

DARLINGTON SCHOOLS FORUM

10th June 2014

ITEM NO 4

BUDGET UPDATE 2013/14

Purpose of Report

1. To update the Schools Forum regarding the final 2013/14 budget position.

Background

2. Forum was notified at their April meeting that there was an expected underspend of £1,957,000 on the 2013/14 Dedicated Schools Grant (DSG). Against this underspend were a number of existing commitments, the expected unallocated underspend was therefore forecast to be £1,248,000.
3. Forum discussed a recommendation regarding the use of the underspend which involved the distribution of underspend to schools and nursery providers. It was agreed that before any distribution of funds, that consultation would take place with the Education Funding Agency (EFA) to ensure that the proposal was within the funding rules.
4. It was agreed that the outcome of this consultation would return to this meeting of the Forum.

Use of underspend

5. The final underspend on the 2013/14 budget was £2,029,132. Appendix 1 provides a detailed breakdown of this.
6. As there are a number of Forum agreed existing commitments, the balance of underspend that is unallocated in 2014/15 is £1,294,000 as per the table below.

	£'000
Actual Underspend	2,029
Pre commitments	735
Budget remaining	1,294

7. Forum were presented at their last meeting with the following proposal for the use of the unallocated funding,
 - a. That £250,000 is held for contingencies in all budget areas and for possible future 2014/15 funding requests to Forum.

- b. That the underspend (currently estimated at £196,000) in 3&4 year old nursery budgets be allocated to all providers on a per child basis based on the number of children at the last January census.
 - c. That the (current estimated £129,000) underspend on two year old nursery places is ring fenced to two year old provision, to fund additional capacity building requirements or to contribute towards any change to hourly rates.
 - d. That the remaining balance be allocated to all schools on the Darlington funding formula at the same rate per pupil based on the number of pupils in the funding formula for 2014/15 i.e. the October 13 census.
8. Following clarification of the proposed use of the unallocated funding with the EFA, it has become clear that due to regulations, the unallocated funding cannot be distributed to schools and early years providers in year.
 9. Regulation 11(8) of the School and Early Years Finance Regulation 2013 states, “the authority must not redetermine a school’s budget share, or the amount allocated to relevant early years provider or an exempt early years provider”. This regulation prevents a school budget share (and early years budget) from being changed once set for the year and applies to both in year budget and carry forward. Therefore the proposed timing of the distribution of underspend needs to be revised.
 10. The final breakdown of the 2013/14 underspend after removing pre-commitments is broken down as follows,

£ 129,364	From 2 Year Old Early Years budget
£ 201,154	From 3&4 Year Old Early Years budget
<u>£ 963,359</u>	Balance of underspend
£1,293,877	Total
 11. As Forum members will recall, the 2013/14 DSG allocations are adjusted for the January 2013 and January 2014 early year’s census. As a result of this the EFA adjust the DSG allocation after the end of the financial year. We have been informed by the EFA that the January 14 census had a lower number of pupils, therefore the final DSG allocation for 2013/14 will be reduced by £47,815. This will be recovered from the Local Authority by reducing the payments made for the 2014/15 DSG.
 12. As a result of this the actual underspend brought forward is overstated by £47,815 as the DSG received was in excess of the final allocation. It is therefore necessary to reduce the carry forward funding allocated to 3&4 year old nursery by this amount to £153,339.
 13. As per the original proposal, the underspend within the 2 year old early years budget will be added to the 2014/15 budget for 2 year old provision to contribute towards any further additional capacity building requirements or trajectory costs. Any funding that is likely to remain unspent at the end of 2014/15, will be considered as part of the 2015/16 budget setting process for two year old provision that will take place later in the financial year.
 14. It is proposed that the underspend on 3&4 year old early years education budget (£153,339) be ring fenced and added to the 2014/15 budget for 3&4 year old provision. As this underspend cannot be distributed amongst providers as a one off in year (i.e. during 2014/15), this unspent money will be added into the Early Years Single Funding

Formula (EYSFF) for 2015/16. It is possible that the underspend will be distributed to early years providers by using one of the supplement payments rather than through the hourly rate as this additional distribution is a one off during 2015/16, so would require an hourly rate decrease in 2016/17 if paid through the hourly rate.

15. The final method of allocation of underspend to 3&4 year old providers will form part of the setting of the EYSFF rates for 2015/16, which will be agreed prior to the start of the financial year.
16. At the last Forum meeting it was proposed that £250,000 of funding be held back from any in year distribution of underspend to cover any issues that may arise during the year. As funding will not be distributed in year, there is no need to set aside any specific contingency (as the whole underspend is in theory a contingency until it is distributed). It is not expected that any contingency funding will be required from the 2014/15 carry forward (see 2014/15 budget update at agenda item 5), therefore it is expected that the full £963,359 will be distributed to schools in the 2015/16 funding formula.
17. As noted above due to regulation 11(8) the underspend cannot be distributed to schools in year during 2014/15 as this would represent a re-determination of a schools budget share. Therefore the distribution will take place in the 2015/16 funding formula. A number of concerns were in place regarding the distribution of funding through the funding formula, however these can be removed by the use of exemptions within the minimum funding guarantee (MFG) calculation.
18. An exemption to the MFG would mean that any distribution of one off underspend through the formula would be excluded from the MFG calculation, therefore all schools would be able to receive a share of the funding including those that currently receive budget protection through the MFG. In addition this distribution would be excluded from future year's budget share calculations and therefore would not affect the longer term sustainability of the funding formula.
19. The allocation of funding would be provided on an equal basis to all schools by increasing the AWPU at the same rate. Funding would then be allocated on a per pupil basis. The following example illustrates this. It should be noted that the pupil numbers in this illustration are the pupil numbers from the 2014/15 funding formula and the underspend value is as above. Therefore the actual AWPU value will change dependent on both the 2015/16 data (October 14 census) and the actual underspend that is to be distributed.

Estimated underspend to distribute	£963,359
Number of pupils (all schools in School census)	13,320
AWPU increase (all phases)	£72.32

Using the above example,

A Primary School with 250 pupils would receive £18,080

A Secondary School with 600 pupils would receive £43,392

20. Schools and Forum will be able to see the distribution of this funding when the school budget shares are calculated. At the time of writing no guidance has been received from the EFA regarding the 2015/16 budget, however assuming the same time frames as in

previous years, it is expected that a draft formula will be required to be completed by the end of October, therefore Forum will consider the distribution of the underspend at their October meeting.

21. Forum should note that any exemptions from the MFG must be approved by the EFA, following School Forum approval. It is therefore proposed that Forum agree that an MFG exemption will be used in the 2015/16 funding formula, in order that a request for approval can be made to the EFA as soon as the approval process opens.

Recommendations

22. That Forum notes the final 2013/14 budget position and the regulations concerning distribution of funding.
23. That Forum approves the split of underspend as per paragraphs 10, 12, 14 and 16.
24. That Forum agrees to the proposed use of an MFG exemption in the 2015/16 funding formula.

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