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Report title:	Provisional 2018-19 Dedicated Schools Grant Funding Allocation and Monitor Update 2017-18	
Author name and contact details:	Russell Dyer/ Kamaljit Kaur russell.dyer@southwark.gov.uk	
Officer to present the report:	Russell Dyer	

Executive Summary

This report sets out the budget monitor for the 2017-18 Dedicated Schools Grant as at 30th December 2017.

Schools Forum Actions

The Schools Forum is asked to note:

- the 2017-18 DSG budget monitor position and the anticipated deficit position
- the plan for funding and addressing the high needs deficit and the need to form an urgent working group to consider the options as set out and develop further options for further consideration/ development (Appendix C)
- the provisional 2018-19 DSG allocation of £315.2m 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;
- the 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 7);

1. Background

1.1 The budget monitor position for the 2017-18 DSG has been reviewed since the December 2017 Schools Forum meeting and is shown below:

	DSG 2017-18 £m	er/ (Underspend) £m
Schools Block	128.22	0.5
High Needs Block	43.36	3.0
Early Years Block	27.67	0
Total	199.25	3.5

Notes: The position on the Early Years Block assumes that the current in-year actions to manage pressures flowing from participation and or/ use of unused day nursery reserve commitment address the problems previously identified.

2. Schools Block

- 2.1 Overall on the schools block (ISB, Central Retentions & de-delegations) we are now reporting a pressure of £0.5m for various areas identified in previous months and also sundry matters flowing from growth fund/ falling rolls and also split site funding. There are also some issues flowing from earlier year's overfunding of schools.

3. Early Years Block

- 3.1 We are forecasting a balanced position. There is some risk to the forecast given the participation nature of the budget. Payment should only be made at the agreed rates for eligible children on the census. Clawback needs to be made for any ineligible children or children not on census to ensure that pressures do not arise, although such clawbacks should be done on timely basis.
- 3.2 Payment rates need to be kept under close review and rates should generally be less than funded rates to ensure that a sufficient contingency is built up over time. With regard to central retentions, these budget need to be adjusted in line with any reduction of grant. There are specific issues around the subsidy to day nursery provision which can only continue for the remainder of this financial year.

4. High Needs Block

- 4.1 The forecast overspend position on this block remains at a significant level as previously reported to the December meeting, though some pressures being forecast have reduced due to some savings being made on the funding of alternative provision/ the virtual school and some one off cost recoveries. Given the demand led nature of the budget there can be a risk to the accuracy of the forecast of expenditure and therefore this needs to be viewed with caution.
- 4.2 The Authority is currently reviewing the high needs block spend with a view to coming up with proposals for savings, cost avoidance and invest to save proposals and these are attached as Appendix C to the report. We wish to form a working group to shape these proposals.

5. Consequences of an anticipated DSG deficit at the year end

- 5.1 It is a requirement for the Schools Forum to agree that any deficit from a previous funding period is carried forward and addressed in the following funding period. Therefore in the DSG formula report later in this agenda, a proposal is made that an element of the expected deficit carry forward at the year-end is funded from the schools block element of the DSG. The proposals to fund the DSG deficit and the options for making ongoing savings are considered at Appendix C to the report which Schools Forum is asked for views on.

6. 2018-19 Dedicated Schools Grant Allocation

- 6.1 The provisional 2018-19 DSG allocation, before deductions for academies recoupment (including growing free schools) and the high needs place element is £315.2m. A summary of the allocation and comparison to 2017-18 is included in Appendix A.
- 6.2 The DSG is set out in four blocks; central block, schools block, early years block and the high needs block. There have been no inflationary increases applied by the government to the DSG

allocations. The new central block makes it difficult to do a direct comparison to previous years block.

- 6.3 In summary, the increase in Schools Block of £7.2m before recoupment reflects an increase in pupil numbers of 661 together with an increase in the Guaranteed Unit of Funding (GUF) by £19. This accounts for £5m, with the balance of the £2.2m flowing from the DSG baselining issues highlighted earlier in the year. To an extent this will be addressed by the 0.5% block transfer to High Needs which will realise £1.2m. Any additional headroom will need to be prioritised to the areas of the DSG deficit, block transfers, growing free schools and business rate increases.
- 6.4 With regard to the Early Years block the settlement is considered further elsewhere on the agenda. The DSG for early year's allocation needs to be treated with caution as it is subject to an in-year adjustment through census data as noted in Appendix B to this report.
- 6.5 With regard to the High Needs block, the decrease by £2m between years flows from the DfE baselining exercise and this will be mitigated to an extent by the relevant block transfer and deficit financing measure identified at para 12. However this is nonetheless a further structural pressure on the High Needs Block which will need to be addressed as part of the High Needs block deficit recovery plan being taken forward by the Authority and Schools Forum (Appendix C has some early proposals). As part of this reductions to top up levels across the High Needs block will need to be reviewed and reduced as necessary in 2018/19.

7 In-year adjustments

- 7.1 The provisional 2018-19 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.
- 7.2 There are now a significant number of adjustments that will need to be made to the provisional allocations announced in December 2017. 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.

8 Schools Budget 2018-19

- 8.1 The provisional 2018-19 DSG allocation of £315.2m 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.
- 8.2 The rates per pupil for Pupil Premium in 2018-19 are as follows:
- | | |
|---|------------------|
| Year R to Year 6 defined as Ever 6 FSM | £1,320 per pupil |
| Defined as Looked After Children (LAC) | £2,300 per pupil |
| Ceased as LAC because of adoption or guardianship | £2,300 per pupil |
| Service Children | £ 300 per pupil |
- 8.3 The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2018/19 academic year. The Year 7 catch-up premium continues in 2018-19 as does the primary PE and sport premium. Announcements are awaited on Devolved Formula Capital for 2018-19.

DSG funding comparison

	2018-19 (£m)	2017-18 (£m)	Change (£m)	Details
Schools Block (maintained schools and original recoupment academies)	£241.897	£234.73	£7.167	17-18 GUF £6,413 times 36,604 pupils. 18-19 GUF £6,432 times 37,265 pupils but allocation is £2.2m greater than pupil number and GUF increases. This reflects transfer from high needs DSG baseline exercise.
Central Block	£1.655	0	£1.655	New block
Estimated Early years block (3 & 4 year old funding)	£22.755	£22.24	£0.515	Refer to early years report for further analysis
Estimated 2 year old funding	£3.963	£4.20	-£0.237	See above
Estimated Early years Pupil Premium	£0.202	£0.22	-£0.018	See above
Nursery Funding & DAF	£1.658	£1.33	£0.328	See above
High needs block	£43.064	£45.12	-£2.056	Decrease flows from DSG baseline exercise.
Total DSG Before Academy Deductions	£315.194	£298.65	£16.544	
Academy High Needs Places funded by EFA	-£1.794	-£1.78	-£0.014	
Academy Recoupment	-£115.28	-£106.51	-£8.77	Impact of pupil growth, growing free schools and adjustments to baselines for APT 17-18 corrections for 16-17.
	£198.12	£190.36	£7.76	

Appendix B
2018-19 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 2018	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 2018 census numbers; January 2019 census numbers. 	July 2018 July 2019	Estimated funding based on the provisional DSG allocation (January 2017 census numbers). Final allocation will be based on $5/12 \times \text{Jan2018} + 7/12 \times \text{Jan2019}$ numbers
	Funding for 2 year olds	Funding updated for: <ul style="list-style-type: none"> January 2018 census numbers; January 2019 census numbers. 	July 2018 July 2019	Estimated funding based on the provisional DSG allocation (January 2017 census numbers). Final allocation will be based on $5/12 \times \text{Jan2018} + 7/12 \times \text{Jan2019}$ numbers
	Early Years pupil Premium	Funding updated for: <ul style="list-style-type: none"> January 2017 census numbers; January 2018 census numbers. 	Summer 2018 Summer 2019	Estimated funding based on the provisional DSG allocation (January 2017 census numbers). Final allocation will be based on $5/12 \times \text{Jan2018} + 7/12 \times \text{Jan2019}$ numbers

Appendix C : Proposals to fund the DSG deficit

A Schools Forum working group to be set up to further develop these proposals

Measures	£m	Commentary
17-18 Deficit	3.5	
18-19 - Schools Block Deficit to be funded	(0.5)	Subject to approval by Schools Forum in Formula report
18-19 – Schools Block transfer	(1.2)	0.5% as agreed previously by Schools Forum
18-19 – Further Schools Block transfer – would need to be a disapplication request	(0.8)	Subject to Schools Forum and Secretary of State approval – considered in the Formula report
Remaining	1.0	
Additional measures 18-19 & future years options		
LA to continue to lobby for additional funding through the relevant bodies in particular for 16-25 which has never been properly funded		Revisit previous consultation responses and take forward with the relevant bodies. Lobby strategy to be developed along lines of NFF.
Review of bandings and benchmarking in high needs top ups across the board, PRU, special, academy, resource units, mainstream. This may identify some areas for reduction.	TBC	See Formula report. Some top up rates may be higher than benchmarked levels for other LAs.
Alternative provision measures reductions	TBC	Includes virtual school being funded by part core (subject the Council's budget process and part LAC PPG holdback) rather than fund via DSG
Mainstream top ups 2 bands to 4 move savings as modelled.	TBC	Already been implemented – decision need on transitions and also refresh of modelling to identify savings to be factored in
Or have one top at band at very high level & then panel to bid in for additional support	TBC	New proposal – this has been done at other LA's with some evidence of savings/ cost reductions
Increase the notional SEN % and reduce top up levels	TBC	Consider for 19-20 formula if permissible under the NFF. This would be subject to SF consultation.

Review of central retentions to either cease, reduce, ask others to fund (NHS/ LA/ third sector/ Schools) or move to buyback funding.	TBC 0.3	Working group to review current areas being funded NHS being asked to fund EY SALT and also nurses at Cherry Tree Gardens currently being funded out of the High Needs block.
Special Schools to generate income from facilities and outreach to mainstream	TBC	Working group to review – this would largely be a mitigation measure to reduce/ contain top up levels - £50k satellite class in Cherry Tree Gardens 18-19 will need funding from buyback to save
Review of special school provision with significant unfilled places	0.1	Working group to review – any school receiving a subsidy for empty places which is not sustainable going forward.
Better commissioning of independent placements through review or London/ regional arrangements	TBC	Working group to review. Commissioning colleagues within LA to advise.
New special school provision coming on stream net of cost	TBC	Cherry Tree Gardens & Spa Free School – new places and top ups will need funding, but may save on out of borough provision – this needs to be modelled
Use of capital grant to enhance provision to create more resource units/ post 16 provision	TBC	Working group to review
Cost recovery for PRU for exclusions as permitted by regulations with maintained schools and protocol with free schools and academies; Increase buy back charges for outreach – though being mindful of the need to avoid increase in exclusions.	0.1	Working group to review – SILs has received one off £100k additional payment 17-18 from high needs block which will cease 18-19 – additional income and review of current curriculum are being discussed with the LA to mitigate in future years
Schools with uncommitted excess balances be asked to fund own high needs cost within their own resources	TBC	Working group to review
Schools with falling rolls or expanded but not filling up to provide additional SEN provision/ capacity	TBC	Working group to review
Other measures	TBC	To flow from Working group