

Date: 23 March 2017	Item 5	Type of report: Information
Report title:	2017-18 Schools Budgets and DSG Update 2016-17	
Author name and contact details:	Russell Dyer/ Sue Emmons russell.dyer@southwark.gov.uk sue.emmons@southwark.gov.uk	
Officer to present the report:	Russell Dyer/ Sue Emmons	

Executive Summary

This report sets out the latest in-year budget monitoring for the 2016-17 Dedicated Schools Grant (DSG) and the forecast year end position of the DSG reserve. In addition the report sets out the 2017-18 allocations, funding retained for central retentions, the funding de-delegated from maintained schools and the finalisation of formula funding for local authority maintained schools. The latest estimate regarding expected academy recoupment is also provided.

Schools Forum Actions

The Schools Forum is asked to note the:

- DSG monitor for 2016-17 and the forecast position on the DSG reserve as at 31 March 2017
- DSG 2017-18 allocations held back and formula funding to schools
- Estimated academy recoupment figure for the DSG 2017-18.
- Reserve and transfers available to support the Individual Schools Budget in 2017-18

Background

1. Since the January 2017 meeting of the Schools Forum, a further DSG monitoring exercise has been completed on both the 2016-17 expected outturn and the DSG reserve.
2. In addition, following the decisions at the last Schools Forum regarding the 2017-18 formula unit values the return for 2017-18 has been finalised and approved by the Education Funding Agency.
3. On Friday 3 March 2017 details of schools budgets for 2017-18 were sent to Schools.
4. The DSG provisional allocations 2017-18, before recoupment, are shown at Appendix A to this report, together with the funding adjustments expected to those allocations at Appendix B.

DSG 2016-17 and DSG Reserve Budget Monitor

5. As noted at the last meeting in 2016-17 the budget monitor position for DSG was reviewed again and is summarised below:

2016-17	Initial Allocation £m	Revised Allocation (01/02/2017) £m	Forecast Over/ (Underspends) £m
Schools Block	128.13	124.6	1.5
High Needs Block	37.15	37.12	2.9
Early Years Block	27.22	27.56	(0.3)
Total	192.50	189.24	4.1

6. Overall, the reported DSG financial position from the January meeting has worsened by £0.7m. The variance on the schools block has improved by £0.2m though we are now including the £1.9m drawdown of the n DSG reserve to support Schools Budgets within the reserve analysis below. The adverse variance on the high needs block has increased by £0.7m which largely flows from unbudgeted areas and also demand pressures for top ups in schools and resource units. For the early years block an underspend position of £0.3m is now being forecast, which is £0.2m less than previously forecast due to “participation” issues.
7. As with all forecasts, these need to be treated with caution, particularly with regard to demand driven areas such as SEN and Behaviour Services. In addition, areas that are lagged funded on a participation basis such as early years can also be difficult to predict. The forecasting is always reliant upon systems and data quality being up to date, commitments being recognised when made and communicated to finance when they are made and also service managers understanding their budgets and meeting regularly with finance.
8. The latest position on the DSG reserve in terms of committed and uncommitted is shown below, together with an expected carry forward into 2017-18 less any ongoing commitments to support the Schools Budget as noted at the last meeting of Schools Forum.

Held as follows:	Balance £000	Committed £000	Uncommitted As at 1/03/17 £000	Comments On future years
Children's and Families Act EHCP conversions	1,300	600	700	£700k Will be needed future years (though linked to SEND grant)
SEN interim support for pupils in mainstream schools	360	360	0	Not required – if it is will need to come from high needs block.
Summerhouse capacity increase	70	70	0	Not required - £200k extra in budget 17-18.
SILS 3 multi-disciplinary approach	70	70	0	Consider with top up review
Cherry Gardens outreach support	50	50	0	Consider with top up review
SILS increased capacity and quality	200	200	0	Consider with top up review
High needs contingency	3,500	0	3,500	Uncommitted
Two year old funds	2,100	380	1,720	Will need £700k 17-18 at least (see EYNFF report)
DSG contingency	<u>2,522</u>	<u>2,346</u>	<u>176</u>	£1.9m was committed in supporting ISB

Held as follows:	Balance £000	Committed £000	Uncommitted As at 1/03/17 £000	Comments On future years
Total Funds held in reserve	<u>10,172</u>	<u>4,076</u>	<u>6,096</u>	<u>£1.4m committed in 17-18.</u>

9. In summary at the year end after addressing the £4.1m pressure on the DSG, as set out in paragraph 5 there will be £6.1m of uncommitted reserve available at year end. This would leave £2m of DSG reserve to carry forward to the new financial year. Commitments on the reserve in 2017-18 could be at least £1.4m, leaving an uncommitted balance of £0.6m on the DSG reserve in 2017-18. There may be some scope to increase this by using more SEND reform grant to fund the conversion of EHCPs in 2017-18 (this is presently being reviewed). It is our recommendation that the remaining reserve is uncommitted and held in contingency to manage any in year changes to grant in 2017-18.
10. As indicated at the last meeting of Schools Forum in January there was significant a gap on the formula financial unit values being maintained at their existing level (other than for deprivation). Following further work on the formula values, in particular with regard to adjustments to growth estimates for free schools between years and the closure of a free school, the gap has reduced to a small surplus of £0.3m which can be added to the £0.6m forecast uncommitted balance.
11. Going forward there are pressures on the funding for high needs and the its review needs to be completed with some urgency in order to assess the scope for the release of any uncommitted headroom to assess whether the initially identified additional c£6m allocation is sufficient to meet high needs commitments and whether some of it can be held as a DSG high needs contingency as in previous years.

2017-18 DSG, Schools Block and Schools Budgets Finalisation

12. As noted at the last meeting the DSG settlement 2017-18 is given at Appendix 1 to the report. The Academy recoupment figure may also change in year if there are any in year academy conversions. Therefore at present DSG schools block after recoupment is estimated to be £106.515m.
13. With regard to the DSG schools block the summary of agreed central retentions held back for 2017-18 is as follows:

Area	Amount £000
Agreed at December 2016 Meeting	
Growth Fund	600
Falling Rolls Fund	100
Places in independent schools for non-SEN pupils	294
Admissions	673
Servicing of Schools Forum	15
Agreed at January 2017 Meeting	
ESG Retained Duties	600
Total Centrally Retained	2,282

14. With regard to maintained schools de-delegation agreed for maintained school, the details are as follows:

Area	Total Amount £000	Basis (per pupil/ FSM etc)	Phase
Agreed at December 2016 Meeting			
Contingencies ¹	787	£39.48 per pupil	Primary and Secondary
Behaviour Support Services	531	£64.56 FSM £95.00 FSM	Primary Secondary
Behaviour Support Services – Summerhouse	1,132	£125.34 FSM	Primary
Free School Meal Eligibility	171	£18.94 FSM	Primary
Licenses and Subscriptions	23	£1.15 per pupil	Primary and Secondary
Maternity Cover	669	£32.63 per pupil	Primary and Secondary
Trade Union cover	78	£3.90 per pupil	Primary and Secondary
Agreed at January 2017 Meeting			
ESG General Duties Sept 17 to March 18	353	£16.33 per pupil	Primary and Secondary
School Improvement	670	£33.82 per pupil	Primary Only
Total	4,414		

15. Work is ongoing to develop key outcome measures to ensure that the Authority is accountable to maintained schools for these de-delegated services (in particular for ESG & School Improvement) given that the funding has been taken back from Maintained Schools with the agreement of Schools Forum. Also it is important to charge academies if they use any of these services and also maintained secondary schools where they are not part of the de-delegations to prevent any cross subsidisation.
16. As agreed at the last meeting, the Individual Schools Budget (ISB) using existing unit values (other than an adjusted deprivation factors) including additional allowances for rates and growing free schools was estimated to cost of £236m.
17. Based upon the decisions at the Schools Forum in January 2017 the detail was submitted to the EFA for approval. A number of changes and amendments were made to the APT (Authority Pro forma Tool) following submission and these can be summarised below together with their impact upon the ISB requiring to be financed. The gap has now been reduced to a small surplus of £0.3m as noted in para 9 above.

Change agreed with EFA	Impact upon ISB & Financing Requirement £000
Adjustments to errors on growth estimates on APT 16-17 in 17-18	1,830 (2016-17 adjustment)
EFA advised of one academy to be funded on lagged basis not estimates	1,084 (budget adjusted for 2016-17 (£555k) and 2017-18 (£529k))
Southwark Free School included as closed	467

¹ £515k Schools in Financial Difficulty, Audit £39k and Intervention Fund £233k

Schools NOR numbers increased to reflect pupils accepted from Southwark Free School	-270
Adjustments to growing schools for actual census numbers and incorrect FSM/IDACI proportions	788 (2016-17 adjustment)
Total Impact upon financing requirement and budget gap	3,899

18. Following approval of the EFA, schools budgets have been produced and submitted to schools under a covering letter (attached as Appendix C to this report) on 3 March 2017. As noted in the letter, schools may note some reductions to their budget in 2017-18 when compared to 2016-17 due to the following:
- Decreases in pupil numbers
 - Increased de-delegations
 - Changes to data: FSM, Prior Attainment etc.
19. The letter identifies a number of mitigations in place to deal with reduced funding including MFG, falling rolls funding, schools in difficulties, schools holding excess balances, early years funding increase for nursery classes etc. The Authority also continues to support schools budgets by the provision of Free Healthy School Meals funding, EMS and capital programme for schools.
20. The letter also identifies a number of other funding areas including pupil premium, devolved formula capital, schools sports grant and 6th form funding which will be notified in due course.
21. The context of increasing cost pressures for schools is highlighted within the National Funding Formula (NFF) consultation response report elsewhere on the agenda. This also highlights expected reductions to schools funding in 2018-19 and 2019-20 which will be an important consideration in future planning of schools budgets.
22. The statutory date for submission of budgets by schools to the local authority is set as 31 May 2017. Schools are asked to submit budgets before then where possible. Schools are also asked to note the requirements in budget setting as outlined in the Southwark Scheme for Financing Schools (which is currently being reviewed and updated) in particular with regard to the need to set balanced budgets and deployment of balances in setting budgets.
23. The Authority's response to the NFF proposed for implementation in 2018/19 and 2019/20 is considered elsewhere on the agenda.

High Needs Block

24. The High Needs Block allocation is shown at Appendix A to this report. A budget building exercise for 2017/18 is currently being undertaken.
25. From 1 April 2017 there will be a new 4 band system for mainstream top ups for new entrants. The existing children within the system will continue on the old 2 band system. The process for transitions and the exceptional funding system for schools is still being considered by the SEN sub group and a report will be brought back to Schools Forum in due course.
26. There are a number of areas which will need to be addressed by the SEN group including transitions and exceptional funding.

27. A decision by the EFA to turn down four new places at Evelina Hospital School has been appealed and notification has now been received confirming the additional funding.
28. In addition, we are reviewing the top up levels for SILS to ensure that this is in line with other comparable provision.
29. The response to the consultation on the High Needs NFF, due for implementation in 2018-19, is elsewhere on the March Schools Forum agenda.

Early Years Block

30. The early years block provisional allocations are shown in Appendix A to this report.
31. There was a comprehensive report on the EYNFF and the proposed rates at the January 2017 meeting of Schools Forum. There are, however, a number of outstanding matters to be dealt with, most notably with regard to central retentions, these are considered within the early years report elsewhere on the agenda.

Schools Forum actions

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

DSG indicative 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	£0.00	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	-£106.5	-£107.22	£0.72	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 in 16/17 that is being recovered. The figure will also change in year due to expected academy conversions.
	£199.56	£189.65	£9.91	

Appendix B

2017-18 DSG funding adjustments expected

Funding block	Adjustment	Based on	Expected timing	2017-18 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 May change due to in year academy conversions.
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