

DERBYSHIRE COUNTY COUNCIL**SCHOOLS FORUM****25th September 2014****Report of the Strategic Director for Children & Younger Adults****Schools Funding Announcements 2015-16****1. Purpose of the Report**

To inform Schools Forum of recent national 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) Changes to the Education Services Grant funding of LAs and Academies.

2. Information and Analysis**2.1 DfE DSG Funding Announcement**

On 13th 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, increased 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 30th April with the DfE publishing its final proposals on 17th 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 Allocations Proposals

Following the positive response from schools to the recent LA funding consultation, the Authority's Cabinet agreed to confirm the increases set out in the document. Specifically, the consultation proposed to:

- 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 impact of the above changes is 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 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%.

The indicative mainstream multipliers for 2015-16 are provided in Appendix 2.

The DfE's latest announcement indicated that Derbyshire would receive an extra £16.33m. It should be remembered that this figure reflects the increase that Derbyshire would have received had the new formula been applied in 2014-15. The actual increase in funding for 2015-16 (compared with 2014-15) will differ from this figure as it will reflect data changes, in particular the impact of the October 2014 pupil census. Potential allocation proposals are discussed in the next report to this meeting.

2.3 Other matters arising from the DfE DSG Announcement

Alongside 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 £136k (from £850k to £714k) as a result of this change. Future years' DSG per pupil allocations will be net of this permanent £7.51 deduction.
- (vi) 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) High Needs Block - once the national 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) Early Years Pupil Premium - to be created from April 2015, the rate being up to £300 per child;

(ix) Indicative mainstream multipliers - LAs will be required to submit details of their indicative mainstream formula multipliers on or before 31st October 2014; and

(x) Final mainstream multipliers - values must be submitted on or before 20th January 2015.

2.4 Education Services Grant

On 27th March 2014 the government published a consultation document setting out proposals to achieve savings in the Education Services Grant (ESG) for 2015-16. The 2013 Spending Round had previously signalled a £200m cut in the national ESG quantum for 2015-16. The consultation closed on 19th June 2014 and the DfE received 1,429 responses. A very high proportion of these arose from a high-profile campaign (Protect Music Education) on funding for local authority music services. The remaining responses included 64 from local authorities, 13 from maintained schools, 5 from school forums, and 4 from academies. The government announced its decisions for 2015-16 on 22nd July 2014.

By way of background, the Education Services Grant (ESG) is a non ring-fenced grant which funds a range of education related functions, the grant itself is split into two parts. The “Retained Duties” element is paid to the Authority at a rate of £15 per pupil, the number of pupils being the total number in schools and academies. The grant covers a range of functions in respect of both schools and academies, including:

- Education Welfare Services – prosecution for non-attendance, tracking children missing from education, child employment;
- Asset Management – capital programme planning and academy leases;
- Statutory and Regulatory Duties- to plan strategically the LA’s education services, prepare revenue budgets, and provide information to the Secretary of State on request.

Following the consultation the government have determined that there is little scope to reduce the Retained Duties element and have decided to keep the £15 per pupil figure for 2015-16.

The second part is the “General Funding” element which covers those services which an academy takes responsibility for from the local authority upon conversion. The services covered by this grant include the following:

- HR – carrying out suitability checks of employees/potential employees, provision of advice to governing bodies in relation to staff, appointment of teachers recommended by the governing body, termination of contracts of employment;

- Finance – monitoring of governing bodies' management of schools' budgets, monitoring compliance with schemes of financial management, assistance in the procurement of goods and services, support to meet the requirements of community facilities provided by governing bodies;
- Health and safety – monitoring governing bodies' compliance with the requirements of the Health and Safety at Work act 1974;
- Equality – ensuring compliance with the requirements of the Equality Act 2010;
- Religious Education – maintenance of a standing advisory council on religious education (SACRE) and preparation of an agreed syllabus of religious education;
- Education Welfare – right to inspect school registers;
- Asset Management – ensuring school buildings have appropriate facilities, management of risk from asbestos;
- Premature retirement – costs of redundancy.
- Curriculum – moderation of the teacher assessments carried out at the end of Key Stage 1 in at least 25% of maintained schools each year by someone with recent experience of the National Curriculum in primary schools.

For 2014-15 the General Funding rate is ~£113 per pupil for LAs and £140 per pupil for academies. The additional £27 per pupil for academies provides stability in funding at an individual institution level resulting from the introduction of a national ESG rate, the supplement is funded outside the ESG from the DfE's other resources. Some individual academies also receive additional protection in order that reductions from the higher historic LACSEG rates (the grant which existed before the creation of the ESG) remain manageable.

The DfE announcement states that:

- i. The General Funding rate will be £87 per pupil in 2015-16;
- ii. There will be no top-up for academies in academic year 2015/16 but, in order to provide continuing protection against large budget reductions, revised protection arrangements will be applied for academies against reductions in ESG; and
- iii. The multipliers for alternative provision and special schools will remain at 3.75 and 4.25 respectively.

The £26 per pupil reduction in the General Funding rate equates to 23% of the 2014-15 level. In effect the £200m planned saving has been taken from the General Funding element alone. Based on current ESG income levels, and ignoring the

impact of academy conversions and other data movements, the reduction will reduce the Authority's ESG grant income by around £2.4m next year. This reduction has already been taken into account in the Council's Five Year Financial Plan and savings targets.

The announcement is also significant for individual institutions; item (ii) above means that academies' ESG support will be based on the same per pupil rate as that paid to LAs i.e. £87 rather than the current £140 per pupil. Transitional protection arrangements will apply which will limit year on year reductions; tapered bands will ensure that academies currently receiving relatively low ESG payments will not be allowed to see a fall of more than 1% of their total funding, while academies that are currently receiving relatively high ESG payments (because they used to have high levels of LACSEG) will be allowed to see a fall of more than 1% in their total funding (up to a maximum of 3%).

The reduced rate will also need to be taken into account in the financial planning of schools currently considering converting to academy status.

The government is satisfied that a General Funding rate of £87 per pupil is sufficient for local authorities to deliver the services that ESG is intended to fund. Evidence for this is drawn from LAs' statutory section 251 budget statements and the DfE have provided an illustration of how LAs' spending might be allocated within the new £87 per pupil grant level; this analysis is reproduced in Appendix 3.

The illustration is intended to show that, with the exception of central services, if LAs spent at the median or above for all LAs, the total could be contained within the £87 per pupil allocation. Clearly the validity of this analysis relies upon the robustness of the section 251 budget statements, statements which the DfE have already expressed concerns about. There is also a risk that the DfE analysis measures the impact of reductions in Council spending on these services before the impact of the ESG reduction in 2015-16. The DfE have published a list of 48 LAs, around one third of the total, which planned to spend £87 per pupil in 2013-14. The list of LAs, which includes Derbyshire (at £87), is provided in Appendix 4.

Finally, the DfE's announcement included a narrative around the nature of the services which should be funded by the grant, by implication any services not listed should be funded by other means, including charges to schools. The DfE's analysis will be reviewed over the summer to establish the scope for making further savings.

3. 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.

4. Background Papers

Working files held in CAYA Finance.

5. Strategic Director's Recommendations

That the Schools Forum:

- (i) notes the report and the increased DSG allocation for 2015-16;
- (ii) notes the indicative mainstream multipliers set out in Appendix 2; and
- (iii) notes the proposed increases in ER schools, special schools, PRUs and early years funding as set out in the report.

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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
2015-16 funding per pupil (the greater of A and B above) (Notes 2 and 3)				£4,416.52

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.

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

Appendix 2

Indicator	Primary	Primary ¹		Secondary	Secondary ¹
	2014-15	2015-16		2014-15	2015-16
	£	£		£	£
Key Stage 1/2 pupils	2,556.44	2,632.42		-	-
Key Stage 3 pupils	-	-		3,616.05	3,713.54
Key Stage 4 pupils	-	-		4,257.12	4,354.61
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 ²	-	-		-	-

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

2. Individual school calculations

Section 251 budget line	Possible exp (per maintained school pupil)	Percentile of 2013-14 LA planned expenditure
2.0.3 Education welfare services	£11.90	Median (82 LAs planned to spend at or below)
2.0.4 School improvement	£31.00	Median (75 LAs planned to spend at or below)
2.0.5 Asset management - education	£5.20	Median (76 LAs planned to spend at or below)
2.0.6 Statutory & regulatory duties - education	£35.60	Median (75 LAs planned to spend at or below)
2.0.7 Premature retirement costs / redundancy costs (new provisions)	£1.00	54th percentile (82 LAs planned to spend at or below)
2.0.8 Monitoring national curriculum assessment	£0.50	67th percentile (100 LAs planned to spend at or below)
2.0.1 Therapies and other health-related services	£0.50	64th percentile (96 LAs planned to spend at or below)
2.0.2 Central support services	£1.30	30th percentile (45 LAs planned to spend at or below)
Total spend on ESG services for maintained school pupils only	£87.00	48 LAs planned to spend at or below this level

LAs planned to spend £87 per pupil or less in 2013-14

Appendix 4

LA NAME	Estimated total planned spend on maintained school pupils*	Estimated total planned spend on maintained school and academy pupils*	2.0.1 Therapies and other health related services	2.0.2 Central support services	2.0.3 Ed'n welfare* y pupils	2.0.3 Ed'n welfare services * inc. academy pupils	2.0.4 School improv't	2.0.5 Asset mgt – ed'n*	2.0.5 Asset mgt – ed'n* academy pupils	2.0.6 Statutory/regulatory duties - education*	2.0.6 Statutory/regulatory duties - education inc. Academy pupils*	2.0.7 PRC/red'cy (new prov'ns)	2.0.8 Monitoring national curriculum assessment
Brent	£25	£4	£5	£0	£3	£0	£0	£0	£0	£17	£4	£0	£0
Ealing	£29	£6	£0	£0	£7	£1	£6	£2	£1	£14	£4	£0	£0
Kent	£38	£3	£0	£2	£3	£0	£16	£1	£0	£12	£3	£4	£0
Oldham	£39	£2	£0	£6	£0	£0	£25	£0	£0	£8	£2	£0	£0
West Sussex	£42	£5	£0	£0	£6	£1	£22	£7	£2	£6	£2	£1	£0
Cheshire West and Chester	£45	£10	£0	£1	£11	£2	£2	£12	£3	£17	£5	£2	£0
Sth Glos	£46	£5	£0	£0	£7	£1	£23	£6	£2	£11	£3	£0	£0
Tameside	£49	£6	£0	£0	£11	£2	£20	£12	£3	£5	£1	£0	£1
Rutland	£49	£3	£0	£0	£0	£0	£26	£0	£0	£23	£3	£0	£0
Swindon	£54	£8	£5	£0	£5	£0	£0	£10	£2	£35	£6	£0	£0
Harrow	£55	£9	£0	£6	£8	£1	£8	£10	£3	£23	£5	£0	£0
Rotherham	£55	£4	£3	£14	£13	£2	£19	£1	£0	£5	£1	£0	£0
Sunderland	£56	£7	£0	£0	£4	£1	£25	£10	£2	£17	£4	£0	£0
K. Upon Hull	£57	£3	£0	£12	£10	£2	£29	£-1	£0	£7	£2	£0	£0
Bury	£59	£13	£0	£0	£12	£2	£15	£4	£1	£29	£9	£0	£0
Darlington	£60	£5	£0	£0	£0	£0	£2	£0	£0	£58	£5	£0	£0
North Yorkshire	£65	£0	£0	£10	£5	£1	£52	£1	£0	£-5	£-1	£0	£1
Wigan	£66	£7	£0	£3	£19	£3	£16	£0	£0	£14	£4	£14	£0
Birmingham	£66	£13	£0	£1	£5	£1	£7	£14	£4	£35	£9	£4	£0
Derby	£67	£7	£0	£16	£4	£1	£20	£4	£1	£23	£6	£0	£0
Hillingdon	£68	£3	£0	£11	£15	£2	£23	£0	£0	£8	£2	£10	£0
Brighton & Hove	£70	£14	£0	£9	£6	£1	£14	£4	£1	£38	£12	£0	£0
Gloucs	£71	£5	£0	£1	£12	£1	£32	£2	£0	£19	£4	£5	£0
Lancashire	£72	£10	£10	£0	£10	£2	£15	£4	£1	£23	£7	£9	£0
Cheshire East	£72	£12	£13	£0	£10	£1	£0	£0	£0	£40	£10	£9	£0
Hertfordshire	£73	£5	£2	£17	£11	£1	£27	£1	£0	£15	£3	£0	£0
Leicestershire	£73	£6	£0	£10	£0	£0	£13	£9	£2	£30	£5	£11	£0

LA NAME	Estimated total planned spend on maintained school pupils*	Estimated total planned spend on maintained school and academy pupils*	2.0.1 Therapies and other health related services	2.0.2 Central support services	2.0.3 Ed'n welfare*	2.0.3 Ed'n welfare services * inc. academy pupils	2.0.4 School improv't	2.0.5 Asset mgt – ed'n*	2.0.5 Asset mgt – ed'n* inc. academy pupils	2.0.6 Statutory/regulatory duties - education*	2.0.6 Statutory/regulatory duties - education inc. Academy pupils*	2.0.7 PRC/red'cy (new prov'ns)	2.0.8 Monitoring national curriculum assessment
East Riding of Yorkshire	£74	£11	£0	£13	£12	£2	£17	£7	£2	£26	£7	£0	£0
Northants	£74	£2	£0	£27	£0	£0	£9	£4	£1	£7	£1	£27	£0
Barking and Dagenham	£78	£14	£0	£8	£6	£1	£25	£3	£1	£36	£12	£0	£0
City of Bristol	£78	£9	£4	£0	£9	£1	£16	£13	£3	£29	£6	£7	£1
Stoke-on-Trent	£78	£10	£17	£10	£11	£2	£6	£8	£2	£26	£7	£0	£0
Windsor and Maidenhead	£79	£10	£4	£0	£5	£1	£33	£3	£1	£34	£8	£0	£0
Kirklees	£80	£11	£3	£7	£20	£3	£20	£4	£1	£25	£7	£0	£1
Cumbria	£80	£4	£0	-£10	£14	£2	£65	£0	£0	£11	£3	£0	£0
Waltham Forest	£80	£15	£0	£5	£5	£1	£13	£4	£1	£53	£13	£0	£0
Haringey	£80	£11	£0	£20	£14	£2	£12	£4	£1	£29	£7	£1	£0
North Tyneside	£80	£11	£13	£0	£13	£2	£26	£4	£1	£24	£8	£1	£0
Devon	£81	£9	£4	£1	£9	£1	£35	£2	£1	£30	£7	£0	£0
Somerset	£82	£8	£7	£0	£10	£1	£22	£13	£3	£19	£4	£10	£1
Stockport	£84	£16	£0	£3	£28	£4	£9	£0	£0	£41	£12	£0	£3
Bromley	£84	£7	£0	£19	£18	£1	£8	£8	£1	£28	£4	£0	£3
Sheffield	£84	£9	£2	£3	£14	£2	£34	£7	£2	£20	£5	£3	£0
Greenwich	£85	£6	£0	£21	£13	£2	£37	£4	£1	£10	£3	£0	£1
Plymouth	£86	£7	£0	£14	£12	£1	£28	£0	£0	£26	£6	£4	£2
Blackburn with Darwen	£86	£9	£0	£4	£14	£2	£47	£13	£4	£8	£2	£0	£0
Havering	£87	£10	£0	£9	£17	£2	£22	£4	£1	£32	£7	£0	£2
Derbyshire	£87	£5	£3	£17	£3	£0	£38	£4	£1	£13	£4	£9	£0

*Where local authorities retain some duties on behalf of academies we have applied an adjustment. We have assumed that the percentage of total spend on retained duties is: education welfare services, 15%, statutory and regulatory duties, 25% and asset management, 26%. These splits are the same as those applied to former LACSEG rates. Adjusted spend on each line is totalled to produce columns D and E. All figures are rounded to the nearest £.