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Executive Summary

This report provides the Schools Forum with an update on the Dedicated Schools Grant (DSG) budget setting process for 2015-16.

Schools Forum Actions

The Schools Forum is asked to note this report.

1.0 Background

- 1.1 An initial paper was presented to the October 2014 Schools Forum outlining the:
- Key changes to funding arrangements in 2015-16;
 - Potential changes to funding arrangements in 2016-17;
 - Highlighting potential risks and pressures on the DSG funding in future years;
 - Approach to setting the 2015-16 DSG budget.
- 1.2 This report provides the Schools Forum with an update on the budget setting process following:
- Confirmation of the 2015-16 schools block unit of funding;
 - Initial analysis of the October 2014 school census data;
 - Publication of further details on the cash transfer to DSG for non-recoupment academies;
 - Confirmation of 2015-16 funding arrangements for two year old funding;
 - Initial proposals for setting the DSG expenditure budgets.

2.0 2015-16 funding arrangements

- 2.1 A summary of the changes to the national schools funding arrangements in 2015-16 was reported to the October Schools Forum meeting, which are:

DSG

- 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;
- Revised approach to the reduction of DSG funding in regards to the carbon reduction commitment, based on £7.51 per pupil (estimated value £213k).

- 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;
- There are no plans to apply a national schools funding formula in 2015-16, although the intention remains to implement this in the future;

3.0 Schools block funding

- 3.1 The schools unit of funding has been confirmed to remain unchanged at £6,124 per pupil, with the Schools Block allocations for 2015-16 (prior to academy recoupment) expected to be announced in December 2014. A further top-slice of £7.51 per pupil applies in 2015-16 in relation to the Carbon Reduction Commitment.
- 3.2 The LA have undertaken an initial estimate of the impact of pupil number changes, based on the October 2014 census data available. This is a complex process as not all academies submit their detailed data through the LA. Current estimates show that pupil numbers have increased by 346 pupils, in comparison to 2014-15 funded numbers; this represents a 1.22% increase.

Estimated headroom

- 3.3 As part of the budget setting process for 2015-16; the “headroom” which is the difference between the DSG pupil count funding, expected to be received, and applied to the school formula budgets and the agreed centrally retained budgets. The estimated “headroom” (arising from the additional 346 pupils) indicates there is likely to be little or no “headroom” to support any additional needs of these pupils. In an environment of growing pupil numbers, with largely fixed resources for supporting high needs, this means that any additional costs in relation to the growing pupil population will need to be met from existing DSG resources.
- 3.4 The finalised position will be reviewed as part of the school budget setting process.

4.0 Schools block funding – academy recoupment

- 4.1 The schools block is subject to recoupment adjustments during the year in regards to academies, which in 2015-16 will consist of two different arrangements; existing recoupment academies, non-recoupment academies.

Type of academy	DSG funding in	DSG funding out
Recoupment academies	£6,124 per pupil on roll on October 2014 census	Based on Southwark schools funding formula
Non-recoupment academies*	Cash transfer to DSG, based on the 2014-15 formula and October 2014 census data	Based on Southwark schools funding formula

*New arrangement for 2015-16

- 4.2 In 2015-16, the EFA have confirmed that a cash transfer will apply to DSG for non-recoupment academies, calculated to maintain a principle of cash neutrality. The current intention for future arrangements for funding non-recoupment academies is summarised below:

Funding	Current	2015-16	2016-17
DSG funding	Funded direct by EFA, no impact on Southwark DSG funding.	Cash transfer to DSG based on 2014-15 formula and October 2014 census data.	Incorporate funding into each LAs schools block unit of funding.
Funding of growth	Funded direct by EFA, no impact on Southwark DSG funding.	For academies which are new or still adding year groups – census numbers will be adjusted to include the estimated numbers.	Plan on the basis that will need to meet any future pressures from the overall DSG envelope

- 4.3 This remains an area of significant concern in Southwark due to the number of non-recoupment academies and free schools. The EFA have calculated initial estimates of the cash transfer for non-recoupment academies for all LAs, estimated to be £48.1m for Southwark.

5.0 2 year old funding

- 5.1 The EFA confirmed the 2015-16 funding arrangements for 2-year-olds in October 2014:
- Trajectory funding will end in 2014-15;
 - Funding will be based on participation from April 2015;
 - Initial funding will be allocated to LAs in June 2015, based on January 2015 census data;
 - There will be a one-off opportunity to use a second mid-year data count in the autumn term, to reflect any significant increases in take-up;
 - The 2015-16 per child hourly rate for Southwark has been confirmed to remain at £6.07 per hour.

Potential funding implications and risks

- 5.2 In 2015-16 the funding will be based on participation; the LA will therefore receive £6.07 per hour for each actual pupil taking up a place; with £6.00 of this passed directly on to early years providers.
- 5.3 Schools forum are asked to note the following funding implications and potential risks:
- Initial funding allocation will not be available until June 2015;
 - Opportunity for second mid-year count to reflect expected significant increases nationally as take-up builds;
 - Headroom to support the programme and additional needs of these pupils will be based on the £0.07 per hour; estimated at £70k based on the full estimated numbers of 40% criteria data;
 - Ending of one-off funding in support of delivering and expanding the programme; costs from 2015-16 will be an on going budget pressure on existing DSG resources;
 - Funding for additional needs of these pupils will be an on going budget pressure on existing DSG resources.
- 5.4 The LA proposes to manage these risks by ring-fencing one-off two year old funding in support of the programme in future years.

6.0 DSG Expenditure Budget Proposals 2015-16

6.1 It is proposed that there are minimum changes to the DSG centrally retained budgets for 2015-16, however, this will be reviewed at the end of the 2014-15 financial year. The changes proposed are:

- The two year old expenditure budget to continue to be based on the two year old grant received; for 2015-16 this will result in a much reduced budget for two year olds (without the trajectory funding and move to participation based funding);
- De-delegated budget levels were agreed at the October 2014 meeting, including the £700k growth fund for expansion classes;
- A prudent approach was taken to setting the high needs budgets, and the additional funding from the business case unexpectedly continued; this has resulted in underspends in the high needs block in the previous and is predicted to continue into the current financial year. This will need to be reviewed as part of the final DSG expenditure budget proposals.

The Schools Forum is asked to note this report.