

DERBYSHIRE COUNTY COUNCIL**Schools Forum****22 June 2017****Report of the Strategic Director for Children's Services****Dedicated Schools Grant Out-turn 2016/17****1. Purpose of Report**

To report the final revenue out-turn position for the 2016-17 Dedicated Schools Grant (DSG).

2. Information and Analysis**2.1 Summary**

The DSG is a ring-fenced grant which is allocated either for the direct expenditure of schools (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 is carried forward to future years.

Expenditure was £434.407 million compared with in year grant income of £429.096 million and use of previous years' grant income of £5.159 million, a net overspend of £0.152 million. The table overleaf 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 overspend, £0.492 million is due to a recovery of grant by the DfE in 2016/17 following an updated calculation of the Authority's early years block entitlement for 2015/16. This is the main reason why grant income was lower in 2016/17 than assumed when the budget allocations were set.

A further £0.623 million overspend was on expenditure funded by de-delegated funds from primary and secondary schools. This overspend has been funded by a drawdown from the ring-fenced school re-pooled budget reserve which has reduced from £1.482 million to £0.859 million.

The rest of the DSG budgets underspent by a total of £0.963 million and this amount has been transferred to DSG reserves which now stand at £7.680 million of which £3.930 million has already been committed to support 2017/18 school budgets. A further £0.750 million has been earmarked to provide additional funding support to new schools opening in south Derbyshire within the next 3 years until the schools receive a viable budget through the funding formula, leaving £3.000 million uncommitted at this point.

	Allocated Resources (£ million)	Expenditure/ (Income) (£ million)	(Under)/over spend in year (£ million)
High Needs Block	64.408	64.344	(0.064)
Central Early Years	2.481	2.353	(0.128)
Other central budgets	3.746	3.313	(0.432)
School KS1 class size fund	1.100	1.150	0.050
Schools' re-pooled budgets	3.182	3.805	0.623
Rates	6.423	6.425	0.002
Individual School Budgets	334.222	334.222	-
2 year old provision	4.478	4.808	0.330
3 & 4 year olds in Private Voluntary and Independent (PVI) settings and Academies	14.784	13.987	(0.797)
2016/17 DSG + post 16 grant	(429.666)	(429.096)	0.569
Drawdown from reserves	(5.159)	(5.159)	-
Total	-	0.152	0.152

2.2 High Needs Block

The underspend on High Needs block DSG budgets was £0.064 million. Placements in independent and non-maintained special schools exceeded the budget by £0.528 million and top up payments for children and young people in other local authority schools and academies were £0.848 million over budget. Contingency payments to schools with a high level of incidence of children with SEND exceeded the allocated budget by £0.203 million. There were underspends against the allocations for top-ups paid to primary and secondary mainstream schools and academies totalling £0.780 million. Top ups payable to post 16 providers (specialist placements and colleges) were also below the allocation by £0.286million. There was an underspend of £0.243 million on top-ups paid to Derbyshire special schools and an underspend due to unallocated High Needs Block funding of £0.465 million.

2.3 Central Early Years

The underspend is mainly due to lower staffing costs than anticipated when the budget was set due to vacancies not being filled.

2.4 Other Central Budgets

The underspend is due to the return to the DSG of funds originally committed for improving the performance of secondary schools which were not used as part of that project.

2.5 Schools' re-pooled budgets

The budget is resourced by contributions from maintained schools for items which the Schools Forum has determined shall be paid for centrally, such as maternity cover, contingency and insurance. The re-pooled budget overspent by £0.623

million in 2016/17 and this has been covered by a drawdown from the ring-fenced pooled budgets reserve which now stands at £0.859 million. The overspend in the year was primarily on insurance where costs increased by 15% despite the conversion of twelve schools to academy status. In addition, financial pressures within secondary schools in particular led to payments from the contingency funds to schools exceeding the allocated budget by £0.113 million. A breakdown of the 2016-17 re-pooled funds is provided in the table below:

De-delegated income and expenditure 2016-17

Description	Budget	Actual	(Under)/ Over
	£ million	£ million	£ million
Insurance	1.329	1.785	0.456
Trade Union costs	0.259	0.343	0.084
Contingency	0.497	0.609	0.113
Libraries & Museum - Primary	0.149	0.149	-
Maternity claims – Primary	0.944	0.917	-0.027
Public Duties – Primary	0.005	0.002	-0.003
Total	3.182	3.805	0.623

The accumulated balance at 31 March 2017 now stands at £0.859 million. It is proposed that this funding be retained to cover any deficit in future years thus reducing the risk of having to top slice the DSG in the event of an overspend. Some of the balance may be needed in the event that the funding top-sliced from schools' budgets to cover school redundancy costs in 2017-18 is over-committed.

The position of the re-pooled/top-sliced funds will be closely monitored during the year, but should costs continue at their current level there is a risk that a modest increase in the rates may have to be considered for 2018-19.

2.6 2 year old provision

The budget was allocated in line with the number of 2 year olds that the DfE provided funding for within the 2016/17 DSG. The DfE operate a lagged adjustment to the grant and it will not be until July 2017 that any increase or clawback will be determined.

2.7 3 & 4 year olds in PVI settings

The budget was allocated in line with the number of 3 and 4 year olds that the DfE provided funding for within the 2016/17 DSG. The DfE operate a lagged adjustment to the grant and it will not be until July 2017 that any increase or clawback will be determined.

2.8 DSG Grant Income

The majority of the overspend is due to the clawback of £0.492 million funding by the DfE in July 2016 relating to the final determination of the 2015/16 grant.

2.9 Dedicated Schools Grant (DSG) Reserve

At the start of 2016/17, the balance of the DSG and other DSG-originated earmarked reserves was £19.095 million of which £12.368 million was uncommitted DSG brought forward. During 2016/17, £6.735 million was used to support the in year DSG by maintaining the previous year's increase to formula factors, hourly rates and top-up rates as well as providing further support to formula factors for secondary schools and funding for proposals supported by Schools Forum and Cabinet.

An overspend of £0.152 million was generated in year and together with approved drawdowns from the other earmarked reserves, the total balance at the end of 2016/17 including DSG originated earmarked reserves, was £12.208 million, Appendix 1 provides a breakdown of the reserves figure.

2.10 Proposals for use of unspent Dedicated Schools Grant (DSG)

The DfE proposes to introduce a national funding formula for schools from April 2018 with local authority flexibility until April 2019 when schools will be funded directly from the Education and Skills Funding Agency using the national formula. Alongside this, the DfE have proposed changes to the way in which local authorities are funded to support pupils with high needs.

The previous government ended the Education Services Grant (ESG) that previously funded Local Authority duties in respect of maintained schools and has introduced new regulations and rates for Early Years funding to apply from April 2017. The removal of the ESG from September 2017 is an additional cost pressure for maintained schools who are being asked to contribute to the costs previously funded by this grant - two of which are redundancy costs and School Improvement services. Furthermore, although schools' funding is increasing nationally as the number of pupils increases, the funding rate per pupil is remaining cash flat meaning that nationally schools are not being funded for inflationary pressures.

The introduction of the National Funding Formula for schools is likely to result in more Derbyshire primary schools seeing gains to their budgets than losing and more secondary schools losing from their budgets than gaining. It remains to be seen although the government has proposed floor protection to restrict the losses.

Given the degree of uncertainty that exists and the forthcoming turbulence in, and pressures on, funding levels, no firm proposals are being put forward for the use of uncommitted DSG at this time. Potential uses could include managing transitions as grant funding changes for high needs and school improvement services, providing additional support for schools that may be adversely affected by the move to a national funding formula and investment in provision for high needs if required.

2.11 Individual Schools' Balances

Collectively, school and PRU budgets overspent in-year by a total of £6.317 million. The following table shows an analysis of schools' balances as at 31 March 2017 compared with the position at 31 March 2016.

	Nurs (£ million)	Prim (£ million)	Sec (£ million)	Spec (£ million)	PRU (£ million)	Total (£ million)
Balance as at 31 March 2017	0.511	23.367	7.251	2.518	0.963	34.610
Balance as at 31 March 2016 – schools remaining maintained	0.545	27.193	8.763	2.490	0.777	39.768
Balance as at 31 March 2016 – schools converted to academy in 2016/17	0	0.287	0.872	0	0	1.159
Net Increase/(Decrease) (£ million)	(0.035)	(4.113)	(2.383)	0.028	0.186	(6.317)
March 2017 surplus balances (£ million)	0.512	23.802	8.330	2.518	1.231	36.393
March 2016 surplus balances (£ million)	0.562	27.688	10.261	2.566	0.888	41.965
March 2017 deficit balances (£ million)	0.001	0.435	1.079	0	0.268	1.783
March 2016 deficit balances (£ million)	0.017	0.208	0.626	0.077	0.112	1.039
March 2017 number of schools with surplus	7	308	22	10	9	356
March 2016 number of schools with surplus	7	323	26	9	10	375
March 2017 number of schools with deficit	1	18	3	0	2	24
March 2016 number of schools with deficit	1	12	2	1	1	17

In addition to the £34.610 million held by schools, £1.158 million was held in the Schools' Capital Reserve account (down from £1.416 million at 31 March 2016). 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.

It should be noted that for the first time schools' spending included contributions to the Authority's Early Help Offer. In 2016-17 school and academy contributions totalled £3.548 million with almost 99% choosing to re-pool.

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 and the 2017/18 budget includes one-off support to formula factors to assist further with the pressures.

The £5.1m (12.8%) reduction in the balances of those mainstream primary and secondary schools which have remained with the Authority is the largest in recent years and undoubtedly reflects the pressures which schools are facing. Appendix 2 contains some charts showing the changes in mainstream balances. There is no clear pattern to differentiate one group of schools from another. For each of the graphs, the balances in each block are down year on year which reinforces the view that all schools are facing financial challenges.

Looking forward, it will be interesting to note the school funding content of the government's Queen's Speech to Parliament which is due later this month. Of particular interest in the next few weeks will be the extent to which any additional funding is provided at a national level for schools and whether or not the government chooses to move forward with a National Funding Formula and, if so, on what basis.

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 2016-17 Dedicated Schools Grant;
- (ii) Approve that the accumulated re-pooled surplus be retained centrally in 2017-18; and
- (iii) Note the changes in schools' balances.

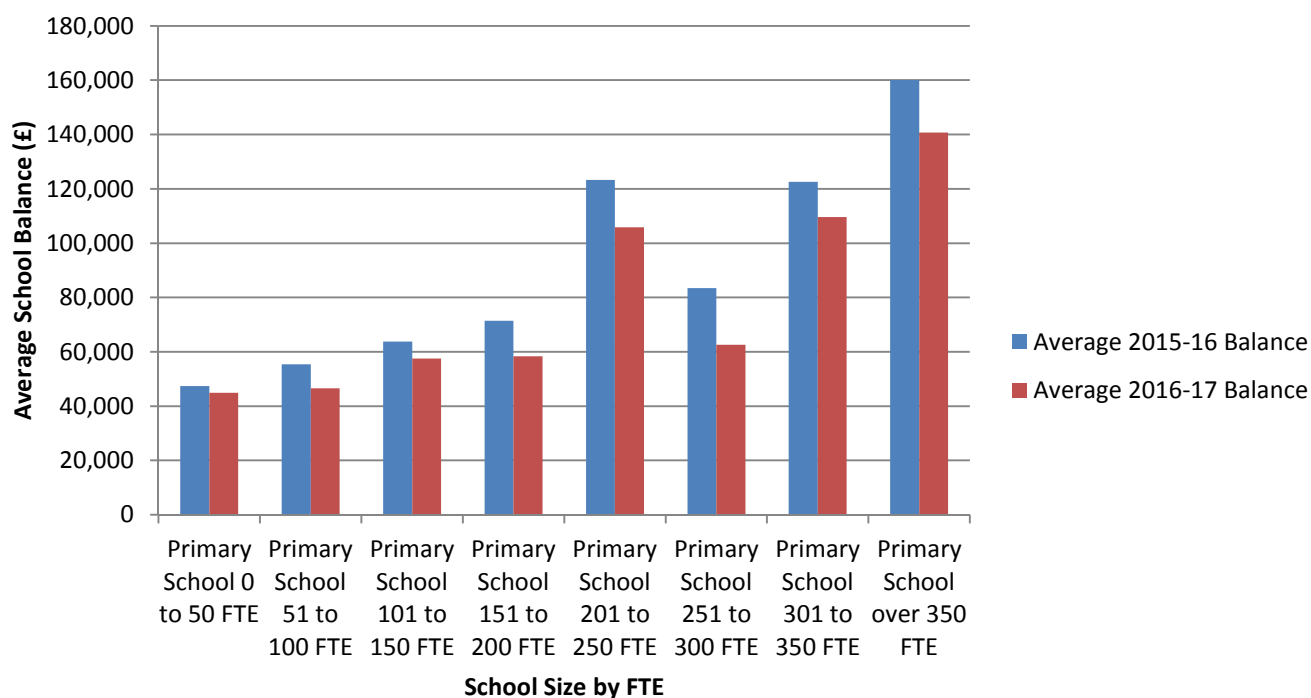
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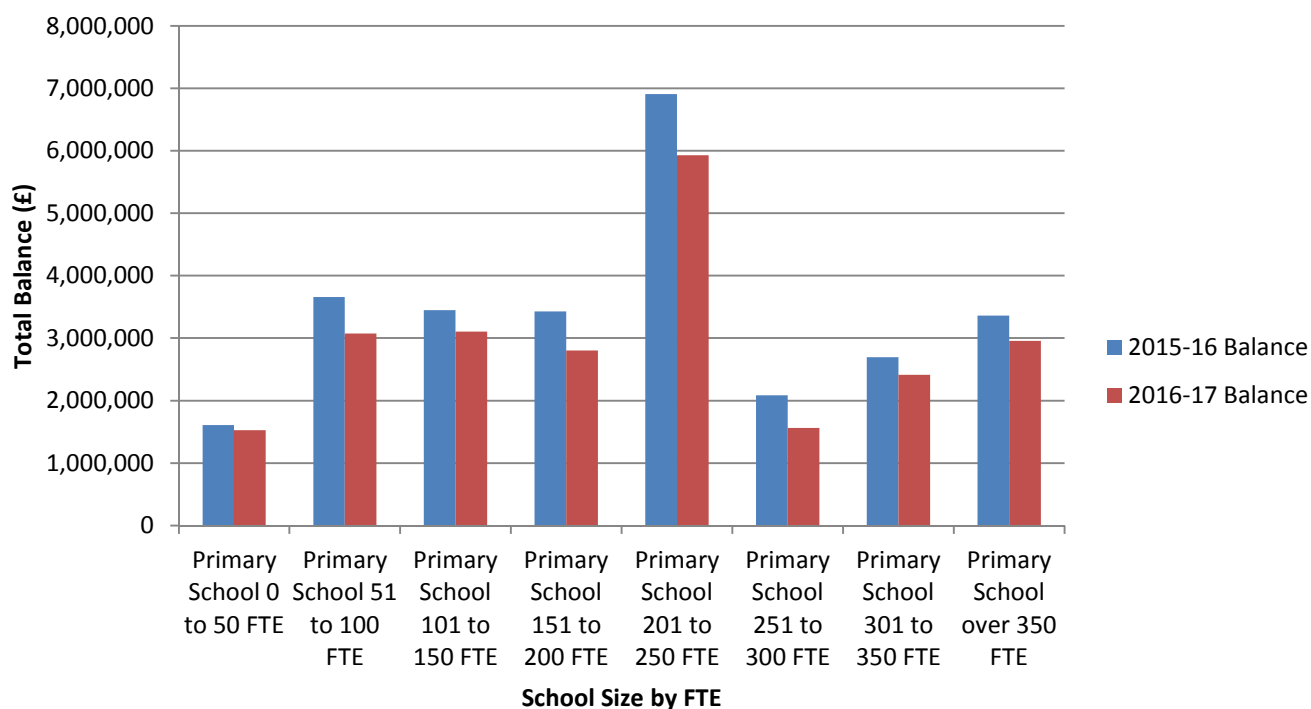
Dedicated Schools Grant reserves**Appendix 1**

	Opening Balance (£ million)	Increase / (Decrease) (£ million)	Closing Balance (£ million)
Teaching Assistant funding pre Early Help and Care Plan	0.038	0.040	0.078
2 year old places – capital projects	2.563	(0.070)	2.493
Alternative Provision Pilot	0.500	(0.500)	-
School Performance	0.687	(0.687)	-
School Access Initiative – capital	1.457	(0.474)	0.983
Re-pooled budgets	1.482	(0.623)	0.859
Early Years contingency reserve	-	0.115	0.115
Dedicated Schools Grant	12.368	(4.688)	7.680
Total	19.095	(6.887)	12.208

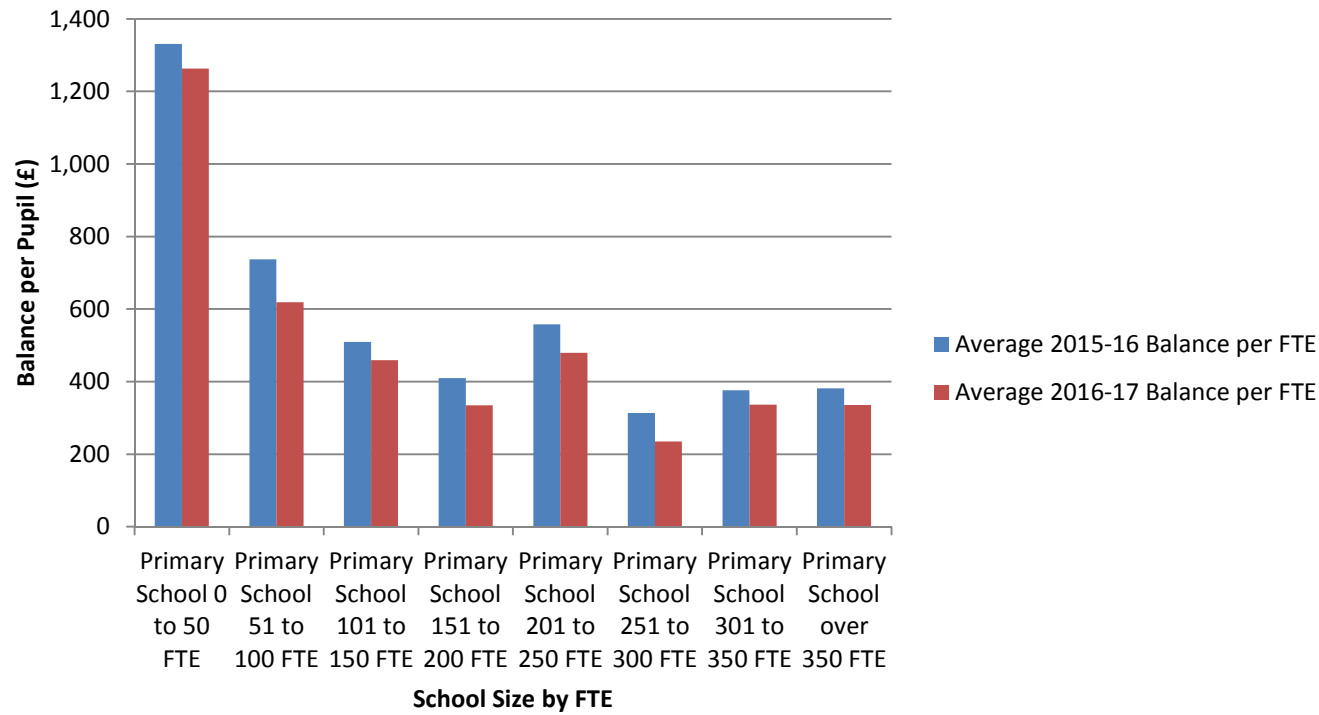
Average Primary School Balance by School Size



Total Primary School Balance by School Size



Average Primary Balance per Pupil by School Size



Average Secondary School Balance by Age Range

