**SCHOOLS FORUM MEETING – 1st JULY 2015**

**2014-15 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members on the 2014-15 DSG outturn position and overall contingency balance.

**Background - DSG 2014-15 Outturn position**

As members are aware as 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 2014-15 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 £0.555m. The main reasons for this are:

|  |  |  |
| --- | --- | --- |
| **Spend** | **Variance £’M** | **Reason** |
|  |  |  |
| Contingencies not required in year | (0.373) | During the year a number of centrally retained contingencies, predominantly the Growth Fund and the Falling Roles contingency have not been required along with a number of contingencies retained through the de-delegation provisions. |
| In year windfall | (0.189) | During the year a national rates revaluation exercise has taken place looking back over several years which has resulted in an overall rate rebate being received on the school portfolio. |
| Other | 0.006 |  |
|  |  |  |
| **TOTAL** | **(0.555)** |  |

In accordance with the regulations and guidance the above has been fed back into the schools funding formula for 2015-16 as part of the one-off £2.5m payment to schools and academies.

**High Needs Block**

The outturn position for the High Needs Block is an under spend of £1.315m. The main reasons for this are:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £’M** | **Reason** |
|  |  |  |
| Alternative Provision | (0.095) |  |
| SEN Services | (0.949) | This significant underspend has been brought about by a number of factors, the BAC’s income has more than covered the cost of the service by £0.3m, the EBD School and ASD provision did not proceed as originally planned, £0.5m, a number of vacancies have existed throughout the year, £0.1m and the in-year SEN Contingency was not required of £0.1m. |
| Agency Placements | (0.304) | An under spend on the original budget has arisen due to post 16 costs being correctly allocated. |
| Post 16 | 0.234 | An overspend on this budget has arisen predominantly due to a rise in the number of 16 year olds and more accurate budget costing. |
| Other | (0.201) | Net underspends on the remaining budget areas. |
|  |  |  |
| **TOTAL** | **(1.315)** |  |

Further detail budget information on the outturn of the above service areas is provided at Appendix A.

In respect of the above the High Needs Block Allocation for 2015-16 has correct some of these underspend areas and others particularly the ASD are now coming into operation.

**Early Years**

The outturn position for the Early Years Block is a net under spend of £1.657m. The main reasons for this were:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £’M** | **Reason** |
|  |  |  |
| Early Years 3 – 4 year old contingency | (0.447) | In 2014-15 this contingency was not required as starters and leavers to the sector self-funded. |
| Flexible Funding Entitlement - 2 year old free nursery provision | (1.210) | Slower than expected take-up of access to free nursery provision by 2 year olds. |
|  |  |  |
| **TOTAL** | **(1.657)** |  |

At its meeting on the 17th March 2015 Schools Forum agreed a significant increase in the hourly rates for the early years provision commencing on the 1st April 2015. As a result the centrally retained contingency for 3 – 4 year old funding has been reduced significantly and the level of underspend should not occur in future years.

In respect of the Flexible Funding Entitlement - 2 year old free nursery provision then during the year funding was awarded based on the number of eligible families. Take up has been considerable less especially in the early part of the year which has resulted in the large under spend. Going forward in future years the DfE have advised that funding will be based on participation and therefore only those children taking up the entitlement will be funded. As a result therefore this underspend should not occur in future years.

**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 spent 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 their 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 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).
* An announcement of year budget reductions by central government with specific reference made to Early Years funding

The level of DSG reserves held by Local Authority’s continue to be 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 2015**

At the start of the financial year the DSG contingency balance brought forward was £5.048m. 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 and a conversion of £0.4m DSG revenue to capital in respect of Early Years capacity building which reduced the balance to £3.148m.

The balance in contingency as at the 31st March 2015 is therefore £3.148m. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| **DSG Contingency as at the 1 April 2014** |  | 5.048 |
| Less: One off payment added to the 2014-15 funding formula | (1.500) |  |
| Less: Conversion to capital | (0.400) |  |
| Less: Other in year utilisations | (0.064) |  |
| **DSG Contingency as at the 31 March 2015** |  | 3.084 |
|  |  |  |
| 2014-15 net in year DSG block underspends |  | 3.527 |
|  |  |  |
| **DSG Contingency as at the 31 March 2015** |  | **6.611** |

Of this amount commitments have already been entered into as follows:

* A one-off payment to all maintained schools and academies totalling £2.5m through the 2015-16 funding formula.
* £0.500m to fund early years play workers over the next 2 years
* £0.100m is respect of ASD set up costs.

The uncommitted amount remaining of £3.511m is £1.351m above the 5% balance. Confirmation of this sum will not be possible until the impact of the Emergency Budget on the 8th July has been assessed.

**Recommendations**

It is recommended that:

1. Schools Forum note the 2014-15 DSG outturn position.
2. That officers report back in respect of the proposed usage of the contingency balance after the impact of the in-year budget cuts has been announced.

Contact Officer: David Kirven, Service Finance Manager –Business Partnering.

**Appendix A**

**HIGH NEEDS BLOCK 2014-15 OUTTURN POSITION**

|  |  |  |  |
| --- | --- | --- | --- |
| **SERVICE** | **BUDGET £’m** | **OUTTURN £’m** | **VARIANCE £’m** |
|  |  |  |  |
| Alternative Provision | 1.260 | 1.165 | (0.095) |
| SEN Services | 2.062 | 1.113 | (0.949) |
| Agency Placements | 2.258 | 1.954 | (0.304) |
| Post 16 | 0.765 | 0.999 | 0.234 |
| Other | 5.969 | 5.768 | (0.201) |
|  |  |  |  |
| TOTAL | **12.314** | **10.999** | **(1.315)** |