

DERBYSHIRE COUNTY COUNCIL**SCHOOL FORUM****12th February 2014****Report of the Strategic Director for Children & Younger Adults****Early Years and High Need Block funding allocations 2014-15****1. Purpose of the Report**

To seek the views of the Schools Forum on the basis for determining schools', PVI and PRU allocations for 2014-15 funded from the Early Years and High Needs Blocks of the Dedicated Schools Grant (DSG).

2. Information and Analysis

The basis for determining mainstream schools' allocations was discussed at the Forum's meeting on 17th December 2013 and subsequently approved by Cabinet on 21st January 2014. The main features of the settlement were an increase in the formula multipliers of 1%, increases to the lump sum factors, together with additional time limited allocations for Teaching and Learning Consultants and Single Status.

Whilst this dealt with mainstream schools' School Block funding, decisions now need to be made in respect of the following:

- Early Years Single Funding Formula i.e. provision for 3 and 4 year olds in PVI, nursery schools and nursery units in mainstream schools;
- Special Schools (High Needs Block)
- Enhanced Resource Provision (High Needs Block);
- Pupil Referral Units (High Needs Block);

3. Early Years Single Funding Formula (EYSFF)

This formula allocates funding for 3 and 4 year olds provision in Private, Voluntary and Independent (PVI) settings, nursery schools and nursery units in mainstream schools. Most of the funding is based on the number of hours of provision multiplied by a base hourly rate (currently £3.70). Additional allocations are made for deprivation and for schools' other institutional costs, including rates.

The overall allocations for 2013-14, excluding rates, are as follows:

	Base Rate	Non- term time rate	Lump sum	Depr'n (IMD)	ERS SENTA	Total ex rates
	£k	£k	£k	£k	£k	£k
PVI Providers	11,530	-	-	270	-	11,800
Mainstream schools	8,552	1,599	-	532	-	10,683
Nursery schools	1,330	226	700	78	162	2,496
Total	21,412	1,825	700	880	162	24,979

A key driver behind considering the 2014-15 multipliers is the potential raising of the national Minimum Wage from October 2014. The current rate for employees aged 21 or over is £6.31 per hour; comments in the national press from many politicians, including the Chancellor of the Exchequer, advocate an above-inflation increase. Unfortunately for planning purposes, the actual change in the Minimum Wage won't be known until later in the year after the Low Pay Commission has reported its findings. A view will therefore have to be taken now which takes into account both the possible increase in rate and affordability.

It is proposed that the PVI rate be increased by 2.5% from 1st April 2014 which, in financial terms, for 2014-15 is broadly equivalent to a 5% increase from 1st October 2014. Derbyshire's PVI rate would therefore increase from £3.70 to £3.79 per hour. If the Minimum Wage were to increase beyond this level then the next opportunity to review rates would be before the start of the 2015-16 financial year. It is further proposed to increase the IMD rate by 2.5% thus ensuring the PVI quantum increases by 2.5% in total, excluding the impact of any changes in the number of hours delivered.

One complication of the increase in the PVI rate is the link to schools' funding. School staff employed to support early years' classroom provision are paid above the Minimum Wage. Thus schools would receive the benefit of the 2.5% increase in the basic PVI rate without the commensurate increase in costs arising from the Minimum Wage change.

Mainstream schools' Schools Block budgets approved by Cabinet on 21st January 2014 supported an increase in formula multipliers of 1%. To bring the overall nursery and infant/primary schools' early years' increases in line with this percentage it is proposed that the additional "non term time" multipliers be reduced to compensate. The reductions in these multipliers would be ~7.5% for mainstream schools and ~5.25% for nursery schools, the differential reductions reflecting the differing reliance of each sector on this indicator.

The overall impact of the changes would be as follows:

<u>2013-14 Base budgets</u>	Base Rate	Non-term time rate	Lump sum	Depr'n (IMD)	ERS SENTA	Total ex rates	
	£k	£k	£k	£k	£k	£k	
PVI Providers	11,530	-	-	270	-	11,800	
Mainstream schools	8,621	1,613	-	544	-	10,778	
Nursery schools	1,330	226	700	78	162	2,496	
Total	21,481	1,839	700	892	162	25,074	
<u>Proposed % increase and impact</u>	2.50%	0%	0%	2.50%	1.00%	-	
	£k	£k	£k	£k	£k	£k	
PVI Providers	288	0	0	7	0	295	
Mainstream schools	216	0	0	14	0	230	
Nursery schools	33	0	0	2	2	37	
Sub total	537	0	0	23	2	562	
<u>Reduction to limit overall increase</u>	£k	£k	£k	£k	£k	£k	
PVI Providers	0	0	0	0	0	0	
Mainstream schools	0	(121)	0	0	0	(121)	
Nursery schools	0	(12)	0	0	0	(12)	
Sub total	0	(133)	0	0	0	(133)	
<u>Revised allocations</u>	£k	£k	£k	£k	£k	£k	% net chge
PVI Providers	11,818	0	0	277	0	12,095	2.50%
Mainstream schools	8,837	1,492	0	558	0	10,887	1.00%
Nursery schools	1,363	214	700	80	164	2,521	1.00%
Total	22,018	1,706	700	915	164	25,503	1.71%
Net increase	537	(133)	0	23	2	429	
% net change	2.50%	(7.24%)	0%	2.50%	1.00%	1.71%	

The net cost of the increase would be £429k, the proposed multipliers at this point would be as follows:

	Nursery Schools	Nursery Units	PVI Settings
Basic Hourly Rate – 38 weeks	£3.79	£3.79	£3.79
Non term time supplement (14 weeks)	£1.62	£1.746	-
Lump Sum	£87,504.32	-	-
Social Deprivation (IMD)	£25.29	£25.29	£25.29
ERS SENTA	£692.96	-	-

Schools Forum's support to the proposed changes to the EYSFF multipliers is sought.

4. Funding for vulnerable two year olds

Included in the 2014-15 DSG settlement is an allocation of £8.274m to provide up to 15 hours of early years' provision for vulnerable two year olds. The DSG allocation is based on an assumed number of children (2,992) receiving 570 hours per annum (38 weeks x 15 hours per week) at a funding rate of £4.85 per hour. The 2 year old rate is higher than that for 3 and 4 year olds in section 3 due to the lower adult to child ratio (1:4 rather than 1:8).

The costs of delivery of provision for two year olds would undoubtedly be affected by any substantial increase in the national Minimum Wage. It is also true that, for 2014-15, an increase in the rate paid by the Authority would be affordable within the £8.274m allocation as it is unlikely that Derbyshire will fully meet its target take up level.

However, the government has signalled that the 2 year old allocation for 2015-16 and beyond will be based on actual take up levels. From April 2015, therefore, if the amount paid per hour by the Authority were to exceed the grant rate per child, the difference would have to be met from elsewhere within the DSG. By way of exemplification, if the 2 year old rate was increased by 2.5% then the potential shortfall in 2015-16 would be between £150k and £200k depending on take up levels.

As this funding stream is not determined by the EYSFF it would be possible to leave the rate at £4.85 per hour initially and determine what change, if any, should be made to the rate from October 2014 once the impact of the increase in the Minimum Wage was known.

The Authority would welcome the views of the Schools Forum on this issue.

5. Special Schools, Enhanced Resourced Schools (ERS) and Pupil Referral Units (PRUs)

These three groups are funded using a similar approach which is based on a combination of place funding, based on nationally set rates, plus a top up to reflect the individual costs of provision at each institution. Place funding is guaranteed at the start of the year and is £10,000 for each special school and ERS place and £8,000 for each PRU place. The top ups vary during the year as they are required to reflect the actual real term movements of children from month to month.

In overall terms the estimated split of funding between places and top ups for each sector for 2013-14 is given below.

	Places	Top ups	Total	Top ups
	£k	£k	£k	% of total
Special Schools	8,138	9,097	17,235	52.8%
ERS	3,190	1,730	4,920	35.2%
PRU	2,488	1,855	4,343	42.7%
Total	13,816	12,682	26,498	47.9%

It is proposed that the overall delegated funding for these three sectors be increased by 1%, in line with the increase for mainstream schools. The estimated cost of this is £265k. However, since the Authority has no power to increase the national place rates, the increases would have to be allocated via a pro rata increase in the top ups. The percentage increases in the top ups would vary as the balance between places and top up funding is different for each sector; the impact of the proposal on the core top up rates is shown in Appendix 1.

6. Funding of the Early Years and High Needs Block proposals

The estimated additional cost of the proposals in this report is £694k. In addition, a 1% increase in non-delegated Early Years and High Needs Block budgets would cost a further £380k bringing the total increase in costs to around £1,074k. This increase can be contained within the estimated Early Years and High Needs Block funding allocations for 2014-15.

7. Single Status – Special Schools, PRUs and Nursery Schools

Unlike the mainstream allocations, the funding formulae for special schools and PRUs recognise the individual costs of provision at each institution. There is, therefore, some latitude for the Authority to further increase the top up rates for 2014-15 (and 2015-16) to reflect the increased costs arising from Single status at each institution. The latest estimates suggest an increase in costs of around £280k in total, although work is still on-going with schools to confirm the final position.

Whilst the LA cannot exactly replicate the costs at individual institution level, the proposal is that the top up rates be adjusted so that funding is as closely aligned as possible, assuming that pupil numbers are in line with 2013-14.

For nursery schools, the allocations would be delegated through the EYSFF, excluding the basic PVI rate and IMD indicators. As with mainstream schools, the limitations of the EYSFF mean that it is unlikely that the allocations for Single Status will match individual schools' increased costs.

The additional funding to support the increases in multipliers/top ups will be funded from the £5m Single status reserve created for this purpose.

8. 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.

9. Background Papers

Working files held in CAYA Finance.

10. Strategic Director's Recommendations

Schools Forum is asked to give its views on the report and in particular support:

- (i) The proposed increase in the basic rate and IMD multipliers for 3 and 4 year olds of 2.5%;
- (ii) The reduction in the non term time rate for nursery schools and nursery units to ensure the overall increase in funding is capped at 1% in line with section 3;
- (iii) The proposed 1% increase in funding for special schools, ERS and PRU provision as set out in section 5; and
- (iv) The allocation of increased funding to ERS and PRUs to help with the costs of Single Status, such allocations as far as possible to be in line with the increased costs at individual institution level as set out in section 7.

The views of the Schools Forum on the funding issues relating to vulnerable two year olds set out in section 4 are also welcomed.

IAN THOMAS
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Sector	Profile Type	Place £	13-14 Profile £	1% Increase (on profile/place) £	Notes:
Special	MSI, ECB	10,000	46,150	562	PLUS: various individual site and pupil related Top Ups such as pools, deprivation, broadband, outreach etc. that will be increased by 1%
	ELD	10,000	15,169	252	
	SEBD	10,000	14,112	241	
	ECOM	10,000	13,327	233	
	COM	10,000	9,301	193	
	EBD	10,000	9,051	191	
	D&A	10,000	8,048	180	
	SSI,PHYS,SHI,SLD	10,000	4,037	140	
	OLD	10,000	27	103	
ERS	(A) Area	10,000	2,219	122	PLUS: AWPU at relevant Key Stage rate as per Schools Block formula
	(B)Severe Sensory Impairment	10,000	3,492	135	
	(C) Autism	10,000	4,689	147	
	(D) Extreme Physical Impairment	10,000	14,849	248	
PRU	Basic Place	8,000	See note	-	PRU top ups vary by individual centre