

Dedicated Schools Grant 2016-17

Introduction

This report updates the Forum on the Dedicated Schools Grant (DSG) and asks for Forum decisions to support the submission of LBHF's School Block Calculation for 2016/17. It also responds to the question raised at the last Forum by identifying the main budget pressures facing schools. For Forums information, the report also draws Forums attention to a significant shift to Londons IDACI (Index of Derivation affecting children Indices) which was not expected and interesting given broader conversations that are taking place about possible consultations about national funding levels.

The report also identifies some of the contributing areas to the financial pressures in the High Needs block. Further work is ongoing in this area, to better establish the balance between the three key factors driving spend as identified in the report.

Cost Drivers for Schools 2016/17

On top of the challenge around possible funding changes that may impact in the next few years, there are real cost pressures being faced by schools as the DSG for 2016/17 in line with the last few years approach, does not contain any inflationary uplift to help schools respond to real financial pressures.

Working with school colleagues, we have identified the following as key cost drivers and these have been extrapolated over all Hammersmith and Fulham Schools and summarised in the table below.

- following the review by the Teachers' Pension Agency, employer contributions were increased on 1st September 2015, from 14.1% to 16.48%, including the 0.08% administration levy.
- government have decided to withdraw the National Insurance Contracted Out Rebate, with effect from 1st April 2016. This, currently, allows certain employers, who pay into specific pension schemes, to pay a lower rate of National Insurance on any earnings between £5,832 and £40,044 for employees who are members of the pension scheme. This equates to circa £1k per teacher or senior administrative staff member in the Teachers or Local Government pension scheme.
- The third change is the 1% Teachers pay rise from 1st September 2015, again with the resources to be identified by schools through efficiencies.

These 3 actions combined impact on the schools in Hammersmith and Fulham by:

Table 1 – School financial pressures 2016/17

	Pension Increases	Contracted out NI changes	Teachers Pay Award	Totals
Maintained Schools	716,730	989,205	343,609	2,049,544
Academy Schools	318,307	408,465	162,681	889,453
Total Impact of Government actions and no funding	1,035,037	1,397,670	506,290	2,938,997
Total number of teachers equivalent				61

Changes in IDACI demographics

For 2016/17 forum are asked to note changes in the IDACI (Index of Deprivation affecting Children Indices) data. IDACI not only targets funding to individual schools through our formula, but formed part of the assessment of need at a National level in the historic DSG £'s assessment. Whilst the current £'s level of DSG per LA are fixed, moving forward that is likely to be re-visited and re-calculated, so ensuring we are aware of the datasets and any strange occurrences is felt important.

London which historically was one of the most deprived regions appears to have suddenly improved, in fact London has reduced its quantum of children in deprivation by almost a quarter in the last 5 years according to the IDACI data. This was a surprise to not only us, but most of our colleagues across London as our collective populations have significantly increased and it seems inconsistent with local experience that deprivation levels are improving at such an impressive rate.

In 2010 London had 308 of the 791 pupils nationally in the worst deprivation band, yet the new data set for 2015 has now reduced Londons number of children in the lowest IDACI band to only 3.

Table 2 – London and National IDACI levels 2010 to 2015

IDACI score (2015)	London 2015		National 2015		London 2015		National 2015	
	Count	%	Count	%	Count	%	Count	%
IDACI 0	2165	45%	20412	62%	1631	34%	19433	60%
IDACI 1	565	12%	3182	10%	374	8%	2648	8%
IDACI 2	594	12%	2598	8%	419	9%	2208	7%
IDACI 3	973	20%	3841	12%	842	17%	3494	11%
IDACI 4	463	10%	2059	6%	714	15%	2514	8%
IDACI 5	72	1%	638	2%	477	10%	1394	4%
IDACI 6	3	0%	148	0%	308	6%	791	2%
All	4835	100%	32844	100%	4765		32482	100%
Londons share nationally of IDACI 6 (the most deprived pupils)	2.0%				38.9%			

We have asked London Councils to investigate this anomaly further as it creates a risk moving forward with this perceived improvement in the wealth of London families.

The table below shows the London Boroughs and their respective changes (improvements in family wealth levels).

Table 3 – London Boroughs movement in IDACI

Area	IMD: IDACI (2015) - score					
	2010 Raw value	Rank in Deprivation 2010	2015 Raw value	Rank in Deprivation 2015	Converting 2015 to % score, the movement last 5 years	% Change ranked Nationally
Barking and Dagenham	40.43	7	31.9	11	-21.1%	24
Barnet	23.17	85	17.5	154	-24.5%	18
Bexley	19.68	128	19.4	126	-1.4%	184

Brent	39.28	9	26.5	42	-32.5%	7
Bromley	17.5	162	16.6	173	-5.1%	118
Camden	36.31	17	27.2	33	-25.1%	17
City of London	13.31	233	10.2	302	-23.4%	19
Croydon	27.61	49	23.2	70	-16.0%	40
Ealing	32.48	27	23.0	74	-29.2%	9
Enfield	39.93	8	30.7	13	-23.1%	20
Greenwich	36.26	18	26.7	38	-26.4%	15
Hackney	47.83	3	32.2	10	-32.7%	6
Hammersmith and Fulham	35.65	20	26.7	39	-25.1%	16
Haringey	45.27	5	28.7	24	-36.6%	3
Harrow	24.42	76	16.9	167	-30.8%	8
Havering	19.12	138	20.2	115	5.6%	313
Hillingdon	26.35	59	20.8	102	-21.1%	25
Hounslow	30.67	33	22.2	87	-27.6%	11
Islington	48.58	2	35.3	3	-27.3%	12
Kensington and Chelsea	19.67	130	17.4	158	-11.5%	63
Kingston upon Thames	15.09	200	12.3	260	-18.5%	32
Lambeth	39.25	10	30.4	16	-22.5%	22
Lewisham	35.95	19	29.6	19	-17.7%	34
Merton	20.48	120	16.9	168	-17.5%	35
Newham	47.76	4	28.8	23	-39.7%	2
Redbridge	29.03	43	19.2	128	-33.9%	4
Richmond upon Thames	10.53	296	8.7	326	-17.4%	36
Southwark	36.6	16	30.3	17	-17.2%	37
Sutton	17.25	168	15.9	188	-7.8%	92
Tower Hamlets	58.98	1	39.3	1	-33.4%	5
Waltham Forest	38	12	27.0	35	-28.9%	10
Wandsworth	28.26	47	20.7	104	-26.8%	14
Westminster	35.21	22	28.7	25	-18.5%	31
ENGLAND AS A WHOLE	18.50		17.3		-6.3%	

Remove London	17.17		16.7		-2.9%	
London Solely	31.39		24.0		-24.6%	

DSG Funding for 2016/17

The DSG funding nationally for 2016/17 was announced in December 2016 and comprises of the following:

- **Schools Block Funding:** The schools block funding was allocated by adjusting each local authorities schools block unit funding (SBUF) from the 2015/16 level to incorporate the funding added from the former –recoupment academies (NRA’s). It means that in 2016/17, local authorities will receive funding for the former NRA’s within their schools block allocations on the same basis as other mainstreamed maintained schools and academies, i.e. by multiplying their SBUF by their school block pupil count. Hammersmith and Fulham’s SBUF was increased from £6,240.96 to £6,350.96 as a result of this exercise. To continue to protect schools from significant budget reductions , the Education Funding Agency (EFA) have confirmed that the minimum funding guarantee (MFG) will continue at 1.5% per pupil reduction comparing 2016/17 budget (excluding sixth form funding and ESG)to 2015/16 (excluding pupil premium). The total schools block funding is £103.19m and details of how this is calculated is set out in Table 4.
- **Early Years Block Funding:** The provisional DSG funding for this block is £12.576m and comprises funding for the 15-hour entitlement for 3 and 4 year olds, participation funding for 2 year olds from the most disadvantaged backgrounds: and the early years pupil premium. The rates per child in this block will maintained at their 2015/2016 level and detailed in Table 4.
- **The High Needs block** is a single block for Local authority high needs pupils / students aged 0 – 24. The amount before deductions for academies and sixth form places is £19.033m and details as shown in Tables 4 and 5 below. This funding area is of particular risk both now and going forward, where the volume of children with Special Needs continues to increase and additional stay on ages plus extension to 24 years adds significant financial challenges where currently the resources are not materialising. This block includes places for pre and post 16 pupils in maintained schools’ , maintained special schools, Pupil Referral Units (PRU’s), academies, special academies, non-maintained special schools, alternative provisions academies (AP), mainstream free schools. It excludes those in the first year of opening and AP free schools.

Table 4 indicative DSG for 2016/17 for each block

Table 4 2016/17 DSG Funding			
School Block Funding (Final)			
	Rate	Pupil Numbers	
Dedicated Schools Grant	6350.96	16248	103,190,398
Early Year Block (Provisional)			
3 and 4 Year Old Funding	6285.70	1805	11,345,689
2 Year Old Funding	5766.50	167	963,006
Early Years Pupil Premium			268,000
			12,576,694
High Needs Block			
Total Allocation			19,033,000
Less deductions for academies and sixth form place funding			-2,469,000
LBHF High Needs Funding			16,564,000
NQT			24,000
Total DSG			132,355,092

Table 5 Deductions made to the High Needs Budgets to directly fund Academies

Table 5 Details of High Needs Block Deductions for Academies and Sixth Forms			
	Rate	Place Numbers	
Post 16 Recoupment Academies in SEN Units and Resourced Provisions in 15/16 academic year	6,000.00	12	72,000
Pre-16 SEN Academies and Free Schools	10,000.00	15	150,000
Pre16 Alternative Provisions for 15/16 Academic Year		177	1,747,000
Post 16 SEN places in Maintained Special Schools	10,000.00	20	200,000
Post 16 Maintained Mainstreamed Schools	6,000.00	50	300,000
Total Deduction			2,469,000

Schools Delegated Budgets 2016/17

Local Authorities are required to submit the final Authority Pro-forma Tool (APT) to the EFA by 21st January. This year we asked for an extension to consider whether we needed to propose changes to the Schools Block to support the High Needs finances. However, giving the cost pressures facing schools and when any potential changes were modelled, the reality is that very little change can be made to the schools block as minimum funding guarantee requires the majority of any saving to cushion the impact.

Therefore we are looking to target the savings required against the High Needs block from within that area.

The Authority Pro-forma tool details the Notional School Block Funding Rates. There are no planned changes to the rates used in 2015/16 as shown in the table below. Appendix 1 shows details of the Pro-forma to be submitted to the EFA.

Table 6 Summary of 2016/17 Notional Schools Block Funding				
		Number	Rate	Funding
Basic Entitlement	Primary	9,716.00	£3,564.86	34,636,180
Basic Entitlement	Secondary	6,600.00	£5,163.86	34,081,476
FSM6	Primary	3,930.61	£1,010.55	3,972,078
FSM6	Secondary	2,942.80	£1,709.62	5,031,070
IDACI Band 1	Primary	865.10	£600.00	519,060
IDACI Band 2	Primary	990.20	£650.00	643,630
IDACI Band 3	Primary	2,355.39	£700.00	1,648,773
IDACI Band 4	Primary	1,728.71	£750.00	1,296,533
IDACI Band 5	Primary	999.90	£800.00	799,920
IDACI Band 6	Primary	1.00	£850.00	850
IDACI Band 1	Secondary	549.34	£850.00	466,939
IDACI Band 2	Secondary	591.39	£900.00	532,251
IDACI Band 3	Secondary	1,396.50	£950.00	1,326,675
IDACI Band 4	Secondary	1,294.58	£1,000.00	1,294,580
IDACI Band 5	Secondary	574.01	£1,100.00	631,411
IDACI Band 6	Secondary	8.01	£1,150.00	9,212
Looked After Children	All	35.39	£800.00	28,312
English as An Additional Language (EAL3)	Primary	2,637.81	£290.83	767,154
English as An Additional Language (EAL3)	Secondary	364.93	£707.10	258,042
Mobility	Primary	145.00	£250.00	36,250
Mobility	Secondary	342.30	£250.00	85,575
Prior Attainment	Primary	2,746.76	£593.15	1,629,241
Prior Attainment	Secondary	1,051.76	£686.16	721,676
Lump Sum		48.00	£100,000.00	4,800,000
Split Sites / Rates				895,401
Historical Sixth Form Funding				706,610
MFG				1,433,261
De-delegation				-914,466
Total Delegated Funding				97,337,692

DECISION REQUIRED

Do forum agree to maintain the 2015/16 individual funding rates into 2016/17?

Table 7 below sets out an analysis of the deployment of the Notional Schools block for 2016/17. The Dedicated Schools Block is self balancing and although some schools are particularly challenged financially due to roll changes, no further proposals against this block are being made. There is no uncommitted resource here to transfer into the High Needs block.

Table 7 - Analysis of the deployment of the Notional Schools Block 2016/17		
DSG Funding		-103,190,398
To Schools and Academies	98,252,158	
De-delegation	-914,466	
		97,337,692
Growth Funding (APT Model)		120,296
Funding available for Centrally Retained School Services and General Funds Services		-5,732,410

High Needs Block 2016/17 Provisional

There are huge pressures within this block and this is on the increase. The current year's outturn is a projected overspend of over £2m. In order for the forum to make an informed decision on the approval of the deployment of the 2016/7 funding and the ongoing strategy for reducing the pressures going forward a number of tables have been produced. Table 8 below shows the growing trend of overspends in this area which can be traced back to when the new blocks were created in 2013/14.

Table 8 - A 3 Year Analysis of High Needs Block Funding			
	2013/14 (Actual)	2014/15 (Actual)	2015/16 (Projected)
Pre 16 Initial Allocation	-17,082,016	-16,717,016	17,721,016
Post 16 Initial Allocation	-784,984	-1,745,984	-1,283,984
Total Allocation	-17,867,000	-18,463,000	19,005,000
Academy Recoupment and Other Deductions	1,338,000	1,970,000	2,538,000
Final Allocations	-16,529,000	-16,493,000	16,467,000
Expenditure			
Base Funding to Specialist Provisions	4,810,000	4,270,000	4,610,000
Centrally Retained High Needs Block for Notional Funding in Mainstream Settings	1,300,800	1,170,000	1,074,000
Top up funding for LBHF residents, mainstream, maintained, academies free schools for pre and post 16	9,820,171	11,168,362	10,885,124
High Needs General Funds	1,401,000	1,401,000	1,401,000
Belonging Regulations			451,722
Hospital Education			300,000
SEN Commissioning SALT (net of SB contribution)			114,000
Overspend	802,971	1,516,362	2,548,846
Actual year on year Increase in overspend		713,391	1,032,484

The annual position is progressively worsening, officers are working to establish the full reasoning and identify strategies that can be discussed with Forum to implement to control spending better. The overspend is happening due to the following factors – the degree of each factor is still being established and because officers are investigating back to 2012/13 when the High Needs Block came into effect it is taking additional time.

Factors driving spending in the High Needs Block:

- Since 2013/14 the Special School funding Rates have been creeping up to reflect the higher levels of needs that the pupils are presenting, however at the same time the balances have also

been increasing and a piece of work to establish what are comparable funding rates for other schools with similar intakes is being undertaken currently

- There has been an increase in the number of children with statements over the last few years, given we have a decoupled system of funding for more moderate special needs this needs further unpicking and the age profiles and the main presenting special needs is being established
- One area which is quite stark at the moment is the significant increase in post 16 Special Needs demands, in 2012/13 there were 28 children with Special Needs post 16 being supported whereas currently 126 for 2016/17 and there has certainly been nowhere near that level of increase in funding to support this increased provision. Post 19 had no students in 2012/13 but for 2016/17 we are expecting to support 20 students in this area.

At the next Forum officers will present detailed analysis and options and strategies for discussion, to ensure that the respective factors and their contribution to the challenge will be available.

Early Years Block

Table 9 shows the deployment of the Provisional Early Years block, there are no plans to change the funding rates for this block and so details of each schools allocation will be provided in the March forum when the January 2016 census is completed. It is worth mentioning again that the Hammersmith and Fulham Early Years funding delegated to schools is based on this census data only and is not usually adjusted termly due to very little changes from the January census. This means that there is no risk to schools for using this methodology. , However we continue to review the process and will change to termly adjustments, if and when' there are significant differences in the funding to schools. There is a small contingency held to respond to any schools underfunded by this strategy.

Table 9 Deployment of the Early Years Block		
Provisional Funding		12,576,694
General Fund Recharges		450,400
Funding available for Distribution		12,126,294
Nursery Schools	3,059,413	
Nursery Classes	4,267,035	
3 and 4 year old contingency for changes in participation numbers of 3 and 4 year olds, including reductions due to the announcement of the final allocation for 2015/16	200,000	
2 year old funding	963,006	
PVI	3,368,840	
Early Year's Pupil Premium	268,000	
		12,126,294
Balance		0

DECISION

Does the forum approve the proposed methodology of the distribution of the Early Years block?

Pupil Premium

The pupil premium amounts for 2016/17 will be protected at the current rates and these are shown in Table 10. Payments of these grants continue to be made quarterly at the end of June, September, December and March each year.

Table 10 The Pupil Premium per pupil amounts for 2016/17	
Pupils	Per-pupil rate
Disadvantaged pupils: primary	£1,320
Disadvantaged pupils: secondary	£935
Pupil premium plus: looked after children (LAC) and those adopted from care or who leave care under a special guardianship order or child arrangements order (formerly known as residence order)	£1,900
Service children	£300

A looked after child is defined in the Children Act 1989 as one who is in care of, or provided with accommodation by, an English or Welsh local authority.

Pupil premium allocations for the financial year 2016/17 will be published in June 2016 following the receipt of pupil number data from the spring 2016 schools and alternative provisions censuses.

Future Funding

As announced in the Chancellor's spending review statements, a national funding formula from 2017, consultation proposals will be released shortly although an exact date has not been set. We continue to hear statements from Ministers and emotive arguments from the f40¹ group about the unfairness of the current system, some of the more recent approaches have been to try to implement some adjustments by smoothing the rates across the country (eg the academies top up rates), however nothing formally has been published. We will inform Forum when the consultation goes live and will advise accordingly.

¹ A group of lower funded authorities who argue that area cost adjustments are unfair and funding should be re-targeted on a new approach that by ignoring area cost adjustment would drive resources away from London