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Report title:	Provisional 2017-18 Dedicated Schools Grant Funding Allocation and Monitor Update 2016-17	
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Executive Summary

This report sets out the provisional Dedicated Schools Grant (DSG) allocation for 2017-18 and provides details of the changes in comparison to those for 2016-17. There is also a financial update on the 2016-17 DSG.

Schools Forum Actions

The Schools Forum is asked to note the:

- The provisional 2017-18 DSG allocation of £307.8m before recoupment (funding that goes direct to academies & free schools, including growth and per place funding for high needs)
- That there have been no inflationary increases applied by the government to the DSG allocations;
- Details of the allocations for each funding block (Appendix A);
- The adjustments expected during the year (Appendix B);
- The Local Authority's approach to managing differences between estimated and provisional funding allocations during the year (Paragraph 15-17);

Background

1. On 20 December 2016, the Education Funding Agency (EFA) announced the Schools Revenue Funding Settlement: 2017-18, including initial DSG allocations. This report provides the Schools Forum with an overview of the settlement, including changes in comparison to 2016-17 allocation.
2. The remaining items on the agenda consider the current proposals for 2017-18 budget setting including flowing from the settlement:
 - Mainstream school budgets, providing the key issues for consultation before the submission to the EFA in January 2017 using their budget pro-forma tool;
 - Early Years funding providing details of the Early Years Single Funding Formula rates applicable to early years providers;
 - High needs funding provides details of the proposed funding rates applicable for high needs pupils in Southwark's schools.
3. As noted at the last meeting the budget monitor position for the 2016-17 DSG has been reviewed again and is shown overleaf:

2016-17	Initial Allocation	Forecast Over/ (Underspend)
	£m	£m
Schools Block	128.13	1.7 Unchanged – overspend
High Needs Block	37.15	2.2 Unchanged – overspend
Early Years Block	27.22	(0.5) Unchanged - underspend
Total	192.50	3.4 Unchanged – overspend

4. The budget monitoring position remains unchanged from that reported in December 2016. Whilst the pressure on expanding free schools has increased from £1.9m to £2.3m following EFA clarification on an expanding free school, there are sufficient compensating forecast underspends and expected recoveries to offset this increase. WE propose to hold this position. There were no further updates on the high needs and early years block, although we would re-iterate that these are forecasts at this stage based upon our best knowledge at the present time and there are risks associated with forecasting demand led/ participation based budgets as these are respectively.
5. As noted at the last meeting, the forecast position on the DSG reserves was summarised as below, together with the January update in brackets. We continue to review flexibility surrounding the use of SEND reform grant, rather than use DSG reserve, and also future block allocations within high needs and early years.
- Firm commitments of £3.04m (Jan 17 update: £3.09m)
 - Still being reviewed of £0.41m (Jan 17 update: £0.05m move to above and £0.36m more likely to crystallise as a commitment)
 - Uncommitted contingencies of £6.72m (Jan 17 update: £6.72m)
6. Therefore, as stated at the December meeting, the in year pressure on DSG for 2016-17 can be managed against the uncommitted contingencies. However, should the outturn 2016-17 be in line with the forecast as expected, there will be a reduction in the level of the DSG reserve at year end which would be available to support the DSG in 2017-18 and also to manage any in year changes. This is considered further in the mainstream schools funding report on the agenda.

2017-18 Dedicated Schools Grant Allocation

7. The provisional DSG allocation, before deductions for academies recoupment (including growing free schools) and the high needs place element is £307.8m. A summary of the allocation and comparison to 2016-17 is included in Appendix A.
8. The DSG continues to be set out on in three blocks; schools block, early years block and the high needs block. Once again, as in previous years, there have been no inflationary increases applied by the government to the DSG allocations.
9. In summary, in overall terms for the Schools Block, the increase of £2.9m before recoupment reflects an increase in pupil numbers of 734 together. The unit of funding for 2017-18 was £50 per pupil lower than 2016-17 which reflects baseline block transfer of funding from schools block to the high needs block. The overall increase in schools block is needed to fund the additional 734 pupils.

Also, there are increased and additional ongoing commitments against the DSG most notably the issue of growing free schools, where funding will need to be set aside as it is lagged funded (about £1.9m) and an increase in the level of business rates following revaluation (about £0.4m).

10. There will also be the need to unwind the one off use of the reserve in 2016-17 (about £1.9m) to support schools budget shares, with this being balanced against the reduced DSG reserve that will be left at year end, as noted at in 3 above. The impact on 2017-18 schools budgets is further considered in further detail in the later report on the agenda.
11. With regard to the Early Years block the settlement looks to be broadly neutral with the late addition of the grant for nursery schools, although there is further analysis on a separate report on the agenda. The DSG for early year's allocation has always needs to be treated with caution as it is subject to in year adjustment through census as noted in Appendix B to this report. There is approximately £2m of the uncommitted DSG relating Early Years.
12. There has been an increase on the high needs block between years by £6.2m before recoupment. This increase is likely to be slightly less given there has been some growth in recoupment for academy places as noted at the last meeting, which is not currently reflected in the estimated allocation. There are in-year pressures of £2.2m in 2016-17 on the high needs block and also any additional demand/ demographic growth for 2017-18 likely to flow through. As identified elsewhere on the agenda, we also note that under the new national funding formula consultation there would be no reduction or increase proposed to the high needs block from 2018/19, other than any decisions locally to undertake block transfers to the extent that they are allowed.
13. The increase allocation on high needs largely flows from:
 - a re-baselining exercise undertaken between the EFA and the Authority in-year to better reflect historic spending patterns
 - earlier block transfers between the schools block and high needs block – Schools Forum will recall a £2.1m transfer in budget setting for 2016-17. There was also an earlier block transfer of £1.8m for 2015-16. The per pupil unit of funding for the schools block has been reduced to reflect these adjustment (para 10 refers to the impact in 17-18)
 - There has also been a national increase in the block for all local authorities as appropriate to reflect some post 16 provision transfers and both overall population and population growth and for this Authority, this has resulted in an increase in allocation by just under £0.9m.
14. Subject to the above, we do not anticipate the need to undertake any transfers from the other blocks to the high needs block in 2017-18 as part of the budget setting process and indeed there may be some flexibility with the high needs block given the increase. The consultation for the national funding formula (a report elsewhere on the agenda) makes it clear that there will still be some flexibility to undertake block transfers in 2018-19 within certain limits.

In-year adjustments

15. The provisional 2017-18 DSG allocation is yet to be finalised and will be subject to further adjustments expected relating to each of the funding blocks. The adjustments expected and approach used in setting the DSG budget is set out in Appendix B.
16. There are now a significant number of adjustments that will need to be made to the provisional allocations announced in December 2016. This, as previously reported, represents significant risks

to the DSG, with the associated funding changes having to be managed in-year, that is after setting the budgets for schools and the DSG.

17. The Schools Forum is asked to note the risks associated with these in-year funding changes. The Local Authority (LA) is proposing to manage the risk of differences between the estimated and actual funding using any remaining DSG reserve (noting the matters at 7). If any additional funding is allocated to Southwark after the budget is set, this will be added to the contingency, and any decrease in funding will reduce the contingency held. This methodology will minimise the need to re-determine schools budgets. The level of the updated contingency will be considered as part of the 2017-18 budget setting process. Any such increases or decreases will be reported to the Schools Forum.

Schools Budget 2017-18

18. The provisional 2017-18 DSG allocation of £307.8m has to fund all areas of the Schools Budget including: schools' delegated budgets, High Needs costs, Early Years provision and central functions such as admissions etc. It also needs to fund business rates, academy recoupment, including growing free schools, and also high needs places for academies.
19. The rates per pupil for pupil premium in 2017-18 will be maintained at their current rates. The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2017/18 academic year. The Year 7 catch-up premium continues in 2017-18 as does the primary PE and sport premium. Announcements are awaited on Devolved Formula Capital for 2017-18.

Schools Forum actions

20. The Schools Forum is asked to note this report.

DSG funding comparison

	2017-18 (£m)	2016-17 (£m)	Change (£m)	Details
Schools Block (maintained schools and original recoupment academies)	£234.73	£231.81	£2.92	Based on 2017-18 rate*; £6,412.68, a £50 reduction from 16-17 due to national baselining work. Estimated pupil number increase of 734 pupils from 16-17.
Estimated Early years block (3 & 4 year old funding)	£22.24	£23.56	-£1.32	Refer to early years report for further analysis
Estimated 2 year old funding	£4.20	£3.97	£0.23	See above
Estimated Early years Pupil Premium	£0.22	£0.35	-£0.13	See above
Nursery Funding & DAF	£1.33	£0.00	£1.33	See above
High needs block	£45.12	£38.91	£6.21	Increase in baseline (including significant prior year block transfers from the schools block), increase for historical spend and also new population growth allocation.
Additions (Induction for NQTs)	0	£0.05	-£0.05	Now included schools block
Total DSG Before Academy Deductions	£307.84	£298.65	£9.19	
Academy High Needs Places funded by EFA	-£1.78	-£1.78	£0.07	This is likely to increase due to increased places in academy resource units and growth in hospital schools per 17-18 HN Return
Academy Recoupment	TBC at meeting	-£107.22	TBC	Estimate TBC from APT – this will still to need be confirmed by the EFA. As noted at the December meeting there has been an over-recoupment of £1.3m in 16/17 that is being recovered. The figure will also change in year due to expected academy conversions.
	TBC	£189.65	TBC	

Appendix B
2017-18 DSG funding adjustments expected

Funding block	Adjustment	Based on	Expected timing	2016-17 DSG budget assumptions
Schools Block	Deduction for academy recoupment	Final school budget pro-forma and academy conversions	End of April 2017	Estimated deduction based on pro-forma calculation
High needs	Deduction for high needs places	Pre and post 16 high needs places funded by EFA	TBC	No change to 2016-17 other than some growth in places in high needs return.
	Post 16 changes	Places planning change from resident to a location basis	TBC	Assumed no net impact on funding
Early years	Funding for three and four year olds	Funding updated for: <ul style="list-style-type: none"> January 2017 census numbers; January 2018 census numbers. 	July 2017 July 2018	Estimated funding based on the provisional DSG allocation (January 2016 census numbers). Final allocation will be based on $5/12 \times \text{Jan2017} + 7/12 \times \text{Jan2018}$ numbers
	Funding for 2 year olds	Funding updated for: <ul style="list-style-type: none"> January 2017 census numbers; January 2018 census numbers. 	July 2017 July 2018	Estimated funding based on the provisional DSG allocation (January 2016 census numbers). Final allocation will be based on $5/12 \times \text{Jan2017} + 7/12 \times \text{Jan2018}$ numbers
	Early Years pupil Premium	Funding updated for: <ul style="list-style-type: none"> January 2016 census numbers; January 2017 census numbers. 	Summer 2017 Summer 2018	Estimated funding based on the provisional DSG allocation (January 2016 census numbers). Final allocation will be based on $5/12 \times \text{Jan2017} + 7/12 \times \text{Jan2018}$ numbers