

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	10 July 2018
<b>Title</b>	Dedicated Schools Grant Outturn 2017-18
<b>Author:</b>	Sonya Harban
<b>Decision making / consultative / information:</b>	Decision making/Information
<b>Who can vote?</b>	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 2017-18 of £0.336m and the deficit balance of reserves at 31 March 2018 of £0.335m. The transfer of £0.970m from the Schools Block of funding agreed for 2018-19 will increase the DSG reserves position to £0.634m (of which £0.231m is held to offset academy debts), and this paper recommends that this balance is left uncommitted and held as a contingency.
2. Schools Forum are also asked to note the information with regards to SFVS (paragraph 30 onwards)

### **Reason for recommendation**

3. The recommendation is in accordance with the conditions of the grant. It will ensure a small level of DSG reserves for contingency purposes whilst DfE regulations are clarified on how future DSG deficits should be funded under the National Funding Formula. Whilst a separate financial provision of £2.5m has been made for the predicted level of Early Years funding that will need to be returned to the DfE in 2018-19 based on activity levels in 2017-18, this reserve will provide some additional contingent funding if the clawback is higher than provided for in the accounts.

### **Alternative options**

4. An alternative option would be to request the clawback of the net overspend from the 2019-20 Schools Budget. This is not an option considered necessary based on the current known pressures in 2018-19.

### **Who will be affected by this decision?**

5. The availability of reserves affects all schools and provider settings, and the associated activity that can be funded over and above that funded from the revenue budgets.

## Main body of the Report

6. The DSG budget was overspent in 2017-18 by £0.336m. At the end of the financial year, the overspend was transferred to DSG reserves, creating a DSG reserves deficit position at the end of the financial year. This deficit will be recovered once the agreed contribution from the Schools Block of £0.970m in 2018-19 is transferred in the 2018-19 financial year.
7. The expenditure against DSG is summarised in Table 1 below:

Centrally Retained DSG Contribution to Service	Oracle FY Budget	Spend 2017-18	Variance 2017-18
Regulatory & Other Statutory	£1,569,227		
General Landlord Duties	£646,240		
Admissions	£137,560		
Servicing of Schools Forum	£2,550		
Termination of employment costs	£250,000		
CAMHS	£170,100		
Education & Learning	£1,779,198		
Headteacher Association Support			
Early Help	£2,446,965		
Virtual School	£373,778		
Schools Support	£835,851		
CSSB	£8,211,469		
Copyright Licences	£485,000		
<b>Total CSSB</b>	<b>£8,696,469</b>	<b>£8,711,950</b>	<b>-£15,482</b>
Early Years	£34,277,889	£33,535,605	£742,284
HNB	£48,950,448	£50,149,679	-£1,199,231
Schools	£150,397,200	£150,397,200	£0
Recoupment (rates) /additional income		-£646,658	£646,658
Growth	£1,780,000	£2,290,712	-£510,712
De-delegated	£1,167,764	£1,167,764	£0
<b>Total DSG</b>	<b>£245,269,769</b>	<b>£245,606,252</b>	<b>-£336,483</b>
Use of DSG reserves	£155,533	£155,533	£0
<b>Total DSG Budget</b>	<b>£245,425,302</b>	<b>£245,761,785</b>	<b>-£336,483</b>

## High Needs Block

8. The most significant area of overspending within the DSG budget is the high needs block. The overspend continues to reflect the increasing demand for special school places and alternative education provision required for those children who have SEND. These children have a range of complex educational needs and are unable to attend school due to ill-health or exclusion, or attend mainstream education without additional support. Costs have been higher than budgeted for due to:

- On-going place demand, especially for Special School placements and an increase in 19+ placements
- Significant work undertaken to identify those young people either missing education or receiving less than 25 hours per week, with the

aim of creating suitable local provision (60 additional places commissioned across the local offer)

- Growth in expensive, complex, externally provided placements as the lack of suitable provision has led to supplier led pricing structures.
9. As part of the new SEND Strategy for Suffolk, it has been identified that there is a need to improve the high needs funding system. At the conclusion of the initial review, a consultation document was produced to gather input from across the education system in order to establish a simpler, clearer and more equitable funding system. Plans will be shared with Schools Forum on how this new system should be implemented, and a suggested timeframe which will include transitional support for those providers who would otherwise see a reduction in their funding.
10. Over the last year, the Inclusion Service has restructured to support its functions moving forward. With the increased management oversight, challenge and use of management information to inform decision making and commissioning, it is hoped that the service costs in 2018-19 may be able to be contained within its resource envelope. It should be noted that the projected increase in demand for HNB services mean that this may be too challenging to achieve in 2018-19. The Council has made SEND services one of its 10 Transformation programmes and this has provided some additional project manager capacity and focus to meet the strategic objectives as below:
- To transform the Council's Inclusion Services to successfully implement the 2014 SEND Reforms and address the specific areas for improvement identified in the SEND area inspection (Dec 2016), working within current funding.
  - To provide families with the information they need about SEND services across education, health and care through the Local Offer
  - To develop a coherent SEND journey that supports children and young people to achieve their potential and integrates education, health and care services.
  - To extend our specialist services and provision to better meet the needs of Suffolk children and young people.
  - To provide effective support for young people as they prepare for adulthood.

### **Early Years Block**

11. Based on the assumed level of DSG funding that will be returned to the DfE through the DSG funding mechanism in 2018-19 to reflect the take up of 2,3 and 4 year old places in 2017-18, the Early Years Block underspent by £0.743m.
12. The actual level of take-up of 2, 3 and 4 year old placements was significantly lower than that for which the service had been funded for in the 2017-18 budget. The underspend of £2.498m against this budget heading has been identified in the accounts as a provision, and therefore the clawback of this

money will make no impact on the level of DSG reserves unless the actual activity was even less than the budget underspend suggests. The service will not be advised of the clawback amount until later in the financial year.

13. The Early Years service are almost at the end of a staff restructure, which has been necessary due to the new requirements to centrally retain no more than 5% of the 3 and 4 year old DSG funding allocation. This smaller and more targeted service has been structured so that the service is only actually retaining 3.8% centrally, increasing the amount that that is paid over to providers.

### **Centrally Retained Block**

14. Table 1 summarises the main expenditure headings that receive funding from the centrally retained block (as agreed annually by Schools Forum), and shows that there was an overall small overspend recorded of £0.015m against a budget of £8.696m. A comprehensive review of the services, functions and activity that is provided by Suffolk County Council, and how these benefit maintained schools and academies will be shared with Schools Forum in October as part of the funding approval process required.

### **De-delegated Funding**

15. Each year Schools Forum is also asked to agree (by phrase for maintained primary and secondary schools) the de-delegation of funding back to the Local Authority for the following services:

- Intervention Fund/Contingencies
- Behaviour Support Services
- Trade Unions
- Support to under-performing ethnic groups and bilingual learners

16. This funding is reduced during the financial year as maintained schools convert to academies, who are unable to de-delegate this funding as an option. This in-year budget reduction has to be managed within any other funding available to the service.

17. In 2017-18, 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 spending on IEBs. This area will be especially challenging in future years as the de-delegation agreed by the secondary school phase is at a lower level than previous.

### **Growth Funding**

18. Expenditure to support growing and new schools exceeded the budget agreed by Schools Forum by £0.511m. As reported previously, this budget is

becoming increasingly under pressure as new schools are established and additional places need to be created for pupil growth.

19. An element of this growth related to the set-up costs of the new SEMH school in Carlton Colville. The DfE have since confirmed that in future years such costs relating to Special Schools are attributable to the High Needs Funding block, and so it is anticipated that this level of budget is sufficient for 2018-19. Any increase in the level of growth funding available for schools is funded from the Schools Block and agreed by Schools Forum.

### **Recoupment (Rates) / Additional Income**

20. The DSG income was £0.647m more than expected. Most of this was due to the amount of rates recouped by the DfE following the conversion of maintained schools to academies, which was less than had been anticipated.
21. Schools rate values used in the budgets were not as high as originally planned resulting in a further underspend. There have also been a number of rebates for changes in rateable values providing some additional income. These rebates for 2017-18 have been of greater value (overall) than the additional charges the LA have received for adverse changes in school rateable values.

### **DSG Reserves**

22. The DSG reserves position for 2017-18 (and 2018-19 opening balance) are shown in Table 2 below.

DSG Reserves Position	Opening Position 2017-18	In-year transfers	In-year transfers capital	Operating (Under)/ Overspend Forecast	Closing Position 2017-18	2018-19 onwards Commitments	Comments
Pre-funding Reform DSG	-£472,716				-£472,716		
Post-funding Reform DSG							
2 Year Old Capital Monies	-£415,989		£45,260		-£370,729		
Net Operating Underspend 14-15	-£280,337	£49,073			-£231,264	£231,264	Hold for Academy Debts - agreed with Schools Forum
Net Operating Overspend 15-16	£369,483	-£369,483			£0		
Net Operating Overspend 16-17	£1,130,429	£885,067			£2,015,496	-£970,000	£885k EY clawback - "real" overspend £2.015m in 16-17. Schools Forum agreed £970k contribution
Unallocated in 2016-17	-£227,104	£227,104			£0	£0	
Budget Changes/Other	-£30,645	-£13,154			-£43,799		
Early Years 2014-15 received in 2015-16	-£622,000				-£622,000		
Closing Middle Balances 2015-16	-£528,783				-£528,783		
Historical Overspend Adjustment		£252,468			£252,468		
2017-18 Overspend				£336,482	£336,482		
<b>Total DSG Reserves</b>	<b>-£1,077,662</b>	<b>£1,031,075</b>	<b>£45,260</b>	<b>£336,482</b>	<b>£335,156</b>	<b>-£403,581</b>	Available balance from 1st April 2018

24. There was an opening reserves balance at the beginning of the financial year of £1.078m, which includes £0.473m of pre-funding reforms DSG. During the financial year, a total of £1.076m was moved out of reserves of which the majority (£0.886m) related to the clawback of Early Years funding which had been overpaid in 2016-17 based on the actual level of activity.
25. Other transfers mainly related to payments made to schools to reflect previously unallocated DSG funding (£0.227m), the clawback of the 2015-16

overspend (-£0.369m) and the correction of an historical underpayment (£0.252m).

26. The net result is that the DSG reserves had a deficit closing balance at the end of 2017-18 of £0.335m.
27. The planned movements in 2018-19 are shown in the table. These include the transfer of £0.970m from the Schools Block to partially offset the 2016-17 overspend of £2.015m. In addition, the monies held back for Academy debts are shown as a commitment (i.e. unusable) as the real extent of potential write offs has yet to be confirmed.

### **Schools Balances**

28. 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 reduced in 2017-18 by £4.986m. This equates to 25% reduction of total balances held, and now totals £14.588m.
29. Reserve predictions submitted by school in their budget plans still appear to be prudent. The reason for the majority of the 25% reduction is due to the number of academy conversions (38) during 2017-18 resulting in the removal of those reserve balances from the LA balance sheet.

### **Schools Financial Value Standard (SFVS) Update**

30. The SFVS has been designed to help schools manage their finances and to give assurance that they have secure financial management in place. All LA schools are required to complete a SFVS return each year and submit a signed copy (by the Chair of Governors) to Schools Accountancy Team, who submit a statement to the DfE detailing the number of returns and exemptions. Exempt schools include those which closed during the financial year, and those issued with an Academy Order but are yet to convert. A small number of exempt schools have still chosen to complete and return a SFVS.
31. SFVS has 25 questions covering four key sections: The Governing Body and School Staff; Setting the Budget; Value for Money; and Protecting Public Money. The school is required to answer 'yes', 'no' or 'in part' to each question. For each 'no' or 'in part' question, there should be a proposed remedial action recorded and timetable for reporting back to the Governing Body. The Governing Body should monitor the progress of the actions.
32. The SFVS should include an action plan to address any issues identified, and the Governing body should monitor progress of the actions. Schools Accountancy Team collates the SFVS returns, but it was noted within the audit report that there is no process corporately to ensure that schools have actually taken action to rectify the identified issues.
33. Internal Audit undertook a review of the SFVS results in 2017 to determine whether the data can provide any further assurance on the control environment within schools, and whether schools are taking action to resolve identified issues.
34. The conclusion of the analysis is that Internal Audit can only give 'limited assurance' on the controls in place within schools. This is due to:

- The results show gaps in assurance within key areas – for 7/25 SFVS questions, there is a ‘non-compliance’ level of over 30% (e.g. the school has not been able to answer the necessary controls are fully in place);
- Schools are not always resolving their issues, and therefore the same issue is reported year on year;
- The number of schools who have improved in 2016-17 (e.g. have less SFVS actions identified than the year before) is approximately equal to the number of schools who have had a decline in compliance in 2016-17 (e.g. they have identified more SFVS actions than they had in 2015-16). 2017-18 have yet to be fully analysed;
- Whilst some schools have procured Schools Choice to undertake the SFVS assessment, others have completed it themselves. Therefore, there is a risk that some of the responses may not be impartial. There is no prescription of the level of evidence that should be presented to the governing body, and the level of detail given by the schools in the SFVS returns varies.

35. Overall based on the 2016-17 results, assurance levels for the 4 main sections are:

A - The Governing Body and School Staff – **Limited**

B - Setting the Budget – **Sufficient**

C - Value for Money – **Limited**

D - Protecting Public Money – **Limited**

36. The LA will need to assess and analyse the 2017-18 SFVS results to see if there have been improvements in those areas above with limited assurance.

37. Schools may require an SFVS follow up where:

- an element of ‘non compliance’ is identified in the return.
- It is clear issues are not being resolved through the LA identifying continued trends year on year through the analysis or by Internal Audit.
- action plans are not being fulfilled to rectify any issues or concerns.
- returns are submitted after the deadline.

38. If there are continued issues or concerns, schools could be subject to Notices of Financial Concern (NOFC).

39. The DfE may also have concerns and would be liaising with the LAs Chief Finance Officer around the LAs assurances and any action plans being put in to place to support and assist schools.

40. The Assistant Director for Education & Learning will be contacting schools in the autumn term (when schools will start to complete their SFVS returns) outlining the importance of the process and what the LA also does to help, support and ensure that there are adequate assurances that schools have secure financial management in place.