

SCHOOLS FORUM - 25 JUNE 2019

Title of paper:	2018/19 DEDICATED SCHOOLS GRANT - OUTTURN REPORT
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Summary This report sets out the 2018/19 Dedicated Schools Grant (DSG) outturn position and the updated reserve balance.	
Recommendation(s):	
1	To note that the 2018/19 financial outturn position of the DSG was an under spend of £0.955m (0.35%) against a final budget of £269.212m, 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 £6.469m for 2018/19, as per Table 8 .
3	To note that the uncommitted balance on the SSR balance is £0.689m , as per Table 8 .

1. REASONS FOR RECOMMENDATIONS

- 1.1 Enable the formal monitoring of progress against the 2018/19 DSG budget.
- 1.2 To confirm the impact of the 2018/19 outturn on the SSR and the robustness of this reserve.

2. BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 The 2018/19 initial schools budget, as reported at Schools Forum (SF) on 16 January 2018, was £267.069m.

Throughout the year budget and funding amendments of £2.143m were implemented and this resulted in a **final budget of £269.212m for 2018/19**.

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

TABLE 1: IN YEAR BUDGET MOVEMENTS	
Reason	£m
1. Early Years (EY) - In-year reduction by Education and Skills Funding Agency (ESFA) 2018/19 allocation for 3 to 4 year olds based on the update for the January 2018 census.	(0.535)
2. EY - In-year reduction by ESFA 2018/19 allocation for 2 year olds based on the update for the January 2018 census.	(0.025)
3. EY - In-year increase by ESFA 2018/19 allocation for EY's Pupil Premium based on the update for the January 2018 census.	0.010
4. Confirmation of Maintained Nursery School supplementary funding.	0.131
5. High Needs (HN) - Additional HN DSG allocation based on outcome of exceptional hospital education funding requests.	0.369
6. Impact of Nottingham College merger on high needs budget.	0.742
7. Prior year Disability Access Fund underspend from reserve distributed in line with ESFA requirements & SF proposal 15 January 2019.	0.075
8. HN - Finalisation of budget including additional use of reserves for Pupil Referral Unit/Alternative Provision as per SF paper February 2018.	1.355
9. Finalisation of pupil growth budget	0.021
TOTAL NET CHANGE	2.143

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

TABLE 2: 2018/19 OUTTURN SUMMARY				
	Budget as at 16 Jan 2018 SF report £m	Final Budget £m	Actual Spend £m	(Under)/ Over Spend £m
Schools Block (section 2.3 and table 3)	205.723	205.747	205.431	(0.316)
Central School Services Block	7.084	7.084	6.987	(0.097)
Early Years Block (see section 2.4)	22.510	22.161	21.374	(0.787)
High Needs Block (see section 2.5)	31.752	34.220	34.465	0.245
TOTALSCHOOLS BUDGET	267.069	269.212	268.256	(0.955)
Less funding not included in DSG allocation:				
ESFA Income	0.156	0.189		
DSG reserves – Note a	1.560	2.693		
DSG ALLOCATION	265.353	266.330		

Note a - The use of the DSG reserves would of been higher by £0.406m if the following had not occurred during the year:

1. The announcement in December 2018 included an £0.722m additional allocation for HN funding.
2. A DSG funding gap, identified in July 2018, relating to the impact of the Nottingham College merger of £0.316m.

In relation to the latter, the ESFA finally has now acknowledged this funding issue and agreed in May 2019 to recompense the Local Authority (LA) for this.

In July 2019, the LA will receive payment of an additional £0.343m for 2018/19 which will be reimbursed to the SSR, this is not currently reflected in the reserve balance included in this report. For 2019/20 an additional £0.360m will mitigate emerging HN's budget pressures.

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
1. Pupil Growth Contingency Fund	1.148	1.069	(0.079)
2. Trade Union Cover	0.068	0.024	(0.044)
3. Reimbursement of funding from the ESFA for business rates from in year academisations	0.000	(0.063)	(0.063)
4. Reimbursement of business rates that relate to prior to the financial year 2013/14	0.000	(0.130)	(0.130)
TOTAL	1.216	0.900	(0.316)

- 2.3.1 The underspend of £0.079m on the pupil growth fund is to be carried forward to the financial year 2019/20.
- 2.3.2 The underspend of £0.044m on the trade union cover budget was due to additional income being received into the budget than originally budgeted and some unions not utilising all of their entitlement due to trade union posts being vacant.
- 2.3.3 The LA received a reimbursement of £0.063m from the ESFA for business rates relating to the academisation of Ellis Guilford School.
- 2.3.4 A credit of £0.130m was reimbursed to the DSG for business rates reimbursement for city schools re-evaluations, this was back-dated prior to 2013/14 when the LA held the budget centrally for schools business rates. This credit has been transferred to the SSR.
- 2.4 Central Schools Services Block variance – Table 4 provides a further breakdown of this with detailed narrative in sections 2.4.1 to 2.4.3.

TABLE 4: BREAKDOWN OF CENTRAL SCHOOLS SERVICES BLOCK VARIANCES			
	Budget £m	Actual £m	(Under)/ Overspend £m
1. Virtual School	0.470	0.443	(0.027)
2. Safeguarding in Educational Establishments	0.109	0.089	(0.020)
3. Contingency	0.050	0.000	(0.050)
TOTAL	0.629	0.532	(0.097)

- 2.4.1 The Virtual School budget was underspent due to costs that were originally budgeted as being paid from the Dedicated Schools Grant funded being funded from the Pupil Premium Plus Grant.
- 2.4.2 Slippage in spend.
- 2.4.3 Contingency represents an element of the CSSB allocated to support any increase in service costs that cannot be funded from other blocks. There is no contingency in 2019/20, this was implemented during a review of the blocks commitments.
- 2.5 EY's block variance - **Table 5** provides a further breakdown of this with detailed narrative in sections 2.5 – 2.6.

TABLE 5: 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)	3.739	3.993	0.254	7%
2. 3 & 4 year old funding for schools/providers (see section 2.5.1)	16.884	16.010	(0.874)	(5%)
3. EY Pupil Premium	0.242	0.278	0.037	15%
4. EY Disability Access Funding (see section 2.5.2)	0.165	0.109	(0.057)	(34%)
SUB TOTAL - Demand driven	21.030	20.391	(0.640)	
5. EY Special Education Needs (SEN) funding	0.170	0.030	(0.140)	(82%)
6. EY Central expenditure	0.961	0.954	(0.007)	1%
TOTAL	22.161	21.374	(0.787)	(4%)

2.5.1 **Point 1 & 2** - There were significant variances on both 2 year old and 3 & 4 year old funding. The ESFA will calculate a final adjustment to our 2018/19 DSG allocation in July 2019 to take into account pupil numbers from the January 2019 schools census and EY census. We estimate this will result in a small clawback of less than £0.100m. This is not reflected in the variances shown in **Table 5** and the final adjustment, once confirmed, will need to be drawn down from the DSG reserve.

The 2 year old over spend is due to the ESFA funding LA's using the January census; this is the term where participation of 2 year olds is at its lowest point of the year; Schools and providers are funded on actual counts in each of the three terms thereby leading to a funding shortfall.

Other LA's in the East Midlands are experiencing a similar issue and this has been raised with the ESFA.

For 3 and 4 year olds there has been a beneficial impact due to the pupil counts used to support funding in 2018/19, the detail is as follows:

- As the number of pupils within the qualifying age range builds up over the course of the academic year, the spring count used to fund the LA for 3 and 4 year olds typically represents a mid-point.
- However, in 2018/19 the variation between count dates for funding coming into the LA and going out to providers has contributed around **£0.255m** to the reported underspend.
- A further **£0.430m** is due to the proportion of pupils qualifying for the deprivation supplement being lower than assumed when the Early Years Single Funding Formula was set.
- In addition, **£0.131m** relates to the late confirmation of the LA's maintained nursery supplementary funding allocation.

It is recommended (in accordance with funding guidance) that the net £0.583m underspend on 2, 3 and 4 year olds is ring-fenced in the SSR as a contingency to cover any clawback and potential impact of count discrepancies in future years.

This will be added to the £0.068m final early years under spend from 2017/18.

2.5.2 **Point 4** - The £0.197m under spend on the SEN inclusion fund and Disability Access Funding is ring-fenced in the SSR as agreed at SF on 15 January 2019. This funding will be distributed to settings for HN pupils, this basis is to be consulted on with all EY's settings.

2.6 HN block variances - **Table 6** shows a summary of the HN Block variances after the planned use of £2.453m reserves to support the HN budget.

Whilst reported high needs expenditure is just £0.245m (1%) over budget, it exceeded the LA's in-year DSG allocation for HN's by **£2.698m (8.5%)**.

Expenditure on pupils at the behaviour PRU and devolved AP allocations was 1% lower than forecasts during budget setting, but still at a level requiring the HN budget to be supplemented by £2.4m from DSG reserves.

TABLE 6: BREAKDOWN OF HIGH NEEDS BLOCK VARIANCES

	Budget £m	Actual £m	(Under)/ Over Spend £m	(Under)/ Over Spend %
1. HLN support in mainstream schools	4.323	4.277	(0.046)	(1%)
2. SEN resource unit top up funding	0.583	0.568	(0.016)	(3%)
3. Special schools	9.150	9.123	(0.026)	(0%)
4. Net cross border top ups with other LA's - (see section 2.6.1)	0.386	0.513	0.128	33%
5. Post 16 HLN top ups in FE settings	1.050	1.101	0.051	5%
6. Independent/Non Maintained Specials	0.733	0.699	(0.034)	(5%)
7. Behaviour PRUs & devolved AP	5.317	5.275	(0.042)	(1%)
8. Hospital & Home Education	1.744	1.787	0.043	2%
9. Education cost residential placements - - (see section 2.6.2)	1.083	1.263	0.180	17%
SUB TOTAL - Demand driven	24.368	24.605	0.236	1%
10. Central high needs expenditure	4.324	4.332	0.009	0%
TOTAL HN spend (LA)	28.692	28.937	0.245	1%
Places funded via recoupment	5.527	5.527		
11. TOTAL (see section 2.6.3)	34.219	34.464	0.245	1%

2.6.1 **Point 4** - The net cross border budget covers:

- Expenditure of c. £1.5m with other LA's for our HN's pupils in their settings and
- Income of c. £1m for recharging costs of HN's provision and support for non-City pupils in our schools.

The over spend constitutes a 9% increase on expenditure. This reflects a step change in the level of charges from Nottinghamshire County for City pupils receiving top-up funding in County schools, this follows a tightening up of Nottinghamshire County data processes.

This budget will need to be reviewed as part of the 2020/21 budget setting process taking this trend into account and ensure that the budget is sufficient.

2.6.2 **Point 9** - The over spend on the education cost of residential placements is due to the increasing complexity of care packages and higher numbers of young people requiring secure placements.

This budget was increased by £0.107m for 2019/20 and will need to be reviewed again as part of 2020/21 budget setting process to ensure it is sufficient.

- 2.7 There were a number of further drawdowns from the SSR in year over and above the £2.693m which supported the HN budget as set out in section 2.6. These related to reserve commitments outlined in the 2017/18 Outturn Report and **Table 7** below provides clarification:

TABLE 7: IN YEAR RESERVE DRAW-DOWNS	
Reason	£m
Additional growth funding – Without a school place (WASPS)	0.129
Contribution to Nottingham Safeguarding Children’s Board	0.013
St Mary’s temporary classroom funding	0.045
Early Years clawback relating to 2017/18	0.111
Rates adjustments	0.043
Funding for Inclusion Projects outlined in SF paper 26 June 2018	0.121
2018/19 Schools Block surplus allocated to reserve	(0.179)
TOTAL	0.293

- 2.8 The SSR balance as at 1 April 2018 was £8.500m, after in year movements during 2018/19 the balance is £6.469m. **Table 8** below summarises the position:

TABLE 8: RESERVE ANALYSIS	
	Actual £m
Opening Balance as at 1 April 2018*	8.500
Less: DSG reserve supporting 2018/19 budget (See Table 2)	(2.693)
Less: 2018/19 Draw downs (See Table 5)	(0.293)
Add: 2018/19 Under spend (See Table 2)	0.955
Closing Balance as at 31 March 2018	6.469
Less: Future Commitments (see Appendix A)	5.780
Uncommitted Balance as at a 1 April 2019	0.689

Appendix A sets out the commitments/ring fenced funding from the SSR resulting in an **unearmarked balance of £0.689m.**

The uncommitted element of the SSR is 0.3% of the DSG budget; this was 1.23% as at 31 March 2018. There is no statutory requirement for the levels of this reserve

however; this percentage is lower than that included in the LA's Medium Term Financial Strategy which is between 3-5%.

The reason for the decline in the reserve balance has been and is the need of the reserve to support increasing HN costs specifically in relation to excluded pupils. **A longer term solution is required in order to prevent destabilising the DSG budget.**

2.9 All recommendations within this report align to the Schools and Early Years Finance (England) (No. 2) Regulations 2018. Future use of the reserve needs to align to the following expenditure categories set out in **Table 9**.

TABLE 9: 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)
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/ Infant class sizes
SEN transport
Exceptions agreed by Secretary of State
Other Items

2.10 The value of maintained school balances has increased during the financial year 2018/19 from £7.430m to £9.138m.

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 2018/19 outturn position and to confirm the opening balance of the SSR for 2019/20.

5. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

5.1 This report contains financial implications.

6. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT 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 2018, SI 2018/10 and the School and Early Years Finance (England) (No. 2) Regulations 2018, SI 2018/1185. Spend from the SSR needs to align with the requirements of the Regulations.

7. HR ISSUES

7.1 Not applicable

8. EQUALITY IMPACT ASSESSMENT

8.1 An EIA is not needed as the report does not contain proposals or financial decisions.

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

x

Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in the EIA.

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 26 June 2018 – Outturn Report 2017/18

10.2 Schools Forum 16 January 2018 – Schools Budget 2018/19

10.3 Schools Forum 13 February 2018 – School Exclusions – new funding model

10.4 Schools Forum 15 January 2019 – Early Years SEN funding

APPENDIX A

No		Date Approved	Funding Narrative	2019/20 £m	Other Comments
1	Re-phased BSF Wave 5 funding	29 March 2012 - Agenda Item 12-03-10		0.450	
2	Education Service Grant reduction	23 Feb 2012	Aligns to academising schools and the impact to LA services.	0.347	Academisation of schools late and in year affects achievement of service reduction.
3	Contribution to Nottingham Safeguarding Children's Board	5 Dec 2013 - Agenda Item 6	Approve an annual contribution of £13,000 from the Dedicated Schools Grant to the NCSCB on an ongoing basis to ensure the shortfall between the income generated by the Schools and Education Safeguarding Team through the safeguarding training and the £33,000 committed is met.	0.013	
4	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	0.100	Funding period is Sept 2015 to July 2020.
5	Alternative Provision/PRU supporting 2019/20 budget	15 January 2019 Budget report	Planned reserve to support 2019/20 high needs budget	0.229	
6	Alternative Provision/PRU funding shortfall 2020/21 onwards	15 January 2019 Budget report	Forecast reserve requirement to support high needs budget in future years as per forecast in 2019/20 Schools Budget report	3.500	
7	Routes to inclusion	26 June 2018 – Agenda item 5	Element of Inclusion Project funding to support activity in summer term 2019.	0.013	
8	Robin Hood Primary business rates adjustment 17/18 & 18/19	DfE financial regs	Material in year business rate changes in accordance with financial regulations.	0.024	

No		Date Approved	Funding Narrative	2019/20 £m	Other Comments
9	Pupil growth	16 Oct 2014 – Agenda item 10	Balance of funding previously set aside for pupil growth and additional school places	0.179	
10	Early Years underspend on provision for 2,3 and 4 year olds		A proportion may be clawed back by ESFA in July 2019. This paper proposes to ring-fence remainder to manage potential future early years provision overspends.	0.652	£68,680 underspend carried over from 2017/18 plus £582,952 from 2018/19
11	Early Years DAF underspend		Ring-fence to distribute in conjunction with item13.	0.057	
12	Early Years SEN Inclusion fund underspend	15 January 2019 - Agenda item 5	Ring-fenced as proposed in Early Years SEN paper	0.140	
13	Fair Access contingency	23 Feb 2017 Agenda item 7	Contingency for emergency expenditure incurred by primary & secondary in year	0.028	Ongoing contingency of £25,000 plus £3575 underspend on primary fair access in 2018/19
14	Nethergate expansion – furniture and IT equipment		Approval for the Nethergate expansion is going to Exec Board for approval in July 2019. This sets aside funding to provide furniture and IT equipment for the new classrooms.	0.048	
TOTAL COMMITTED				5.780	