



Derby City Council

**COUNCIL CABINET**  
**10<sup>th</sup> February 2016**

# ITEM 21

Report of the Cabinet Member for Education  
and Skills

## **Dedicated Schools Grant 2016-2017 to 2018-2019**

### **SUMMARY**

- 1.1 On the 17<sup>th</sup> December 2015 the Department for Education (DfE) announced the details of the School Funding Settlement. The Dedicated Schools Grant for Derby is £205.112 million split into three un-ringfenced blocks; Schools Block, Early Years Block and a High Needs Block. Final calculated Schools Budgets from the Schools Block element must be issued to individual schools by the 29 February, High Needs budgets to be issued by 31 March 2016.

The Government reaffirmed its intention to move to a national funding formula framework in 2017-18 and will be consulting later in the year.

- 1.2 This report details the proposals for the use of the Dedicated Schools Grant for Derby for the financial year 2016 -17 and indicative proposals for 2017-18 and 2018-19.

### **RECOMMENDATION**

- 2.1 To remove the Early Years contingency of £0.7 million.
- 2.2 To provide growth to the Early Years sector, to increase hourly rates paid to the Private, Voluntary and Independent (PVI) sector by 6% and nursery classes in schools by 3%.
- 2.3 To increase the pupil funding factor in primary and secondary schools by 4%.
- 2.4 To increase the high needs top up for schools by £0.252 million which supports children in mainstream settings with Education and Health Care Plans.
- 2.5 To increase the budget supporting specialist placements in independent special schools by £0.298 million.
- 2.6 To reduce the high needs contingency by £0.98 million

- 2.7 To apply DSG reserves, £2.1 million to support the new locality high needs model of funding and £0.781 million into delegated primary and secondary school budgets.

<b>REASONS FOR RECOMMENDATION</b>
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- 3.1 The Council has a legal obligation to set a balanced budget for the Dedicated Schools Grant.
- 3.2 The Council has prioritised funding direct to schools delegated budgets and has acknowledged cost increases for the early years sector.



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Report of the Strategic Director for Children and Young People

<b>SUPPORTING INFORMATION</b>
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- 4.1 The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations. The DSG funds delegated budgets allocated to individual schools, nurseries and other early years settings; high needs provision including special schools and alternative provision.
- 4.2 The total amount of the Dedicated Schools Grant for 2016-17 is £205.112 million (excluding Pupil Premium), broken down into the following blocks:
- Schools Block £164.959 million
- Early Years Block including funding for 2 year olds £14.513 million
- High Needs Block £25.640 (net of £1.271 of place funding deducted and paid direct by the EFA)
- 4.3 Each **local authority's** per pupil amount for the Schools Block and Early Years Block is as set out in the baseline agreements which have been maintained at previous years levels, **no increases for inflation**. The amount has been multiplied by the pupil numbers from the October 2015 census for the Schools Block and summer and autumn census for the Early Years Block with and estimated spring census which will be adjusted retrospectively.

4.4 Budget Changes

The budget for the Dedicated Schools Grant is attached at Appendix 2.

Early years

Budgets for 2, 3 & 4 year olds are based on the latest census estimated for financial year. The budgets for EY settings, including schools, are adjusted in year based on actual participation. Risks lie in so much as errors in original estimations could either lead to in year overspends for the DSG (where the numbers have been underestimated) or DSG underspends (where the budgets issued have overestimated numbers).

As part of the budget process for the financial year 2015-16 an early years contingency was created to deal with any in year adjustments made to the DSG (the grant is adjusted in year based on the in year counts) in order to avoid the possibility of pushing the DSG into a deficit position. Estimates made have been accurate enough though to avoid the need for the use of that fund. It is therefore proposed that the contingency is released into the DSG in 2016-17 to support growth in the system.

The Council funds settings within the Early Years Block on rates based on a detailed costs analysis carried out several years ago. The hourly rates are:

- Private, voluntary and independent settings £3.68
- Schools with nursery provision £3.64
- Maintained nursery schools £5.60

The table below illustrates regional comparisons of the hourly rates (it should be noted that the hourly rates, although drives the majority of funding in this sector, is not the absolute funding quantum, small additional factors are applied, for example deprivation, although these elements are not as significant as the other factors on the Schools Block Funding Formula).

Table 1 – Early Years Hourly Rates 2015-2016

LA Name	ALL PVI	Nursery School	Primary Nursery Class (ALL)	Infant Nursery School
North East Lincolnshire	£3.43	£3.80	£3.06	£3.16
North Lincolnshire >39 place	£3.65		£3.65	
North Lincolnshire <39 place	£3.90		£3.90	
Derbyshire	£3.92	£3.92	£3.92	
Derby	£3.68	£5.60	£3.64	
Leicestershire	£3.58	£6.75		
Leicester	£3.50		£3.25	
Rutland	£4.20	£4.20	£4.20	
Nottinghamshire	£3.77		£3.67	
Nottingham	£4.00	£4.00	£4.00	
Northamptonshire	£3.60	£3.43	£3.60	

The introduction of the national living wage set at £7.20 from April 2016 will impact on the costs of early years provision predominantly in the PVI sector.

It is proposed that the hourly rate paid to the PVI sector for 3 & 4 year olds is increased by 6% to £3.90 per hour with effect from 1 April 2016 at a total cost of £289,000. Increases to nursery classes in schools will be increased by 3% to £3.75 per hour at an additional cost £108,000.

This investment will be part funded from the release of the Early Years contingency.

#### 4.5 Schools Block delegated funding

A cash flat position has been a feature of the funding settlement. Those local authorities who received uplift as a result of 'minimum funding level' adjustments in 2015-16 (extra £390m) now have this adjusted within their baseline. The DSG funding unit has also been adjusted for each LA to take account of the former non-recoupment academy adjustment in 2015-16 (allocated resource to each LA for the incorporation of former non-recoupment academies in their area). The Schools Block DSG unit of funding for Derby 2016/17 has been calculated at **£4,535** per pupil.

Derby has a local funding formula to fund schools, set within the constraints of the Funding Regulations, and data from the October 2015 census has been used to calculate each schools delegated budget. There are no changes to the funding formula although data changes would change allocations to schools. Significant formula changes are:

- AWPU / Pupil Number + £1.5m (pupil number increases)
- Deprivation - £1.73m (IDACI refresh of the data at a national level reducing the numbers of children in high level bands)
- Prior attainment in secondary schools - £0.22m
- English as an Additional Language + £0.13m
- Lump Sum + £0.25m
- Minimum Funding Guarantee +£0.97m (protecting the big significant changes)

No changes to the formula factor rates have been made to compensate for the changes i.e. the multipliers have remained unchanged.

As a result of the changes contained in this report AWPU factors have increased by 4% in primary and secondary phases. The cost of this is £3.1 million.

#### 4.6 High Needs Block

The settlement provided the High Needs Block with £465,000 of growth; this will be used to help fund the historic pressures in this area.

The place / top-up funding mechanism will operate in the same way as with 2015-16. Place funding has been reviewed to reflect accurate numbers and top up funding has been adjusted to reflect current pupils in schools. Top up funding has not been provided for surplus places, a High Needs Contingency exists to fund new in year places.

It is proposed that the High Needs contingency is reduced by £0.98million to £1.482 million. There are current underspends in this area and accurate records of current commissioned placements have resulted in less reliance on centrally held contingencies.

The budget for placements in independent special schools has increased by £0.298 million to reflect current commitments.

It is proposed that the High Needs top up budget for schools are increased by £0.252 million to £2.035 million to reflect current spend.

The risk associated with reducing contingencies should be noted, this budget proposal has been based on the principle of increasing schools delegated budgets.

#### 4.7 Other changes

A new national funding formula for schools, high needs and early years will be introduced from 2017-18. Consultation to follow in 2016.

The summary of changes as described above against the total funding available means that there is a balance of £2.3 million available for growth.

The growth has been allocated as follows:

- 6% increase in the hourly rates paid to the PVI sector for 3 & 4 year olds. This is to reflect the increases associated with the introduction of the National Living Wage (£0.289m)
- 3% increase in the hourly rates paid for nursery classes in schools (£0.108m)
- 4% increase in the AWP rate for primary and secondary schools (£3.1m).

This requires the use of £0.781m of DSG reserves.

#### 4.8 DSG Reserves

The opening DSG balances for 2015-2016 were £4.9 million. Approved use in year is £0.16 million to support the SEN review work streams and £0.81 million to support the school improvement projects leaving a balance of £3.93 million. 2015-16 projections are for a £2.3 million underspend making the projected reserve balance at the end of the year £6.23 million.

It proposed that a level of reserve is maintained to safeguard the DSG and schools delegated budgets against future overspends; contingencies have been reduced to such a level that the ability to safeguard significant pressures in year has been removed.

### Special Educational Needs Support in Schools

Work is underway to change the way that resources are allocated to schools to support children with additional needs over and above those resources that are delegated to schools. From Sept 2016 it is envisaged that a new model will operate based on clusters of schools receiving additional devolved funding for high needs for them to manage locally. In the short term this will require additional pump priming as all of the current high needs budget are locked into current placements, it is envisaged that as this model becomes embedded funds within the system will be released over time to then form part of this funding model. It is proposed that DSG reserves are applied in the following years for this purpose:

2016/2017 – Sept 16 new model is implemented £0.6 million

2017/2018 – Full year requirement £1.0 million

2018-2019 - £0.5 million (assuming £0.5 million is released from current commitments)

2019-2020 – funds are available from current existing resources therefore no reserve requirement.

Total requirement 2016-2019 £2.1 million

To support additional Growth within delegated budgets in 2016-2017 £0.781 million has been applied. Future release of reserves will be considered within the next round of budget proposals when the sustainability of the one of reserve funding can be considered.

## OTHER OPTIONS CONSIDERED

5.1 Not applicable

This report has been approved by the following officers:

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Olu Idowu <a href="mailto:olu.idowu@derby.gov.uk">olu.idowu@derby.gov.uk</a> Alison Parkin <a href="mailto:Alison.parkin@derby.gov.uk">Alison.parkin@derby.gov.uk</a> Liz Moore <a href="mailto:Liz.moore@derby.gov.uk">Liz.moore@derby.gov.uk</a>  Martyn Marples <a href="mailto:Martyn.Marples@derby.gov.uk">Martyn.Marples@derby.gov.uk</a>
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Alison Parkin 01332 642674 <a href="mailto:alison.parkin@derby.gov.uk">alison.parkin@derby.gov.uk</a> None Appendix 1 – Implications Appendix 2 – DSG Budget

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 As described in the report

**Legal**

- 2.1 The Council is obliged to set a balanced budget for the Dedicated Schools Grant which is compliant with the Schools and Early Years Funding Regulations.

**Personnel**

- 3.1 Staffing costs form the largest single part of an individual school's budget. Governors are responsible for making staffing decisions, taking into account the budget available.

**IT**

- 4.1 None directly arising

**Equalities Impact**

- 5.1 Schools funding in Derby ensures that funding is appropriately allocated to support all children. Additional funding has been provided to support children with additional needs in mainstream schools.

**Health and Safety**

- 6.1 None directly arising

**Environmental Sustainability**

- 7.1 None directly arising

**Property and Asset Management**

- 8.1 None directly arising

**Risk Management**

- 9.1 Not applicable



**Corporate objectives and priorities for change**

- 10.1 Funding for education supports the Council's priority for improving educational attainment.

## Appendix 2

## DEDICATED SCHOOLS GRANT 2016-2017 to 2018-2019

	2016/17 before Growth	change from previous year	2016/17 after Growth	Indicative 2017/18	change from previous year	Indicative 2018/19	change from previous year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>FINANCING</b>							
Early Years Block	11,398			11,700		11,700	
2 Year Old Funding	3,115			3,115		3,115	
Schools Block	164,959			169,450		172,826	
High Needs Block	25,640			25,640		25,640	
<b>Total Funding Available</b>	<b>205,112</b>	<b>(413)</b>		<b>209,905</b>	<b>(4,793)</b>	<b>213,281</b>	<b>(3,376)</b>
<b>Requirement</b>							
Early Years 3 & 4 Year olds	11,732	236	397	12,129		12,129	
2 Year olds	3,317	130		3,317		3,317	
2 Year old Trajectory Funding	100	0		100		100	
E Years Contingency	0	(700)					
Schools Block - (pupil number growth)	149,992	(1,477)	3,140	154,710		158,086	2,970
KS1 Class Size	1,338	0		1,338		1,338	
High Needs Block:							
Additional High Needs Top Up in Schools (TA support)	2,035	252		1,432		1,432	
Enhanced Resource Schools	3,670	(319)		3,670		3,670	
Special Schools and Pupil Referral Units	15,483	39		15,483		15,483	
Independent Special Schools	7,331	298		6,831		6,831	
Post 16 High Needs Other Providers	1,300	0		1,300		1,300	
High Needs Contingency for new in year costs	1,482	(980)		1,482		1,482	
Growth Fund	200	0		200		200	
Previous years growth				3,537		3,537	
Other Central Services	4,376	178		4,376		4,376	
<b>Total Requirement</b>	<b>202,356</b>	<b>(2,343)</b>	<b>3,537</b>	<b>209,905</b>		<b>213,281</b>	

<b>Total Proposed Budget</b>	<b>202,356</b>			<b>209,905</b>		<b>213,281</b>	
Growth	(2,756)	(2,756)					
<b>Use of Reserves:</b>							
Growth into 2016/2017 Budgets	(781)						
High Needs - Schools Locality Funding	(600)			(1,000)		(500)	