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<b>Report title:</b>	<b>Dedicated Schools Grant 2015-16</b>	
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## Executive Summary

This report provides the Schools Forum with details of the key changes to future Dedicated Schools Grant (DSG) funding arrangements and highlighting the potential risks and pressures.

## Schools Forum Actions

The Schools Forum is asked to note the:

- Key changes to funding arrangements in 2015-16;
- Potential changes to funding arrangements in 2016-17;
- Highlighted potential risks and pressures on the Dedicated Schools Grant (DSG) funding in future years;
- Approach to setting the 2015-16 DSG budget.

### 1.0 Background

- 1.1 As reported to the July 2014 Schools Forum meeting, the Department for Education (DfE) consulted on changes to the 2015-16 School funding arrangements.
- 1.2 Following the consultation, the DfE published details of the school funding arrangements for 2015-16 on 17 July 2014 setting out:
- A fairer schools funding – arrangements for 2015 to 2016;
  - The government response to the consultation on simplifying the administration of academy funding
  - The level of schools revenue funding 2015 to 2016.
- 1.3 This report provides the Schools Forum members with a summary of the national arrangements as well as the potential risks associated with the changes and approach to setting the 2015-16 DSG budget.

### 2.0 National funding arrangements in 2015-16

- 2.1 In summary the changes to the national school funding arrangement in 2015-16, by funding block are:

Schools Block:

- Non-recoupment academies (including free schools) will be converted to recoupment academies and included in the LA school funding formula and pro-forma;

- The LA will receive additional funding in 2015-16 for non-recoupment academies. (This will be based on the budget for each individual academy calculated using the 2014-15 school funding formula with an additional allocation for central expenditure that has been paid by EFA/LA);
- Funding will be recouped from the LA in regards to pupil expansion classes for new/expanding free schools;
- There are no plans to apply a national schools funding formula in 2015-16, although the intention remains to implement this in the future;
- Additional £390m funding nationally allocated to the least fairly funded areas in 2015-16 based on minimum funding levels, but not applicable to Southwark;
- Schools continue to be protected through the minimum funding guarantee (MFG) which remains in place for 2015-16 at -1.5% of per-pupil funding;
- Revised approach to the reduction of DSG funding in regards to the carbon reduction commitment, based on £7.51 per pupil (estimated value £213k).

#### High Needs Block:

- Minor changes to high needs funding arrangements in 2015-16 with a longer term aim is to move to a formulaic approach of distributing high needs block funding.

#### Early Years Block:

- Additional £50m funding for early years through a new early years pupil premium;
- The ending of two year old trajectory funding and move to a participation basis from 2015-16.

### 3.0 Longer term arrangements

- 3.1 The EFA have reconfirmed their commitment to the longer term reform of national school funding arrangements including:
- Intention to implement a national funding formula for schools;
  - Aim to move to a formulaic way of distributing high needs block funding;
  - Remaining committed to putting in place a national early years funding formula;
  - Intention to incorporate the additional funding for non-recoupment academies into each LAs school block unit of funding in 2016-17.

### 4.0 Potential Risks for Southwark

- 4.1 The LA has identified the following risks and potential areas of budget pressure in 2015-16 and future years:

#### National

- The current proposals are for 2015-16 only, arrangements beyond this will be considered as part of the next spending review;
- DSG funding is no longer able to be predicted at the start of the financial year; as the Early Years block is updated to reflect actual early years pupil numbers i.e. 2015-16 early years block funding is updated based on January 2015 and January 2016 census data with the final allocation not due to be confirmed until April 2016;
- Potential significant and ongoing budget pressure in regards to funding new and expanding free schools from existing DSG resources (please see item 8 for further details).
- Impact of changes to the SEN arrangements; implementation of EHC plans; new responsibility for 19 to 25 year olds;
- The impact of additional SEN costs due to the raising of the school participation age to 18;
- High needs funding allocations based on historic spend;

- The move to funding high needs places on a lagged basis i.e. any in year growth would need to be funded from existing resources.

### **Southwark Specific**

- The Schools Forum is asked to note that the current Southwark school formula funding rates significantly exceed the minimum rates applied nationally. The national minimum funding levels set are based on the average amounts applied by LA's in 2014-15. This highlights again the favorable funding position of inner London schools and the significant risk to Southwark in a future move to a national funding formula. For example, if the minimum funding rates were applied as the basis of a national funding formula, the potential loss of Dedicated Schools Grant funding for Southwark would be in region of £19m or 11% of the current schools block funding;
- As above, current DSG funding levels for the Early Years Block are also at the high end of early years funding nationally so any move to a national funding formula remains a significant risk to Southwark;
- Local review of early years funding;
- Local review of high needs funding.

## **5.0 Approach to setting the 2015-16 Budget**

- 5.1 In this context, the LA will be taking a prudent approach to setting the 2015-16 DSG and schools budgets. The La view is that the priority is to protect the overall funding levels for schools if possible. In this revised context, the LA will be presenting a strategic overview of the DSG budget, the level of reserves held and the utilisation of the proposed additional allocation of funding to schools next year. Further details will be presented to future Schools Forum meetings.

### **The Schools Forum is asked to note**