**SCHOOLS FORUM MEETING – 21ST SEPTEMBER 2017**

**2016-17 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members on the 2016-17 DSG outturn position and overall contingency balance.

**Background - DSG 2016-17 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.

The ability to continue to move funding between the notional blocks has become more restrictive and will become more so. Early Years funding is now participation based so where funding is received for a number of hours that exceeds actual take up this will be recouped by the ESFA or vice versa. In addition current consultation proposals around the National funding Formula for Schools will, if implemented as proposed, result in the Schools Block being fully distributed. If implemented this will in effect end any chances to switch funding although the proposals are indicating that with the Schools Forum permission and consultation with all schools it will be possible to transfer funds from the Schools Block to the High Needs Block

**DSG 2016-17 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 £0.443m. The main reasons for this are:

|  |  |  |
| --- | --- | --- |
| **Spend** | **Variance £’m** | **Reason** |
|  |  |  |
| Under-allocated DSG, contingencies not required and de-delegated budgets. | (0.374) | This amount is comprised of a number of items. The main one being the under allocation of the Schools Block when setting the 2016-17 Schools Funding Formula. This amounted to £0.225m. |
| Growth and Falling Rolls | (0.095) | During the year there were a number of enquiries to access these funds however only one met the qualifying criteria.  |
| Other | 0.026 |  |
| **TOTAL** | **(0.443)** |  |

In accordance with the regulations and guidance the above projected underspends were considered when determining the amount to be fed back into the schools funding formula for 2016-17 as a one-off payment. An amount of £2.477m was agreed as a one-off payment to schools and academies for the 2016-17 financial year.

**High Needs Block**

The outturn position for the High Needs Block is an under spend of £0.510m. The main reasons for this are:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £’m** | **Reason** |
|  |  |  |
| Alternative Provision | (0.061) | Budget refinements over the years have resulted in a more realistic budget projection. |
| SEN Services | (0.677)  | This significant underspend has been brought about by a number of factors. The main one of these is the BAC’s income of £0.495m. The remaining underspend was due to a number of in year vacancies across the SEN service teams. |
| Agency Placements | 0.452 | An over spend on the original budget has arisen due to increased out of area costs.. |
| Post 16 | (0.013) | Budget refinements over the years has resulted in a more realistic budget projection. |
| Other | (0.211) | In 2016-17 the HNB was originally unallocated by £75k. In July 2016 a late adjustment increasing the HNB by £150k was notified by the DfE. |
|  |  |  |
| **TOTAL** | **(0.510)** |  |

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 £0.079m. Given the immaterial sum no further explanation is provided. The underspend is broadly similar with the previous year and reflects a year end accrual of £0.160m which will be recouped by the Education & Skills Funding Agency (ESFA).

**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 and there being sufficient funds to meet any unforeseen costs without having 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 funding position still not clear. Recent announcements have suggested increases for all schools but the impact and the detail remain to be seen.

The level of DSG reserves held by Local Authorities continue to be monitored by the ESFA 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 for 2016-17 of £28.89m this would equate to £1.444m.

**Contingency Balance as at 31st March 2017**

At the start of the financial year the DSG contingency balance brought forward was £5.407m. From this amount officers, in conjunction with the Schools Forum allocated £2.477m as a one-off payment to all schools through the 2016-17 Funding Formula and a number of further one-off in year payments reduced the balance to £2.680m. The unaudited DSG underspend for the financial year is £1.032m.

The balance in contingency as at the 31st March 2017 is therefore £3.712m. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| **DSG Contingency as at the 1 April 2016**  |  | 5.407 |
| Less: One off payment added to the 2016-17 funding formula | (2.477) |  |
| Less: Second year payment of the 2 year early years play worker programme | (0.250) |  |
| 2016-17 net in year Schools Block underspend | 0.443 |  |
| 2016-17 net in year HNB underspend | 0.510 |  |
| 2016-17 net in year Early Years underspend | 0.079 |  |
| **DSG Contingency as at the 31 March 2017** |  | **3.712** |

Commitments have already been entered into in respect of 2017-18 which are not reflected in the above figure of £3.712m. These are detailed below:

* A one-off payment to all maintained schools and academies totalling £1.9m through the 2017-18 funding formula.
* £0.250m to fund the 3rd year of the early years play workers programme agreed by the Schools Forum.
* £0.150m Growth and Falling Rolls additional contingency

The uncommitted amount remaining of £1.412m is just below the 5% balance of the current 2017-18 DSG allocation of £28.742m.

**Recommendations**

It is recommended that Schools Forum note the 2016-17 DSG outturn position.

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**Appendix A**

**HIGH NEEDS BLOCK 2016-17 OUTTURN POSITION**

|  |  |  |  |
| --- | --- | --- | --- |
| **SERVICE** | **BUDGET £’m** | **OUTTURN £’m** | **VARIANCE £’m** |
|  |  |  |  |
| Alternative Provision | 1.442 | 1.381 | (0.061) |
| SEN Services | 6.750 | 6.073 | (0.677) |
| Agency Placements | 2.465 | 2.917 | 0.452 |
| Post 16 | 0.772 | 0.759 | (0.013) |
| Other | 0.273 | 0.062 | (0.211) |
|  |  |  |  |
| TOTAL | **11.702** | **11.192** | **(0.510)** |