

Committee:	Schools Forum
Meeting Date:	18 July 2017
Title	Dedicated Schools Grant Outturn 2016-17
Author:	Fiona Heath
Decision making / consultative / information:	Decision making
Who can vote?	All members with voting rights

What is the Forum being asked to decide?

1. Schools Forum is asked to note the overspend on the DSG revenue budget for 2016-17 of £1.103m and the level of reserves at 31 March 2017 and to agree that the clawback of the overspend will be a first call on the 2018-19 Schools Budget.

Reason for recommendation

2. The recommendation which is in accordance with the conditions of the grant and reflects previous practice, will increase the level of DSG reserves for contingency purposes.

Alternative options

3. The alternative option is not to clawback the overspend from the 2018-19 Schools Budget which will mean that there is limited DSG reserves for contingency funding.

Who will be affected by this decision?

4. All school budgets will be affected in 2018-19 but the availability of reserves also affects all schools and the associated activity that can be funded over and above that funded from the revenue budgets.

Main body of the Report

5. The DSG budget was overspent in 2016-17 by £1.130m. At the end of the financial year, the overspend was transferred to DSG reserves with the

intention that it will be managed through a one-off reduction in the 2018-19 Schools Budgets.

6. The expenditure against DSG is summarised in Table 1 below:

DSG Block		Sum of FY Budget	Sum of DSG Spend	Total Sum of DSG Variance
Centrally Retained	Advanced Skills Teachers Total	£592,294	£376,043	£216,251
	Contribution to intergrated teams and CAMHS Total	£3,042,725	£2,710,105	£332,620
	Contribution to LACCESS Total	£282,492	£188,352	£94,140
	Schools Redundancy and Premature Retirement Total	£1,019,500	£920,088	£99,412
	Education & Learning Total	£1,358,391	£1,431,260	-£72,869
	Other	£1,685,526	£1,793,092	-£107,575
Centrally Retained Total		£7,980,937	£7,418,950	£561,978
De Delegated	De-delegated Behaviour Support Total	£612,916	£622,656	-£9,740
	De-delegated EMEA Total	£96,115	£27,109	£69,005
	De-delegated Intrevention fund Total	£738,216	£562,887	£175,329
	De-delegated Trade union cover Total	£75,482	£54,154	£21,328
De Delegated Total		£1,522,729	£1,266,805	£255,923
Growth Total		£1,780,800	£1,665,111	£115,689
Early Years Total		£33,984,084	£33,025,712	£958,372
High Needs Total		£43,546,148	£47,413,231	-£3,867,083
Individual School Total		£181,878,171	£181,763,480	£114,691
Total DSG Expenditure		£270,692,868	£272,553,289	-£1,860,430
DSG Grant received		-£269,169,070	-£269,899,070	£730,000
DSG Reserves Total		-£1,523,788	-£1,523,788	£0
Total Income applied to DSG expenditure		-£270,692,858	-£271,422,858	£730,000
Total DSG Expenditure		£10	£1,130,431	-£1,130,430

7. In summary, the overspend on the high needs block was, offset to some degree, by the underspends on the other DSG blocks and by an increase in the DSG funding.

High Needs Block

8. As in previous years, the high needs block overspent significantly. The overspend in 2016-17 was £3.876m against a budget of £43.548m. The financial pressures on the high needs block due to the continued upward trend in demand and increased complexity of the demand have been well documented and explained to Schools Forum on a regular basis.

9. The main areas of overspend are recurrent cost pressures:

- Independent Provision - many of the local and regional independent providers are at capacity, and so placements had to be sourced from providers further afield, or at higher cost to meet the needs of the child; added to which out of county providers in general are increasing their fees.

- Top up costs - the increase in SEN needs and number of children (including additional post 16 learners) has resulted in higher top up payments.
 - EOTAS costs - the increased number of children who are unable to attend school due to ill health or exclusion a significant proportion of this growth is due to the increase in the numbers of pupils with ASD and or SEMH needs.
 - Medical tuition - this is a new, recurrent cost pressure as it is no longer possible to recover the costs of medical tuition from schools.
10. The above scenario supports the decision by Schools Forum to transfer £3m from the schools block to the high needs block, with effect from 2017-18.
11. Paper C explains the basis for the use of the £3m and outlines the short, medium and longer term plans which will determine how the £3m additional funding is invested beyond the current financial year.

Early Years Block

12. The Early Years block underspent by £0.958m. There was an increase in take-up of 2 year old nursery placements compared to the number for which the authority is funded, but this spend was mitigated by less spend than budgeted for 3-4 year old placements and unclaimed Early Years Pupil Premium (EYPP). The DfE had indicated that EYPP would need to be returned, and so this was left uncommitted but was subsequently not reclaimed by the DfE. There were also savings against staffing budgets. It should be noted that, as usual, the DfE will, in the new financial year, adjust the Early Years funding to reflect the actual take up of 2, 3 and 4 year old places in 2016-17.
13. Early Years funding will decrease significantly (5%) in 2017-18 as the first stage of the Early Years National Funding Formula is implemented and it is very unlikely that an underspend will be achieved.

Centrally Retained Block

14. Table 1 summarises the main variances against the respective budgets funded from centrally retained funding where there was an overall underspend of £0.562m.
15. The Advanced Skills Teachers budget underspent as there was a delay in some of the locality plans. Also some plans ran across 2 financial years (although the same academic year) with there being a less than expected spend in the first part of the plan. In the future, plans will be profiled differently to avoid this happening again.
16. Staff vacancies and non pay savings resulted in an underspend of the DSG contribution to integrated teams. The pupil premium grant for Looked After

Children was more than budgeted and this was utilised resulting in a DSG underspend for the CAMHS contribution to LACCESS.

De-delegated Funding

17. The de-delegated budgets underspent by £0.255m. The two areas of underspend on de-delegated budgets are the Intervention Fund and EMEA.

18. The de-delegated DSG Intervention funding has been used to support a range of interventions including School Leadership Development, the School to School Support Partnership and one off cost pressures in individual schools themselves. Much of the activity previously paid for from this budget was funded through the Raising the Bar programme during 2016-17, resulting in an underspend. However, as the Raising the Bar funding is exhausted the service should reprioritise spending on IEBs in the future.

19. The underspend on EMEA (Ethnic Minority Education Achievement) is due to recruitment of Challenge and Excellence Officers.

Growth Funding

20. Expenditure to support growing and new schools was within budget but it should be noted that the budget is becoming increasingly under pressure, particularly as new schools are established.

Grant Income

21. The DSG income was £730,000 more than expected. This was a result largely of additional funding to reflect Early Years actual places in 2015-16 and less recoupment of funding by the DfE, than was forecast, following the conversion of maintained schools to academies.

DSG Reserves

22. DSG reserves have decreased significantly over recent years, having been used to fund one-off cost pressures including the School Organisation Review.

23. The DSG reserves are shown in Table 2.

DSG Reserves (non school balances)										
				Opening balance 2016/17	In year transfers agreed by DMT	Other transfers	Closing balance 2016/17	Proposed transfers 2017/18	Planned Closing balance 2017/18	Comments
Opening Balance				-4,245,954						
Unallocated DSG 2015-16				-1,000,000	1,000,000		0		0	Transferred to schools in 16-17
Closing Middle Schools balances 2013-14				-91,284	91,284		0		0	Transferred to schools in 16-17
Closing Middle Schools balances 2014-15				-690,253	690,253		0		0	Transferred to schools in 16-17
									0	
Closing Middle Schools balances 2015-16				-528,783			-528,783		-528,783	
EY capital funding				-930,065			-930,065	635,210	-294,855	Contractually committed
Academy bad debts				-280,337			-280,337	47,000	-233,337	Revised as some debt provided for in accounts
Early Years 2014-15 received in 2015-16				-622,000			-622,000		-622,000	
Overspend in 15-16				369,483			369,483	-369,483	0	Clawed back from schools in 17-18
Other				-472,715			-472,715		-472,715	
Unallocated DSG 2016-17						-222,742	-222,742	222,742	0	Transferred to schools in 17-18
Additional HN place funding rec'd 03/17						-35,005	-35,005		-35,005	
2016-17 overspend						1,130,428	1,130,428		1,130,428	To be clawed back from schools in 18-19
Historical underfunding agreement								250,000	250,000	
Closing Balance							-1,591,736	785,469	-806,267	

24. The opening reserves balance in 2016-17 was £4.246m and there was a planned transfer of £1.781m from the DSG reserves during the year, which had been previously agreed by DMT and Schools Forum.

25. In addition, the net DSG overspend in 2016-17 was funded from DSG reserves and some unallocated DSG was transferred to reserves in accordance with the current guidance.

26. The net result is a DSG reserves closing balance in 2016/17 of £1.591m.

27. The planned movements in 2017-18 are shown in the table. These include the transfer of previously unallocated DSG funding to be added to the 2017/18 DSG allocation from the DfE which is partially offset by the clawback of the 2015-16 overspend.

28. In addition, there are two earmarked commitments against the DSG reserves which have been in place for some time and previously agreed by Schools Forum.

29. The most significant commitment is £0.930m earmarked for Early Years capital works. Of this, £0.585m has been contractually committed for projects that include a required contribution of 25% to EFA projects. The balance of £0.345m is not contractually committed. However, it is planned that an additional £50,000 will be required to fit out the new buildings as this cost does not form part of the capital bid. Therefore £0.635m will be earmarked for Early Years capital works and the balance of £0.295m will be retained in reserves.

30. The DSG reserves were also earmarked to fund academy debts; however, some of these debts have been partially provided for in the statutory accounts so that only £47,000 currently should be earmarked. The balance of the

previously earmarked funding (£0.233m) will be re-determined in the reserves as “other”.

31. In addition, a payment of £0.250m in respect of historical underfunding has been committed by DMT from DSG reserves.
32. After taking account of the planned movements and earmarked commitments, the DSG reserves will be £0.806m at the end of 2017-18.
33. The National Funding Formula (NFF) consultation is not clear on the future treatment of DSG deficits if, as proposed, the schools block is ring-fenced. However, if the NFF continues to allow, it is recommended that the 2016-17 overspend is deducted from the DSG allocation in 2018-19 and transferred back to reserves which would increase the reserves balance to £1.936m.
34. However, it is clear that DSG reserves will not be a sustainable source to fund DSG overspends in the future and consideration will need to be given to how future DSG overspends will be managed.

Schools Balances

35. All variances on schools delegated budgets are held by schools themselves, who carry forward their deficit or surplus balances. LA maintained school reserves in total significantly reduced in 2016-17 by £5.962m. This equates to 23% reduction of total balances held - £19.574m.
36. The predictions that reserves were likely to reduce in 2016-17 due to the increase in NI and pension contributions, the introduction of the living wage and DSG cash frozen budgets have come to fruition. With continued cash frozen DSG budgets and the delay to a NFF which would increase the overall DSG in Suffolk, there is a continued increase in the financial challenge for schools.