

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	18 May 2017	AGENDA ITEM:	4
TITLE:	Dedicated Schools Grant (DSG) 2016/17 Outturn, 2017/18 DSG and 2017/18 Budget Blocks		
SERVICE:	Education & Children's Services	WARDS:	All
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 This report identifies the position on the provisional outturn for the schools budget in 2016/17. It also identifies the latest position with regard to the DSG in 2017/18 and any other schools budget related budget issues.

2. RECOMMENDED ACTION FOR SCHOOLS FORUM

2.1 NOTE: the provisional financial outturn position for 2016/17 (Table 1 refers)

2.2 NOTE: Draft net deficit of £3.2m on central expenditure to be funded from future year's schools budget (DSG). A recovery plan will need to be in place to fund this given ongoing pressures on the high needs block.

2.3 NOTE: the DSG grant allocations by block 17/18 post recoupment (Table 2 Refers)

2.4 NOTE: Working group members to review the 18-19 Schools Local formula (Soft National Formula) with a view to coming back with any recommendations for change to the July meeting.

3 POLICY CONTEXT

3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

4 BACKGROUND

4.1 The DSG funds schools and is ring fenced for school pupil activity. The DSG is based upon actual pupil numbers from the October pupil count preceding the actual financial year. The grant received is split between the:

- Individual School's Budget - the ISB or delegated budget - this is formula driven;
- Centrally Retained School's Budget - the non-delegated budget.

4.2 Overspends on the DSG are carried forward and are a first call on the new year's allocation of DSG. Underspends on the DSG are carried forward to support the future year's school's budget.

4.3 The Authority must ensure that DSG is correctly spent and needs to describe the outturn position as to inform the impact upon the new year's budget position. The budget monitoring of the Authority distinguishes between how services are funded, namely by DSG or by the Local Authority.

5 PROVISIONAL OUTTURN ON SCHOOLS BUDGET 2016/17

5.1 The table overleaf is the provisional outturn position as at the end of 2016/17. Accounts closure work is still ongoing therefore the figures are subject to change.

Table 1: RBC's provisional outturn position on the Schools Budget as at 31 March 2017

	Budget	Outturn	Variance
	(£m)	(£m)	(£m)
brought forward DSG Deficit	0.8	2.0	1.2
Schools Block	48.6	48.8	0.2
High Needs Block	15.1	17.1	2.0
Early Years Block	9.4	9.2	(0.2)
Total net position	73.9	77.1	3.2

- 5.2 All delegated funds are transferred to schools, and any overspends or underspends on individual schools budgets are carried forward on the schools budget. There is a separate report on the agenda on Individual Schools Budget outturn (part of the Schools Block) called schools balances as at 31 March 2017.
- 5.3 The in-year variances on the Centrally Retained Budget are highlighted in Appendix 1. The provisional outturn position was largely in line with the forecasts being made with regard to underspending and overspending budget areas at the March meeting of Schools Forum. The LA estimated a deficit of 3.9m for 16-17 and with some small savings in centrally retained budgets, use of some grants and closing down the High Needs Accounts we currently have an outturn deficit of £3.2m.
- 5.4 There is an underspend on the Early Years Block of £0.2m largely associated with the later phasing of 2 year old places project and underspends on Early Years posts (SENCO and 30hrs) . Currently the underspend has been earmarked to go towards the High Needs underspend, but further discussions are taking place with senior management to review the impact of maintained Nursery schools within the new 17-18 early years national formula.
- 5.5 In addition there has been an overspend on the schools block by £0.2m that relates to the increase in Business Rates and the agreement from Schools forum to pay the increase rate for the growth fund from Sept 16
- 5.6 The Schools and Early Years block variances offset each other and the full deficit situation can be shown as the High Needs Deficit. This is made from £1.2m Deficit in 15-16 (after 0.8m was used to reduce) and £2m in-year. The table shows a more update view on what is happening regarding the continuing impact of the high needs pressure.

	C/Fwd	HNB	EYB	SB	Budget	Total
Year	£m	£m	£m	£m	£m	£m
14-15	(0.400)	1.300	(0.800)	(0.100)	0	0
15-16	0	2.100	0	(0.100)	0	2.000
16-17	2.000	2.000	0	0	(0.800)	3.200
17-18	3.200	2.200	0	0	(1.700)	3.700
18-19	3.700	2.400	0	0	(1.700)	4.400

6 DSG 2017/18

6.1 The final allocations of DSG have now been notified and this is summarised in the table below. This will be broken down in further detail at the July meeting of Schools Forum.

Table 2: RBC's final DSG allocations for Schools and Early Years Blocks for 2017-18

	Allocations after recoupment (£m)
Schools Block (includes ISB)	49.6
Early Years Block	12.5
High Needs Block	16.4
Total	78.5

7 SCHOOLS BUDGET 2017/18

7.1 Schools have now been notified of their budgets and are due to make returns by 19th May.

7.2 The Local Authority anticipates some schools will struggle to produce balanced budgets for 2017/18. If a school fails to set a balanced budget then the school must contact the Schools Finance Team immediately for further discussions. Some schools have already been pro-active and have been in discussion with the Finance Team.

7.3 The current options available to the Local Authority to deal with maintained school budget deficits are

- Loan arrangement with the LA and signed off by 4 governors with an approved repayment plan.
- Withdrawal of delegation (Financial management and approval responsibility's will be taken away from the school/governing board and controlled by the Local Authority).

7.4 In some instances, the school could go into a small (15k or less) deficit without a loan arrangement being put in place. However, before this is agreed, a review of 2016/17 outturn and a further review of 2017/18 budget monitoring reports will take place to assess if the deficit will increase or be managed within year.

7.5 Budget monitoring reports are required to be sent in on a timely basis from all maintained schools in September (Summer term), and January (Autumn term). These reports need to be signed off by the governing board.

8 SCHOOLS BUDGET 2018/19

- 8.1 The LA requested a working party for the review of 18-19 “soft” schools national formula and what “Reading” can do to help schools transition into the “hard” national formula in 19-20. The table in section 8.4 illustrates proposed membership.
- 8.2 The 2nd Stage results of the Consultation has been delayed from the EFA and is unlikely to be issued before September 2017. This should not stop the transitioning work required.
- 8.3 More details to follow if additional consultation for the national funding formula is required.
- 8.4 Working Group

Primary	Nicky Leroy	Caversham Primary	Business Manager
Primary	John Cosgrove	Christ The King	Head Teacher
Primary			Business Manager
Primary	Mary Shorland	EP Collier	Business Manager
Secondary	Ann McDonnel	Blessed Hugh	Business Manager
Secondary	Leo Gilbert	Reading Girls	Head Teacher
Secondary	Claire Brown	Prospect	Business Manager
Secondary	Isabelle Sandy	Kendrick	Business Manager
Independent	Laura Edmonds		

Appendix 1: 2016/17 PROVISIONAL OUTTURN (£m)

Description	Total Budget	16-17 Outturn	16-17 Variance
Schools With Weakness	0.300	0.254	(0.046)
Behaviour support services	0.215	0.215	0.000
Support to UPEG and bilingual learners	0.085	0.085	0.000
Staff costs supply cover	0.050	0.050	0.000
Top up funding - maintained providers	5.785	6.485	0.700
Top up funding - Academies and Colleges	2.991	3.293	0.302
Top up and other funding - independent	2.600	3.600	1.000
SEN support services	0.964	0.972	0.008
Hospital education services	0.181	0.181	0.000
Support for inclusion	0.629	0.629	0.000
Central expenditure on children under 5	0.075	0.075	0.000
Contribution to combined budgets	0.630	0.559	(0.071)
School Admissions	0.101	0.101	0.000
Servicing of schools forums	0.020	0.020	0.000
Capital expenditure from revenue (CERA)	0.181	0.181	0.000
Prudential borrowing costs	0.050	0.050	0.000
Growth Fund	0.966	1.260	0.286
SEN transport	0.100	0.100	0.000
Exceptions agreed by Secretary of State	0.092	0.092	0.000
Total	16.015	18.202	2.179
Individual Schools Budget	48.959	48.959	0.000
SEN Placements (First 10k)	1.766	1.766	0.000
Early Years 2-3 year old Funding	6.145	6.831	0.686
Central Establishment Charges	0.259	0.259	0.000
15-16 C/FWD (Surplus) - 2YO	0.000	(0.885)	(0.885)
16-17 C/FWD (Deficit) - SEN	0.839	2.056	1.217
Total	57.968	58.986	1.018
Total ALL	73.983	77.188	3.197

Early Years	High Needs Block	Schools
		(0.046)
	0.700	
	0.302	
	1.000	
	0.008	
		(0.071)
		0.286
0.000	2.010	0.169
0.686		
(0.885)		
	1.217	
(0.199)	1.217	0.000
(0.199)	3.227	0.169

TOTAL DSG DEFICIT 3.197

