire

Factor	Unit value	Pupil numbers (Note 1) or number of schools	Funding before area cost adjustment (ACA)	
Age-weighted pupil unit (AWPU) - primary	£2,880.41	56,731	£163,408,291.79	
AWPU - key stage 3	£3,949.51	22,596	£89,243,084.22	
AWPU - key stage 4	£4,501.80	16,376	£73,721,456.74	
FSM 6 - primary	£882.39	12,823	£11,315,281.74	
FSM 6 - secondary	£1,051.70	9,003	£9,468,305.84	
IDACI 1 - primary	£209.14	4,821	£1,008,246.27	
IDACI 2 - primary	£260.19	4,264	£1,109,419.17	
IDACI 3 - primary	£346.79	5,599	£1,941,598.96	
IDACI 4 - primary	£421.67	3,220	£1,357,706.88	
IDACI 5 - primary	£476.84	936	£446,090.41	
IDACI 6 - primary	£691.15	19	£13,264.60	
IDACI 1 - secondary	£289.06	3,279	£947,974.41	
IDACI 2 - secondary	£378.88	2,799	£1,060,373.15	
IDACI 3 - secondary	£470.32	3,555	£1,672,041.81	
IDACI 4 - secondary	£554.08	2,106	£1,166,759.40	
IDACI 5 - secondary	£614.08	541	£332,217.88	
IDACI 6 - secondary	£818.79	15	£12,330.41	
Looked-after children	£1,003.80	355	£356,321.11	
Low prior attainment - primary 78	£669.38	13,897	£9,302,521.90	
Low prior attainment - secondary	£940.07	8,168	£7,678,929.18	
English as an additional language 3 - primary	£465.70	731	£340,579.23	
English as an additional language 3 - secondary	£1,129.65	119	£134,506.75	
Lump sum - primary	£115,797.02	350	£40,528,957.80	
Lump sum - secondary	£125,155.40	45	£5,631,992.83	
Lump sum - middle schools		0	£0.00	
Sparsity - primary	£44,635.47	18	£460,638.05	
Sparsity - secondary	£66,656.37	2	£15,442.06	
Total before area cost adjustment (ACA)			£422,674,332.61	
ACA				1.000000
Funding including ACA (using 2014-15 pupil numbers) (Note 1)				£422,674,332.61
Total number of 2014-15 pupils (Note 1)				95,703
A. Per-pupil amount after applying minimum funding levels				£4,416.52
B. Actual 2014-15 schools block unit of funding under dedicated schools grant				£4,245.28
<b>2015-16 funding per pupil (the greater of A and B above) (Notes 2 and 3)</b>				<b>£4,416.52</b>

Notes

2014-15 pupil numbers are taken from the October 2013 school census and were included in the prepopulated authority proforma tool (APT) sent to local authorities.

This is before adjustment for carbon reduction commitment.

This is the final 2015-16 schools block funding per pupil. It will not be amended when 2015-16 pupil numbers are published.





	Agree	Disagree	D/Know	Total	Agree	Disagree	D/Know	Total
Summary of responses - <b>primary</b> schools								
Q1a - Embed Multipliers - M/stream	65	2	3	70	92.86%	2.86%	4.29%	100.00%
Q1b - Embed Multipliers - Early Years	61	1	8	70	87.14%	1.43%	11.43%	100.00%
Q1b - Embed Multipliers - Special/ERS	54	1	15	70	77.14%	1.43%	21.43%	100.00%
Q2 - 2% increase per sector	61	4	5	70	87.14%	5.71%	7.14%	100.00%
Q3 - 3.5% for PVI	44	4	22	70	62.86%	5.71%	31.43%	100.00%
Q4 - Balance retain in central HNB/EY	57	4	9	70	81.43%	5.71%	12.86%	100.00%
Q5 - Prim sector share by AWPU	61	8	1	70	87.14%	11.43%	1.43%	100.00%
Q6 - Sec sector share by AWPU	39	0	31	70	55.71%	0.00%	44.29%	100.00%
Q7 - Special/ER/PRU share by top ups	40	1	29	70	57.14%	1.43%	41.43%	100.00%
Q8 - Nursery sector	34	5	31	70	48.57%	7.14%	44.29%	100.00%
Summary of responses - <b>secondary</b> schools								
Q1a - Embed Multipliers - M/stream	17	5	1	23	73.91%	21.74%	4.35%	100.00%
Q1b - Embed Multipliers - Early Years	14	2	7	23	60.87%	8.70%	30.43%	100.00%
Q1b - Embed Multipliers - Special/ERS	14	2	7	23	60.87%	8.70%	30.43%	100.00%
Q2 - 2% increase per sector	21	2	0	23	91.30%	8.70%	0.00%	100.00%
Q3 - 3.5% for PVI	11	2	10	23	47.83%	8.70%	43.48%	100.00%
Q4 - Balance retain in central HNB/EY	17	4	2	23	73.91%	17.39%	8.70%	100.00%
Q5 - Prim sector share by AWPU	13	0	10	23	56.52%	0.00%	43.48%	100.00%
Q6 - Sec sector share by AWPU	20	3	0	23	86.96%	13.04%	0.00%	100.00%
Q7 - Special/ER/PRU share by top ups	12	1	10	23	52.17%	4.35%	43.48%	100.00%
Q8 - Nursery sector	9	0	14	23	39.13%	0.00%	60.87%	100.00%

	Agree	Disagree	D/Know	Total	Agree	Disagree	D/Know	Total
Summary of responses - <b>special</b> schools								
Q1a - Embed Multipliers - M/stream	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Early Years	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Special/ERS	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q2 - 2% increase per sector	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q3 - 3.5% for PVI	3	0	2	5	60.00%	0.00%	40.00%	100.00%
Q4 - Balance retain in central HNB/EY	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q5 - Prim sector share by AWP	3	0	2	5	60.00%	0.00%	40.00%	100.00%
Q6 - Sec sector share by AWP	3	0	2	5	60.00%	0.00%	40.00%	100.00%
Q7 - Special/ER/PRU share by top ups	5	0	0	5	100.00%	0.00%	0.00%	100.00%
Q8 - Nursery sector	3	0	2	5	60.00%	0.00%	40.00%	100.00%
Summary of responses - <b>nursery</b> schools								
Q1a - Embed Multipliers - M/stream	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Early Years	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Special/ERS	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q2 - 2% increase per sector	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q3 - 3.5% for PVI	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q4 - Balance retain in central HNB/EY	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q5 - Prim sector share by AWP	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q6 - Sec sector share by AWP	2	0	1	3	66.67%	0.00%	33.33%	100.00%
Q7 - Special/ER/PRU share by top ups	3	0	0	3	100.00%	0.00%	0.00%	100.00%
Q8 - Nursery sector	1	1	1	3	33.33%	33.33%	33.33%	100.00%
Summary of responses - <b>PRUs (one response on behalf of all)</b>								
Q1a - Embed Multipliers - M/stream	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Early Years	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q1b - Embed Multipliers - Special/ERS	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q2 - 2% increase per sector	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q3 - 3.5% for PVI	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q4 - Balance retain in central HNB/EY	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q5 - Prim sector share by AWP	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q6 - Sec sector share by AWP	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q7 - Special/ER/PRU share by top ups	1	0	0	1	100.00%	0.00%	0.00%	100.00%
Q8 - Nursery sector	1	0	0	1	100.00%	0.00%	0.00%	100.00%

Primary and secondary sector multipliers 2014-15 (actual) and 2015-16 (indicative)

Appendix 3

Indicator	Primary	Primary <sup>1</sup>		Secondary	Secondary <sup>1</sup>
	2014-15	2015-16		2014-15	2015-16
	£	£		£	£
Key Stage 1/2 pupils	2,556.44	<b>2,632.42</b>		-	-
Key Stage 3 pupils	-	-		3,616.05	<b>3,713.54</b>
Key Stage 4 pupils	-	-		4,257.12	<b>4,354.61</b>
Ever 6 free school meals	1,494.93	1,494.93		1,816.26	1,816.26
Low Cost High Incidence AEN	163.79	163.79		1,077.64	1,077.64
English as an additional language	356.32	356.32		321.99	321.99
Lump Sum	129,391.61	129,391.61		150,967.40	150,967.40
Split site <500m	2,489.91	2,489.91		-	-
Split site >500m	35,088.03	35,088.03		-	-
Split site - secondary	-	-		108,928.58	108,928.58
Rent/Rates/PFI Allowance <sup>2</sup>	-	-		-	-

1. 2015-16 figures exclude the impact of allocations from the Single Status reserve

2. Individual school calculations