

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	15 th March 2018	AGENDA ITEM:	6
TITLE:	Dedicated Schools Grant (DSG) 2017/18		
SERVICE:	Education, Children & Early Help Services	WARDS:	All
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1. PURPOSE AND SUMMARY OF REPORT

1.1 This report updates the latest in year financial position.

2. RECOMMENDED ACTION FOR SCHOOLS FORUM

2.1 **NOTE:** To confirm the position on the DSG budget for 2017-18 and the high cost block deficit funding.

2.2 **DECISION:** Schools forum to approve the carry forward of the DSG deficit into 18-19. (Appendix 1 shows the current deficit forecast based upon the best knowledge and belief of finance at the end of February and therefore may be subject to change)

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 proceeding the actual financial year. The grant received is split between the:

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- 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 DSG 2017/18

- 5.1 DSG allocations will change due to academy conversions during the year and the EFA will update the 17-18 Grant when conversions have been completed. The current allocation is summarised in the table below.

Table 2: RBC's final DSG allocations for Schools and Early Years Blocks for 2017-18 (Post Academy Recoupment including Newtown and St Johns)

	Allocations after recoupment (£m)
Schools Block (includes ISB)	49.73
Early Years Block	12.31
High Needs Block	16.43
Total	78.47

6 DSG BUDGET MONITORING 2017/18 UPDATE

- 6.1 Appendix 1 has the latest in year budget monitoring position for the DSG.
- 6.2 Appendix 2 has some brief notes what is included in each line of the budget report
- 6.3 In December 2017 Schools Forum the LA announced an estimated DSG pressure of £3.692m that was made up of £4.092m pressure on High needs and estimated saving son Early Years Block of £0.270m and Schools Block of £0.130m

7 Variances Update

7.1 Early Years Block

7.1.1 The annual budget is based on actual uptake of early years entitlement (“bums on seats funding”), this means any increase or decrease in numbers based on the LA original allocation will be fully funded or funding will be clawed back (by the ESFA) in the following year (July18).

7.1.2 As stated in previous School forum papers, the LA with agreement of Schools forum carried over £200k from 16-17. This will be offset towards the High Needs pressure within 17-18.

7.1.3 The LA have also reviewed the Business Rates and Rent budgets for Maintained Nurseries and have agreed a one off lump sum to fund these for 17-18. This has used the remaining contingency for 17-18.

7.2 High Needs Block

7.2.1 There is a separate paper at March 2018 schools forum meeting to go in to greater detail of the current 17-18 high needs block pressure.

7.2.2 Due to some re-organising and agreed use of some post 16 grant, the December forecast has reduced from £4.092m to £3.750m, a reduction of £342k. There have been plenty of increases and decreases over many budgets but the main reduction can be attributed to the use of post 16 grant for Cranbury College Post 16 provision of £341k.

7.3 Schools Block

7.3.1 Most of the schools central budgets are classed as contributions and the majority of areas will not be overspent as the LA would pick up any overspends. To note, St Mary’s and All saints has had its delegation withdrawn due to the latest Ofsted report and finances. This will mean increase school improvement capacity is needed and will draw down additional funds from the savings in other school improvement projects.

7.3.2 Growth fund for 17-18 has been fully committed towards ongoing primary expansion costs. The falling roles element of this budget has been used for the Highdown expansion agreement that was agreed at schools forum in May 2017. The contingency element has been used for reviewing the NNDR rates for schools and adjustments have been made in year. NNDR changes are due to the national changes in April 17 and updated valuations department catching up with new school buildings.

7.3.3 Reading applied for some funding clawback relating to the summer element of the growth fund for academies. This funding has been given back through academy recoupment. This has automatically been put up for a saving on line 28.

8 SCHOOLS FORUM DECISION ON CARRYING FORWARD THE DEFICIT

8.1 With regard to the position on the high needs block deficit being carried forward into the 2018/19 budget, the latest position is as set out below:

	£m	Key
Carry forward from 2016-17	3.397	A
Budget to reduce c/fwd from 17-18 allocation	(1.759)	B
Unfunded Deficit Total (as at 1 st April 2017)	1.638	A+B=C
Overspend - High Needs Block 17-18 (estimated)	2.113	D
Underspend – Schools/Early Years Block 17-18	(0.330)	E
Deficit carry forward into 18/19 to be approved by Schools Forum	3.420	C+D+E
Budget to reduce c/fwd from 18-19 allocation	(2.193)	F
TOTAL - remaining after funds allocated (as at 1st April 2018)	1.227	E-F

8.2 The table below shows a more updated view on what is happening regarding the continuing impact of the High Needs Pressure. The LA has also estimated future years with a potential scenario. Future projections can change due to many circumstances that include DSG allocations and Pupil movement/EHCP numbers.

Year	C/Fwd £m	HNB £m	EYB £m	SB £m	Budget £m	Total £m
14-15	(0.371)	1.220	(0.793)	(0.056)	0	0
15-16	0	2.111	0	(0.054)	0	2.057
16-17	2.057	2.010	0	0.169	(0.839)	3.397
17-18	3.397	2.113	(0.200)	(0.131)	(1.759)	3.420
18-19	3.420	1.500	0	0	(2.193)	2.727
19-20	2.727	1.000	0	0	(1.759)	1.968
20-21	1.967	0.500	0	0	(1.759)	0.708

8.3 Local authority will propose to carry forward the funding of this deficit, into the 2018/19 financial year and Schools Forum will need to approve this at the March 2018 meeting.

8.4 If Schools forum are unable to agree the carry forward then the LA would have no choice but to apply for exception circumstances decision from the ESFA/Secretary of state.

Budget Monitoring Update

Appendix 1: 2017/18 DSG BUDGET MONITORING (£m)

No	Description	£m			£m		
		Total Budget	17-18 Outturn	17-18 Variance	Early Years	High Needs Block	Schools
1	Schools With Weakness	0.050	0.050	0.000			0.000
2	School Improvement	0.233	0.233	0.000			0.000
3	Behaviour support services	0.177	0.177	0.000			0.000
4	Support to UPEG and bilingual learners	0.077	0.077	0.000			0.000
5	Staff costs supply cover	0.043	0.043	0.000			0.000
6	Top up funding - maintained providers	4.237	4.636	0.399		0.399	
7	Top up funding - Academies and Colleges	3.352	4.545	1.193		1.193	
8	Top up and other funding - independent	2.900	0.483	0.483		0.483	
9	Top-up Funding - Additional	0.500	0.513	0.013		0.013	
10	SEN support services	0.612	0.587	(0.025)		(0.025)	
11	Hospital education services	0.181	0.153	(0.028)		(0.028)	
12	Support for inclusion	0.665	0.622	(0.043)		(0.043)	
13	Therapies and other health related services	0.356	0.356	0.000		0.000	
14	Central expenditure on children under 5	0.470	0.470	0.000	0.000		
15	Contribution to combined budgets	0.630	0.630	0.000			0.000
16	School Admissions	0.159	0.159	0.000			0.000
17	Servicing of schools forums	0.020	0.020	0.000			0.000
18	Prudential borrowing costs	0.050	0.050	0.000			0.000
19	Growth Fund	0.900	0.900	0.000			0.000
20	SEN transport	0.100	0.100	0.000		0.000	
21	Exceptions agreed by Secretary of State	0.176	0.176	0.000			0.000
22	Statutory/ Regulatory duties (ESG)	0.462	0.462	0.000			0.000
23	Total	16.350	18.342	1.992	0.000	1.992	0.000
24	Individual Schools Budget	48.955	48.955	0.000			0.000
25	SEN Placements (First 10k)	1.766	1.886	0.120		0.120	
26	Early Years Funding (including 30hrs)	9.510	9.310	(0.200)	(0.200)		
27	17-18 C/FWD (Deficit) - SEN	1.759	3.397	1.638		1.638	
28	DSG Adjustments as at 31/5/2017	0.130	0.000	(0.130)			(0.130)
29	Total	62.120	63.548	1.428	(0.200)	1.758	(0.130)
30	Total ALL	78.470	81.890	3.420	(0.200)	3.750	(0.130)

TOTAL DSG DEFICIT 3.420

Appendix 2: Additional information for Appendix 1 table

Explanations of DSG reporting lines.

DE-DELEGATIONS

Line 1 - Schools With Weakness - Fund to assist schools in financial pressures. Schools Forum to approve any spends. (Reading Girls applied and was approved for 17-18)

Line 2 - School Improvement - To fund staff and Projects within the service. Primary Heads have reviewed the School Improvement budget and some projects will not be going ahead.

Line 3 - Behaviour Support Services - Passported to Cranbury College to supply this service

Line 4 - Support to UPEG and Bilingual Learners - Also known as Equality services

Line 5 - Staff Costs to Supply Union Cover - Union support with supply cover for union duties

SEN /HIGH NEEDS BLOCK

Line 6 - Top-up funding for maintained providers - EHCP top-ups for maintained early years, primary, secondary, special and alternative provisions within any LA that has a Reading financial responsibility for the EHCP. This also includes Pupils without EHCPs in Pupil referral units.

Line 7 - Top-up funding for Academies and Colleges - EHCP top-ups for Academies, free schools and colleges within the Early years, primary, secondary, special, alternative and college provisions within any LA that has a Reading financial responsibility for the EHCP

Line 8 - Top-up funding and other funding Independents - EHCP Top-ups for Independent and non-maintained special schools. This can also include independent alternative placements.

Line 9 - Top-up funding additional - This would include the primaries and secondary's cluster funding and external alternative provisions.

Line 10 - SEN Support Services - This includes Sensory Consortium, Portage and ASD Services

Line 11 - Hospital Education Services - This includes Hospital Education unit at Royal Berkshire Hospital and Education for Pupils in Tier 4 CAMHS Hospital placements

Budget Monitoring Update

Line 12 - Support for Inclusion - Hard to Place fun, Early Years Cluster funding and central staffing in Education department.

Line 13 - Therapies and other Health Related services - Contribution towards Speech and Language, Occupational and Physio therapy.

Line 25 - SEN Placements (first 10k) - Placement funding for Academies (Mostly Avenue)

Line 27 - 17-18 C/FWD - The deficit carry forward from 16-17 was £3.397m that was relating to the High Needs and Schools Block overspend. There was an underspend on early years of £0.2m. Overall £3.197m deficit has been reported to the DfE as Reading's carry forward on DSG.

EARLY YEARS

Line 14 - Central Expenditure on Children under 5 - Contingency funding within the Early Years Block and Early Years Team Staff

Line 26 - Early Years formula funding - 2,3,4 year old funding including deprivation and early Years pupil premium and other early years grants relating to maintained nurseries and disability.

SCHOOLS RETAINED BLOCK

Line 15 - Combined Budgets - cover areas such as Commissioning, school improvement advisors, MASH (Multi Agency Safeguarding Hub), virtual school for looked after children, Early Help - children action teams that covers family workers, Welfare, CAMHs and Education Psychology.

Line 16 - School Admissions - contribution towards Admissions for all Reading Schools

Line 17 - Serving of Schools Forum - Preparation for Schools forum

Line 18 - Prudential Borrowing costs - Borrowing costs for schools capital programme has historically been and will be funded by borrowing over many years. This is a small contribution to the overall borrowing costs.

GROWTH FUND

Line 19 - Growth fund - The growth fund budget was set at £900k for 17-18. £745k of the £900k was already committed towards the primary expansion project. Schools forum agreed to continue the funding for Highdown additional class in Mays Schools Forum at a cost of around £113k for the 12 months.

OTHERS

Line 20 - SEN Transport - Contributions to SEN School Travel

Line 21 - Exceptions agreed by secretary of State - Copyright Licences central (national) contract.

Line 22 - Statutory duties - formally known as the Education Services Grant

Line 24 - Individual School Budget - Schools formula budget for maintained Primaries and Secondary's)

Line 28 - DSG Adjustment - Reading applied for some funding clawback relating to the summer element of the growth fund for academies. This funding has been given back through academy recoupment. This has automatically been put up for a saving on line 28 but could support additional spend within the Growth fund.

Line 30 - Outturn Total - The LA are forecasting a £3.4m pressure on the DSG by end of March 2018