

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	9 <sup>th</sup> July 2019
<b>Title</b>	Dedicated Schools Grant Outturn 2018-19 & SFVS Update
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<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 2018-19 of £2.702m and the deficit balance of reserves at 31 March 2019 of £2.147m. This is below the 1% of the total DSG budget which the DfE regulations allow the reserve to be in deficit by before a recovery plan, agreed between the Local Authority and Schools Forum, needs to be submitted.
2. The continuing pressures in SEND are likely to mean a further significant overspend in 2019-20, which will push the DSG deficit reserve over the 1% threshold unless significant further funding is agreed by the DfE in year.
3. Schools Forum are asked to agree that the High Needs Working Group work alongside the SEND service to input into a paper to come back to Schools Forum in October which will provide options to try and limit the DSG reserves deficit over the next few years.
4. Schools Forum are also asked to note the information with regards to SFVS (paragraph 35 onwards)

### **Reason for recommendation**

5. The recommendation is made to acknowledge the financial pressures facing both individual schools, and in the SEND service. The continuing deficit will only be reduced by a jointly agreed plan in the absence of significant additional funding from the DfE.

### **Alternative options**

6. An alternative option would be to leave any decision on the funding of the deficit until the end of this financial year, at which point it will almost certainly be over the 1% threshold, and then agree a recovery plan for the DfE.
7. A further alternative option would be to request the clawback of all or some of the net overspend from the 2020-21 Schools Budget at this point in time. It is felt that this option should be considered by all stakeholders over the summer

period alongside other actions that could be taken and discussed in detail in October.

### Who will be affected by this decision?

- 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

- The DSG budget was overspent in 2018-19 by £2.702m. 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 of £2.147m.

- The expenditure in 2018-19 against the available DSG is summarised below:

Table 1:

	<b>Agreed 2018-19 Budget</b>	<b>2018-19 Spend</b>	<b>2018-19 Variance</b>
<b>Central School Services Block (CSSB)</b>			
Regulatory & Other Statutory	£1,664,694	£1,569,069	£95,625
General Landlord Duties	£646,240	£646,240	
Admissions	£137,560	£137,560	
Servicing of Schools Forum	£2,550	£2,550	
Termination of Employment Costs	£250,000	£48,878	£201,122
CAMHS	£170,100	£170,100	
Education & Learning	£1,780,039	£1,780,039	
Headteacher Association Support	£103,100	£103,100	
Early Help	£2,460,416	£2,460,416	
Virtual School	£374,722	£374,722	
Schools Support	£698,875	£698,875	
Sub-total	£8,288,296	£7,991,548	£296,748
Copyright Licences	£485,000	£485,000	
<b>Total CSSB</b>	<b>£8,773,296</b>	<b>£8,476,548</b>	<b>£296,748</b>
Early Years	£36,539,284	£36,593,401	-£54,117
HNB	£50,571,203	£54,157,185	-£3,585,982
Schools	£128,433,952	£128,433,952	£0
Recoupment (rates)		-£627,399	£627,399
Growth	£1,780,000	£1,766,267	£13,733
De-delegated	£946,759	£946,759	£0
<b>Total DSG</b>	<b>£227,044,495</b>	<b>£229,746,714</b>	<b>-£2,702,219</b>

## **High Needs Block**

11. The most significant area of overspending within the DSG budget continues to be against the high needs block. The total overspend was £3.586m against a budget (after recoupment for academy and free school places) of £50.571m – an overspend of 7.1%.
12. Costs have been specifically high due to on-going place demand, especially for Special School and 19+ placements, as well as growth in expensive, complex, externally provided placements, as the lack of suitable provision has led to supplier led pricing structures.
13. Over the last two years there has been a 14% increase in numbers of pupils requiring a SEND placement (excluding out county placements and post 16). This has had a significant impact on the budget as more monies are required within schools via the top-up mechanism to support these children and young people. The table below illustrates the areas where budgets are not able to withstand the pressures within the service:

<b>2018-19 DSG High Needs Block</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Out County Placements	£10,719,505	£11,734,411	<b>-£1,014,906</b>
Top-Up Payments	£18,573,864	£21,129,471	<b>-£2,555,607</b>
FE Top-Up Payments	£1,773,781	£3,483,534	<b>-£1,709,753</b>
Commissioned Places	£6,357,000	£6,357,000	£0
Contingency	£4,530,638	£3,597,603	£933,035
Sensory Services	£1,265,814	£1,210,367	£55,447
Alternative Provision	£2,846,703	£2,165,122	£681,580
Family Services	£1,442,755	£1,314,683	£128,072
Targetted Support	£774,300	£815,041	<b>-£40,741</b>
SEN Recoupment	£525,000	£385,455	£139,545
CISS	£645,260	£624,634	£20,626
Bespoke Packages	£300,000	£613,837	<b>-£313,837</b>
Dyslexia Outreach	£285,554	£253,201	£32,353
SaLT	£263,833	£263,833	£0
Other	£266,994	£208,791	£58,203
	<b>£50,571,001</b>	<b>£54,156,983</b>	<b>-£3,585,982</b>

14. The contingency budget is used to fund additional placements during the year, and where these are permanent arrangements, budgets will be adjusted in 2019-20 to account for these, so-by reducing this budget. The additional monies received in year from the DfE (£1.6m) was added to this heading, resulting in the underspend shown.
15. The quality assurance exercise on the moderation process led to a review of all moderation outcomes over the end of the financial year. The spend on top-ups shown therefore relate to the 70% of the original top-ups agreed which

were actually paid out in the financial year. Had the moderation exercise been completed earlier, this would have increased the overspend by approximately £0.5m, and this cost will now be borne in 2019-20.

### **Early Years Block**

16. During the 2018-19 financial year, the Early Years block was adjusted to take into account the actual level of take-up of placements in 2017-18 from the census count in January 2018.
17. The level of recoupment was less than had been budgeted for, resulting in an increased underspend for 2017-18 against the Early Years block. £0.3m of this underspend was distributed to providers for quality improvements.
18. The level of expenditure in Early Years for 2018-19 was higher than the budget due to increased activity in the 3 & 4 year old PVI sector. The LA will be notified of any adjustments to EY funding in July / August. As had been suggested during the year, some of this expenditure was for costs relating to 2017-18 which due to significant staffing issues over the year end period, had inadvertently been processed by the service in the 2018-19 financial year. Therefore the remaining 2017-18 Early Years block underspend was used to mitigate these costs.
19. A provision has been made for the recoupment anticipated in July 2019 relating to the 2018-19 take-up of placements. Any deviation from this provision will need to be dealt with via the DSG reserves. The level of recoupment expected results in a small overspend for the service in 2018-19 of £0.054m.

### **Centrally Retained Block**

20. Table 1 summarises the main expenditure headings that receive funding from the centrally retained block, as agreed annually by Schools Forum.
21. As had been highlighted previously to schools forum, there was a reduction in the commitments against the budget for termination of employment costs. Additional monies relating to the statutory and regulatory duties was left uncommitted, leading to an overall underspend of £0.297m, which has offset overspends in other areas.
22. 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 for 2020-21.

### **De-delegated Funding**

23. Each year Schools Forum is also asked to agree (by phase for maintained primary and secondary schools) the de-delegation of funding back to the Local Authority for the following services:
  - Intervention Fund/Contingencies
  - County Inclusive Support Service

- Trade Unions
- Support to under-performing ethnic groups and bilingual learners

24. 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 must be managed within the total funding available to the directorate.

### **Growth Funding**

25. The budget to fund expenditure to support growing and new schools is top-sliced from the Schools block budget. There was a small underspend in year, although it should be acknowledged that this may not be sustainable over the coming years as new schools are established and additional places need to be created for pupil growth. A review of the commitments against this budget heading will be provided as part of the 2020-21 budget setting process.

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

26. The DSG income was £0.628m more than had been 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.

### **DSG Reserves**

27. The DSG reserves position and movements for 2018-19, and the 2019-20 opening balance are shown in Table 2 below.

Table 2	Opening Position	In-year transfers (monies out)	In-year transfers (monies in)	Closing Position	2019-20 onwards Commitments	Comments
<b>Pre-funding Reform DSG</b>	<b>-£220,248</b>			<b>-£220,248</b>		
<b>Post-funding Reform DSG</b>						
2 Year Old Capital Monies	-£370,729	£2,077		-£368,652		
Net Operating Underspend 14-15	-£231,264	£77,760		-£153,504	£153,504	Hold for Academy Debts - agreed with Schools Forum
Previous Years' Overspend	£820,914			£820,914		
2017-18 Overspend	£336,482	£746,146	-£1,716,166	-£633,538		Schools Block contribution from 18-19 budgets, and Early Years Adjustments
2018-19 Overspend-HNB	£0	£3,585,982		£3,585,982		
2018-19 Underspend-Growth/ESG/Redundancy	£0		-£310,481	-£310,481		
2018-19 Overspend-EY	£0	£54,117		£54,117		
2018-19 Underspend Recoupment/Rates	£0		-£627,399	-£627,399		
<b>Total DSG Reserves</b>	<b>£335,156</b>	<b>£4,466,082</b>	<b>-£2,654,046</b>	<b>£2,147,192</b>		

28. There was an opening reserves deficit balance at the beginning of the financial year of £0.335m.

29. During 2018-19, £0.970m was transferred into reserves as agreed with Schools Forum from school budgets, with a further £0.746m transferred in as a result of a lower than expected recoupment of Early Years DSG relating to 2017-18 making a total of £1.716m.

30. Planned reserve withdrawals were made in respect of an outstanding academy debt that legal services recommended was written off, and £0.3m to

Early Years Providers for quality improvements. In addition, the remaining 2017-18 Early Years underspend was used to offset expenditure in 2018-19 relating to the previous financial year.

31. The total operating overspend against DSG budgets of £2.702m has been charged to the DSG reserve, leaving an overall deficit closing balance of £2.147m.

### **Schools Balances**

32. 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 2018-19 by £3.049m. This equates to a further 26% reduction of total balances held (25% reduction in 2017-18) so the downward trend continues. School balances held now total £11.611m. There were 32 academy conversions during 2018-19 where balances are paid to sponsors and MATs.
33. The LA will continue to work with schools that are facing financial difficulties in the short and longer term. A series of meetings are being planned with schools during the summer and autumn terms in order to understand the pressures being faced and to provide support and appropriate challenge to ensure school remain financially stable and mitigating any potential deficits.
34. Reducing school reserve balances and further academy conversions through the sponsored route poses an increased risk on SCC finances. Any deficit on conversion of a sponsored academy is not an allowable charge to SCCs Dedicated Schools Grant (DSG), therefore these deficits needs to be funded through base budget.

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

35. 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.
36. 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.
37. As highlighted last year the level of assurance for our schools was as follows:
- A - The Governing Body and School Staff – **Limited**
  - B - Setting the Budget – **Sufficient**
  - C - Value for Money – **Limited**
  - D - Protecting Public Money – **Limited**

38. Internal Audit recommended on the back of this that more assurance was needed. Therefore on the back of the 2018 SFVS process schools are being contacted to provide a progress update against the actions recorded in their previous year's Self-Assessments. This would demonstrate to the local authority that the work has been completed or is in the process of being completed and would add to the assurance framework the Section 151 officer would like to see in place. As part of this, the responses from schools are shared with Education and Learning and Finance to ensure a joined up and co-ordinated approach.