

Date: 11 th December 2014	Item 5	Type of report: Information and Comment
Report title:	DSG - 2014-15 Funding update and Distribution of funds from 2013-14	
Author name and contact details:	Melissa.Williamson@southwark.gov.uk	
Officer to present the report:	Melissa Williamson	

Executive Summary

This report provides the Schools Forum with an update on the:

- 2014-15 DSG allocation and expenditure forecast at November 2014;
- Proposals regarding the distribution of 2013-14 funding to all schools and Early Years settings.

Schools Forum Actions

The Schools Forum is asked to note the report.

1.0 Background

- 1.1 A paper was presented to the July 2014 Schools Forum meeting providing details the provisional net DSG allocation of £193.102m. This was based on gross funding of £240.695m; this was after adjustments for academy recoupment and direct funding of high needs places by the EFA of £47.592m.
- 1.2 This report provides:
- a further update on the 2014-15 DSG allocation
 - an update on the DSG expenditure position for 2015-16;
 - proposals regarding the allocation of £4.165m from the 2013-14 DSG reserves to schools and early years settings.

2.0 2014-15 DSG allocation - update

- 2.1 The 2014-15 DSG funding has increased by £845k to £193.922m (gross funding of £241.663m; after the adjustments for academy recoupment and direct funding of high needs places by the EFA of £47.741m).
- 2.2 The main change is the increase in the Early Yeas Block to reflect the January 2014 early years pupil numbers of £845k. The Early Years Block final allocation is effectively based on January 2014 data (5/12ths) and January 2015 data (7/12ths), therefore we will not know the final 2014-15 DSG allocation until early June 2015.

3.0 2014-15 DSG Budget position – November 2014

- 3.1 The LA has reviewed the position as at November 2014 and the Schools Forum is asked to note the following projected key budget variances which will give an estimated underspend of £2.5m:

- £1m underspend - high needs contingencies held to support schools in-year;
- £1m underspend - retained high needs budgets;
- £500k overspend - PVI early years funding for 3 and 4 year olds;
- £845k underspend – additional early years DSG block funding to offset the PVI overspend above
- £194k underspend – unallocated growth fund for primary places

3.2 In addition, the “two-year olds” budget is expected to be underspent; however it is likely that part or all of this underspend will need to be used in future years to continue to increase the capacity of settings to provide the two year olds places required.

4.0 DSG reserves

4.1 Schools Forum is asked to note the current DSG reserves held, including the reserves for one-off funding costs agreed at the July 2014 meeting:

- £1.935m Children’s and Families Act
- £0.200m for works to enable SILS to increase capacity/quality of provision
- £0.600m Two Year Old investment
- £3.800m DSG contingency (2% of DSG funding)
- £4.165m funding earmarked fro 2013-14 to be allocated to schools

In addition £0.500k for Families Matter Joint fund is earmarked; subject to further information.

4.2 In addition to the reserves held centrally, the level of reserves held by schools in balances at the end of 2013-14 was £17.054m, an increase from £15.902 in 2012-13.

5.0 Allocation of additional funding to schools and early years providers

5.1 The LA has taken a prudent approach during this time of funding uncertainties when setting DSG and school budgets with the main objective to protect the overall funding levels for schools. At the July 2014 Schools Forum meeting, it was agreed to hold a contingency reserve of £3.8m (2.0% of the overall DSG funding) to protect schools from having reduction in their budgets in any one year.

5.2 As reported previously, the LA remains extremely concerned about the potential budget risks and budgets pressure on the DSG in future years, including:

- Move to national funding formula approach for schools, high needs and now also early years funding;
- Funding of growth in high needs budgets with rising pupil numbers not reflected in the high needs block funding (on going);
- Reduced DSG available for distribution to schools arising from the growth in non-recoupment academies and free schools (on going costs estimated to be in region of £3.9m). Note, that the EFA have confirmed that they are not able to make any commitments relating to 2016-17, so LAs should plan on the basis that they will need to meet any future pressures in regards to growth in non recoupment academies from their overall funding envelope.
- Two year old funding based on participation from April 2015 (on going, propose to manage budget pressure by ear marking existing resources for use in future years);
- SEND reforms, which will also see colleges (general FE colleges, approved specialist post 16 institutions and 16 – 19 academies) taking on significant new legal duties (on going);

- 5.3 As the regulations do not allow in-year changes to the formula funding to schools, the Schools Forum's views are sought on the allocation of the additional 2013-14 funding to schools in 2015-16. This is taking account of the updated EFA guidance on planning for growth in non-recoupment academies, other potential budget risks and pressures in future years and current level of reserves held. The options presented are, as in the past, to allocate to all schools and PVI's predominately through AWPU:
- Option 1 – allocate the full £4.165m;
 - Option 2 – allocate a reduced amount of £3m;
 - Option 3 – allocate a reduced amount of £2m.
- 5.4 If the funding was allocated via the Basic Pupil amount for all types of settings this would equate to the following increase in funding:

	% increase in total schools budget*
Option 1 - £4m	1.6%
Option 2 - £3m	1.2%
Option 3 - £2m	0.8%

*Updated to reflect non-recoupment academies now included in the Southwark funding formula

- 5.5 The estimated funding increase is shown in the table below for these example schools and settings:

	Option 1	Option 2	Option 3
Primary school (210 pupils)	£19,000	£14,200	£9,400
Secondary school (600 pupils)	£78,000	£58,000	£38,000
Special school (70 places)	£32,500	£24,300	£16,100
PVI (25 places, 2 sessions x 15 hours)	£3,100	£2,300	£1,550
Nursery school (50 places, 2 sessions x 15 hours)	£9,800	£7,350	£4,900

- 5.6 As agreed at the July 2014 meeting, the LA will apply for this funding to be held outside the minimum funding guarantee.

6.0 Schools Forum Actions

- 6.1 The Schools Forum is asked to:
- Note the updated DSG and projected underspend for 2014-15 of £2.5m;
 - Provide a view on the amount of underspend from the 2013-14 DSG is to be distributed to schools on a one-off basis in 2015-16.