

Sefton Schools Forum Report

Date of Meeting:	11 June 2018
Title of Report:	Dedicated Schools Grant (DSG) Outturn 2017/18
Presenting Officer:	Mike McSorley/Kevin McBlain
Reason for Submission to Forum:	(4) ITEM FOR INFORMATION
Executive Summary:	To provide members with the DSG 2017/18 outturn position and level of Schools Balances and Centrally Managed / Retained DSG Reserves.
Budget/Risk Implications:	None
Recommendations:	1. Forum is asked note the 2017/18 outturn position and level of balances carried forward into 2018/19.
Appendices (to be attached)	Analysis of the 2017/18 DSG Individual Schools Budgets (ISB) and Centrally Managed / Retained Schools Budgets (RSB) spending and balances.
Background Papers (available on request)	Year end Revenue outturn 2017/18 Year end Head of Finance statement to DfE Schools Finance Regulations 2017
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SCHOOLS' FORUM POWERS & RESPONSIBILITIES

- 1 ITEMS FOR APPROVAL (DfE can adjudicate where Forum does not agree LA proposal)
- 2 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but LA decides)
- 3 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but DfE decides)
- 4 ITEMS FOR INFORMATION (No formal view of the Forum is sought)

1.0 Background

- 1.1 The purpose of this report is to inform members on how the Dedicated Schools Grant was spent in 2017/18, and to indicate the levels of schools balances carried forward into 2018/19. In addition, to report on the Centrally Managed / Retained Schools budgets; High Needs and Early Years spending and year end DSG reserves.

2.0 Outturn 2017/18

- 2.1 Appendix 1 (a) to the report includes an analysis of Individual School Budgets (ISB) compared with outturn, and shows the opening and closing level of schools balances. Appendix 1 (b) includes an analysis of the Centrally Retained (RSB); High Needs and Early Years non schools Budgets and related outturn, along with carried forward DSG reserves.
- 2.2 ISBs represent the resources allocated to maintained schools through the schools formula funding, which is established by the Local Authority, in consultation with schools. RSBs represent resources agreed by Schools to be retained centrally by the Local Authority, to meet the costs of delivering education in settings other than its own maintained schools, as well as providing relevant pupil related support services. Central resources also include for provision of services, which may be delivered more effectively from a collective approach rather than through schools individually.
- 2.3 The allocation of DSG for 2017/18 was based on the three main spending blocks as for 2016/17 i.e Schools; High Needs and Early Years. Schools funding is based around weighted pupil numbers and a smaller range of deprivation factors using the October census data from the previous year (i.e October 2016 for 2017/18 funding). The formula excludes Special schools, which are covered by High Needs place funding allocations.
- 2.4 High Needs funding covers DSG for children with Special Education Needs and includes for place funding and additional top up funding as required for Pre16 pupils across mainstream Primary; Secondary and Special phases, including 2 Pupil Referral Units; and for Post 16 provision, funding to enable the Local Authority to pay top up costs only, with the EFA funding post 16 provision in schools and colleges directly. High Needs Funding also includes for payments to External and non-maintained schools funded by the Local Authority (for example independent special schools).
- 2.5 Early Years funding covers the provision of 3-4 year old entitlement to universal 15 hours per week free nursery education for all parents, and from September 2017, up to an additional 15 hours per week childcare for eligible parents in employment. In addition, it covers nursery provision for eligible 2 year olds in maintained nursery schools; nursery classes in Primary schools; and private, voluntary or independent nurseries, based on parental income.

- 2.6 Each year, the Local Authority has a statutory requirement to meet the Minimum Funding Guarantee (MFG) for schools. This states the minimum percentage by which individual schools budgets must increase or maximum decrease from the previous year, subject to pupil number changes. In 2017/18, the MFG was set at minus -1.5%.

3.0 DSG Individual Schools Balances 2017/18

- 3.1 Appendix 1(a) shows the 2017/18 ISB schools budget, expenditure and spending variations, along with the value of the opening and closing schools balances. Note that Maintained mainstream schools receive funding from the main Schools Block. The Central support service allocations are either funded specifically through de-delegated funding, taken out of the maintained schools funding; or for other Central provision items, funding is taken from all schools allocations, including Academies, from the total schools block funding.
- 3.2 High Needs and Early Years funding Blocks are separate DSG funding streams and include the funding of Maintained Special Schools and High Needs spending services and for provision of early years services including Maintained nurseries; Nursery classes within schools and PVI's to deliver 2-4 year old childcare.
- 3.3 During 2017/18, Maintained schools balances increased by a net £0.781m moving from an opening balance of £13.478m to a closing balance of £14.259m at 31 March 2018 (See Appendix 3 for full analysis). The closing balance includes a deficit of £0.742m in respect of the South Sefton Sixth Form College. This is to be written off against the Council's resources following the transfer of the College to Hugh Baird from 1 December 2017. Taking this write-off into account, closing schools balances increase to a figure of £15m. Closer analysis of the schools balances reveals the following:

	<u>Increase in balances year on year</u>	<u>Decrease in balances year on year</u>	<u>Net changes in balances year on year</u>	<u>Schools with deficit balances at 31.3.18</u>
	<u>£000m</u>	<u>£000m</u>	<u>£000m</u>	<u>£000m</u>
55 Primary Schools	£2.236m	£0	£2.236m	
20 Primary Schools	£0	£-0.482m	£-0.482m	
2 Secondary Schools	£0.156m	£0	£0.156m	
6 Secondary Schools (Incl SSSFC)	£0	£-1.475m	£-1.475m	
6 Special/AP Schools	£0.537m	£0	£0.537m	
1 Special/AP Schools	£0	£-0.042M	£-0.042m	

1 Nursery School	£0.046m	£0	£0.046m	
3 Nursery Schools	£0	£-0.195m	£-0.195m	
95 Net movements in balances before SSSFC Deficit write-off (£0.742m)	£2.975m (64)	£-2.194m (31)	£0.781m (95)	
<u>Incl in the above analysis</u>				
3 Secondary Schools (Incl SSSFC - See note below)				£1.642m
1 Nursery School				£0.137m
Deficit Balances carried forward				£1.779m

- 3.4 In the year, 64 Schools, including special schools and maintained nurseries, had increased balances during 2017/18; whilst 30 schools saw balances decrease. 2 Schools have a licensed deficit balance to carry forward, and South Sefton Sixth Form College, which as mentioned above, is now under the control of High Baird College, and has had its deficit written off in 2017/18.
- 3.5 Members should also note that the schools balances relate only to Sefton's maintained schools. Academies maintain their own balances and are directly accountable to the DfE on an academic year basis. Individual maintained schools balances are attached at Appendix 3 for information. This information has been supplied to schools on an individual basis in May 2018.
- 3.6 Schools will be requested to provide details of how they intend to use their balances going forward, in particular, where they exceed Schools Forum agreed limits of 12% of a Primary school's DSG allocation and 8% of a Secondary/Special school's allocation. This process of accountability was reviewed during 2015 by consultation with SAPH and SASH and it was decided by a majority of Schools Forum members that this process should continue.

4.0 DSG Centrally Retained Reserves

- 4.1 Appendix 1(b) shows the analysis of DSG Centrally / Managed Retained balances, which are kept as earmarked reserves by the Local Authority to support future

spending on specific spending block related issues in conjunction with the agreement of Schools Forum or, as necessary, by the Local Authority in support of budget pressures.

- 4.2 During 2017/18, the Centrally Managed DSG Budgets have overspent spent by a net £1.695mm (over spend £1.861m in 16/17). This is analysed below with main variations across each central funding block.

ITEM	£m
	<u>(-) Under spend / + Over spend</u>
<u>Early Years related</u>	
2 Year Old Offer	-0.049
3-4 Year old universal free entitlement and additional hours	0.336
Early Years Pupil Premium	-0.041
Disability Access Fund	0.015
Transitional funding – formula equalisation	-0.208
Early Years Inclusion Funding	-0.054
General admin support under spending	-0.026
<u>Items identified as committed against EY Reserves in 17/18</u>	
2 Year old place support funding for ineligible children	0.046
EY Training Post funding for 9 months	0.033
Redundancy support costs	0.032
Training initiatives	0.006
Net Over-spend on Early Years 2017/18	0.090
<u>Schools de-delegated items & Centrally related</u>	
Primary Schools Class Size Growth Fund overspend	0.011
Trade Union Facility Time / Public Duties Schools Support under-spend in 2017/18 (Actual take up)	-0.113
Ethnic minority achievement under spending in 2017/18	-0.065
Combined budgets under spend – closed schools mothballing / maintenance costs, grounds maintenance and PDC expenditure	-0.057
Net Under-spend on Schools de-delegated items & Centrally related Budgets 2017/2018	-0.224

<u>High Needs related</u>	
Early Years Inclusion payment to PVIs for complex needs children – over subscribed	0.109
Primary Resourced Unit Places	-0.198
Primary Top Ups in Mainstream schools & Resourced Units overspend & Out of area top ups	0.360
Secondary Top Ups in Mainstream schools & Resourced Units overspend	0.277
Special School additional unit places	0.151
Special School Top ups including Post 16	0.927
Non Maintained Special School expenditure net of Health contributions	0.122
Professional services bought in	0.107
Other net variations	-0.026
Net Over-spend on High Needs Centrally Retained Budgets	1.829
Total Net Over-spending across DSG centrally managed budgets 2017/18	1.695

Early Years Block

- 4.3 Early Years provision overspent by £0.090m in 2017/18. This year was the first year using a formulaic approach to the national distribution of funding to Local Authorities for 3-4 year old childcare provision. Sefton was paid a rate of £4.30 per hour for the 3-4 year old universal and extra hours provision; and £5.22 per hour for 2 year old provision. This is before allocations to providers locally. Local distribution included a universal Base Rate for 3-4 year olds of £4 per hour and £4.90 per hour for 2 Year olds. The remainder of the funding was allocated to deprivation; support costs; transitional funding towards training; and SEND Inclusion. Separate allocation was made for Early Years Pupil Premium; Disability Access Funding and Maintained Nursery transitional funding.
- 4.4 The numbers of working parents taking up of the additional 15 hours 3-4 year old provision has been higher than DfE 's own estimates starting in September 2017 and the funding received has created a shortfall in funding of £0.336m.
- 4.5 This was offset by underspending on the 2 year old offer and other areas of the 3-4 year old provision including the transitional funding set aside for training; Early Years pupil Premium; Early Years inclusion funding; and administrative support costs of £-0.366m

- 4.6 A number of other Early Years spending initiatives incurred cost of £0.117m. These costs were already earmarked against Early Years reserves, and are separately identified in the table above.

Central School Services Block

- 4.7 The Central Schools Services block of services, consists of a number of de-delegated items agreed with maintained schools and centrally retained services, which are funded from a top-slice of the schools block allocation for services which are considered better managed corporately.
- 4.8 Overall, these items under spent by £-0.224m. A quick analysis includes under spending on Trade Union Facility Time / Public Duties support (£-0.113m); Ethnic Minority Achievement (£-0.065m); and combined budgets including the PDC and Grounds maintenance / mothballing and R&M costs of closed schools (£-0.049m). Primary infant class growth over spent by £0.011m, whilst support to schools causing concern spent to budget.
- 4.9 The surplus balance on central services will be carried forward into 2018/19 and its use considered during the year. A further report will be brought to the Schools Forum in the Autumn term if additional support is required in 2018/19 to support additional cost pressures against these budget areas.

High Needs Block

- 4.10 High Needs was forecast to overspend in 2017/18 by as much as £1.9m and ended slightly below this as £1.829m.
- 4.11 This overspend has required the full use of the High Needs DSG reserves brought forward from 2016/17 (£0.464m) and a further (£1.365m) taken from the Early Years reserves to balance.
- 4.12 The overspend is analysed in the table above, but in summary, consists of £1.626m Top up funding related additional costs; £0.122m Non maintained school places; Professional Fees bought in £0.107m; and a small net under spending across other High Needs areas of £-0.026m.
- 4.13 High Needs is currently under review but it expected that there will be an over spending in 2018/19 of around £2m unless any mitigating reductions in cost can be found over the coming months.
- 4.14 In summary, DSG Central reserves started the year with £2.210m and after the net over spending of £1.695m, end the year with £0.515m. An analysis of the Central DSG reserves is shown in appendix 1b below. Detailed schools balances are attached as appendix 2.

5.0 Future Commitments against Reserves

- 5.1. The centrally managed DSG reserves at the end of 2017/18 are greatly reduced due to the significant overspend on the High Needs, as forecast in the year.
- 5.2. The Early Years reserves of £0.291m are almost fully committed in 2019/20 across three main areas of expenditure :
 - 2 YO support to PVI's to help place children with Disabilities who fall outside of eligibility criteria for free 2YO nursery entitlement (£0.104m)
 - Support to the Maintained Nursery schools towards a business case (£0.040m)
 - Committed spending against training for providers (balance of unused funding from 17/18) (£0.063m).

After these committed values, this leaves only £0.084m uncommitted in 2018/19 unless Forum agrees to change any of the commitments above.

- 5.3. With a forecast overspend of £2m on High Needs in 2018/19 it is likely that a significant deficit will need to be carried over into 2019/20. This cannot be found from Council balances and remains within the DSG, with first call on funding of it from the next year's funding, unless spending can be reduced significantly during 2018/19.
- 5.4. Pressures will no doubt be placed on the Central schools service reserve, as the number of schools causing concern will continue to grow and extra support will be required for those schools having very low balances, to help meet costs of redundancy.
- 5.5. With respect to Early Years, the shortfall on 2017/18 funding for the additional 15 hours provision for 3-4 year olds should be made partly good, with the expectation of extra funding from the DfE, if we take the fact, there was an increase in the numbers counted in the January 2018 census compared to the initial estimated numbers funded by the DfE in 2017/18. The extent of any extra funding will however, only be known in July 2018, when the DfE announce its mid year funding changes based on the headcount data.

6.0 Recommendations

- 6.1 Taking the above commitments into account against the 2018/19 opening balances, there should be available, net uncommitted resources, of around £-0.308m in 2018/19. Appendix 2 shows an analysis of the uncommitted DSG reserves for information.
- 6.2 The closing balance of all Centrally managed DSG reserves as a percentage of total 2017/18 DSG funding (both ISB & RSB and incl 6th Form Grant and PPG) represents around 0.26% (1.05% 2016/17)
- 6.3 Members are asked to note the outturn report for 2017/18 and levels of balances carried forward to 2018/19.

APPENDIX 1 (a)

(a) ANALYSIS OF DEDICATED SCHOOLS OUTTURN 2017/18 FOR INDIVIDUAL SCHOOLS BUDGETS AND (b) FOR CENTRALLY MANAGED / RETAINED SCHOOLS BUDGETS

INDIVIDUAL SCHOOLS BUDGETS

<u>Opening Schools Balances – Surplus (-) / Deficit 1.4.2017</u>	<u>SCHOOLS</u>	<u>Schools DSG - Individual Schools Budgets 2017/18</u>	<u>Outturn Net Expenditure – Individual Schools Budgets 2017/18</u>	<u>Outturn Variations – Under spend (-) / Overspend 2017/18</u>	<u>Closing Schools Balances 31.3.2018</u>
<u>£'s</u>		<u>£'s</u>	<u>£'s</u>	<u>£'s</u>	<u>£'s</u>
(-341,119)	Nursery	1,203,063	1,351,909	148,846	(-192,273)
(-9,942,957)	Primary	97,604,252	95,851,186	(-1,753,066)	(-11,696,023)
(-1,586,642)	Secondary	29,581,195	30,899,536	1,318,341	(-268,301)
(-1,597,197)	Special (incl. PRUs)	14,604,285	14,109,197	(-495,088)	(-2,092,285)
0	Academies	45,447,403	45,447,403	0	0
0	EFA 6 th Form Funding (Excl SEN Post 16)	4,837,938	4,837,938	0	0
(-13,477,915)	ISB DSG Funding	193,278,136	192,497,169	(-780,967)	(-14,258,882)
	<u>Extract from above figs</u>				
(-280,054)	Written down final deficit on South Sefton Sixth Form College against Council resources	(-1,192,527)	(-1,654,901)	(-562,374)	(-742,428)
(-13,757,969)	ISB Outturn 2017/18 & adjusted Schools Balances	192,085,609	190,842,268	(-1,243,341)	(-15,001,310)

APPENDIX 1 (b)

CENTRALLY MANAGED DSG EXTERNAL AND SUPPORT BUDGETS & DSG RESERVES

	<u>BUDGET AREAS</u>	<u>DSG - Retained Schools Budgets 2017/18</u>	<u>Outturn Net Expenditure – Retained Schools Budgets 2017/18</u>	<u>Outturn Variations – Under spend (-) / Overspend 2017/18</u>	
		<u>£'s</u>	<u>£'s</u>	<u>£'s</u>	
	Early Years	14,987,815	15,078,033	90,218	
	High Needs	26,711,964	28,540,666	1,828,702	
	*Schools de-delegated items & Centrally related Budgets 2017/2018- incl growth in class size (£150k) and Schools facing financial difficulties support (£178k) contingencies etc	1,835,814	1,611,730	(-224,084)	
		43,535,593	45,230,426	1,694,836	
	DSG Funding	(-43,535,593)	(-43,535,593)	0	
	<u>Net over spend 2017/18 on Centrally Managed DSG Budgets</u>	0	1,694,836	1,694,836	
	*Centrally retained figs grossed up for school licence costs, which are paid nationally by the DfE from a top-slice of schools budget allocations. Outturn figs are net of reclaimable VAT on licences.				

<u>Opening DSG Retained Balances 1.4.2017</u>	<u>SUMMARY OF CENTRALLY MANAGED / RETAINED DSG RESERVES</u>	<u>Application of Reserve in 2017/18 (within Schools DSG analysis)</u>	<u>Contribution to Reserve in 2017/18 (See Centrally Managed / Retained analysis)</u>	<u>Net Movement in Reserves 2017/18</u>	<u>Closing DSG Retained Balances 31.3.2018</u>
<u>£'s</u>					<u>£'s</u>
(-1,745,865)	Early Years reserve	1,474,709	(-20,000)	1,454,709	(-291,156)
(-464,211)	High Needs reserve	464,211	0	464,211	0
0	Schools de-delegated items & Centrally related reserve	0	(-224,084)	(-224,084)	(-224,084)
(-2,210,076)	DSG Reserves @ 31.3.18	1,938,920	(-244,084)	1,694,836	(-515,240)

ANALYSIS OF DSG UNCOMMITTED RESERVES 2018/19 - APPENDIX 2

	<u>EARLY YEARS</u>	<u>SCHOOLS</u>	<u>HIGH NEEDS</u>	<u>TOTALS</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Opening balance 1.4.2018	(-291,156)	(-224,084)	0	(-515,240)
<u>Committed use of reserves in 18/19:</u>				
2 YO support to PVI's to help place children with Disabilities who fall outside of eligibility criteria for free 2YO nursery entitlement	104,000			104,000
Committed spending against training for providers (balance of unused funding from 17/18)	63,000			63,000
Support to Maintained Nursery Schools towards a Business Case	40,000			40,000
Uncommitted DSG Reserves	(-84,156)	(-224,084)	0	(-308,240)

**Note that the LEA can decide how these centrally managed DSG reserves are deployed, subject to budget pressures across the spending blocks.

