

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	Dedicated Schools Grant Budget Report 2016/17		
KEY DECISION	Yes	Item No.	9
CLASS	Part 1	Date	10 December 2015

1. Purpose of this Report

The purpose of this report is for Forum members to agree the Dedicated Schools Grant budget for 2016/17. An executive summary detailing all the savings to be found in this paper.

2. Recommendations

The Forum, in order to balance the DSG for 2016/17 is asked to agree

- a) That the Growth Fund budget be reduced from £1.8m to £1.1m(a saving of £0.7m).
- b) That the funding of each of the following projects continue through a top-slice from the DSG at a reduced level
 - Management Support To PFI/New Schools With Major Capital Projects at the reduced level of £0.31m from April 2016 to deliver a saving of £0.1m
 - The “partnership funding” but to be used to support schools classified as “Red” or “Amber” to be set at £0.1m from April 2016, a reduction of £15k
- c) That that the schools contingency should be set at the average per pupil for inner London Local Authorities, a sum of £0.65m.
- d) That discussions with schools be held and reported back to the Forum in January 2016 on the following changes with exemplifications showing the consequences for individual schools
 - i) On no longer providing low level high incidence funding to school collaboratives of £2.0m from September 2016 (Workstream C) as set out in Item 7.
 - ii) Reducing the basic entitlement of all schools by £0.8m

Or

Reduce the basic entitlement of primary schools only by £0.8m

- e) That school members by voting phase, agree the following budget for 2015/16 that will be de-delegated

Ref	Heading	Primary £'000	Secondary £'000
A	De-delegation for mainstream schools for Contingencies	300	350
B	Administration of free school meals	46	20
C	Staff costs – Supply Cover	594	206

- f) That School members agree the total budgets for the following items

Ref	Heading	Budget 2016/17 £'000	Budget 2015/16 £'000
A	Admissions	604	604
B	Serving of Schools Forum	78	78
C	Capital Expenditure from Revenue	4,086	4,086
D	Contribution from combined budgets	903	903
E	Termination of employment costs for centrally budgeted staff	176	176

- G) To agree to the date of an extraordinarily meeting of the Schools Forum on the 19 January 2016 (16.30) or 20 January 2016 (10.00)

Executive Summary

The current forecast indicates a spending pressure of £2.9m on the High Needs Block in 2015/16. This grows to £4.1m in 2016/17

If no measures are taken to contain the growth in pupil numbers and together with inflation this would increase the shortfall in 2017/18 by £1.5m and total savings required would be £5.6m (See Item 6 Medium Term Strategy Report)

Savings / Pressures	2016/17 Reduction	2017/18 Reduction	Report Section	Recommendation Above
	£m	£m		
Growth Fund	0.7	0.6	10.1	a
Management of Capital Funding Projects Allocation	0.1	0.1	11	b
Total High Needs block Savings *			Item 7*	
Commissioned Places	0.4	0.7	1a*	n/a
Website	0.05	0.05	1ci*	n/a
Closing the gap	0.05	0.05	1ciii*	n/a
CAMHS	0.1	0.1	1d*	n/a
Alternative Education Provision	0.2	0.4	2b*	n/a
Drumbeat Support	0.3	0.3	2cii*	n/a
Collaborative Funding	1.2	2.0	3a*	di
Attendance and Welfare	0.2	0.2	1e*	
Total Saving above	3.3	4.5		
Reduce Schools Budget	0.8	0.9		dii
Total Savings if all proposals are taken	4.1	5.6		

* Please note the recommendations shown here are from the High Needs Sub Group Report which is Item 7 of this agenda.

3. Budget Strategy

- 3.1 Earlier in this agenda we have seen the funding difficulties with the High Needs block and the current financial forecasts indicate that the High Needs block will have a £2.9m overspend at the end of the year. This will grow to £4.1m in 2016/17, if no action is taken now.
- 3.2 A carry forward of £2.2m is available to cover the overspend in the current year of £2.9m leaving a shortfall of £0.6m. An approach to meeting this shortfall has been discussed under the budget monitoring paper (Item 8 of this meeting).
- 3.3 The High Needs group have recommended savings for 2016/7 of £2.5m. Some of these savings have only a part year effect and the full year effect is £3.8m. This means however that there remains a balance to be found to ensure a balance budget for 2016/17.
- 3.4 If all the proposals in the High Needs sub group report are agreed a shortfall of £1.6m remains to be funded.

4 Approach to Decision making

- 4.1 The Dedicated Schools Grant budget setting process needs to be complete by 21 January 2016. With this deadline and the fact no notifications have been received of overall allocations from the DSG at the time of writing this report, many assumptions have been built into the figures. The true picture will only be known once ministers have finalised the settlement. This is expected a few days before Christmas and leaves little time for reports to be prepared and the papers to be published.
- 4.2 The statutory responsibilities for setting the Dedicated Schools Budget are complex. For certain budgets the Schools Forum have decision making powers while for some budgets, notably the High Needs budget decision making rests with the Local Authority. The statutory requirement on the High Needs block is that the Local Authority needs to consult the Forum and the Forum needs to give a view on the budget proposals and inform governing bodies of all consultations that may take place.
- 4.3 There is a requirement that the Local Authority provides a detailed return of all school formula allocations by the 21 January 2016. This leaves little time between now, receiving the DSG allocations, a Schools Forum meeting, consultation with schools and the Council decision making process to be undertaken by the 21 January deadline.
- 4.4 Within the proposals there are a number of difficult decisions which will impact on schools. It would seem desirable not only to have the Forum views but also alert schools to the likely impact and via a detailed letter garner their views.
- 4.5 It is proposed that a number of drop in sessions are offered to schools before returning to the Forum to make a final decision.
- 4.6 The final decisions by the Forum need to be made at the latest on the morning of the 20 January. It is proposed that an extraordinary meeting of the Forum is held on either
- 19 January 2016 at 16.30
- or
- 20 January 2016 at 10.00
- 4.7 That meeting will consider the feedback from schools and allow the Forum to consider any changes to the potential savings proposals put forward within this paper.

5 Financial overview

- 5.1 The DFE is likely to announce the provisional financial settlement for the Dedicated Schools Grant (DSG) around the middle of December 2015. This will cover the Schools block and Early Years block elements of the DSG. Usually the High Needs block is notified to Local Authorities in March. It is hoped for the coming year this will also be announced in December.
- 5.2 Current indications are that the Schools block is likely to be set at the same level as last year but adjusted for pupil number increases. The current DFE position following the Autumn statement is it allows for the “protecting of the schools budget in real terms, enabling a per pupil protection for the dedicated schools grant and the pupil premium”. There could be different interpretations of this especially in light of the growth in pupil population. It is assumed that the funding rate per pupil for Lewisham will stay at £5,964.
- 5.3 The minimum funding guarantee set by the DFE is expected to stay at minus 1.5% and the pupil premium is expected to stay at the same rate.
- 5.4 In the Autumn Statement the overall national funding level for the universal free meals grant for Key Stage 1 has stayed at the same level and it is assumed we will still receive the same funding rate per meal of £2.30. It is assumed this will not be extended to Key stage 2.
- 5.5 Post 16 funding

Final funding allocations for 16 to 19 students, high needs students aged 16 to 24 and bursary funding are expected to be sent direct to schools by the Education Funding Agency in either February or March.

6 Funding Blocks

- 6.1 The estimated level of DSG for 2016/17 and its three constituent blocks are shown below.

6.2 School Block

- 6.2.1 The total increase in pupil numbers are as follows

	Oct-14	Oct-15 (est)	Change
Primary	22,893	23,342	449

Primary Academy	1,686	1,746	60
Secondary	8,783	8,916	133
Secondary Academy	2,747	2,745	-2
Jan Uplift*1	45	36	-9
SEN Units	- 186	-172	14
Total*2	35,968	36,613	645

6.2.2 The schools funding formula has now been re-worked with the latest available data. The data for the 2016/17 allocation will be provided by the DFE and is expected to be available late in December. In order to calculate the likely impact on school budgets, the October 2015 census roll numbers have been used. This is of course still subject to checks by the EFA and possible alterations, but gives the best guide to the likely impact on individual schools funding.

In summary this would result in the following changes to school budgets between 2015/16 and 2016/17.

Change in funding as a percentage of budget (ISB Formula Plus MFG)			Number of schools	
			Gaining	Losing
over	8%	4	0	
6%	to 7.99%	6	1	
4%	to 5.99%	4	0	
2%	to 3.99%	8	10	
0%	to 1.99%	25	22	

The funding per school will be tabled at the meeting.

47	33
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Primary & Secondary Only
Excludes Nursery & 6th Form Funding

7 Early Years Block

7.1 The Early Years Block allocations published in December 2015 are expected to be based on January 2015 census counts. They will be adjusted in summer 2016 based on counts from the January 2016 School Census, Early Years Census and Alternative Provision Census.

7.2 These allocations will then be adjusted a further time in 2017. Pupil counts taken from the January 2016 censuses will be weighted with the counts taken from the January 2017 censuses in a 7:5 ratio.

7.3 The result will give the final Early Years Block allocations for financial year 2016-17. There will be element of judgement in making the forecast for this income but provisionally the figure has been calculated at £21.6m. This funding will be used to fund allocations to providers of the 3 & 4 year old free entitlement.

8 High Needs block

This is being discussed under a separate item on the agenda. The forecast of the funding available has been set at this year's amount.

9 Overall change in the DSG

In summary the following funding assumptions have been made.

Funding block	Change
Schools	+£3.8m
Early years	£ 0.4m
High needs	£ 0

10. Further savings

As we have seen there is a shortfall in funding on the high needs block next year of £4.1m. The high needs group have put forward proposals to find £2.4m of this in 2016/17 and £3.7m in £2017/18. In order to balance the Dedicated schools budget for next year a number of avenues have been explored

10.1 Growth Fund (proposed saving £0.7m)

The growth fund is used to fund the revenue consequences of expanding schools where the funding for pupils does not arrive until the year after they start their education. The Growth Fund budget was set for 2015/16 at £1.8m.

The funding is typically used for either schools that set up a new bulge class or schools that make a permanent expansion, including schools that expand to become all through schools.

Only 3 bulge classes are planned to be established in September 2016 and 5 in September 2017. A school is given £55k for each bulge class

and it recommended that the budget is reduced in line with the lower number of classes.

Schools are provided from the growth fund a small amount for resources (£2k) each to help with new resources as the bulge class progresses through the school. It is proposed to continue this funding.

The funding provided to all through schools which have opened a primary phase is proposed to continue as well at the funding rates agreed before the decision to expand. The calculations were already showing a reduction in support was needed in 2016/17 and this provides a further £200k.

In total this would reduce the growth fund next year to £1,100k a saving of £700k.

10.2 Capital project support for schools £100k

This funding is the headroom project that the Schools Forum approves annually. It is proposed to reduce this next year by £100k as the amount of capital works is reducing. More details on the funding is shown in Appendix A

10.3 Reduction in ISB proposed saving £0.8m

In order to address the shortfall consideration has been given to removing funding from the Individual Schools Budget by reducing the basic entitlement. The reduction has been split proportionally between primary and secondary. The sum modelled is £0.8m.

10.4 There are a number of odd results where some schools lose no money and some lose a lot. These unexpected outcomes relate to the operation of the minimum funding guarantee (MFG).

10.5 The minimum funding guarantee (MFG) protects the per-pupil funding of schools from one year to the next against significant changes in the funding formulae or changes in data not directly related to pupil numbers. The MFG has been set at minus 1.5% per pupil since 2013-14.

The impact of the changes proposed above and those suggested by the High Needs Sub-Group are shown in Appendix C. There are a few things evident from the modelling.

Secondary schools lose proportionally more of their funding, this is mainly due to the withdrawal of the collaborative funding which is proportionally higher in secondary

- 10.6 Current evidence shows that secondary schools are experiencing more difficulty in balancing their budget. That is shown particularly in the carry forward figures.

	Carry Forward as at 31 March 2015
Sector	£m
Primary	10.2
All Through	1.0
Secondary	0.0
Special	2.6
Pupil Referral Unit	0.2
Total	13.8

- 10.7 To help discussions a separate model is provided to dampen the loss in the secondary sector. This model reduces primary schools budget by £0.8m, with no reduction to secondary.
- 10.8 As noted above the MFG protects schools budgets so they cannot fall below 1.5%. If the Schools Forum wish to consider alternatives that impact on schools budgets funding would need to come from non-primary schools budgets. The MFG limits reducing funding in the primary sector by £1m, overall the total funding that schools budgets can reduce by is £2m. For this reason the reduction in collaborative funding is essential.

11 Specific Projects

- 11.1 Over the last three years the Forum has considered requests to use the Dedicated Schools Grant to fund specific high profile projects. It was always intended that they should be reviewed regularly. Some of these have been reviewed by the High Needs Sub group and have been included within their recommendations. This paper is not intended to revisit this. The specific projects now need the agreement of the Forum to continue for next year.

Approvals from 2007/08	£k	Appendix Ref	Recommendation
Management support for capital builds	310	A	To be retained but the budget reduced by £100k
Total	310		

Approvals from 2008/09	£k		
Partnership Development	100	B	To be retained at £100k (£115k in 2014/16) but re-badged to cover support to Red and Amber Schools
Total 2008/09	100		

11.2 Funding has been agreed with the Forum in the past to assist with pump priming partnerships. At the moment this funding is underspent and it is felt better to re-badge this to support schools who are classified red and amber schools. With any balance at the end of the rolled forward automatically to the new year to allow support to continue.

12 Budgets Requiring Schools Forum Approval

12.1 Members will recall that as part of the introduction of past national funding reforms there were changes to the rules governing the voting procedures. These particularly concerned the voting on the budget report.

12.2 The main change related to de-delegation of budgets where the voting was split between the primary and secondary phases of schools' members (these being Headteachers and Governors). Academy and Special School representatives are not part of this vote as de-delegation is not permitted for these school types.

12.3 The powers of the Forum also changed and it is now the role of the Forum to decide some budget levels rather than advise the Local Authority. Some of these budgets have to be decided individually.

12.4 It is proposed to keep the budgets the same apart from two; the contingency and the closing the gap fund

12.4.1 It was agreed as part of the budget discussion last year that schools not be required to contribute to the contingency during 2015/16 as sufficient funds had built up in the mutual. This was agreed as a one

year position only. At the time of the discussion it was also agreed to set the contingency in the future at £650k. This is much lower than in the past. There currently seems no reason to change this provisional position.

12.4.2 The Closing The Gap fund has been reviewed by the High Needs group and it recommended that it be set at £50k in Item 7.

12.5 Trade Union Activities

This budget has been set at the same level as last year. A letter is attached to this report from the Trade Unions. The letter urges support to the continuation of the de-delegation of funds for supply cover costs and to continue to offer a facility for academies to buy into a centrally run facility. It is proposed the level of funding is reviewed for April 2017. The current budget is £126k which was fully spent in the last financial year.