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| <b>Committee:</b>                                    | Schools Forum                 |
| <b>Meeting Date:</b>                                 | 13 <sup>th</sup> October 2016 |
| <b>Title:</b>  | DSG Outturn report 2015-16    |
| <b>Author:</b>                                       | Sonya Harban                  |
| <b>Decision making / consultative / information:</b> | Information                   |

#### **What is the Forum being asked to decide?**

1. Schools Forum is being asked to note the overspend on DSG revenue budget for 2015-16 of £0.369m, and the level of DSG reserves at 31<sup>st</sup> March 2016.

#### **Reason for recommendation**

2. The paper is for information only so there are no recommendations.

#### **Alternative options**

3. Not applicable as no recommendations are being made.

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

4. The £0.369m overspend will need to be recovered from the DSG budget in 2017-18, meaning all schools budgets will be affected. The reserves position affects all schools and what activity can be funded in addition to that covered by ongoing revenue budgets.

#### **Main body of the Report**

5. The DSG budget was overspent by £0.369m, and was transferred to the DSG reserve to be managed through a reduction in ISBs in 2017-18. This was made up of the different elements as in the table below:

|   | <b>Budget</b>      | <b>Actual</b>      | <b>Variance</b>    |
|---|--------------------|--------------------|--------------------|
| Schools redundancy costs                            | £1,019,500         | £630,405           | £389,095           |
| Contribution to Integrated Teams/Virtual School/E&L | £4,671,980         | £4,164,745         | £507,235           |
| Pupil Growth and low level need                     | £1,836,478         | £1,672,145         | £164,333           |
| De-delegated intervention fund                      | £787,985           | £1,044,900         | <b>-£256,915</b>   |
| Advanced Skills Teachers                            | £592,294           | £30,986            | £561,308           |
| Schools Admissions                                  | £137,560           | £105,145           | £32,415            |
| Other   | £2,351,077         | £2,100,319         | £250,758           |
| Academy Rates Recoupment/Split Sites/Unallocated    |                    | <b>-£166,020</b>   | £166,020           |
|   |                    |                    |                    |
| High Needs Block                                    | £43,464,575        | £45,797,438        | <b>-£2,332,863</b> |
| Early Years Block                                   | £33,729,281        | £33,580,143        | £149,138           |
|   |                    |                    |                    |
| <b>Total (non ISB)</b>                              | <b>£88,590,729</b> | <b>£88,960,206</b> | <b>-£369,477</b>   |

6. A total of £1.622m was also transferred into the DSG reserves, being £1m of unallocated DSG previously reported to Schools Forum, and £0.622m of additional Early Years funding (to reflect the actual numbers of 3 and 4 year olds in 2014-15). The £1m already reported to Schools Forum as unallocated in 2015-16 has been added to ISBs in 2016-17.
7. The underspend on the contribution to integrated teams (including the Virtual School, Local Childrens Safeguarding Board and Education and Learning Advisors) is as a result of significant vacancies. Both Early Help and Education and Learning Services underwent restructures, which meant that at the beginning of the financial year, there was a higher proportion of vacancies than would have been expected. Many of these have now been appointed to, or covered with associate staff, meaning that these levels of underspend are unlikely to be repeated. The uncertainty around the future of a local authority school improvement service has impacted on the ability to recruit to some key posts, which means there is still a level of reliance on agency staff.
8. The use of de-delegated DSG Intervention funding was under pressure throughout 2015-16. The continuing need to provide high quality support and intervention in schools resulted in a significant overspend against the funding allocated. Coupled with the strategic decision to earmark part of this funding for the Schools to School Support Partnership resulted in a total overspend of £0.257m. In 2015-16, this was managed alongside the resources set against Advanced Skills Teachers.
9. The majority of the other underspend (£0.251m) relates to the music service, legal costs, and the Behaviour Support Service. The music service is funded from a combination of funding services, including a government grant, which was higher than originally anticipated leading to the underspend. The BSS had a number of vacancies in year which resulted in the underspend.

10. Under the academy recoupment process, less money was recouped (in relation to the rates element of the individual schools' budget) than was budgeted for. This resulted in an underspend of £0.166m.
11. The continuing pressure in the High Needs Bock has been well documented to Schools Forum. The overspend in this area is in the main due to:
  - High cost of out of county placements
  - EOTAS costs increasing to support and re-place pupils from PRUs due to OFSTED inspections
  - Top Up funding pressures due to the increase in the number of pupils, as well as the increasing level of need
12. The service continues to work on the recovery place in order to reduce any potential overspending in future years, focusing on the In Year Fair Access Panel (IYFAP), and continuing to build Specialist and PRU provision through new free schools which in turn should result in less spend on out of county placements. Schools Forum have acknowledged the need for all stakeholders to work together to not only achieve best value, but also the best possible outcomes for our most vulnerable learners in this area.
13. The Early Years service saw an increase in take-up of 2 year old nursery placements compared to the number for which they were funded. This spend was mitigated by Early Years Pupil Premium Grant (which the DfE had originally stated would need to be returned if not spent), and on less spend than budgeted for on 3-4 year old placements. There was also significant underspend on staff in year, as well as less than anticipated Early Years Top-ups.
14. All variances on schools delegated budgets are held by schools themselves, who carry forward their deficit or surplus. LA maintained schools reserves in total increased by £0.742m, which equates to 3% of balances held - £25.754m. It is predicted that reserves are likely to reduce in 2016-17 due to pressures including the increase in NI and pension contributions, the introduction of the living wage, and DSG cash frozen budgets.
15. CYP needs to plan for the expected increase in academies over the next few years. Due to increasing financial pressures as stated above, it is likely that more schools will be facing deficit budget positions. Any deficit on conversion of a sponsored academy is picked up by the service, and stakeholders need to work together to mitigate the impact of these deficits.

Reserves position (non school balances) 31/3/16.

|   | Opening Position   | In-year transfers agreed by DMT | Closing Position   | 2017-18 onwards Commitments | Comments   |
|---|--------------------|---------------------------------|--------------------|-----------------------------|--|
| <b>Pre-funding Reform DSG</b>                           |                    |                                 |                    |                             |  |
| Dedicated Schools Grant (Not School Balances)           | -£326,341          |                                 | -£326,341          |                             |  |
| PPG and Bursary not yet distributed 2013-14             | -£146,375          |                                 | -£146,375          |                             |  |
| <b>Post-funding Reform DSG</b>                          |                    |                                 |                    |                             |  |
| Closing Middle Balances 2013-14                         | -£91,284           | £91,284                         | £0                 | £0                          | Going back to schools in 16-17                     |
| Closing Middle Balances 2014-15                         | -£690,253          | £690,253                        | £0                 | £0                          | Going back to schools in 16-17                     |
| 2 Year Old Capital Monies                               | -£930,065          |                                 | -£930,065          | £930,065                    |  |
| Net Operating Underspend 14-15 (Hold for Academy Debts) | -£280,337          |                                 | -£280,337          | £280,337                    | Hold for Academy Debts - agreed with Schools Forum |
| Net Operating Overspend 15-16                           | £369,483           |                                 | £369,483 *         | -£369,483                   | Will be clawed back from schools in 17-18          |
| Unallocated in 2015-16                                  | -£1,000,000        | £1,000,000                      | £0                 | £0                          | Going back to schools in 16-17                     |
| Early Years 2014-15 received in 2015-16                 | -£622,000          |                                 | -£622,000          | £622,000                    | To be agreed with Schools Forum                    |
| Closing Middle Balances 2015-16                         | -£528,783          |                                 | -£528,783          | £528,783                    | To be agreed with Schools Forum                    |
| <b>Total DSG Reserves</b>                               | <b>-£4,245,955</b> | <b>£1,781,537</b>               | <b>-£2,464,418</b> | <b>-£472,716</b>            | <b>Potential Reserves Surplus 31/3/2018</b>        |