

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	24 May 2018	AGENDA ITEM:	4
TITLE:	Dedicated Schools Grant (DSG) 2017/18 Outturn, 2018/19 DSG and 2018/19 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 2017/18. It also identifies the latest position with regard to the DSG in 2018/19 and any other schools budget related budget issues.

2. RECOMMENDED ACTION FOR SCHOOLS FORUM

2.1 NOTE: the provisional financial outturn position for 2017/18 (Table 1 refers)

2.2 NOTE: Draft net deficit of £2.9m 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 18/19 post recoupment (Table 2 Refers)

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 2017/18

5.1 The table overleaf is the provisional outturn position as at the end of 2017/18. 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 2018

	Budget	Outturn	Variance
	(£m)	(£m)	(£m)
brought forward DSG Deficit	1.8	3.4	1.6
Schools Block	48.3	47.9	(0.3)
High Needs Block	14.7	16.6	1.9
Early Years Block	12.3	12.0	(0.3)
Total net position	77.0	79.9	2.9

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 2018.

5.3 The in-year variances on the Centrally Retained Budget are highlighted in Appendix 1. The provisional outturn position has improved due to an

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extensive review over prior year SEN provisions and reviewing LA departments who receive DSG contributions to make sure the underspend is recognised within the DSG outturn. The LA estimated a deficit of 3.4m for 17-18 in March 2018 and this has reduced to £2.9m.

- 5.4 There is an underspend on the Early Years Block of £0.1m largely associated with underspends on retained Early Years budgets. This has been added to the £0.2m underspend from 16-17 and the LA with schools forum agreed for the 16-17 to be moved to the High Needs Block underspend. The £0.1m from 17-18 will be c/fwd. to then be discussed with Early Years officers and schools forum within the summer. The LA would also like Schools Forum to be aware that the 17-18 early years entitlement for 2, 3 and 4 years olds have reduced and provisions have already been put in place for the ESFA to claw back in July 2018.
- 5.5 Underspend in the Schools Block has increased due to retained budgets within the Growth Fund (30k), School Improvement (50k), Admissions (30k), other Services that include additional budget with DSG allocations (85k). The LA expects these funds to go towards the High Needs Block deficit.
- 5.6 The table shows a more up to date view on what is happening regarding the continuing impact of the High Needs pressure. This is based on all variances going towards the High Needs deficit. Noting above the £0.1m underspend in Early Years within 17-18 to be ring-fenced until future agreement has been discussed.

Table 2 - DSG surplus and Deficits by block since 2014

	C/Fwd	HNB	EYB	SB	Budget	Total
Year	£m	£m	£m	£m	£m	£m
14-15	(0.371)	1.220	(0.793)	(0.056)	0.000	0.000
15-16	0.000	2.111	0.000	(0.054)	0.000	2.057
16-17	2.057	2.010	0.000	0.169	-0.839	3.397
17-18	3.397	1.873	(0.323)	(0.327)	(1.759)	2.860
18-19	2.860	1.500	0.000	0.000	(2.193)	2.167
19-20	2.167	1.000	0.000	0.000	(1.759)	1.408
20-21	1.408	0.500	0.000	0.000	(1.759)	0.149

- 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 2018-19 before any conversions

	Allocations after recoupment (£m)
Schools Block (includes ISB)	46.9
Early Years Block	13.4
High Needs Block	17.7
Central Block	1.3
Total	79.3

7 SCHOOLS BUDGET 2018/19

- 7.1 Schools have now been notified of their budgets and the LA is currently looking into the submissions.
- 7.2 The Local Authority anticipated that schools will struggle to produce balanced budgets for 2018/19 and from the submissions and general discussions many more schools have submitted unbalanced budgets. If a school fails to set a balanced budget then the school will need to have a meeting with the Head of Education and Schools Finance Team for further discussions.
- 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 (£30k or less) deficit without a loan arrangement being put in place. However, before this is agreed, a review of 2017/18 outturn and a further review of 2018/19 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

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- 7.6 The LA recognises that 2018/19 and future years will be tough for all schools due to the increasing inflation costs with the funding only having a minimal increase. The ESFA will start to pass LAs information on 2019/20 formula details from July onwards and this will be reported back to schools forum asap.
- 7.7 For many years the expansion project for primary schools has succeeded and every child has been given a place successfully. From Sept 18 the numbers/population of primary pupils will decrease and some schools will see a major drop within their reception cohort. If these estimated numbers become reality for October Census then for 2019/20 the funding for these schools will reduce significantly. The LA is aware of this situation and will be discussing with officers and schools to prepare a response that will then be taken to Schools Forum for review and potentially approval.
- 7.8 The LA will also review the NNDR budgets for maintained primary Schools within 2018/19 and will do in year adjustments where necessary. This will be picked up within the Summer 18 term. A further review on Maintained Nursery Budgets will take place later in the year as these are treated differently to primary schools due to separate formula funding rules.

Appendix 1: 2017/18 PROVISIONAL OUTTURN (£m)

Description	Total Budget	17-18 Outturn	17-18 Variance
Schools With Weakness	0.050	0.050	0.000
School Improvement	0.233	0.233	0.000
Behaviour support services	0.177	0.177	0.000
Support to UPEG and bilingual learners	0.077	0.077	0.000
Staff costs supply cover	0.043	0.043	0.000
Top up funding - maintained providers	4.237	4.598	0.361
Top up funding - Academies and Colleges	3.352	4.442	1.090
Top up and other funding - independent	2.900	3.396	0.496
Top-up funding additional	0.500	0.507	0.007
SEN support services	0.612	0.613	0.001
Hospital education services	0.181	0.153	(0.028)
Support for inclusion	0.665	0.610	(0.055)
Therapies and other health related services	0.356	0.356	0.000
Central expenditure on children under 5	0.470	0.419	(0.051)
Contribution to combined budgets	0.630	0.580	(0.050)
School Admissions	0.159	0.129	(0.030)
Servicing of schools forums	0.020	0.020	0.000
Prudential borrowing costs	0.050	0.050	0.000
Growth Fund	0.900	0.870	(0.030)
SEN transport	0.100	0.100	0.000
Exceptions agreed by Secretary of State	0.176	0.176	0.000
Statutory / Regulatory Duties	0.462	0.462	0.000
Total	16.350	18.061	1.711
Individual Schools Budget	47.529	47.529	0.000
SEN Placements (First 10k)	1.766	1.766	0.000
Early Years 2-3 year old Funding	9.510	9.387	(0.123)
16-17 C/FWD (Deficit) - SEN	1.759	3.197	1.438
DSG Adjustment as at 31/05/2017	0.130	(0.035)	(0.165)
Total	60.694	61.843	1.315
Total with Recoupment	77.044	79.904	2.861

Early Years	High Needs Block	Schools
	0.361	
	1.090	
	0.496	
	0.007	
	0.001	
	(0.028)	
	(0.055)	
		(0.051)
		(0.050)
		(0.030)
		(0.030)
0.000	1.872	(0.161)
(0.123)		
	1.438	
		(0.165)
(0.123)	1.438	(0.165)
(0.123)	3.310	(0.326)

TOTAL DSG DEFICIT 2.861

