

**DERBYSHIRE COUNTY COUNCIL****SCHOOLS FORUM****25<sup>th</sup> September 2014****Report of the Strategic Director for Children & Younger Adults****Schools' Funding – Potential Allocation of additional resources****1. Purpose of the Report**

To ask the Schools Forum to:

- (i) consider the options for allocating additional DSG resources in 2015-16; and
- (ii) agree a limited number of specific proposals.

**2. Information and Analysis****2.1 Available resources**

In the previous report, the Forum was informed of the government's announcement to increase Derbyshire's Schools Block DSG by £16.3m. That report also noted that this headline figure represented the increase the Authority would have received had the new formula applied in 2014-15. The actual increase in Schools Block DSG between 2014-15 and 2015-16 will differ from this total as it will reflect changes in pupil numbers. The best available estimate of the year on year increase at this time is as follows:

|                                    | 2014-15   | 2015-16   | Diff     |
|------------------------------------|-----------|-----------|----------|
| Per pupil SBUF                     | £4,245.28 | £4,416.52 | +£171.24 |
| Pupil numbers                      | 95,395    | 95,139    | -256     |
|                                    |           |           |          |
| Gross DSG (£m)                     | 404.979   | 420.183   | +15.204  |
| Carbon Reduction <sup>1</sup> (£m) | (0.850)   | (0.714)   | +0.136   |
| NQT                                | 0.145     | 0.145     | -        |
|                                    |           |           |          |
| Total Schools Block DSG            | 404.274   | 419.614   | +15.340  |

1. 2015-16 reduction based on £7.51 per pupil, i.e. on-going SBUF is a £4,409.01.

The increase is ~£1m lower than the headline figure due to a reduction of 256 pupils [at a rate of £4,409.01 per pupil]. This lower level of grant increase will be more than offset by reductions in the number of pupils funded in the LA's formula. Within the overall population reduction, primary numbers are increasing and

secondary reducing. This change in the primary:secondary balance results in a net formula saving as secondary AWPU values are higher than primary.

Taking the above into account it is estimated that for planning purposes around £2.85m could be available and uncommitted for 2015-16. This figure will change in the light of other data changes which will increase/reduce the cost of formula budgets e.g. free school meals, low cost high incidence additional educational need counts, increases to the non-domestic business rate etc. Locally there are also individual school-specific issues which need to be taken into account and these are discussed in section 2.2 below.

## 2.2 Revenue Funding

There are three specific pressures affecting the ISB for 2015-16, the first two have been the subject of applications to the DfE to vary the LA's funding formula as "exceptional site" factors.

### 2.2.1 Exceptional Site factor - Glossopdale

The first issue relates to Glossopdale Community College. The college has a multi-site campus which was designed to accommodate over 2,000 students. The site area (18,729 sqm) is the highest in the county and 40% greater than the next largest (Belper (13,272 sqm)). In term of floor area per pupil Glossopdale is the 2<sup>nd</sup> highest (15.5sqm), against a sector average of 10.1 sqm, with only Whittington Green in Chesterfield higher (18.3 sqm).

The October 2013 NOR of the school was 1,207 and this is set to reduce still further. The combined impact of having to fund three large disparate sites via a reducing pupil-led budget is placing an unreasonable burden on the school. The ultimate solution to address the problem would be to create a new single site school. In the interim the Authority has sought DfE approval to treat the revenue situation at Glossopdale as an "exceptional site" issue and to increase the school's budget by £275k per annum. If capital proposals can be developed to replace the school then this would be a time limited allocation and could therefore be funded from previous years' DSG underspends rather than core budget.

### 2.2.2 Exceptional Site factor – New Mills and Belper Joint Use

Both of these schools use external leisure facilities operated under historic joint use arrangements. In New Mills' case the proposal is to require the school to pay for its use of the leisure centre. The Council currently meets this cost out of its own resources and, given its own financial challenges, this is no longer affordable.

Under this proposal the school would receive a contribution to the costs of the centre via an exceptional site budget allocation. Belper School already pays a significant proportion of the cost of using the leisure centre out of its delegated budget, the exceptional site factor would help the school with this cost.

Both schools are dependent on these external centres as they have limited sports facilities of their own and the costs are relatively expensive. The proposals, if approved, would result in both schools meeting the costs of their use of the centres in full but with a contribution from the exceptional site factor allocations which would reduce the burden to around 1% of their revenue budget.

It is estimated that the cost of this proposal would be around £0.075m per annum in total for both schools.

### 2.2.3 Private Finance Initiative (PFI)

The DfE have confirmed that the cost of any Affordability Gap relating to PFI schemes must be delegated via the funding formula. There is such a gap for the PFI contract relating to Long Eaton and Newbold schools of around £0.3m per annum and this shortfall has, in effect, been funded by the Council. To meet the DfE's requirements funding will have to be delegated to the relevant schools in 2015-16 by a targeted formula allocation, the schools/academies will then return the monies to the Council so that the costs of the contract can continue to be met.

Against this the Authority is seeking higher contributions from the original four PFI schools to reflect the delegation of resources and responsibilities for capital maintenance and insurance in April 2013. The costs of these services were already factored into the PFI funding arrangement hence this mandatory delegation resulted in the schools receiving additional funding with no change in responsibilities or costs. These contributions would result in a saving to the DSG of £0.100m

### 2.2.4 Academy Conversions

Several schools have, or are in the process of, converting to academy status. Whilst these conversions result in a loss of Education Services Grant to the Council, there is, however, a saving to the DSG through lower rates expenditure as the schools qualify for 80% mandatory rate relief. This technical change is anticipated to generate savings of around £0.250m.

The net impact of the changes is estimated to be broadly neutral still leaving ~£2.85m available for further consideration.

### 2.2.5 Further Revenue allocations

(i) Mainstream Schools (£1.5m) – The Authority is currently working with its schools to develop a revised approach to school improvement building on systems leadership and school to school support. This model is designed to raise educational achievement so that, under our Journey to Excellence, the objective of all schools being rated as “Good” or better by 2017 is achieved.

Another key strand to be addressed is the “Wicked” issue referred to in an earlier report to this meeting relating to early help. Unless alternative models of funding

and delivery can be developed to allow continued early help support for our most vulnerable children and families, it will be more difficult for these children to achieve their full potential which would undermine achievement of the above Journey to Excellence objective.

It is proposed that £1.5m be delegated through the formula to help with this important agenda and, in view of Derbyshire's AWPU multiplier being relatively low compared with other LAs, be allocated on the basis of pupil numbers. If agreed this would add around £15.50 per pupil extra to the AWPU multiplier for 2015-16. This further increase would equate to around 0.35% of schools' budgets.

A further time-limited increase for secondary schools is proposed from accumulated DSG underspends and this is covered in section 2.3.5.

(ii) Special schools (£500k) – The special schools sector has made representation to the Schools Forum that their funding is lower than comparable schools in other LAs. Work is on-going via the School Forum's Funding Working Group but obtaining useful truly comparative data from other LAs is proving difficult. For planning purposes it is proposed that £0.5m be held in a High Needs Block contingency pending completion of the funding benchmarking work. £0.5m would equate to around 2.9% of the current special schools' sector budget and, assuming the funding was allocated on a pro rata basis, the increase would be equivalent to a 5.5% further increase in top up profiles.

(iii) Children in Care endowment (£250k) Derbyshire are testing an innovative endowment for children in its care. The financial resource is designed to provide flexible and individualised support and experiences for children with the aim of achieving their ambitions and positive outcomes, in particular educationally. Following the pilot, the endowment will be scaled to benefit all children in care. This DSG contribution would relate to early years children and/or those with high needs and would potentially form part of a larger resource covering all children in care. A more detailed report on this issue will be brought to the November Forum meeting.

(iv) Early Years £100k - The 2014-15 DSG includes £8.274m for vulnerable 2 year olds. The current year's allocation is forecast to underspend by around £3m as the take up so far has been lower than that on which the allocation was determined by the DfE. The DfE and LA are both anxious that participation levels in Derbyshire increase in line with the targets set for them. Looking ahead, if take up rates remain at current levels the DSG income to Derbyshire will reduce when allocations reflect actual participation rather than estimated population.

In order to help increase take up levels the Authority requests the Forum to agree to fund two additional Improvement Officers (Grade 8) and two additional Business Services Officers (Grade 5) from the Early Years allocation within the Dedicated Schools Grant at a cost of £100k per annum. These posts would provide business support for all sectors, including managing the market in relation to supply and

demand, and working with schools and PVI providers to increase the number of available free places.

Approval to this request is sought now due to the urgency of increasing provision and take up in Derbyshire.

The above proposals would leave a predicted £0.5m unallocated at this stage. Rather than make specific proposals at this time, it is suggested that this funding be left unallocated pending receipt of final formula data from the DfE later in the year. The first call on this resource would be to offset the impact of any demographic changes and any balance not required could be released for other purposes.

The final DSG allocation, and supporting pupil and other data, will not be available from the DfE until December 2014 and thus the above increases in multipliers and top up places cannot be confirmed at this stage. However, the views of the Forum on the initial proposals are welcomed.

## 2.3 DSG cash balances

Estimating the level of future years' DSG balances is difficult given the uncertainties around the funding framework, levels of DSG income and demographic pressures. Despite these uncertainties there is scope for a limited release of funds. At 31<sup>st</sup> March 2014 £29.586m was held as DSG balances. Whilst this is a substantial sum, a significant proportion has already been committed within existing spending plans. The table overleaf summarises the position.

|   | £m            | Notes |
|---|---------------|-------|
| Total available 31 <sup>st</sup> March 2014 | 29.586        |       |
| Add 2014-15 forecast u/s                    | 4.329         |       |
| Gross total                                 | <b>33.915</b> |       |
|   |               |       |
| Items previously approved:                  |               |       |
| Teaching & Learning Consultants 2014-15     | 1.000         |       |
| Single Status Reserve                       | 5.000         |       |
| Single Status Reserve – top up yr 2         | 1.110         | 1.    |
| Mainstream uplift                           | 12.346        | 2.    |
| Management Information System               | 1.000         |       |
|   |               |       |
| Total                                       | <b>20.456</b> |       |
|   |               |       |
| Potential Balance available                 | <b>13.459</b> |       |

### Notes

1. Additional cost being two years' allocations of £3.055m less £5m in reserve
2. Effectively agreed as result of decision to uplift budgets by 1% for 2014-15

### 2.3.1 Capital Programme (£1.500m)

As stated earlier Glossopdale Community College is in need of replacement, not least because of the size and condition of the current buildings but also because of the recent and on-going reductions in the pupil population which make the current arrangements unsustainable. There is also a substantial backlog of capital maintenance works, around £5m in value, which would have to be funded if the current premises were retained.

The Authority is endeavouring to create a funding envelope of at least £18m to fund a replacement school and is seeking the Forum's support for a one off contribution of £1.5m from the DSG underspend. In considering this request the Forum is asked to note that whilst Glossopdale's pupils and community would be the main beneficiaries, the wider schools community would also benefit from this investment as:

- (a) it would avoid having to spend £5m on capital maintenance at the school, monies which would otherwise be available to support projects in other schools;
- (b) the £275k additional formula allocation in 2.2.1 would be time limited and funded from cash rather than a permanent call on the DSG budget;

The Forum has previously provided financial support of this nature, some years ago the Forum contributed to the replacement of Tibshelf secondary school. Since that time the national rules have changed and the current regulations no longer allow the Forum to make a direct contribution in the same way. There are two possible routes, both of which rely on funding capital projects via the DSG rather than the Authority's capital programme. Both routes would create capacity within the capital programme, thus increasing the resources available to use for Glossopdale and would require DfE approval.

The first option would be to fund Schools Access Initiative (SAI) projects. This scheme provides funding to mainstream and voluntary aided schools to make them more accessible to disabled children. SAI funding enables projects to be undertaken which improve accessibility to maintained schools in response to DDA Acts 1995 & 2005 plus the SENDA Act 2001. These projects are normally designed to meet the needs of individual pupils to ensure (as far as possible) their full integration into school. Projects, as well as addressing individual needs, generally also enhance a school's facilities. In an average year the Authority is likely to undertake between 40-50 SAI projects normally ranging in value from £2k to £70k.

All of the students benefiting from these works would have "High Needs" and thus the costs would represent a legitimate charge against the High Needs Block of the DSG. Funding the scheme in this way would provide a resource for all schools and academies. Currently academies are restricted in their ability to bid to the Education Funding Agency for resources which can result in pupils attending

alternative schools, this in turn can lead to significant additional home to transport costs for the Council.

The second option would be to fund another early years or high needs project within the capital programme. Examples might include early years capital developments for two year olds or a contribution to the capital project at Holbrook School for Autism.

Final determination of which combination of scheme(s) might have the greatest chance of success with the DfE has still to be established. However, the DfE are unlikely to approve any application without the support of the Schools Forum. The Forum is therefore asked to support an application to the DfE to allocate £1.5m from the DSG, via one or more of the above means to support the capital programme.

#### 2.3.2 Glossopdale – Revenue Support (£0.825m)

If the capital scheme referred to above were agreed, and the DfE agree to the time limited exceptional site factor, then this would be the cost of the formula allocation set out in 2.2.1 for 3 years.

#### 2.3.3 Early Years Capital (£2.563m)

A meeting took place with the DfE in September 2014 regarding the level of take up of vulnerable two year olds for free early years provision. During the meeting the DfE confirmed that where demand is not being met due to insufficient capacity, this capacity should be created, if necessary, by using slippage in the 2 year old revenue grant of the DSG.

Work is currently underway to identify possible schemes to increase capacity and it is likely that this will result in capital spending of around £2.56m. A full report on this will be presented to the next meeting of the Forum.

#### 2.3.4 Alternative Provision (£1.000m)

Many schools, particularly in the secondary sector, are seeking a greater role in the commissioning of alternative provision for children at risk of exclusion. The Authority would wish to support schools having an extended role by creating a time-limited resource of £0.5m for two years which would be devolved to behaviour partnerships to facilitate this. The impact of the resource on both institutions and individual children should provide important practice evidence which would inform longer term decisions on the future models for commissioning alternative provision, including the role of existing Pupil Referral Units.

It is intended that a further report on this be provided to the November Forum meeting.

### 2.3.5 Secondary school support to raise standards (£1.500m)

Derbyshire has several schools and academies whose performance is giving cause for concern. This additional resource would help those schools to raise standards; for other schools whose overall performance is at or above the level expected, the funding would help to maintain these standards and help with any potential areas for development. There is an expectation that schools would use the additional funding to help meet their improvement objectives rather than the funding being subsumed, and thus lost, within overall spending plans. This will be incorporated into the Quality Development Dialogue process.

It is proposed that the Forum/Council allocate £0.750m for 2015-16 and 2016-17. The increase in funding would, if delegated, equate to around £19.33 per Key Stage 3 and 4 pupil. Under this model a typical 900 pupil school would receive £34,793 over the period. In order to ensure schools' allocations are not reduced by the impact of MFG, the Forum's support to apply to the DfE for this funding to be allocated outside of the MFG framework is sought.

The Authority is, however, investigating with the DfE the possibility of retaining some or all of this funding centrally. If this is possible it would allow some flexibility in the support offered to schools and academies to reflect their individual needs.

The Schools Forum's views on this potential alternative approach would be welcomed. A further report on this proposed investment will be brought to the November Forum meeting.

### 2.3.6 New Schools (£2.000m)

When new schools are created the initial set up and running costs can exceed the funding received by the school through the funding formula. This is particularly true when the pupil roll takes a period of years to reach a viable financial level and/or where it is necessary to appoint staff in advance of the school formally opening e.g. to undertake the necessary detailed planning.

Under the current regulations the DfE expect LAs to fund these schools at an appropriate level which means providing funding over and above that included in the DSG allocation and funding formula. This has the potential to become an issue in future years in the south of the county where pupil numbers continue to rise and where the need for additional primary schools, and possibly an extra secondary school, has been identified.

It is proposed initially to create a reserve towards these additional support costs. The size of the reserve will be reviewed periodically as the plans to change the school estate, and the impact on funding and costs, develop.



## 2.4 Summary

If the Forum were ultimately to agree to the above proposals this would commit £9.388m of additional one off funds and leave £4.071m unallocated.

In addition to the above pressures, the question of Equal Pay claims remains and an update of the position will be provided to the November Forum meeting. Clearly the scale of any liability could impact on the Forum/Council's ability to resource some of the above projects.

## 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 estimated increase in DSG for 2015-16;
- (ii) Gives its views on the possible allocation of the residual DSG resources set out in section 2.2;
- (iii) Agrees to fund the additional early years support at a cost of £100k per annum as set out in section 2.2.5;
- (iv) Agrees to contribute £1.5m of DSG balances as set out in section 2.3.1;
- (v) Agrees to set aside £0.825m, if needed, to support the exceptional site factor for Glossopdale;
- (vi) Notes the potential further calls on the DSG underspend in section 2.3;
- (vii) Agrees to support an application to the DfE for the provisional secondary allocation in 2.3.5 to be exempt from the MFG arrangements;
- (viii) Gives its views on the potential retention of funding centrally to enable tailored packages of support to be provided to schools and academies as set out in section 2.3.5; and
- (ix) Agrees to receive a report on the issue of Equal Pay in schools at its next meeting.

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