

SCHOOLS FORUM**19th June 2019****Report of the Executive Director for Children's Services****Dedicated Schools Grant Outturn 2018-19****1. Purpose of the Report**

To report the final revenue out-turn position for the 2018-19 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.

The Local Authority is responsible for agreeing the deployment of each of the four blocks in total and takes into account the views of Schools Forum and reflects decisions made at School Forum on de-delegation and top-slicing arrangements for maintained schools and decisions on central expenditure within the Early Years block and Central School Services block.

2.2 Schools Block

	Schools Block Planned Allocations £m	Outturn £m	Variance Over/ (Under) spend £m
Grant for 2018/19	428.500	428.500	-
Allocated to:			
Academies	158.041	158.041	-
Maintained Schools	263.147	263.147	-
Maintained Schools – de-delegated funds	3.864	3.613	(0.251)
Maintained Schools – Top-sliced funds	1.564	1.400	(0.164)
KS1 Growth	1.100	0.810	(0.290)
Total Expenditure	427.716	427.011	(0.705)
Income (Surplus)/Deficit	(0.784)	(1.489)	(0.705)

When a school converts to become an academy, it becomes eligible for charitable rate relief of 80% of its rates. The recoupment of grant from the Authority recognises this reduced funding requirement and therefore in the year of conversion there is a release of DSG which is no longer committed against any expenditure. The surplus in the plan set for 2018/19 arises from a planned underspend of £0.315 million which was to be set aside to fund future cost pressures of pre- and post-opening grants of new schools and £0.469 million of released DSG arising from the academy conversion process.

The underspend on de-delegated funds has arisen because of underspends on insurance (£0.331 million) and maternity refunds (£0.221 million) offset by an overspend of £0.314 million on contingency claims paid to schools. In addition, there was a refund of £0.088 million for the School Library Service which closed during the year. This is included within the underspend figure of £0.251 million but has now been redistributed in proportion to those schools that contributed de-delegated funds for the School Library Service in 2018-19. School Forum approval is requested for the remaining £0.163 million to be added to the school re-pooled funding reserve.

The underspend on top-sliced funds was in respect of redundancy costs and this funding has been carried forward as part of the overall DSG reserve.

The remaining net underspends have been carried forward as part of the overall DSG reserve for future cost pressures arising across the four blocks. This totals a net increase to uncommitted DSG reserves of £1.238 million.

2.2.1 De-delegated funds

At the start of 2018-19, this reserve stood at £1.213 million and the closing value at 31 March 2019 is now £1.464 million being the accumulated surplus held in

respect of those services for which monies have been de-delegated (re-pooled) from LA maintained mainstream schools' budgets. This balance has accumulated since funds were first re-pooled in April 2013 and the accumulated balance is above that required to provide for a reasonable contingency. Consideration therefore needs to be given to how the total might be equitably reduced.

Disaggregating the accumulated balance is complex as the number of schools paying in, the services covered and benefits received and the charges levied have varied from year to year. Finding an equitable way of re-distributing some of the balance is therefore difficult and potentially very time-consuming.

The Authority's preferred option would be to utilise £0.604m of the surplus towards high needs costs in future years. This figure has been selected as it reflects the re-pooled balance at 31 March 2014 i.e. the end of the first year of operation. This was a year when there were relatively few academies in Derbyshire at that time (15 out of 395 primary and secondary schools), hence most schools contributed to, and benefitted from, the fund. Using that year's element of the accumulated surplus in this way would provide a helpful additional contribution towards future high need pressures without impacting on schools' delegated budgets. It would also ensure that most institutions in Derbyshire would have, in effect, contributed towards current and future high needs pressures.

The Authority formally requests the School Forum's permission to utilise £0.604m of the accumulated balance as set out above and to allow the residual balance of the fund of £0.772 million, after the refund of 2018-19 School Library Service contributions, to be carried forward.

2.2.2 De-delegated funds – School Improvement

In June 2018 the Schools Forum agreed to allocate £0.050 million to support LA maintained schools which are vulnerable in terms of school improvement and also experiencing significant financial constraints. The funding has been used to support schools across all phases spanning from nursery schools to secondary schools. These high risk schools include one which is pending conversion to academy status after being judged as inadequate by Ofsted. So far this academic year, 13 schools have been supported through this additional funding. The amount of funding allocated for improvement activities for an individual school ranges from £200 to £5,936.

The funding has been used to broker and secure support from a range of providers such as National Leaders of Governance; National Leaders of Education; Teaching School Alliances (from within Derbyshire and beyond); local authority senior advisers, consultants and early years improvement officers. The various types of support have included reviews of governance and Pupil Premium as well as reviews of provision for pupils with Special Educational Needs and Disabilities and children in the Early Years. Mentoring and coaching support has been provided for Senior Leaders including new headteachers and subject leaders. Subject specific training and guidance has also been provided to secure improvements in maths and phonics.

Although it is difficult to isolate the impact of specific activities on school improvement, it is notable that specific schools inspected by Ofsted this academic year have been able to avoid an adverse judgement about overall effectiveness.

If possible, the Authority would like to request a further £0.050 million of funding for the academic year 2019-2020 to be used to support LA maintained schools facing challenging circumstances so that they are also able to secure improvements for their pupils.

2.3 Central School Services Block

	Central Block Allocations £m	Outturn £m	Variance Over/ (Under) spend £m
Grant for 2018/19	4.516	4.516	-
Allocated to:			
Historic Commitments	1.737	1.737	-
Retained duties	1.588	1.588	-
Licences	0.578	0.577	(0.001)
Admissions	0.528	0.527	(0.001)
School Forum	0.041	0.041	-
Support for School MIS system support	-	0.035	0.035
Total Expenditure	4.472	4.505	0.033
Income (Surplus)/Deficit	(0.044)	(0.011)	0.033

School Forum agreed that the balance of the 2018-19 Central School Services block remain uncommitted and this has been transferred to uncommitted DSG reserves. Support for School MIS system has been funded from the residual reserve for this project.

2.4 Early Years Block

	Early Years Block Plan Allocations £m	Outturn £m	Variance Over/ (Under) spend £m
Grant for 2018-19	40.965	40.965	-
2017-18 Early Years Adjustment		(1.579)	1.579
Available funds 2018-19	40.965	39.386	1.579
Allocated to:			
2 year olds	4.630	4.586	(0.044)

3 & 4 year olds	33.888	33.913	0.025
Additional funding – Nursery Schools & centrally funded Nursery School expenditure	0.964	0.940	(0.024)
Central Early Years Services	1.974	1.741	(0.233)
Total Expenditure	41.456	41.180	(0.276)
Income (Surplus)/Deficit	0.491	1.794	1.303

The 2017-18 Early Years adjustment relates to a clawback of grant funding by the DfE due to the Authority being funded in 2017-18 based on January 2017 census data. The census counts for January 2018 were lower. The Authority reported an underspend of £2.957 million for 2017-18 and this funding was held in the reserve to cover the anticipated clawback.

The underspend on central early years services was due to vacancies in the year which needed to remain unfilled in order to bring the expenditure on central early years service down given the reductions in grant funding for 2019-20.

The net movement from the reserves in respect of Early Years block are therefore a drawdown of £1.579 million in year to cover the 2017-18 clawback and an in year overspend against grant of £0.215 million.

2.5 High Needs Block

	High Needs Years Block Allocations £m	Outturn £m	Variance Over/ (Under) spend £m
Grant initially announced for 2018-19 before Import/Export adjustment	70.096	70.193	(0.097)
Import/Export adjustment	(1.446)	(1.878)	0.432
Grant after import/export adjustment	68.650	68.315	
Additional grant funding – announced Dec 2018	-	1.600	(1.600)
Final grant 2018/19	68.651	69.915	(1.264)
Allocated to:			
Places	14.583	14.583	-
Top-ups & Direct Payments	39.892	43.583	3.691
Centrally arranged provision	14.902	15.365	0.463
Total Expenditure	69.377	73.531	4.154
Income (Surplus)/Deficit	0.726	3.616	2.890

There was an increase in the grant of £0.097 million after the original announcement. This was an agreed increase to the settlement to recognise additional costs to Derbyshire that should have been fully funded under the processes for agreeing place numbers across authorities.

The final adjustment to Derbyshire's grant in respect of Derbyshire pupils that take places in other LA area provision and other authority pupils that access Derbyshire provision was £0.432 million greater than indicated in the initial settlement advised to the Authority.

Additional grant funding of £1.600 million was allocated to Derbyshire in December 2018 as part of an increase to High Needs funding across England. The funding is being allocated for 2019/20 as well.

The main area of overspend compared to plan was on top-ups – principally on special school provision provided by other local authorities and the independent and non-maintained sector comprising £2.356 million. There was also an overspend compared to plan of £0.769 million on post 16 top-ups. The remainder of the overspend was secondary top-ups (£0.562 million) and increased direct payments/personal budgets (£0.290 million).

Within centrally arranged provision, the overspend was mainly on the Integration Pathways Team (£0.338 million) with increased demand for provision and an overspend on small works to support access for children in mainstream schools (£0.055 million).

2.6 Dedicated Schools Grant Reserves

The table below shows the accumulated DSG reserves at 31 March 2019.

	£ million
Balance brought forward 1 April 2018	10.036
Use of reserves	
Funding adjustment to 2017/18 DSG in respect of Early Years	(1.579)
Use of reserves in year – increased rates, MIS support, commitments to schools, SEN related access improvements	(0.522)
2018/19 DSG transfers to/(from) reserves	
Schools Block outturn	1.238
School re-pooled budget outturn	0.251
Central Block outturn	0.011
Early Years outturn	(0.215)
High Needs outturn	(3.616)
Balance carried forward 31 March 2019	5.604
Analysed as:	
Schools re-pooled funding*	1.464

Existing commitments	0.120
Early Years contingency	0.115
Pre and Post-opening grants – new schools	1.400
To support 2019/20 New Schools, High Needs and Early Years budgets	1.611
Uncommitted DSG reserves	0.894

*£0.088 million has been distributed in 2019-20 to schools that contributed to the School Library Service in 2018-19.

3. Other Considerations

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

4. Background Papers Files held in Children's Services Finance.

5. Executive Director's Recommendations

That the Schools Forum:

- 5.1 Note the report;
- 5.2 Approve the release of £0.604m from the re-pooled balance to support high needs costs as set out in section 2.2.1; and
- 5.3 Approve the release of £0.050m from the re-pooled balance to support school improvement as set out in section 2.2.2.

Jane Parfremment
Executive Director for Children's Services