

**DERBYSHIRE COUNTY COUNCIL****SCHOOLS FORUM****19<sup>th</sup> June 2013****Report of the Strategic  
Director for Children and Younger Adults****DEDICATED SCHOOLS GRANT REVENUE OUT-TURN 2012/13****1. Purpose of Report**

To report the final revenue outturn position for 2012/13 for the Dedicated Schools Grant (DSG)

To bring to the attention of Schools Forum the accumulated unspent balances of Dedicated Schools Grant and invite discussion on potential uses.

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

Attached as Appendix 1 to this report is a summary statement setting out the final outturn position for the DSG for 2012/13.

The spending on Schools' Budget financed by the Dedicated Schools Grant was £446,702k compared to grant income of £451,145k, a surplus of £4,443k. Of this surplus, £1,087k was against budgets controlled by the Authority and the balance was against funds earmarked for future use by schools.

**2.2 Explanation of Major Variances**

The DSG is a ring-fenced grant which is allocated either for the direct expenditure of schools and the Private Vountary and Independent sector (PVI) on nursery education (the Individual Schools' Budget – ISB) or for other educational expenditure under the control of the LA (the Central Budget). Any underspend or overspend on the grant can be carried forward to future years but the distinction between ISB and Central Budget must remain.

The amount of 2012/13 Schools Budget funding which was unspent in 2012/13, was £4,443,009. The table overleaf 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	55,714,804	54,627,960	1,086,844
School Rates and Rents	6,874,663	6,874,663	0
Schools' Individual School Budgets	373,409,895	373,409,895	0
3 & 4 year olds in Private Voluntary and Independent (PVI) settings	11,663,267	11,663,267	0
Unallocated but earmarked for Individual Schools Budgets	3,224,137	125,816	3,098,321
Unallocated Post 16 threshold grant	257,845	0	257,845
<b>Total</b>	<b>451,144,611</b>	<b>446,701,602</b>	<b>4,443,009</b>

### 2.2.1 Centrally held budgets

The underspend on central DSG budgets was £1,087k.

#### **Unallocated DSG**

**£1,615k underspend**

This element of the DSG was not allocated to central services at the start of the 2012/13 financial year and there has been no expenditure in year that has called upon this.

#### **Schools Maintenance**

**£2,094k overspend**

The funding reforms introduced from 1 April 2013 mean that schools now have the responsibility and the funding for maintenance of schools (up to certain thresholds/types of work). Delays between agreement of work taking place and completion mean that there was an unfinished pipeline of work which the Authority had agreed it would fund before 1 April 2013. In addition to the normal adjustment for the value of work in progress but not yet paid for at 31 March 2013, a reserve of £2m has been established to fund work committed to but not yet started at 31 March 2013. The setting aside of funds for this commitment has led to the overspend against the budget.

#### **School Related**

**£520k underspend**

The largest element of this underspend was the budget set aside to cover the potential impact of Single Status changes on staff working to support schools but funded from Central DSG. For 2013/14, this budget has been removed since many of these services are now operating on a traded basis with schools and therefore changes in costs that might now fall on these services resulting from the implementation of Single Status will now have to be recovered via trading charges.

**Special Educational Needs****£379k underspend**

The most significant underspend was on Primary recoupment where charges made for pupils coming to Derbyshire were £186k greater than anticipated and costs paid for Derbyshire pupils attending out of authority were £88k lower than projected leading to an overall underspend of £274k. Costs for children attending independent pre-schools were £100k below the allocated budget.

**Access and Inclusion****£351k underspend**

Staff costs were £498k below budget, offset by a shortfall of £124k on income from schools.

**Vulnerable Children****£123k underspend**

There was an underspend against this allocation during the year.

**2.2.2 Unallocated but earmarked for ISB****£3,098k underspend**

This budget was set aside with the agreement of Schools Forum to hold pending clarity over future funding pressures.

**2.2.3 Unallocated Post 16 threshold grant****£258k underspend**

The Authority received Post 16 threshold grant for those schools which have converted in year to become academies. The Authority has been advised that academies are receiving the correct funding from the Education Funding Agency (EFA) so this funding is being held unallocated in year in anticipation of a recovery by EFA at some point in the future.

**2.3 Proposals for unallocated DSG**

Total accumulated DSG balances (excluding balances held by individual schools) at 31 March 2013 are £25,240,867.

Of this, £2,379,900 is held to cover costs that were the responsibility of the Authority until 31 March 2013 but the expenditure has not yet been advised/incurred. This is £379,900 for estimated maternity claims in schools and £2,000,000 for commitments to schools for capital maintenance works.

**Unallocated ISB balance**

£10,638,706 has arisen where funding has been designated as being part of the Individual Schools Budget but has not been allocated to either individual schools or to the PVI sector for Nursery Education Funding. Within this balance, £5m has been earmarked to support schools when Single Status for

school based staff is introduced. The changes to the School Funding Regulations mean that distribution of these funds is likely to have to be through the allowable formula factors (or top-up rates in the case of Special Schools)

The remaining unallocated ISB could be used for the following potential pressures on schools' budgets (including nursery PVI sector and Special Schools)

- Equal pay liabilities
- Temporary support in response to any government reduction in DSG
- Earlier release of the cap on gainers under the funding formula changes.
- Investment in improving High Needs Block provision so that this can be provided at lower cost, releasing funds for recycling back into Schools Block and Early Years Block.

### Central DSG balance

The balance of £12,222,261 is the accumulated underspend against Central budgets and an analysis of the change in this balance during the year is shown at Appendix 2.

The Authority's options for use of this balance are much restricted following the changes to the School Funding Regulations. Potential uses that the Forum views are invited on are:

- Temporary support in response to any government reduction in DSG
- Earlier release of the cap on gainers under the funding formula changes.
- Investment in improving High Needs Block provision so that this can be provided at lower cost, releasing funds for recycling back into Schools Block and Early Years Block.
- Funding for schools/PVI sector to in turn buy back Authority services that the Authority is unable to sustain from its own resources.

## **2. 4 Individual Schools' Balances**

Individual School Budgets underspent in year by a total of £3,994k.

The following table shows an analysis of schools' balances as at 31 March 2013 compared to the position at 31 March 2012.

	<b>Nurs £000's</b>	<b>Prim £000's</b>	<b>Sec £000's</b>	<b>Spec £000's</b>	<b>Total £000's</b>
Balance as at 31 March 2013	304	18,226	11,584	1,734	31,847
Balance as at 31 March 2012	258	16,046	9,511	2,038	27,853
Net Increase/(Decrease) £000's	46	2,180	2,072	(304)	3,994
March 2013 surplus balances £000's	330	18,485	12,408	1,778	33,000
March 2012 surplus balances £000's	262	16,231	10,424	2,038	28,955
March 2013 deficit balances £000's	26	260	824	43	1,153
March 2012 deficit balances £000's	4	185	912	0	1,101
	<b>Nurs</b>	<b>Prim</b>	<b>Sec</b>	<b>Spec</b>	<b>Total</b>
March 2013 number of schools with surplus	7	325	28	9	369
March 2012 number of schools with surplus	7	326	29	10	372
March 2013 number of schools with deficit	1	23	3	1	28
March 2012 number of schools with deficit	1	22	4	0	27

In addition to the £31,847k held by schools, £2,084k was held in the Schools' Capital Reserve account (down from £2,567k at 31 March 2012). 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 2013, the total reserve was £364k.

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 2013 was £1,393k, down from £2,696k at 31 March 2012.

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 £134k at 31 March 2013. It has been agreed to release this money back to the affected schools in 2013-14.

A number of accounting adjustments relating to schools were made at the year-end which were not applied down to the individual school level. The

value of these adjustments totalled £1,834k and if applied to individual school level would reduce the school balances by this amount.

### **3. Background Papers**

Files held in CAYA Resources - Accountancy section.

### **4. Key Decision**

Yes

### **5. STRATEGIC DIRECTOR'S RECOMMENDATIONS**

That the Forum

- 5.1 Notes the outturn position of the 2012/13 DSG.
- 5.2 Notes the accumulated unspent balance of DSG from Central budgets and offers views on its use.
- 5.3 Notes the allocation of DSG for future costs of Single Status in Schools be noted and offers views on this allocation
- 5.4 Notes the remaining unspent balance of unallocated ISB and the potential uses and offers views on these
- 5.5 Notes the reported overall School Balances.

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**DSG Central Expenditure – 2012/13**

	<b>Budget £k</b>	<b>Actual £k</b>	<b>Variance (under)/over spend £k</b>
Special Educational Needs	12,584	12,205	(379)
Access & Inclusion	4,424	4,073	(351)
Pupil Support Centres	4,264	4,272	8
Educational Psychologists – Pre school service	626	605	(21)
Advisory Service	1,070	1001	(69)
Vulnerable Children	380	257	(123)
Looked After Children Education Service	958	925	(33)
Early Years Quality	1,470	1,420	(50)
Family Resource Workers in Schools	1,356	1,356	0
14-19 development	150	150	0
Sport Service	196	168	(28)
School Related	22,452	21,932	(520)
Schools Maintenance	4,170	6,264	2,094
Unallocated DSG	1,615	0	(1,615)
<b>Total</b>	<b>55,715</b>	<b>54,628</b>	<b>(1,087)</b>

**Appendix 2.****Analysis of Central DSG – unspent balance**

	Use in Year £	Contribution in Year £	Balance £
Balance b/f 1 April 2012			23,285,355
Second year contribution to Derbyshire Sport	100,000		
Contribution to delivery of SAP in Schools project	300,000		
Contribution to rebuild of Tibshelf Secondary School	8,000,000		
Contribution to Co-location projects on school sites	1,000,000		
Funding of post 16 high needs students at Hope Valley College	288,996		
Equal pay – buy-out of staff claims	345,887		
Kitchen Conversions	750,800		
Investment in Broadband infrastructure as part of new contract	1,301,079		
Purchase of Automatic Meter Readers for schools	9,176		
Development of new Derbyshire net for learning (extranet)	54,000		
Underspend in 2012/13		1,086,844	
Sub total	12,149,938	1,086,844	
Balance c/f 31 March 2013			12,222,261