**SCHOOLS FORUM MEETING – 17th SEPTEMBER 2014**

**2013-14 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members on the 2013-14 DSG outturn position and overall contingency balance.

**Background - DSG 2013-14 Outturn position**

As members are aware from the beginning of the 2013-14 financial year the DSG is now split into notional blocks which are:

* Schools Block
* High Needs Block
* Early Years Block

Whilst the blocks are notional and it is possible to move funding between blocks to reflect the needs, pressures and priorities of the geographical area it is now appropriate to report the outturn position with reference to the notional blocks.

**DSG 2013-14 Outturn position**

The outturn position for each of the notional blocks together with an explanation of the main reasons for the variances is shown below:

**Schools Block**

The outturn position for the Schools Block is an under spend of £0.394M. The main reasons for this were:

|  |  |  |
| --- | --- | --- |
| **Spend** | **Variance £M** | **Reason** |
|  |  |  |
| Growth in PAN Fund | (0.281) | 2013 -14 £300k fund not required. Fund reduced to reflect this in 2014-15. To be built into the funding formula in 2015-16. |
| Schools in Financial Difficulties | (0.092) | Not required in 2013-14. |
| Other | (0.021) |  |
|  |  |  |
| **TOTAL** | **(0.394)** |  |

In accordance with the regulations and guidance the Growth Fund will be fed back into the funding formula in 2015-16.

**High Needs Block**

The outturn position for the High Needs Block is an under spend of £1.103M. The main reasons for this were:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £M** | **Reason** |
|  |  |  |
| Learner Support Service (Alternative Provision) | (0.187) | BAC’s income £0.3M. No target was set in the first SEN Financial Plan as the scale of income collection could not be accurately estimated. |
| SEN Transport | 0.126 | Charge reflects costs incurred by the Council. Capped at £0.3M for 2014-15 onwards. |
| SEN Services | (0.126) | A significant number of vacancies existed during and throughout the year. |
| Statements | (0.120) | Underspend in part due to inter authority recoupment which ended mid year. In 2014-15 this budget was combined with the statements budget and does not exist. |
| SEN Contingency | (0.167) | Contingency not required in full. Going forward it is now considered prudent to release this contingency. |
| ESBD | (0.467) | Facility not opened as originally planned. In 2014-15 this budget has been re-allocated and does not exist. |
| Other | (0.162) |  |
|  |  |  |
| **TOTAL** | **(1.103)** |  |

**Early Years**

The outturn position for the Early Years Block is a net under spend of £0.679M. The main reasons for this were:

|  |  |  |
| --- | --- | --- |
| **Service** | **(Under) / overspend variance £M** | **Reason** |
|  |  |  |
| Early Years 3 – 4 year old contingency | (0.449) | In 2013-14 this contingency was not required as starters and leavers to the sector self funded. See paragraph \* below. |
| 2 year old free nursery provision | (0.219) | Slower than expected take of access to free nursery provision by 2 year olds. |
| Trajectory building | (0.391) |  |
| Conversion to capital | 0.4 | See below paragraph\*\*. |
| Other | (0.020) |  |
|  |  |  |
| **TOTAL** | **(0.679)** |  |

\* At the Schools Forum meeting on 25th June 2014 Schools Forum members asked officers to look at the EY hourly rates. The conclusion drawn is that these can increase, however rather than a blanket hourly rate increase it is felt there should be some reference to quality of provision. This would bring this element of funding into line with 2 year old funding. Contact has been made with the EY representatives on the Schools Forum to request they work with officers to work towards this.

\*\* At the Schools Forum meeting on the 19th March 2014 a proposal was put forward by officers to convert an amount of £0.400M from the Early Years trajectory revenue funding, received in 2013-14, to capital to be used to assist with the increased eligibility targets in 2014-15 in respect of 2 year old free nursery provision. Schools Forum supported this requested which was then submitted to the Secretary of State for approval. This approval was received on the 15th July 2014.

**Contingency Balance**

In determining the level of balances to be retained a number of factors need to be considered and a balance struck between ensuring the DSG allocation is spend on the children of today but there being sufficient funds to meet any unforeseen costs without have to reduce individual allocations in future years.

In recent years the balances held have been substantial, this approach was recommended by officers and supported by the Schools Forum members. The rationale for this was predominantly around the potential turbulence and uncertainty caused by the move to the new funding system. However during this time a number of one off payments have been made to schools as were felt appropriate and prudent at the time. Whilst the changes in the funding mechanisms are now into there second year further changes are proposed, particularly around the high needs block, the precise impact of which is cannot be determined. The specific matters are:

* Plans to increase the AP per place funding from £8,000 to £10,000 (Schools and Early Years Finance (England) Regulations 2014.
* Plans to introduce a more formulaic way of distributing the High Needs Top Up funding (DfE – Fairer schools funding: Arrangements for 2015-16 – July 2014).
* Plans to introduce an Early Years National Funding formula (DfE – Fairer schools funding: Arrangements for 2015-16 – July 2014).

The level of reserves held by Local Authority’s is now being scrutinised by the Education Funding Agency (EFA) and guidance has been issued advising that this should be no more than 5%. Whilst the 5% is not prescriptive LA’s will need to explain why they are holding amounts over and above this level

**Contingency Balance as at 31st March 2014**

At the start of the financial year the DSG contingency balance brought forward was £2.866M. From this amount officers, in conjunction with the Schools Forum allocated £1.5M as a one-off payment to all schools through the 2014-15 Funding Formula which reduces the balance to £1.366M.

For the financial year 2013-14 a net DSG underspend of £2.176M is reported, after deducting £0.4M for the conversion to capital of Early Years DSG. Of this sum £0.394M relates to the Schools Block which is required to be fed back into the formula in 2015-16.

The balance in contingency as at the 31st March 2014 is therefore £3.148M. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| DSG Contingency as at the 1 April 2013 |  | 2.866 |
| Less: One off payment added to the 2014-15 funding formula | (1.500) |  |
|  |  | 1.386 |
|  |  |  |
| 2014-15 net in year underspend |  | 2.176 |
| Less: Schools Block |  | (0.394) |
|  |  |  |
| DSG Contingency as at the 31 March 2014 |  | 3.148 |

**Actions**

The amount of £3.1M is in excess of our 5% balance limit by £0.9M. The amount of £3.1M does not reflect the current financial year projected outturn which is showing an underspend. As a result:

* A one-off payment to all maintained schools and academies (similar to last year is possible). Prior to doing this an application has to be made to the Department for Education (DfE) and approval gained. An application has been made and a as decision is awaited. The overall level of one off payment will only be able to be determined nearer to the Final model submission in January 2015 but is expected to be at the least similar to the distribution made in 2013-14.

**Recommendations**

It is recommended that:

1. Schools Forum note the 2013-14 DSG outturn position.
2. Schools Forum note the actions to be taken in respect of the EY hourly rate review
3. Schools Forum support the revisions to the SEN Plan to reflect an income target in respect of the BAC’s and the release of the SEN contingency. That any issues such as shortfall income will be addressed in the following financial year.
4. Schools Forum support the application to the Secretary of State to make a one-off payment to schools.
5. School Forum consider other one off funding proposals to support education based activities.

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