

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	14 July 2016	AGENDA ITEM:	4
TITLE:	Dedicated Schools Grant (DSG) 2015/16 Outturn & 2016/17 DSG		
SERVICE:	Education, Children & Early Help Services	WARDS:	All
AUTHOR:	Russell Dyer/ Steve Davies	TEL:	0118 937 2398/ 4161
JOB TITLE:	Corporate Finance Business Partner/ Principal Accountant	E-MAIL:	russell.dyer@reading.gov.uk steven.davies@reading.gov.uk

1. PURPOSE AND SUMMARY OF REPORT

- 1.1 This report identifies the position on the provisional outturn for the schools budget in 2015/16 which is largely the same as identified at the last meeting and is subject to detailed review by the Council's external auditor EY LLP. It also identifies the latest position with regard to the DSG in 2016/17 and any other schools budget related budget issues.

2. RECOMMENDED ACTION FOR SCHOOLS FORUM

To note:

2.1 The pre audit financial outturn position for 2015/16 is the same as reported at the May 2016 meeting of Schools Forum (Table 1 refers)

2.2 The pre audit carry forward of DSG into 2015/16 (Table 1 & para 5.7 refers) is the same as at the last meeting, noting that the majority of this funding relates to the early years block.

2.3 The DSG grant allocations by block 16/17 post recoupment (Table 2 Refers)

2.4 The in year 16/17 budget monitoring position on the DSG, noting the pressure on the high needs block flowing from the carry forward deficit and the in year pressure. A verbal report will be given on this matter at the meeting.

2.5 To note the budget risk with regard to academy converter deficit and a potential mitigating actions.

2.6 To consider an application for additional Growth Fund/ Falling Rolls from a primary school & Secondary School respectively.

2.7 To note the direction of travel on the Growth Fund Review working party.

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 PRE AUDIT OUTTURN ON SCHOOLS BUDGET 2015/16

- 5.1 The table overleaf is the pre audit outturn position as at the end of 2015/16. This is the same position as reported to the May meeting of Schools Forum.

Table 1: RBC's pre audit outturn position on the Schools Budget as at 31 March 2016

	Budget	Outturn	Variance
	(£m)	(£m)	(£m)
brought forward DSG surplus (2YO)	0.000	(1.4)	(1.4)
Schools Block	51.4	51.3	(0.1)
High Needs Block	14.6	16.7	2.1
Early Years Block	9.4	8.5	(0.9)
Total net position	75.4	76.5	1.1

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 was a separate report on the agenda of the last meeting on Individual Schools Budget outturn (part of the Schools Block) called schools balances as at 31 March 2016. There is a report on the agenda of this matter which considers schools which have reported excess balances.

5.3 The key variances were reported at last meeting and are not repeated here.

6 DSG 2016/17

6.1 The final allocations of DSG will be notified to the council from the EFA by the end of July, changes will be around academy recoupment and Early Years funding. The current allocation is summarised in the table below.

Table 2: RBC's final DSG allocations for Schools and Early Years Blocks for 2016-17

	Allocations after recoupment (£m)
Schools Block (includes ISB)	50.8
Early Years Block	9.8
High Needs Block	15.3
Total	75.9

7 SCHOOLS BUDGET 2016/17 ISSUES & BUDGET MONITORING

7.1 The budget monitoring for 2016/17 is shown at Appendix 1 to this report. The highlights of this are a £3.6m pressure on the high cost block flowing from the

£1.2m deficit brought forward from 2015/16 together with the £2.4m in year deficit, based upon latest estimates (verbal update on the agenda).

- 7.2 The other key risk on the DSG budget is that schools which are not good or outstanding may become academies and if they also have deficits will leave the schools budget with these deficits, and this will effectively these having to be funded by the remaining schools. Based upon the outturns reported for 2015/16 at the last meeting, the budgets returned by schools for 2016/17 and the latest categorisation of schools this is becoming a significant risk to the budget.. This is not currently recognised as a pressure although work is ongoing with the affected school to reduce the liability to a certain extent. The report on schools excess balances also offers some opportunity to fund a provision to meet such future liabilities should they crystallise. However it should be noted that excess balances is a decision for Schools Forum and not the Local Authority.

8 FALLING ROLLS REQUEST: HIGHDOWN SCHOOL

- 8.1 We have received a request from the above school for the falling rolls fund, this states 'Highdown School and Sixth form centre is facing a very difficult 2 years. With the increased number of students in the LA not yet at secondary level and the opening of new provision, our numbers in year 7 and 8 next year are not full. We have been advised, as a school, from the LA that increase in secondary numbers will require Highdown to increase PAN. Discussions to this effect have been on going since I joined Highdown School and Sixth form centre in 2013.
- 8.2 Highdown does not have a surplus or any contingency from its conversion to academy status. All funds were invested into the site at the time to improve facilities for students by end of 2011. Highdown School and Sixth form centre is still in debt to the LA for repayment of the loan on our hall. Despite cuts in funding we have been working to ensure we have a balanced budget. We have, in fact, cut £500k each year from our expenditure over the previous 3 years.
- 8.3 Highdown School and Sixth form centre has an EFA contact working with us to support our financial position over the next few years. This EFA contact directed Highdown to Reading Schools' forum our budget and projected cash flow to request falling roll support given our specific circumstances.
- 8.4 The criteria for falling rolls support is set out below with mark up comments against each criterion.

Falling Rolls Scheme Criteria

Judged Good or Outstanding	Good
Surplus capacity exceeds 30 pupils or 20% of PAN	Yes as planning for 250 in advance of the bulge classes locally.
Local planning data shows requirement for at least 50% of surplus places within next 2 years	Highdown has been in discussion with LA regarding this for a number of years and advised that this is so.
Formula funding available to school will not support provision of appropriate curriculum for existing cohort	The figures in the budget support this as does the cash flow.
School will need to make redundancies in order to contain spending within its formula budget	This will be needed: headcount reduction of 7 this year; same again needed next to balance budget and no natural wastage left.
Does not have surplus balance in excess of 5% of SBS at 31/8/14 or 31/8/15	No surplus in the last 3 years

8.5 Highdown is therefore, applying to Schools Forum for support in this matter. EFA advised that their application would be supported by them and they would want to see this supported by local forum. ‘

8.6 Whilst the Authority appreciates the position that the school is in, it is doubtful that this meets the falling rolls fund criteria due to the following:

- The rolls have not fallen from the published PAN (220)
- We are unable to verify the position on the financial accounts & redundancies as the school has not currently provided these

8.7 However, we believe that this may be a future call on a revised growth fund scheme as discussed in section 10 of the report should Schools Forum approve such a scheme.

9 GROWTH FUND REQUEST: ST MARTINS RC PRIMARY

9.1 As per last year the schools has made a case (attached as Appendix 2) for exceptional growth funds. This pertains to pupil numbers not meeting growth estimates, coupled with the small size of the school which mean that costs are not easily absorbed as they would be for a large school. A similar claim

for £15k was made to the growth fund contingency last year and was granted by Schools Forum. The claim this year is also for £15k. Schools Forum is asked for its views on this claim.

10 GROWTH FUND WORKING PARTY

- 10.1 As agreed at the last meeting a working part was formed to look at the issues raised on the growth fund scheme and has met. We are grateful to Charlie Clare (Geoffrey Field Junior), Justine McMinn (EP Collier) and Louise Scott (Alfred Sutton).
- 10.2 The key issues were discussed. It appears that there are some additional costs associated with expanding schools which are not being recognised in the basic revenue funding of the scheme and also within the capital programme. It was agreed to review the data from a sample of schools to ascertain the nature of this additional expenditure and to establish how this might best be funded. Potential options would be schools funding from their own resources, a capital lump and/ or a revenue lump sum. This would be dependent upon funding resources being available.
- 10.3 The other issues that was considered is whether classes within expanding schools are not operating at full capacity. It was agreed that the Authority would look at potential options to assist schools by formalising a bidding contingency scheme. This would help to regularise the position with regard to the claims made separately in this report by both Highdown and St Martins RC Primary School. Again this would depend on funding being available, based upon a sliding scale of vacant places on expansion classes and set % of the claim being met. Any scheme will have to start in 2017/18 financial year and will be subject to any potential change to the national funding scheme.
- 10.4 The working group will meet again in September to consider any modelling and proposals put forward by the Local Authority. The group has also agreed to collect any such data to support the modelling exercise. Following that meeting proposals will be brought back to Schools Forum in October for consideration and approval.

Appendix 2: 2016/17 DSG BUDGET MONITORING

Description	£m		
	Total Budget	16-17 Outturn	16-17 Variance
Schools With Weakness	0.300	0.300	0.000
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	3.791	0.800
Top up and other funding - independent	2.600	3.400	0.800
SEN support services	0.964	1.064	0.100
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	0.630	0.000
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	0.966	0.000
SEN transport	0.100	0.100	0.000
Exceptions agreed by Secretary of State	0.092	0.092	0.000
Total	16.015	18.415	2.400
Individual Schools Budget	51.147	51.147	0.000
SEN Placements (First 10k)	1.766	1.766	0.000
Early Years 2-3 year old Funding	6.145	7.030	0.885
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	60.156	61.373	1.217
Total ALL	76.171	79.788	3.617

£m		
Early Years	High Needs Block	Schools
		0.000
		0.000
		0.000
		0.000
	0.700	
	0.800	
	0.800	
	0.100	
	0.000	
	0.000	
0.000		
		0.000
		0.000
		0.000
0.000		0.000
		0.000
		0.000
	0.000	
		0.000
0.000	2.400	0.000
		0.000
	0.000	
0.885		
0.000	0.000	0.000
(0.885)		
	1.217	
0.000	1.217	0.000
0.000	3.617	0.000

TOTAL DSG DEFICIT

3.617

