

**DERBYSHIRE COUNTY COUNCIL****Schools Forum****18<sup>th</sup> June 2018****Report of the Strategic Director for Children's Services****Dedicated Schools Grant Out-turn 2017-18****1. Purpose of Report**

To report the final revenue out-turn position for the 2017-18 Dedicated Schools Grant (DSG).

**2. Information and Analysis****2.1 Summary**

The DSG is a ring-fenced grant which is allocated in four blocks. The Schools Block funds the Individual Schools' Budgets of Academies and Authority schools. The Early Years Block funds the provision of education for children from age 3 up to age 5 and for qualifying two year olds. The High Needs Block funds the place budgets at special schools, Enhanced Resource schools and PRUs within the Authority's geographical boundary and other expenditure required to support children and young people with additional educational needs. The Central School Services Block funds limited central expenditure on behalf of all schools and academies plus historic commitments that have been agreed by the Authority's Schools Forum.

The majority of the Schools Block, the Early Years Block and High Needs Block is distributed to schools, academies and Private, Voluntary and Independent (PVI) settings both within Derbyshire LA and, in the case of High Needs Block, sometimes to schools and settings within other local authority areas. The residual expenditure is spent by the Authority and any underspend or overspend on the grant is carried forward to future years.

In 2017-18 expenditure was £416.746 million compared with in year grant income of £414.757 million and planned use of previous years' DSG reserves of £5.185 million, a net underspend of £3.196 million. The table below shows the analysis of this variance by area and the later paragraphs provide a brief narrative on the reasons for the variances.

Of this net underspend, £3.114 million is the underspend on the Early Years Block due to the cost of three and four years olds accessing the additional 15 hours provision from 1 September 2017 being lower than the amount of grant funding allocated by the Department for Education (DfE) to the Authority due to lower numbers of hours provided in total. This is offset by an overspend on provision of education for disadvantaged two year olds of £0.471 million where the number of sessions paid for exceeded the initial allocation from the DfE. A final adjustment to the Authority's grant

funding will be made in July 2018 and it is anticipated that a net £2.643 million will be recovered from the Authority by the DfE at that point.

A further £0.267 million underspend was on expenditure funded by de-delegated and top-sliced funds from Authority schools (excluding Nursery Schools). This was mainly due to the release of a provision made at the end of 2016-17 as costs were ultimately lower than the amount originally provided. This underspend has been added to the ring-fenced school re-pooled budget reserve which has increased from £0.859 million to £1.126 million.

The overall DSG income and expenditure is shown in the table below:

Item	2017-18 Actual £m	2017-18 Plan £m	(U)/Over spend £m
<b>Income:</b>			
In year Grant (DSG + EFA 6th form funding)	414.757	420.135	-
Planned use of reserves	4.812	inc above	-
Use of reserves -16/17 E. Years grant recovery	0.373	inc above	-
<b>Total Income</b>	<b>419.942</b>	<b>420.135</b>	<b>0.193</b>
	£m	£m	£m
<b>Expenditure:</b>			
<b>Schools' delegated budgets</b>	<b>302.802</b>	<b>302.789</b>	<b>0.013</b>
<b>Central School Services Block</b>			
Historic Commitments	1.737	1.737	0.000
ESG Retained duties	1.572	1.572	0.000
KS1 Growth fund	0.911	1.100	-0.189
Licences	0.564	0.561	0.003
Admissions	0.529	0.519	0.010
School Forum	0.040	0.040	0.000
New School pre-opening grants	0.060	0.000	0.060
<b>Sub Total – Central School Services Block</b>	<b>5.413</b>	<b>5.529</b>	<b>-0.116</b>
<b>Re-pooled/Top-sliced School Funding</b>	<b>4.268</b>	<b>4.535</b>	<b>-0.267</b>
<b>Early Years</b>			
2 year olds	5.115	4.644	0.471
3 & 4 year olds	29.892	33.006	-3.114
Nursery Schools - start of year budgets	1.004	1.008	-0.004
Recovery of 2016/17 EY funding	0.373	0.373	0.000
Central expenditure on Nursery Schools	0.179	0.238	-0.059
Early Years Improvement service	1.415	1.679	-0.264
Pre-school Education Psychology service	0.424	0.415	0.009
<b>Sub Total – Early Years</b>	<b>38.402</b>	<b>41.363</b>	<b>-2.961</b>
<b>High Needs Block</b>			
Contribution to capital access projects in schools	0.045	0.000	0.045

Item	2017-18 Actual £m	2017-18 Plan £m	(U)/Over spend £m
Contribution to Early Help - HNB pupils	0.515	0.515	0.000
SCIP training licence	0.075	0.075	0.000
Behaviour Services	4.055	4.170	-0.115
Behaviour Support in Schools	0.304	0.230	0.074
Virtual School for Children in Care	0.901	0.965	-0.064
Contribution to Ed Psychology	0.400	0.400	0.000
Specialist SEN Services	2.138	2.225	-0.087
SSSEN	4.627	4.743	-0.116
Contribution to Advisory Service	0.115	0.120	-0.005
Contribution to EY Ed Psychology	0.178	0.178	0.000
Inclusion in DCC schools	1.169	1.169	0.000
Contribution to SEN transport	0.080	0.080	0.000
HNB - other	0.044	0.599	-0.555
Hospital Tuition	0.056	0.140	-0.084
Nursery top-ups	0.356	0.344	0.012
Primary Top-ups	6.929	6.810	0.119
Secondary Top-ups	6.572	6.604	-0.032
Special School Places	9.241	9.241	0.000
Special School Top-ups	11.035	10.885	0.150
Special School top-ups - Other LAs & Independent/Non Maintained provision	8.509	8.196	0.313
Post 16 top-ups	2.830	2.346	0.484
PRU Places	3.025	3.025	0.000
PRU top-ups	1.771	1.775	-0.004
Vulnerable Children allocation	0.236	0.223	0.013
HNB top-up Contingency	0.655	0.600	0.055
<b>Sub Total – High Needs Block</b>	<b>65.861</b>	<b>65.658</b>	<b>0.203</b>
<b>Total expenditure</b>	<b>416.746</b>	<b>419.874</b>	<b>-3.128</b>
<b>Net underspend</b>	<b>3.196</b>		

A large element of the HNB overspend was on post 16 top-ups as the 2017-18 expenditure figure includes some costs relating to 2016-17 for which the Authority had made insufficient provision at the end of the previous year. The additional costs were due to an increase in the number of high needs Derbyshire students identified by Derby College.

The large underspend against the HNB-Other budget is because not all of the 2017-18 High Needs Block grant was allocated when the original budgets were set. The unallocated balance was held as a contingency against any overspends arising in year.

Underspends in Authority central services such as the Early Years Improvement Service and SSSEN are largely due to staffing vacancies which arose during the year.

With regards to the re-pooled and top-sliced funds, a breakdown of the funds is provided in the table below:

## De-delegated and top-sliced income and expenditure 2017-18

Description	Actual	Budget	(Under)/ Over
	£ million	£ million	£ million
Insurance	1.391	1.250	0.141
Trade Union costs	0.241	0.243	-0.002
Contingency	0.333	0.469	-0.136
Libraries & Museum - Primary	0.142	0.142	0.000
Maternity claims – Primary	0.543	0.901	-0.358
Public Duties – Primary	0.005	0.005	0.000
School Improvement	0.917	0.916	0.001
Redundancy	0.696	0.609	0.087
<b>Total</b>	<b>4.268</b>	<b>4.535</b>	<b>-0.267</b>

The accumulated balance of de-delegated and top-sliced funds at 31 March 2018 now stands at £1.126 million. It is proposed that this funding be retained to cover any deficit in future years to reduce the risk of having to top slice the DSG in the event of an overspend.

### 2.2 Dedicated Schools Grant (DSG) Reserve

Appendix 1 shows the analysis of DSG related reserves and the movements in 2017-18. The table below shows the movements in the Dedicated Schools Grant reserve during the year and the anticipated commitments against that reserve.

	£m
Balance brought forward 1/4/2017	7.680
Support to mainstream school budgets 2017/18 and increases in rates. Balance of use of reserves is for HNB capital and behaviour support funds owed to schools.	-4.212
Release to cover in year DSG grant loss due to DfE recovery of 2016/17 Early Years underspend	-0.373
Release of reserve originally earmarked for Early Years capital projects	2.493
2017/18 underspend (excluding pooled budget underspend and increases to other reserves)	2.702
<b>Balance carried forward 31/3/2018</b>	<b>8.290</b>

The commitments against the above balance are as follows:

	£m
DSG Balance 31/3/2018	8.290
Less:	
Early Years potential clawback of 2017-18 underspend	2.643
Pre-opening support (new schools)	1.100
Post opening support (new schools)	0.315
2018/19 budget support – High Needs and Early Years	1.525
<b>Sub Total - commitments</b>	<b>5.583</b>
<b>Uncommitted DSG reserves</b>	<b>2.707</b>

The National Funding Formula for mainstream schools was introduced in a “soft” form from April 2018. In addition, new funding formulae for the High Needs Block and Early Years have also been introduced. At this stage, the DfE have not provided information on how pressures such as inflation, increases in rates bills and HNB demands will be reflected in future funding settlements. Given the degree of uncertainty that exists, and the modest level of the uncommitted reserve, no proposals are being put forward to utilise the uncommitted DSG reserve at this time.

### **2.3 Individual Schools’ Balances**

Collectively, school and PRU budgets overspent in-year by a total of £1.540 million after allowing for a reduction of £2.776 million due to schools converting to academy status. The following table shows an analysis of schools’ balances as at 31 March 2018 compared with the position at 31 March 2017.

	<b>Nurs (£ million)</b>	<b>Prim (£ million)</b>	<b>Sec (£ million)</b>	<b>Spec (£ million)</b>	<b>PRU (£ million)</b>	<b>Total (£ million)</b>
<b>Balance as at 31 March 2018</b>	<b>0.504</b>	<b>22.495</b>	<b>4.227</b>	<b>2.341</b>	<b>0.728</b>	<b>30.295</b>
Balance as at 31 March 2017 – schools remaining maintained	0.511	22.476	5.367	2.518	0.963	31.835
Balance as at 31 March 2017 – schools converted to academy in 2016/17	0.000	0.891	1.885	0.000	0.000	2.776
Net Increase/(Decrease) (£ million)	(0.007)	(0.872)	(3.024)	(0.176)	(0.235)	(4.314)
March 2018 surplus balances (£ million)	0.504	23.131	5.509	2.341	1.215	32.700
March 2017 surplus balances (£ million)	0.512	23.802	8.330	2.518	1.231	36.393
March 2018 deficit balances (£ million)	0.000	0.636	1.281	0.000	0.488	2.405
March 2017 deficit balances (£ million)	0.001	0.435	1.079	0.000	0.268	1.783

In addition to the £30.295 million held by schools, £1.008 million was held in the Schools’ Capital Reserve account. This reserve holds earmarked funds for future capital developments at individual schools in order to minimise the distorting effect of holding these funds within their own school balances.

A number of secondary schools have seen their school budgets drop due to the fall in pupil numbers at secondary age range that Derbyshire is experiencing. The Authority is ensuring that those schools affected have access to curriculum planning, HR and financial advice to help with their planning.

### **3. Other Considerations**

In preparing this report the relevance of the following factors has been considered – legal and human rights, human resources, equality and diversity, health, environmental, social value, transport, property and prevention of crime and disorder.

#### **4. Background Papers**

Files held in Children's Services Finance - Accountancy section.

#### **5. OFFICER RECOMMENDATIONS**

The Schools Forum is asked to:

- (i) Note the final outturn of the 2017-18 Dedicated Schools Grant;
- (ii) Approve that the accumulated re-pooled surplus be retained centrally in 2018-19; and
- (iii) Note the overall changes in schools' balances.

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**County Hall**  
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**Dedicated Schools Grant reserves****Appendix 1**

	<b>Opening Balance (£ million)</b>	<b>Increase / (Decrease) (£ million)</b>	<b>Closing Balance (£ million)</b>
Teaching Assistant funding pre Early Help and Care Plan – funds due to schools	0.078	0.090	0.168
2 year old places – capital projects	2.493	(2.493)	-
School Access Initiative – capital	0.983	(0.722)	0.261
Support for Schools MIS	0.041	0.035	0.076
Re-pooled budgets	0.859	0.267	1.126
Early Years contingency reserve	0.115	-	0.115
Dedicated Schools Grant	7.680	0.610	8.290
<b>Total</b>	<b>12.249</b>	<b>(2.213)</b>	<b>10.036</b>