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| Date: 13 th October 2016 | Item 8 | Type of report: For Information |
| Report title: | DSG 2016-17 and Timetable for Setting the 2017-18 Budget | |
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Executive Summary

This report sets out the final Dedicated Schools Grant (DSG) allocation for 2016-17 and identifies the current position on in year budget monitoring. The report also identified the forward plan and timetable for setting the 2017-18 budget, including the key decisions and consultations required with the Schools Forum in the coming meetings.

Schools Forum Actions

The Schools Forum is asked to note:

- the final allocation of DSG for 2016-17 and the identified higher than anticipated academy recoupment deduction;
- the update on national funding consultations for future years;
- the in year pressures on the DSG for 2016-17 in particular with regard to the high needs block (as well as the shortfall as noted above);
- the Authority's view that if the Education Services Grant is included in the DSG this should be retained by the local authority for central duties rather than distributed to schools;
- the timetable for finalising the DSG budget for 2017-18.

The Schools Forum is asked for its views on:

- the information it requires to take key decisions at the December meeting of Schools Forum, in particular with regard to ongoing central retentions and delegations
- the local authority's position that there should be no change to the present formula factors (with unit values being determined in December/ January subject to funding settlement & availability)

Background

1. The Education Funding Agency (EFA) requires all Local Authorities (LA) to provide information on the Dedicated Schools Grant (DSG) to its Schools Forum. The funding guidance published by the EFA in July 2016 is designed to help local authorities and their Schools Forums to plan the local implementation of the funding system for 2017 to 2018
2. The Schools Block of the DSG funds the budgets delegated to schools/academies via the funding formula as well as the funding retained by the LA to support schools.
3. This report demonstrates compliance with the funding requirements.

2016-17 DSG Budget Allocation Update & pressures on 16/17 year forecast position

4. The DSG is made up of the following funding blocks:
 - Schools Block – Pupil numbers (October 2014) multiplied by the Schools Block (SB) basic unit of funding (£6,462.58 for Southwark). The LA's SB allocation is adjusted when a maintained school converts to academy status.
 - High Needs Block – based on 2012-13 budgets but clarified by submissions to the EFA and adjusted for payments made directly by the EFA.
 - Early Years Block – estimated census pupil numbers multiplied by the EYB basic unit of funding (£8,212.00 for Southwark) and adjusted when actual numbers are known.
5. Funding in each block is notional and non-ring fenced to that individual block.
6. Table 1 below shows the latest DSG allocations notified by EFA in July 2016. These allocations shown are after deductions for academy recoupment and direct funding of High Needs placement costs have been taken by the EFA.

Table 1 - 2016-2017 DSG Allocation (after recoupment and excluding NQTs)

| | £m Initial Allocation | £m After July Adjust | £m Value of Adjustment |
|-------------------|-----------------------------|----------------------------|---------------------------|
| Schools Block | 128.13 | 124.59 | (3.54) |
| High Needs Block | 37.15 | 37.13 | (0.02) |
| Early Years Block | 27.22 | 27.56 | 0.34 |
| Total | 192.50 | 189.28 | (3.22) |

7. As the Academy recoupment is £3.5m greater than anticipated in January we are reviewing the DSG in-year forecast position overall and the likely impact upon the budget and the reserve. We are also in discussion with the EFA regarding any adjustment to the Authority Pro-forma Tool (APT) for 2017-18 to take into account any over-recoupment for Academies in 2016-17. Finally, there was some earmarking of the reserve to act as a general contingency for such circumstances.
8. With regard to the in year 2016-17 budget monitoring of DSG on each of the blocks and the centrally retained element, there are pressures on the high needs block of around £2.5m and much smaller pressures on the centrally retained growth fund (potentially £140k) and schools in financial difficulty budgets (number of requests received but not yet approved). In addition, there is a pressure on the de-delegation for Summerhouse (£180k). As was noted at the July 2016 meeting of Schools Forum there were a number of commitments and contingencies held against the £10.5m DSG reserve held as at 31 March 2016 (see Table 2 below).
9. The LA is currently reviewing the in-year budget monitoring position (given the factors identified above), including the higher than anticipated academy recoupment figure and the impact upon the underlying reserve at the financial year end. A report updating

Schools Forum on this will ensure that decisions made by Schools Forum in December 2016 and January 2017 are based upon the most up to date and robust position on the financial standing of the DSG & the DSG reserve. This will be compared against any commitments made at the July meeting, noting the one off nature of the reserve against potential ongoing commitments needing to be funded out of ongoing DSG resources, most notably pressures on the high needs block.

Table 2: Funding Commitments against DSG reserve held as at 31 March 2016

| Held as follows: | £m | |
|------------------------------------|--------------|---|
| Children's and Families Act | 1.3 | Balance of £1.9m earmarked for future use at July 2014 Schools Forum. Funding requested to be continued to be held in reserve for use in 2016-17 for further programme of converting Statements to EHCPs. |
| Family matters | 0.5 | £360,000 for interim support for pupils in mainstream schools £70,000 to increase capacity at Summerhouse £70,000 to support a multi-disciplinary approach at SILS3 £50,000 for Cherry Gardens outreach support service. |
| SILS | 0.2 | Continuation of funding earmarked to increase capacity/quality of provision at previous Schools Forum meeting. |
| High needs contingency | 3.5 | To support Schools through High Needs Top-ups, Placement costs and other pupil related High Needs costs |
| Two year old funds | 2.1 | Agreed two year old funding ring-fenced to support future programmes including increasing capacity and support. |
| Total committed | 7.60 | |
| DSG contingency | 2.92 | Funding agreed to be held in reserves as contingency |
| Total uncommitted | 2.92 | |
| Total Funds held in reserve | 10.52 | |

National Funding Formula Consultations Update

10. A statement released by the new Education Secretary, Justine Greening on 21 July 2016 confirmed the government's commitment to introducing a fairer funding system but delayed the implementation.
11. The full stage one consultation outcome is now expected to be published this Autumn, with the stage two consultation to follow shortly thereafter.
12. A final decision on the stage two consultation is expected in early 2017 with the new national funding formula system expected to start from April 2018.
13. As well as consulting on a new national funding formula, the government are also consulting on a new national funding formula for high needs funding. This consultation is

running in parallel with the national funding formula and has also been delayed with the implementation date now expected to be April 2018.

14. The government has started consulting on a national funding formula for early years which is expected to be implemented from April 2017. The LA response to this consultation is considered by a report on the agenda for the meeting.

Centrally Retained & De-delegated Budgets

15. The Schools Block of the DSG funds budgets held by the LA but delegated to schools/academies via the funding formula as well as the funding retained by the LA to support schools.
16. Local Authorities can only retain funds for the provision of central education services in circumstances which have been set by the Department for Education (DFE); these are known as **Centrally Retained Budgets** and fall into three headings;
 - a) Growth Fund/ Falling Rolls Fund
 - b) Statutory Functions of the Local Authority
 - c) De-delegated Services
17. Each year the Schools' Forum is required to approve the centrally retained budgets.

Growth Fund/ Falling Rolls Fund

18. Central spend for allocating funding from the growth fund to meet requirements for basic need including pre –opening and diseconomy of scale costs. Falling rolls fund surplus places on good or outstanding schools where a population bulge is expected in 2 to 3 years time. The amount set aside can be increased year on year as set out within the regulations. There is a report elsewhere on the agenda on proposals to change the amounts on the existing scheme and to add a falling rolls fund. The details and amounts on the scheme will be worked up for approval at the December meeting of Schools Forum.

Statutory Functions

19. The DFE allows local authorities to continue to centrally retain funds for their statutory functions up to the level retained in 2012-13 (so no new commitments or increases in expenditure).
20. For 2017-18 the LA will request at the December meeting to retain the same amount as 2016-17, namely:
 - £293k – places in independent schools for non SEN pupils
 - £673k - admissions
 - £15k – servicing of Schools Forum
 - £250k – capital expenditure funded from revenue

21. Any underspends at the year-end will be carried forward to fund the Statutory Functions of the LA in 2018-2019.

De-Delegated Services

22. There is a list of budgets that are currently held centrally that must be delegated to schools/academies through the funding formula in 2017-18. However, the LA can ask

the Schools Forum's approval for those relating to maintained schools to be 'de-delegated' in order for these funds to be pooled centrally and managed by the LA.

23. Any underspends at year-end will be carried forward to De-delegations or to the Schools Block of the DSG.
24. De-delegation applies only to mainstream maintained schools (so not academies, special schools or PRUs) as only these schools would benefit from the services that are funded centrally. It is, however, possible for academies, special schools and PRUs to buy into these services as part of the LA's 'buy-back'
25. For 2016-17 there were de-delegations for:
 - £786k – contingencies (including schools in difficulty and intervention fund)
 - £531k – behaviour support services – Summerhouse
 - £171k – free school meal eligibility
 - £22k – licenses and subscriptions
 - £669k – staff costs supply cover (maternity)
 - £78k – staff costs supply cover (trade union)
26. The LA will be bringing a report to the next meeting of the Schools Forum for approval (for maintained schools only by phase). As part of that the LA will be seeking an increase in the de-delegation for Summerhouse given cost pressures in that area. Whilst the schools in difficulty budget is also under pressure, the possible creation of a new Falling Rolls Fund should help to contain that in the 2017-18 financial year.
27. **The Schools Forum is asked for its views as to what further consultation/ information it will require in order to make decisions and undertake voting on the central retentions and de-delegations at the December 2016 meeting.** To help inform decision making the Council will be reporting back on the S251 budget benchmarking 2016-17 which was published on 28 September 2016 as this shows how Southwark's investment in Education Services, both from a DSG and LA Budget perspective, compares to its statistical neighbours.

2017-18 School and Academies Funding Formula

28. The proposed 2017-18 School and Academy funding formula timetable & key decisions for Schools Forum is contained in Appendix 1. This timetable is in line with the government's proposed timetable.
29. Southwark Council's 2017-18 Schools Block Basic Unit of Funding (SBUF) will be £6,462.58 per pupil. This is the same level of funding received for 2016-17. The government has confirmed, no local authority will see a reduction to its funding on a per pupil basis when compared to the funding levels received in 2016-2017.
30. The EFA have amalgamated the Education Services Grant (ESG) into the Schools Block of the Dedicated School Grant for 2017-18. It is the LA's proposal that all of this funding (based on £15 per pupil for retained duties and £77 general funding rate) should be allocated to the local authority to continue to provide the statutory duties (as the grant is intended too) rather than distributed to schools. The Education Services Grant is £2.6m in 2016-17 (£2.8m in 2015-16) and funds the areas below. Any reduction in grant

would mean the LA having to cut back on these statutory services or asking schools to buy back.

- Education Welfare
- School Improvement
- Asset Management
- Strategy and Regulation
- Speech and Language Therapy
- Monitoring of the National Curriculum

31. Southwark proposes not to change the current Funding Formula factors on the grounds of limiting the turbulence prior to the transition to a national formula. In 2016-17 there were issues regarding the IDACI deprivation funding which we do not anticipate being repeated. **The Schools Forum is asked for its views on the LA position on this matter.**

32. Appendix 2 contains the funding factors used in Southwark's Schools and Academies Funding Formula for 2016-2017. The unit values may change at the December and/or January Meeting in consultation with Schools Forum subject to:

- DSG Funding Headroom, following the October census,
- December DSG settlement in December,
- decisions on central retentions in December
- the position on the DSG reserve which will flow from the forecast outturn position on the DSG overall, having particular regard to the pressure on the high needs block and the academies DSG recoupment deduction which was higher than anticipated (as noted previously).

33. The government has set the MFG at minus 1.5%.

The Schools Forum are asked to advise the LA on the following:

The Schools Forum is asked for its views on:

- the information it requires to take key decisions at the December meeting of Schools Forum, in particular with regard to ongoing central retentions and delegations

Paragraphs 15 to 27

- the local authority's position that there should be no change to the present formula factors (with unit values being determined in December/ January subject to funding settlement & availability).

Paragraphs 28 to 31

Appendix 1

School/Academy Funding Formula 2017-18 Timetable

| | |
|-------------------------------|--|
| 6 th Oct16 | Census Day |
| 13th Oct 16 | Schools Forum Meeting to review timetable |
| Oct./Nov.16 | DFE/LA (Management Information Team) validation of School Census |
| 26 th Nov.16 | School Census Data closed by DFE |
| 30 th Nov 16 | Deadline for submitting final exception EFA changes requests. |
| Mid-Dec.16 | School Census Data available |
| Mid- Dec.16 | DFE issues Funding Formula Return (APT) to LAs, with School Census (Oct.16) data LA able to estimate Schools Block – Dedicated Schools Grant allocation for 17-18 |
| 8th Dec 16 | Schools Forum decisions on central retentions & de-delegations |
| 19th Jan 17 | Schools Forum Meeting – Schools Forum & LA to decide & approve Final 17-18 funding formula unit values |
| 20 th .Jan.17 | Funding Formula Return (APT) to be submitted to EFA |
| 7 th Feb 17 | Council Cabinet Approval for Final 2017-18 funding formula |
| 28 th .Feb.17 | Schools to be informed of Schools Block allocation 17-18 by LA |
| 23 Mar 17 | Schools Forum Meeting |
| 31 st .Mar.17 | EFA informs academies of GAG, if academy open as at 9 th Jan.17 |

Appendix 2

2016-17 Formula Factors & Funding Rates**Primary schools**

| Funding factor | Indicator | 2016-17 rate |
|---|---|---------------------|
| Basic entitlement | AWPU* | £4,142.61 |
| Deprivation | FSM Ever-6* | £1,223.10 |
| | IDACI Band 1 | £122.89 |
| | IDACI Band 2 | £128.16 |
| | IDACI Band 3 | £244.86 |
| | IDACI Band 4 | £471.70 |
| | IDACI Band 5 | £1,038.52 |
| Prior Attainment | IDACI Band 6 | £534.86 |
| | Low Attainment New EFSP/ Old FSP 78 | £663.54 |
| English as an Additional Language | EAL 3 | £263.57 |
| Lump sum | | £150,000 |
| Split sites | | |
| Rates | | Actual |

**Excludes de-delegated budgets*

Secondary schools

| Funding factor | Indicator | 2016-17 rate |
|---|--|---------------------|
| Basic entitlement | AWPU | £5,929.19 |
| Deprivation | FSM Ever-6 | £1,491.53 |
| | IDACI Band 1 | £101.57 |
| | IDACI Band 2 | £138.92 |
| | IDACI Band 3 | £483.89 |
| | IDACI Band 4 | £939.42 |
| | IDACI Band 5 | £2,072.44 |
| | IDACI Band 4 | £1,355.41 |
| Prior Attainment | Secondary pupils not achieving KS2 level 4 English and Maths | £1,529.91 |
| English as an Additional Language | EAL 3 | £1,432.08 |
| Lump sum | | £150,000 |
| PFI Funding | | £60,000 |
| Rates | | Actual |