



Derby City Council

COUNCIL CABINET
15th February 2017

Report of the Cabinet Member for Strategy and
Policy

ITEM 11

Dedicated Schools Grant 2017-2018

SUMMARY

- 1.1 On the 20th December 2016 the Department for Education (DfE) announced the details of the School Funding Settlement. The Dedicated Schools Grant for Derby is 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 28 February 2017, High Needs budgets to be issued by 31 March 2017.

The Government have confirmed its intention to move to a national funding formula framework in 2018-19. An Early Years national funding will begin to be implemented from April 2017 with full implementation by 2019-20.

- 1.2 This report details the proposals for the use of the Dedicated Schools Grant for Derby for the financial year 2017 -18..

RECOMMENDATION

- 2.1 To approve the Dedicated Schools Grant allocation of £214.938 million
- 2.2 To implement an Early Years Formula in response to the requirement of the National Early Years Formula requirements on the basis of :
- Base rate of £4.05 per hour, reflecting the level of base funding which is received by the Council.
 - deprivation funding based on 20p per hour per eligible child using the Income Deprivation Affecting Children Index (IDACI) with a weighting of x3 to 60p per hour for the top band (most deprived) and a free school meal rate of 20p per hour for each eligible child.
 - English as an additional language factor supplement at 20p per hour per eligible child.
 - To establish a £250,000 inclusion fund to support children with additional needs across all settings
 - To use the £1.194 million maintained nursery school supplementary funding to help the maintained sector transition to the new national funding model.

- 2.3 To approve IDACI values at band 5 and band 6 of £546 within the formula used to fund Derby schools, all other factors remain at 2016 – 2017 levels.
- 2.4 To approve the use of the Dedicated Schools Grant Reserves of £265,000.

REASONS FOR RECOMMENDATION

- 3.1 To ensure that the budget is compliant within current funding regulations and reflects the priorities of the Council.



Derby City Council

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Joint Report of the Director of Finance and the Strategic Director of
People Services

SUPPORTING INFORMATION

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 and FE.

4.2 The total amount of the Dedicated Schools Grant for 2017-18 is £214.938 million (excluding Pupil Premium), broken down into the following blocks:

Schools Block £163.433 million

Early Years Block including funding for 2 year olds and the new 30 hour entitlement £18.477 million

High Needs Block £33.028 (net of £2.16 million of place funding deducted and paid for directly by the Education Funding Agency)

4.3 Each **local authority's** per pupil amount for the Schools 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 2016 census.

The High Needs block

For 2017 to 2018 the high needs block is made up of each local authority's 2016 to 2017 high needs block baseline adjusted to show each local authority's allocation of the national £125m transferred from the post-16 budget for places in FE colleges and post-16 provision (£0.9 million for Derby).

The High Needs Block has been uplifted in 2017-18 for two elements; a population based allocation which allocated an additional £95.3 million (Derby's share £0.48 million) and a growth based allocation of nationally £34.6 million (Derby's share £0.130 million)

4.4 The Early Years Block

A move to an early years national funding formula has resulted in some significant changes from April 2017.

A national consultation on early years funding (*Changes to funding for 3- and 4-year olds*) ran for six weeks from 11 August to 22 September 2016. 3,121 responses were received to an online survey with a further 1000 face-to-face sector representatives. Implementation will start April 17 with a view to full transition to the national formula by 2019/20.

Derby's current funding formula for the early years sector has operated since its implementation in 2009. Funding is allocated on an hourly take up basis with three distinct base rates; maintained nursery school, primary schools with a nursery, private voluntary and independent sector (PVI), representing the types of provision within the City. Additional factors representing the makeup of children are additional to the base rate, comprising of;

deprivation,

- English as an additional language,
- vulnerable children factor
- lump sum factor applicable to standalone nurseries only.

Currently families are entitled to 15 hours of funded child care for 3 and 4 year old children, with some benefiting from additional 2 year old funding if they meet the criteria.

4.5 The new national formula will allocate funding for three- and four-year olds, both the existing universal 15 hour entitlement and the new 30 hour entitlement for children of working parents. It will commence in April 2017 for the existing 15, 30 hours of free childcare is implemented nationally from September 2017. Funding will remain participation based.

The government is guaranteeing that every local authority will receive a minimum funding rate of at least £4.30 per hour; this will give local authorities the scope to pay providers an average funding rate of at least £4 per hour.

The three funding factors to Local authorities are:

- base rate of funding for each child, will channel 89.5% of funding current base funding.
- additional needs factor, reflecting the extra costs of supporting children with additional needs to achieve good early learning and development outcomes; based on free school meals eligibility; having English as an additional language; and being in receipt of Disability Living Allowance
- area cost adjustment, reflecting the different costs of providing childcare in different areas of the country.

- 4.6 A move to a universal base rate for all providers will involve a process of transition. Derby's current base rates paid to providers, are as follows,
- Nursery within a school setting £3.74 (increases to an average £4.14 with additional factors added)
 - PVI £3.90 (increase to an average £4.17 with additional factors added)
 - Standalone Nursery £5.59 (increase to an average £10 with additional factors added)
- 4.7 Further to the changes announced to the early year's formula the Department for Education announced funding for those children in receipt of Disability Living Allowance (DLA) and the announcement that all local authorities will have a local SEN inclusion fund by April 2017.

Disability Access Fund which is to be introduced from April 2017 has the purpose of supporting early year's providers to make initial reasonable adjustments and build the capacity of their setting to support disabled children. Providers will receive additional funding for children in their setting in receipt of Disability Living Allowance (DLA). Consultees asked for clarity over the amount – government can confirm that this will be £615 per year for every child eligible.

Local authorities are required to have a local Special Educational Needs (SEN) inclusion fund, by April 2017, with a requirement on how they are using their SEN inclusion fund to support their early years SEN cohort, as part of their published 'Local Offer'. This will include the fund's planned value, eligibility criteria, and the process for allocating the fund to providers.

4.8 **Local authority funding to providers**

There are now a number of new requirements on how local authorities are able to allocate funding to providers from 2017-18. These requirements are intended to ensure that funding provided by the DfE is fairly distributed to providers. The main changes are:

- A minimum amount of funding to be passed through to providers.
- A local universal base rate for all types of provider, to be set by local authorities by 2019-20 at the latest.
- Supplementary funding for maintained nursery schools, for the duration of this Parliament.
- Reforms to mandatory and discretionary supplements local authorities are able to use.
- The introduction of a disability access fund.
- A requirement for authorities to establish a special educational needs inclusion fund.

4.9 High pass-through requirement

There are new requirements on the amount of funding for 3- and 4-year olds that local authorities must pass to providers. This pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the EFA reaches providers.

The pass-through funding level is set at 93% in 2017-18. It will increase to 95% from 2018-19. This means that centrally retained funding (for central services or services in-kind) combined with any funding movement out of the early years block will be constrained to a maximum of 7% in 2017-18 and 5% from 2018-19.

In 2017-18 local authorities need to plan to spend at least 93% (95% from 2018-19) of the hourly rate they receive from the government directly on providers. Prior to each financial year, local authorities need to plan to meet this requirement in determining their planned budget allocations.

Derby City Council will implement an early years national funding formula on the following basis.

- Base rate of £4.05 per hour, reflecting that level of base funding which is received by the Council.
- deprivation funding based on 20p per hour per eligible child with a weighting of x3 to 60p per hour for the top band (most deprived) and a free school meal rate of 20p per hour for each eligible child.
- English as an additional factor supplement at 20p per hour per eligible child.
- To establish a £250,000 inclusion fund to support children with additional needs across all settings
- To use the £1.194 million maintained nursery school supplementary funding to help the maintained sector transition to the new national funding model.

4.10 Schools Block delegated funding

The Schools Block unit of funding for Derby 2017/18 has been calculated at **£4,366** per pupil.

Derby has a local funding formula to fund schools, set within the constraints of the Funding Regulations. Data from the October 2016 census has been used to calculate each schools delegated budget. There is one proposed change to the funding formula multipliers, all others remain at prior year levels. The changed factor is in relation to the banding multiplier for bands 5 and bands 6 of the factor used to allocate some of the deprivation funding within the formula. As a result of a national data refresh of the IDACI (income deprivation affecting children index) bandings there has been a significant increase in gains.

In 2016/17 33,226 children were banded within the IDACI indication and this distributed £17.8 million through the formula to our schools. In 2017/18 the numbers increased to 34,094 with a shift from the middle bands 3 and 4 to the higher bands of 5 and 6 of circa 4,500 children. As the higher bands attract more funding through the formula the provisional cost of this indicator was increased to £20.8 million, an increase of £3.4 million. This increase was not affordable as no additional sums of monies are received by the Council through the Dedicated Schools Grant (that allocation is based on pupil numbers only).

It is proposed that the value of the higher bandings are reduced by £193 from £739 to £546. This reduces the total quantum to £19.2 million from the provisional £20.8 million and is affordable within the funding envelope.

4.11 Use of Reserves

To set a balanced budget for the Dedicated Schools Grant based on the proposals contained within this report the use of DSG reserves to the value of £265,000 will be required. Closing reserves at the 31 March 2016 were £5.049 million. This level of reserve is necessary in order to mitigate any instance of the DSG going into a deficit position and is earmarked for all three of the DSG spending blocks, the High Needs Block being a very high risk area of over spends due to a continued rise of complex high cost placements.

A locality funding model to support children with additional needs in schools was introduced in September 2016, this is currently being funded from reserves until a sustainable funding model has been identified.

OTHER OPTIONS CONSIDERED

5.1 Not applicable

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Alison Parkin, Head of Finance Not applicable Martyn Marples, Director of Finance Andy Smith, Strategic Director for People Services
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For more information contact: Background papers: List of appendices:	Alison Parkin 01332 642674 alison.parkin@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Dedicated Schools Grant 2017- 2018
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IMPLICATIONS

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 The School Access Fund will enable early years' providers to make reasonable adjustments for disabled children to take part in early years' activities. In addition, funds are available to support children for who English is not their first language.

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 and Safeguarding

9.1 None directly arising

Corporate objectives and priorities for change

10.1 Funding for education supports the Council's priority for raising achievement and skills.

Appendix 2

DEDICATED SCHOOLS GRANT

PROPOSED BUDGET AT APPROVED CASH LIMIT			
	2017/18 £'000	Previous Year £'000	Change £'000
FINANCING			
Early Years Block	13,282		
2 Year Old Funding	3,180		
additional 3 & 4 year old funding for eligible working parents	2,015		
Schools Block	163,433		
High Needs Block	33,028		
Total Funding Available	214,938	204,327	10,611
Requirement			
Early Years 3 & 4 Year olds	13,411	12,129	1,282
additional 3 & 4 year old funding for eligible parents	2,010		2,010
2 Year olds	3,180	3,317	(137)
Schools Block - (pupil number growth)	158,018	153,132	4,886
KS1 Class Size	1,338	1,338	
High Needs Block:			
Additional High Needs Top Up in Schools (TA support)	1,800	2,035	(235)
Enhanced Resource Schools	3,848	3,670	178
Special Schools and Pupil Referral Units	16,032	15,483	549
Independent Special Schools	7,800	7,331	469
Post 16 High Needs Other Providers	1,300	1300	
High Needs Contingency for new in year costs	1,000		1,000
Growth Fund	200	200	
Post 16 Element 1 & 2 Transfer for FE	1,000	0	1,000
Other Central Education Services and Inflation	4,266	4,392	(126)
Total Requirement	215,203	204,327	10,876
Total Proposed Budget	215,203	204,327	(265)
Use of Reserves:			
To fund 2017/2018 Budgets	(265)		