

Schools Forum – 13 October 2020

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| Title of paper: | 2019/20 DEDICATED SCHOOLS GRANT - OUTTURN REPORT |
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| Summary This report sets out the 2019/20 Dedicated Schools Grant (DSG) outturn position and the updated reserve balance. | |
| Recommendation(s): | |
| 1 | To note that the 2019/20 financial outturn position of the DSG was an under spend of £1.264m (0.46% of the overall budget) against a final budget of £275.629m, as per Table 2 . |
| 2 | To note that this under spend has been allocated back to the Statutory Schools Reserve (SSR) resulting in a closing balance of £6.999m for 2019/20, as per Table 7 . |
| 3 | To note that the uncommitted balance on the SSR balance is £2.224m , as per Table 7 . |

1 Reasons for recommendations

- 1.1 Enable the formal monitoring of progress against the 2019/20 DSG budget.
- 1.2 To confirm the impact of the 2019/20 outturn on the SSR and the robustness of this reserve.

2 Background (including outcomes of consultation)

- 2.1 The 2019/20 initial schools budget, as reported at Schools Forum (SF) on 15 January 2019, was £274.956m.

Throughout the year budget and funding amendments of £0.673m were implemented and this resulted in a **final budget of £275.629m for 2019/20**.

The movements are set out in **Table 1** below:

| TABLE 1 IN YEAR BUDGET MOVEMENTS | |
|--|--------------|
| Reason | £m |
| 1. High Needs (HN)- Additional High Needs Funding | 0.359 |
| 2. ESFA income for maintained post-16 special school places | 0.253 |
| 3. HN recoupment adjustment | 0.009 |
| 4. Early Years (EY) - In-year reduction by Education and Skills Funding Agency (ESFA) 2019/20 allocation for 3 to 4 year olds based on the update for the January 2019 census. | 0.076 |
| 5. EY - In-year reduction by ESFA 2019/20 allocation for 2 year olds based on the update for the January 2019 census. | (0.058) |
| 6. EY - In-year decrease by ESFA 2019/20 allocation for EY's Pupil Premium based on the update for the January 2019 census. | (0.021) |
| 7. EY- Adjustment to maintained nursery school supplementary funding | (0.006) |
| 8. Schools block (SB) – Additional income from the ESFA to cover pupil growth costs for primary schools April 2020 to August 2020 as a result of aligning the funding given for a teacher to primary schools for a teacher to that of secondary schools. | 0.061 |
| TOTAL NET CHANGE | 0.673 |

- 2.2 The schools budget is allocated on a block basis; **Table 2** provides a summary of the DSG blocks comparing actual spend to budget and referencing other funding streams.

| TABLE 2: 2019/20 OUTTURN SUMMARY | | | | |
|--|---|------------------------|------------------------|-------------------------------|
| | Budget as at 15 Jan 2019 SF report | Final Budget £m | Actual Spend £m | (Under)/ Over Spend £m |
| Schools Block (section 2.3 and table 3) | 211.194 | 211.255 | 210.983 | (0.271) |
| Central School Services Block | 7.079 | 7.079 | 7.081 | 0.002 |
| Early Years Block (see section 2.4) | 22.095 | 22.086 | 20.716 | (1.370) |
| High Needs Block (see section 2.5) | 34.589 | 35.210 | 35.585 | 0.375 |
| TOTAL SCHOOLS BUDGET | 274.956 | 275.629 | 274.365 | (1.264) |
| Less funding not included in DSG allocation: | | | | |
| ESFA Income | 0.258 | 0.563 | 0.563 | |
| DSG reserves – Note a) | 0.300 | 0.280 | 0.280 | |
| DSG ALLOCATION | 274.399 | 274.786 | 273.522 | (1.264) |

Note a – the £274.786m in-year DSG supporting the final budget is £0.343m lower than the published DSG allocation for 2019/20 of £275.129m. This is due to £0.343m being allocated in the 2019/20 HN block but related to 2018/19.

This amount was allocated to the reserve and used to mitigate the 2019/20 reserve requirements to support HN expenditure as set out in **Table 6**.

This correction related to the Nottingham College merger, which also underpins the additional £0.359m received in 2019/20 referenced as **point 1 in Table 1**. This additional HN funding was used to increase the budget for HLN top-up funding for mainstream schools.

The following sections provide more analysis of the variances shown in **Table 2**.

- 2.3 Schools Block variance – **Table 3** provides a further breakdown of this with detailed narrative in sections 2.3.1 to 2.3.4.

| TABLE 3: BREAKDOWN OF SCHOOLS BLOCK VARIANCES | | | | |
|--|----------------------|----------------------|--------------------------------------|--|
| | Budget £m | Actual £m | (Under)/ Overspend £m | (Under)/ Over Spend % |
| 1. Pupil Growth Contingency Fund | 1.332 | 1.076 | (0.257) | (19%) |
| 2. Trade Union Cover | 0.056 | 0.041 | (0.014) | (25%) |
| TOTAL | 1.388 | 1.117 | (0.271) | |

- 2.3.1 The underspend of £0.257m on the pupil growth fund in 2019/20 is to remain in the SSR as it is not required in the financial year 2020/21 as the unallocated budget of £0.567m in the Schools Block in 2020/21 has been allocated to pupil growth. This was approved by Schools Forum on 3 December 2019.
- 2.3.2 The underspend of £0.014m on trade union cover budget was due to additional income being received into the budget over that budgeted and the impact of union rep vacancies. The underspend of £0.014m will be taken into account when calculating the rate per pupil and lump sum per school for maintained schools and academies in the financial year 2021/22.
- 2.4 Central Schools Services Block variance – the overall variance on this block was an overspend of £0.002m. As this overspend is not material no detailed breakdown of the variance has been provided.
- 2.5 Early Year's block variance - **Table 4** provides a further breakdown of this with detailed narrative in sections 2.5 – 2.6.

| TABLE 4 BREAKDOWN OF EARLY YEARS BLOCK VARIANCES | | | | |
|---|----------------------|----------------------|---|--|
| | Budget £m | Actual £m | (Under)/ Over Spend £m | (Under)/ Over Spend % |
| 1. 2 Year old funding for schools/providers (see section 2.5.1) | 3.728 | 2.936 | (0.792) | (21%) |
| 2. 3 & 4 year old funding for schools/providers (see section 2.5.1) | 16.902 | 16.381 | (0.521) | (3%) |
| 3. EY Pupil Premium | 0.242 | 0.264 | 0.022 | 9% |
| 4. EY Disability Access Funding (see section 2.5.2) | 0.090 | 0.018 | (0.072) | (80%) |
| SUB-TOTAL – Demand driven | 20.962 | 19.599 | (1.363) | |
| 5. EY Special Education Needs (SEN) funding | 0.170 | 0.170 | - | - |
| 6. EY Central expenditure | 0.954 | 0.948 | (0.007) | (1%) |
| TOTAL | 22.086 | 20.716 | (1.370) | 6% |

2.5.1 **Point 1** - This significant reported underspend on 2 year old funding in 2019/20 is as a result of a timing issue of the private/voluntary/independent (PVI) providers being pre-paid in advance in the last 2 financial years.

As a result, the summer term 2019 estimate payments hit the 2018/19 accounts rather than 2019/20 leading to a reported underspend in 2019/20.

The overall position across the last three financial years eliminating the impact of timing issues is a net overspend of £0.019m.

The large underspend in 2019/20 offsets the reported overspends in 2017/18 and 2018/19. Eliminating the timing issues, the underlying variances in each of the last 3 years were overspends of £0.128m and £0.066m in 2017/18 and 2018/19 respectively and an underspend of £0.175m in 2019/20.

2.5.2 **Point 2** – In contrast, 3 and 4 year old funding has not been affected by timing issues. This budget has shown a 3 year trend of being underspent and therefore consideration is now being given to the extent and timing of a potential further base rate increase.

2.5.3 **Point 4** – There has continued to be significantly fewer applications for early years Disability Access Funding (DAF) compared to the DfE projections underpinning our funding level. This underspend has been ring-fenced in reserves as there is an expectation from the DfE that this will be spent to support inclusion of pupils with SEND.

2.6 High Needs (HN) block variances - **Table 5** shows a summary of the HN Block variances after the

planned use of £0.201m reserves and a £1.059m Schools Block transfer to support the HN budget in 2019/20.

| TABLE 5: BREAKDOWN OF HIGH NEEDS BLOCK VARIANCES | | | | |
|---|----------------------|----------------------|---|--|
| | Budget £m | Actual £m | (Under)/ Over Spend £m | (Under)/ Over Spend % |
| 1. High Level Needs (HLN) support in mainstream schools | 4.671 | 5.003 | 0.333 | 7% |
| 2. SEN resource unit top up funding | 0.603 | 0.595 | (0.008) | (1%) |
| 3. Special schools | 9.730 | 9.629 | (0.101) | (1%) |
| 4. Net cross border top ups with other LA's - (see section 2.6.1) | 0.422 | 0.406 | (0.016) | 4% |
| 5. Post 16 HLN top ups in FE settings | 1.050 | 1.129 | 0.079 | 8% |
| 6. Independent/Non Maintained Specials | 0.790 | 0.848 | 0.058 | 7% |
| 7. Behaviour PRUs & devolved AP | 5.300 | 5.528 | 0.228 | 4% |
| 8. Hospital & Home Education | 1.777 | 1.860 | 0.083 | 5% |
| 9. Education cost residential placements - (see section 2.6.2) | 1.190 | 1.190 | - | - |
| SUB TOTAL - Demand driven | 25.533 | 26.188 | 0.655 | 3% |
| 10. Central high needs expenditure | 3.901 | 3.621 | (0.280) | (7%) |
| TOTAL HN spend (LA) | 29.434 | 29.809 | 0.375 | 1% |
| 11. Places funded via recoupment | 5.776 | 5.776 | - | |
| TOTAL (see section 2.6.3) | 35.210 | 35.585 | 0.375 | 1% |

- 2.6.1 **Point 1** – The budget for HLN support in mainstream schools, consisting of HN top up funding and additional inclusion allowance, is under pressure with growing numbers of pupils requiring this level of support. An additional £1.166m has been budgeted for 2020/21 to support a HLN funding review, initially in the primary phase.
- 2.6.2 **Point 5** – There is pressure on the post-16 HN top-up budget for pupils in FE settings although this is not growing at such a significant rate. Expenditure was 2.6% up on 2018/19. The budget for 2020/21 is £1.100m in line with 2018/19 spend.
- 2.6.4 **Point 7** – Funding required for the behaviour PRUs was 12.5% over budget, offset by increased exclusion charges - both statutory and through the devolved Alternative Provision agreement. The budget assumed the rate of permanent exclusions remained stable however, permanent exclusions of City pupils in academic year

2019/20 were up 16% on the 2018/19 academic year in the period to the end of March.

- 2.6.5 **Point 8** – The overspend relating to the Hospital & Home Education PRU is driven by increased demand for home tuition for pupils with medical needs. The 2020/21 budget takes into account this recent level of demand, which has been covered by the 8% DSG increase received for hospital education services.
- 2.6.6 **Point 10** – £0.200m of the under spend on central expenditure relates to disability access and this has been ring-fenced in the reserve to cover future commitments under **Appendix A point 1**. The under spend across central HN services was £0.080m (2.2%).
- 2.7 There were a number of further drawdowns from the SSR in year over and above the £0.280m which supported the final budget as shown in **Table 2**. These related to the reserve commitments outlined in the 2018/19 Outturn Report and **Table 6** below provides clarification:

| TABLE 6: IN YEAR RESERVE DRAW-DOWNS | |
|---|--------------|
| Reason | £m |
| Disability Access | 0.023 |
| Contribution to Nottingham Safeguarding Children’s Board (last payment) | 0.013 |
| St Mary’s temporary classroom funding | 0.044 |
| Education Services Grant reduction | 0.347 |
| EY Clawback 2019/20 | 0.005 |
| EY SEN for PVI Sector - underspend 2018/19 | 0.137 |
| Fair Access Underspend (Primary) | 0.004 |
| Routes to inclusion pilot project | 0.013 |
| Rates adjustments | 0.109 |
| Intensive Support Team | 0.102 |
| Additional High Needs Funding received in July 2019 for 2018/19 | (0.343) |
| TOTAL | 0.455 |

- 2.8 The SSR balance as at 1 April 2019 was £6.469m, after in year movements during 2019/20 the balance is £6.999m. **Table 7** below summarises the position:

| TABLE 7: RESERVE ANALYSIS | |
|---|----------------------|
| | Actual £m |
| Opening Balance as at 1 April 2019* | 6.469 |
| Less: DSG reserve supporting 2019/20 budget (See Table 2) | (0.280) |
| Less: 2019/20 Draw downs (See Table 6) | (0.455) |
| Add: 2019/20 Under spend (See Table 2) | 1.264 |
| Closing Balance as at 31 March 2020 | 6.999 |
| Less: Future Commitments (see Appendix A) | (4.775) |
| Uncommitted Balance as at a 1 April 2020 | 2.224 |

Appendix A sets out the commitments/ring fenced funding from the SSR resulting an **unearmarked balance of £2.224m.**

The uncommitted element of the SSR is 0.8% of the DSG budget; this was 0.3% as at 31 March 2019. There is no statutory requirement for the levels of this reserve however its adequacy should align to any in year risks.

Risks for schools as at 31 March 2020 would be in relation to High Needs and exclusions, with the exclusions strategy in place this risk should be significantly lowered and therefore the current uncommitted balance adequate.

Over the coming months a risk register will be developed to reflect the current climate.

- 2.9 All recommendations within this report align to the Schools and Early Years Finance (England) Regulations 2020. Future use of the reserve needs to align to the following expenditure categories set out in **Table 8.**

| TABLE 8: EXPENDITURE CATEGORIES |
|---|
| HIGH NEEDS BUDGET |
| Top-up funding – maintained schools |
| Top-up funding – academies, free schools and colleges |
| Top-up and other funding – non-maintained and independent providers |
| Additional high needs targeted funding for mainstream schools and academies |
| SEN support services |
| Hospital education services |
| Other alternative provision services |
| Support for inclusion |
| Special schools and Pupil Referral Units (PRU's) in financial difficulty |
| PFI/ BSF costs at special schools and AP/ PRUs |
| Direct payments (SEN and disability) |
| Carbon reduction commitment allowances (PRUs) |
| Therapies and other related services |
| EARLY YEARS BUDGET |
| Central expenditure on children under 5 |
| |

CENTRAL PROVISION WITHIN SCHOOLS BUDGET

Contribution to combined budgets
School admissions
Servicing of schools forums
Termination of employment costs
Falling Rolls Fund
Capital expenditure from revenue (CERA)
Prudential borrowing costs
Fees to independent schools without SEN
Equal pay - back pay
Pupil growth
SEN transport
Exceptions agreed by Secretary of State
Infant class sizes
Other Items

2.10 The value of maintained school balances has decreased during the financial year 2019/20 from £9.138m to £7.056m. This reduction includes the transfer of Ellis Guilford School's closing balance upon academisation.

3 Other options considered in making recommendations

3.1 No other options were considered as part of this report.

4 Outcomes/deliverables

4.1 To provide SF with the 2019/20 outturn position and to confirm the opening balance of the SSR for 2020/19.

5 Finance colleague comments (including implications and value for money/VAT)

5.1 This report contains financial implications.

6 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

6.1 Legal Implications

6.1.1. The current law in force in this area is the School and Early Years Finance (England) Regulations 2020, SI 2020/83. Spend from the SSR needs to align with the requirements of the Regulations.

7 HR colleague comments

7.1 Not applicable

8 Equality Impact Assessment

8.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because:

(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

9 List of background papers other than published works or those disclosing confidential or exempt information

9.1 None

10 Published documents referred to in compiling this report

10.1 Schools Forum 25 June 2019 – Outturn Report 2018/19

10.2 Schools Forum 15 January 2019 – Schools Budget 2019/20

10.3 Schools Forum 3 December 2019 – Proposed pupil growth allocation for 2020/21

APPENDIX A

| No. | | Date Approved | Funding Narrative | 2020/21 £m | Other comments |
|------------|---|---|---|-----------------------|---|
| 1 | Disability Access funding | 29 March 2012 - Agenda Item 12-03-10 | | 0.354 | |
| 2 | St Mary's temporary classroom funding | 21 January 2016 – Agenda item 6 | Funding to support temporary accommodation at Bulwell St Mary's CE Primary School | 0.056 | Funding period is Sept 2015 to July 2020. |
| 3 | Pupil growth | 16 Oct 2014 – Agenda item 10 | Balance of funding previously set aside for pupils without a school place | 0.100 | |
| 4 | Trade Union cover underspend b/f 2018/19 | 08 October 2019 – Agenda item 9 | Funding used in the calculation of the rate per pupil and lump sum per school for the financial year 2020/21 for maintained schools and academies trade union representation. | 0.044 | |
| 5 | Trade Union cover underspend b/f 2019/20 | 13 October 2020 – Agenda item 7 | Funding to be used in the calculation of the rate per pupil and lump sum per school for the financial year 2021/22 for maintained schools and academies trade union representation. | 0.015 | |
| 6 | Fair Access Contingency | 23 February 2017 Agenda item 7 | Contingency for emergency expenditure incurred by primary & secondary in year | 0.025 | Ongoing contingency of £25,000 |
| 7 | Secondary Fair Access b/f from 2019/20 | 23 February 2017 Agenda item 7 | | 0.047 | |
| 8 | Early Years DAF underspends 18/19 and 19/20 | 15 January 2019 - Agenda item 5 | Underspend must be ring-fenced for purpose consistent with DAF objectives. | 0.129 | |
| 9 | EY SEN Inclusion fund underspends 18/19 | 15 January 2019 – Agenda item 5 | Ring-fenced as proposed in EY SEN paper. This is the remaining balance after drawing down £0.137m in 2019/20. | 0.004 | |
| 10 | Underspend on Early Years Provision 2018/19 | 25 June 2019 – Agenda item 6 | | 0.652 | |
| 11 | Nethergate expansion | Linked to High Needs Consultation on Places, Schools Forum meeting 9 October 2018 | Special school expansion does not qualify for funding from the pupil growth contingency, so is funded directly from reserves. This amount allows for 9 classrooms/teaching spaces at £8,000 each plus £11k for other building set up costs (IT connection to new building, staff room and dining room). | 0.083 | |

| | | | | | |
|------------------------|---|--|---|--------------|--|
| 12 | Shortfall in historic commitments 2020/21 | 03 December 2019 – Agenda item 9 | This funding was allocated to align the approved budget for 2020/21. This was approved after the notification from the ESFA in the reduction in funding in the Central Schools Services Block in 2020/21. | 1.060 | |
| 13 | Behaviour Support Team underwrite 2020/21 | 03 December 2019 – Agenda item 5 | Funding substitute in 2020/21 to fund an income reduction in the Behaviour Support Team from maintained primaries. | 0.134 | |
| 14 | Intensive Support Team | 25 June 2019 – Update on Inclusion | Establishment and running costs of an Intensive Support Team for 12 months. | 0.072 | |
| 15 | IST/R2I expansion | 13 October 2020 – Agenda item 11 Update on Inclusion Projects | | 0.562 | |
| 16 | Initiatives to reduce exclusions, to be allocated in consultation with SF Sub-group | | | 1.438 | |
| TOTAL COMMITTED | | | | 4.775 | |