

SCHOOLS FORUM**12th September 2012****Report of the Strategic Director for Children and Younger Adults
and the Director of Finance****Dedicated Schools Grant (DSG) out-turn 2011-12 incl schools' balances****1. Purpose of the Report**

To report the final outturn of the 2011-12 Dedicated Schools Grant (DSG), including schools' balances.

2. Information and Analysis**2.1 Overall Position for 2011-12**

The amount of 2011-12 Schools Budget funding which was unspent in 2011-12, including underspend against schools' delegated budgets, was £16,793,743. The table below shows the areas in which this underspend arose and the later paragraphs provide a brief narrative on the reasons for the key variances.

	Allocated Resources £	Expenditure £	Underspend in year £
Central Services	47,242,696	43,627,619	3,615,077
Rates	6,424,893	6,397,061	27,832
Schools' Individual School Budgets	409,259,061	402,955,484	6,333,577
3 & 4 year olds in Private Voluntary and Independent (PVI) settings	12,874,004	9,827,111	3,052,893
Unallocated but earmarked for Individual Schools Budgets	1,967,990	525,867	1,442,123
Unallocated YPLA threshold grant	247,246	0	247,246
Total	478,015,890	463,333,142	14,718,748

In addition to the allocations made above, the DfE paid a further £2,074,995 to the Authority during the year. This was the final instalment of the 2010-11 Standards Fund for which a debtor had been established in the 2010-11 accounts. As there was uncertainty within the Authority about when and how this debt would be settled, the balance of the 2010-11 Standards Fund was retained to cover that debt should it not be paid. The amount that has therefore been received as part of the Dedicated Schools Grant is therefore not required to cover that debt.

2.2 Centrally held budgets

The underspend on central DSG budgets was £3,615k, in line with projections during the year which were around £5m. The main change in the last quarter of the

year being the additional requirement to set aside funding for SENTA hours that came to light as part of the data collection process for schools' 2012-13 budgets.

Unallocated DSG

£2,717k underspend

In 2011-12, the unallocated element of the centrally held DSG was increased to allow for the loss of funding anticipated as more schools became academies and as pupil numbers declined. In 2011-12, due to savings made within service budgets, there was a no need to use this allocation. The approach agreed with Schools Forum in January 2012 was that this funding would be transferred from Central budgets to ISB in order to maintain multipliers as far as possible over the forthcoming years as overall funding levels were adversely affected by the reduction in pupil numbers within Derbyshire.

The recent announcements on school funding reform mean that this approach will have to be revised for 2013-14 onwards given the requirement for all funding, apart from a few exceptions, to be initially delegated to schools.

School Related

£908k overspend

The overspend is due to the increased amount of SENTA hours which were not funded as part of the 2011-12 ISB allocations to schools. The extra costs relate to changes to statements awarded in year or relates to Year 7 pupils which have transferred from a primary to a secondary school in year. At the time budgets are set these transfer details are not known. The Authority holds a reserve to cover the spend which is being incurred by the schools and which will be reimbursed as part of the next year's budget.

Special Educational Needs

£774k underspend

Out County placements, including pre-school placements, were £435k lower than allocated and the net cost of recoupment for school places was £301k lower than planned, the underspend arising in Primary and Special sector. There was also a saving in the SSEN staffing budget of £46k.

Access and Inclusion

£411k underspend

Staff costs were £247k below budget and there were also savings in supplies and services. There is also a one-off underspend of £85k in relation to the ending of the Standards Fund grant for Ethnic Minority Achievement.

Support Centres

£257k underspend

Expenditure on payments to third parties for KS4 placements was lower than planned contributing £165k of the underspend. The balance was due to lower expenditure on employees and building maintenance.

Advisory Service

£223k underspend

Allocations from the DSG were made to replace funding that had previously formed part of Standards Fund prior to the amalgamation of funding streams for 2011-12. The underspend is against the allocations for vulnerable schools and study support for children in care.

Early Years

£223k underspend

The underspend is due to staffing vacancies £158k and an underspend against the fund allocated for projects £146k

Looked After Children Education Service

£159k underspend

There is an underspend of £74k in respect of the provision of teaching assistants in mainstream schools and an underspend of £56k on the allocation for further education for looked after children.

2.3 3 & 4 year olds in PVI settings

The underspend is due to the balance of the 2010-11 Standards Fund which has been added to the DSG allocation in 2011-12 to fund the cost of the increase in maximum hours to 15 per week for each 3 and 4 year old. From 2011-12, this funding is now wholly within the DSG and this underspend will not recur.

2.4 Unallocated but earmarked for ISB

This budget was set aside with the agreement of Schools Forum to hold pending clarity over the impact of the Single Status grading review for school based staff. The charge, which is temporary and does not relate to Single Status, represents accrued costs for school supply staff where the costs were known in total but the appropriate charge for each school was not known at the time school budgets were balanced. This temporary charge will be reversed in the new financial year when the actual costs are recharged to the relevant schools' delegated budgets.

2.5 Unallocated YPLA threshold grant

The Authority received YPLA threshold grant for those schools which have converted to become academies. The Authority has been advised that academies are receiving the correct funding from the YPLA so this funding is being held unallocated in year in anticipation of a recovery by YPLA (now Education Funding Agency) at some point in the future.

2.6 On-going implications & use of one off cash

The on-going central DSG underspend for 2012-13 is estimated to be around £4-5m, once account has been taken of the SENTA adjustment. Of this £2,295k has been used in the 2012-13 budget to cover the net impact of the loss of grant due to falling pupil numbers. A net residual on-going underspend of £1.7m to £2.7m is therefore implied.

As already stated, the original intention agreed with the Schools Forum, was that this underspend would be transferred from Central budgets to the ISB over the next 2/3 years to insulate existing LMS multipliers as far as possible from the effects of reductions in DSG due to falling pupil numbers. To further complicate matters the full impacts of the national funding reform proposals on individual schools remain unclear.

In terms of the cash resources, there are several potential pressures which schools and the LA are facing including:

- Impact of Single Status & Equal Pay on schools;
- Retrospective funding of schools' (unfunded) 2012-13 SENTA hours;
- Formula simplification - support for Minimum Funding Guarantee costs 2013-14;
- Newly delegated budgets – possible transitional support outside of MFG;
- Schools' core financial systems - training and implementation;
- High Needs Block pressures, including special schools, exceptional LoCHI claims, Invest to Save initiatives etc.

In view of these uncertainties the Authority proposes that the in-year underspend on Central budgets and the Standards Fund payment received are held unallocated at this time pending greater clarity on the outcome of the national formula review and the other pressures listed above.

The School Forum's support for this approach is sought.

2.7 Individual Schools' Balances

Individual School Budgets underspent in year by a total of £6,027k.

The following table shows an analysis of schools' balances as at 31 March 2012 compared to the position at 31 March 2011

	Nurs £000's	Prim £000's	Sec £000's	Spec £000's	Total £000's
Balance as at 31 March 2012	258	16,046	9,511	2,038	27,853
Balance as at 31 March 2011	159	11,800	8,412	1,149	21,520
Balance as at 31 March 2010	205	9,323	5,999	714	16,241
Net Increase/(Decrease) £000's	99	4,246	1,099	890	6,334
March 2012 surplus balances £000's	262	16,231	10,424	2,038	28,955
March 2011 surplus balances £000's	177	12,127	9,724	1,160	23,189
March 2010 surplus balances £000's	206	9,725	8,123	780	18,834
March 2012 deficit balances £000's	4	185	912	0	1,101
March 2011 deficit balances £000's	18	327	1,311	12	1,669
March 2010 deficit balances £000's	0	448	2,124	66	2,638

	Nurs	Prim	Sec	Spec	Total
March 2012 number of schools with surplus	7	326	29	10	372
March 2011 number of schools with surplus	7	322	39	9	377
March 2010 number of schools with surplus	8	317	38	8	371
March 2012 number of schools with deficit	1	22	4	0	27
March 2011 number of schools with deficit	1	28	6	1	36
March 2010 number of schools with deficit	0	39	9	2	50

In addition to the £27,853k held by schools, £2,567k was held in the Schools' Capital Reserve account (down from £2,938k at 31 March 2011). 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 school balances. Schools have been encouraged to hold separate earmarked reserves pending the impact of Single Status on school staff. As at 31 March 2012, the total reserve was £407k.

Schools have also separately identified funds that they are holding on behalf of a cluster of schools. The value of this earmarked reserve at 31 March 2012 was £2,696k, up from £914k at 31 March 2011.

For 2009-10, the LMS scheme included a definition of an excess balance and the Authority retained some excess balances at the end of 2009-10 pending further discussions with individual schools. The amount held in this reserve is £391k at 31 March 2012. There is a further £267k held in respect of an accounting adjustment for one school which will be actioned in 2012-13.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: - prevention of crime & disorder, equality of opportunity; and environmental, health, legal & human rights, human resources, property and transport considerations.

5 Background Papers

Held in the CAYA Finance Section.

6. Officers' Recommendations

That the Schools Forum:

- (i) Note the 2011-12 DSG out-turn; and
- (ii) Support the proposal to hold the resources as unallocated as set out in section 2.1 pending the outcome of the formula modeling and clarification of the other pressures facing Derbyshire schools.