

SCHOOLS FORUM MEETING – 6TH JULY 2016**2015-16 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance****Introduction**

The purpose of this report is to advise School Forum members on the 2015-16 DSG outturn position and overall contingency balance.

Background - DSG 2015-16 Outturn position

As members are aware from the beginning of the 2013-14 financial year the DSG is 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 2015-16 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 in- year Schools Block is an under spend of £0.634M. The main reasons for this are:

<u>Spend</u>	<u>Variance £'M</u>	<u>Reason</u>
Under-allocated DSG, contingencies not required and de-delegated budgets.	(0.517)	This amount is comprised of a number of items. The main one being the under allocation of the Schools Block when setting the 2015-16 Schools Funding Formula. This amounted to £0.3m.
Growth and Falling Rolls	(0.088)	During the year a number of calls on both funds were made, however only one of these met the criteria as agreed with the Schools Forum.
Other	(0.029)	

TOTAL	(0.634)	

In accordance with the regulations and guidance the above was considered when determining the amount to be fed back into the schools funding formula for 2016-17. An amount of £2.5m was agreed as a one-off payment to schools and academies.

High Needs Block

The outturn position for the High Needs Block is an under spend of £0.745m. The main reasons for this are:

<u>Service</u>	<u>Variance £'M</u>	<u>Reason</u>
Alternative Provision	0.338	This is the cost of additional places commissioned during the year and statement funding adjustments.
SEN Services	(0.591)	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 £0.544m. Early years SEN support was underspent by £0.052m and the remaining underspend was due to a number of in year vacancies across the SEN service teams.
Agency Placements	(0.488)	An under spend on the original budget has arisen due to post 16 costs being correctly allocated.
Post 16	0.225	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	(0.229)	Net underspends on the remaining budget areas.
TOTAL	(0.745)	

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

Early Years

The outturn position for the Early Years Block is a net under spend of £0.027m. Given the immaterial sum no further explanation is required. The underspend is a significant reduction on the previous year and was expected and reported at last year's Schools Forum. The reduction is a net result of the move to participation funding of the Flexible Funding Entitlement - 2 year old free nursery provision and the effect of the increase in the hourly rates which took place in the last financial year following the reduction of the Early Years contingency.

Accounting Technical Adjustments

During the year a number of adjustments were put through the accounts and records of the Council to account for a previous years late allocation of DSG and reflect more accurate treatment. This result in a one off net windfall for the DSG of £0.281M. This is a one off that will not be repeated on an on-going basis and as such it is felt it is more appropriate to identify it separately..

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.

This position remains the same with the recent announcement of the introduction of the new schools National Funding Formula (NFF) which is due to take effect from 2019-20 but will be introduced in a "soft" format from 2017-18. In addition a new High Needs formulaic methodology is also being consulted on as part of the NFF.

The level of DSG reserves held by Local Authority's continue to be monitored by the Education Funding Agency (EFA) and the guidance that this should be no more than 5% remains in place. Whilst the 5% is not prescriptive LA's will need to explain why they are holding amounts over and above this level. Based on the final DSG allocation as at the 31st March 2016 for North East Lincolnshire this would equate to £1.821M

Contingency Balance as at 31st March 2016

At the start of the financial year the DSG contingency balance brought forward was £6.611m. From this amount officers, in conjunction with the Schools Forum allocated £2.5m as a one-off payment to all schools through the 2015-16 Funding Formula and a number of one-off in year payments reduced the balance to £3.861m. The unaudited DSG underspend for the financial year is £1.686m.

The balance in contingency as at the 31st March 2016 is therefore £5.407m. This is demonstrated in tabular form below:

	<u>£'m</u>	<u>£'m</u>
DSG Contingency as at the 1 April 2015 (includes £6.611m carry forward from 2014/15)		6.611
Less: One off payment added to the 2015-16 funding formula	(2.500)	
Less: First year payment of the 2 year early years play worker programme	(0.250)	
Less: Net effect of spend on contingency	(0.140)	
2015-16 in year DSG underspends	1.686	(1.204)
DSG Contingency as at the 31 March 2016		5.407

Commitments have already been entered into in respect of 2016-17 which are not reflected in the above figure of £5.407m which are detailed below:

- A one-off payment to all maintained schools and academies totalling £2.5m through the 2016-17 funding formula.
- £0.250m to fund the 2nd year of the early years play workers programme agreed by the Schools Forum.

The uncommitted amount remaining of £2.680m is £0.859m above the 5% balance.

In considering the above officers believe it would be prudent to set aside £0.250m in respect of any calls for growth or falling rolls. Whilst to date there have been a number of unsuccessful calls it is expected that calls will continue and more will meet the criteria set with the Schools Forum. The new NFF proposes a new Growth Factor but this will not take effect until possible 2019/20 meaning calls could be made for

the next two financial years. Calls on this fund would only occur after those built into the Formula had been fully utilised. This would be reviewed on an on-going basis.

Further discussions with the Schools Forum will take place on any other potential calls.

Recommendations

It is recommended that:

1. Schools Forum note the 2015-16 DSG outturn position.
2. Schools Forum agree to the set aside of £0.250m for potential growth / falling rolls

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Appendix A**HIGH NEEDS BLOCK 2015-16 OUTTURN POSITION**

<u>SERVICE</u>	<u>BUDGET £'m</u>	<u>OUTTURN £'m</u>	<u>VARIANCE £'m</u>
Alternative Provision	1.813	2.151	0.338
SEN Services	2.525	1.934	(0.591)
Agency Placements	2.200	1.712	(0.488)
Post 16	0.772	0.997	0.225
Other	4.449	4.220	(0.229)
TOTAL	11.759	11.014	(0.745)