

DERBYSHIRE COUNTY COUNCIL**Schools Forum****12th June 2014****Report of the Strategic Director for Children & Younger Adults****National Funding Update****1. Purpose of the Report**

To inform the Schools Forum of the Ministerial announcement relating to schools' funding for 2015-16.

2. Information and Analysis**2.1 Ministerial Announcement**

On 13th March, the Schools Minister, David Laws, made an announcement in Parliament regarding schools' funding for 2015-16. The statement made it clear that the Government has now decided not to introduce a national funding formula for schools from 2015-16 preferring instead to delay this until the next multi-year public spending plans in order to give greater certainty to schools. The announcement effectively delays consideration of a national funding formula until after the May 2015 General Election.

Instead, the announcement proposes an alternative approach to '*make funding fairer at a national level by addressing the distribution of funding between local authorities*'. The announcement allocates an additional £350m for 2015-16 to be distributed among the least well-funded local authorities in the country with an additional commitment that no local authority or school will receive less funding as a result of the proposal.

The methodology for allocating the £350m is as follows. The DfE have calculated a per-pupil Minimum Funding Level (MFL) for each LA for 2015-16 based on a set of national multipliers (see Appendix 1). Where a LA's current Schools Block DSG per pupil is below the calculated MFL it will receive a top up to make up the difference. LAs with a DSG per pupil already above the MFL will keep their existing funding for 2015-16.

Derbyshire is set to be one of the 62 LAs which gain from this process as its proposed MFL (£4,392) exceeds its current DSG per pupil (£4,245); the DfE has calculated that the increase of £147 per pupil is worth an extra £14m to Derbyshire in 2015-16, around 3.4% of the Schools Block DSG. The DfE has indicated that the modelling uses, in part, LAs' 2013-14 formula data and that the MFLs will be reviewed in the light of 2014-15 data when available. The DfE are also consulting

on the basis for allocating the additional £350m. The indicative MFLs could therefore change as a result of these processes.

The increase in Schools Block is ring-fenced to the DSG but LAs are free to allocate funding to the High Needs and Early Years Blocks if they wish. It remains unclear what will happen to Derbyshire's overall level of DSG in 2016-17 and beyond as this is dependent upon the priorities of the new Government from May 2015 and the subsequent changes to the national funding framework.

2.2 Potential implications of the settlement

All of the funding delegated to schools must be allocated in accordance with the existing national formula regulations; this includes the mainstream sector's share of the £14m. The increase in funding is significant for Derbyshire schools, a typical 200-pupil primary school could benefit by £15k-£20k, a typical 900-pupil secondary school by £75k-£110k. However, these figures are only broad estimates as the precise increases in funding will be dependent upon (a) the allocation of funding between sectors and (b) the methodology used within each sector to delegate funding. It should also be noted that, whatever the allocation methodology, some schools' increases will be reduced, or indeed completely negated, by a reduction in Minimum Funding Guarantee (MFG) protection.

There are several potential pressures which schools are likely to face in 2015-16 including:

- General Pay and Prices inflation – estimated at around 1.2%;
- Employers' Teacher Pension contributions – these will increase from 14.1% to 16.4% from September 2015, a pressure of around 0.8% in 2015-16;
- Single Status in Schools – potential to embed the 2014-15 increase in funding on a permanent basis;
- Teaching & Learning – one-off funding allocated for 2014-15, potential to embed this funding arrangement.

These pressures equate to around 2.9% of schools' funding.

In delegating the additional resources to schools there is a further dimension to consider. The DfE has calculated a MFL for each LA based on a national set of multipliers as set out in Appendix 1. Derbyshire's AWPU multipliers are also shown in Appendix 1 and it is clear that the Authority's AWPU values are well below the national MFL figures. This interpretation is supported by the fact that in 2014-15 Derbyshire's secondary (KS3 and KS4) and primary AWPU multiplier values were the 11, 9th and 6th lowest respectively of the 27 shire LAs.

Although there is no expectation on the part of the DfE that the national MFL values should drive the allocations at individual LA level for 2015-16, there is, nevertheless, a longer term risk of turbulence if the DfE national funding formula

were to have a greater pupil-led element. Consideration should therefore be given to allocating a significant proportion of the increased funding on the basis of AWPU in order to reduce the above risk. Schools will be invited to comment on this in the proposed consultation.

Finally, the Authority may wish to consider how much of the increase should be used for pressures and priorities outside of the School Block e.g. special schools, nursery schools/units' delegated budgets, funding rates for payments to Private, Voluntary and Early Years providers for 3 and 4 year olds etc.

2.3 Consultation with schools

The increase in funding is significant and it would therefore be helpful for financial planning purposes if schools were able to estimate the impact on their budgets as soon as possible. This will avoid some schools taking difficult decisions to balance their budgets in 2014-15 which, in the light of the additional funding, might otherwise now be avoided. In order to assist with this the Authority has produced a brief consultation document, a report on this consultation and the responses from schools is the subject of a separate report to this meeting.

Following consideration of the consultation responses Cabinet will be asked to agree "in principle" allocations for 2015-16; it must be emphasised that these will be indicative values only, final allocations can only be confirmed by Cabinet in January 2015 once the 2015-16 DSG announcements have been published (December 2014.)

3. Other Considerations

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

4. Background Papers

DfE letter to local authorities 13th March 2014.

5. Strategic Director's Recommendations

Cabinet is asked to:

- (i) note the proposed increase in DSG funding for 2015-16;
- (ii) agree to consult schools and the Schools Forum on the allocation of the increased funding as set out above; and
- (iii) receive a further report in the summer on the outcome of the above consultation.

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Indicator	DFE		Derbyshire*	
	Primary	Secondary	Primary	Secondary
Primary	£2,845	-	£2,530	-
Key Stage 3	-	£3,951	-	£3,582
Key Stage 4	-	£4,529	-	£4,219
Dep'n fsm	£893	£1,080	£1,484	£1,805
Dep'n IDACI 1	£237	£321	-	-
Dep'n IDACI 2	£290	£423	-	-
Dep'n IDACI 3	£387	£530	-	-
Dep'n IDACI 4	£453	£596	-	-
Dep'n IDACI 5	£511	£659	-	-
Dep'n IDACI 6	£741	£894	-	-
Looked After Children	£1,009	£1,009	-	-
Low prior attainment	£878	£1,961	£163	£1,071
English as an additional language	£505	£1,216	£354	£320
Lump Sum	£117,082	£128,189	£128,006	£150,000
Sparsity	£53,988	£53,988	-	-
Not used:				
Split site				
Rates				
PFI				

*Derbyshire figures 2014-15 are rounded & exclude Single Status/Teaching & Learning Allocations