**SCHOOLS FORUM MEETING – 11TH JULY 2019**

**2018-19 Dedicated Schools Grant (DSG) Outturn position and Contingency Balance**

**Introduction**

The purpose of this report is to advise School Forum members on the 2018-19 DSG outturn position and overall contingency balance.

**Background - DSG 2018-19 Outturn position**

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

* Schools Block
* High Needs Block
* Early Years Block

In 2018-19 the Education Skills Funding Agency (ESFA) introduced a new block called the Central Services Block. This did not introduce new funding into the system but was created by removing funding from other blocks and the former Education Services Grant (ESG).

Whilst the blocks remain 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 move funding between the notional blocks has become more restrictive. Early Years funding is 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 in 2018-19 under the new “soft” National Funding Formula for Schools there is a requirement for the Schools Block to be fully distributed.

**DSG 2018-19 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 £0.082m. This underspend equates to 0.1% of the DSG Schools Block allocation.

This is mainly due to an under spend in the growth and falling roles fund offset by the meeting of the obligations from the maintained schools maternity SLA which ceased at the end of March 2018.

**High Needs Block**

In the report to the Schools Forum on the 15th November 2018 (Item 21/18) Forum were advised that the projected overspend for 2018-19 at Qtr 1 was £1.1m. Later in the year, Qtr 2 and Qtr 3 this information was updated and the forecast projections were revised to £1.5m

On the 17th December 2018 the Government announced that additional in year funding of £0.357m would be allocated to the Council in respect of High Needs Block pressures. This additional funding reduced the final overspend on the High Needs Block to £1.164m.

The main service areas and reasons for the over spend are shown below:

|  |  |  |
| --- | --- | --- |
| **Service** | **Variance £’m** | **Reason** |
|  |  |  |
| Alternative Provision | 0.187 | This main reasons for this over spend are due to payments for over commissioned places and additional places purchased. |
| Top Up funding schools – (special / mainstream) | 0.596 | Increasing demand and complexity of need has resulted. |
| Agency Placements | 1.356 | As experienced last year there has been increasing demand and need. Within 2018-19 there has been a net Increase of 36 children being placed out of area with a consequential increase in cost. |
| Post 16 | (0.143) | This area of spend is reporting an under spend. However the following should be noted. In previous years an adjustment has been made from costs incurred on Agency Placements in respect of post 16 but when preparing the S251 report this is no longer recommended. To remain consistent with the S251 no adjustment has been made for reporting purposes in 2018-19. |
| EY SEN Support (Inclusion Fund) | 0.075 | Demand has remained broadly consistent over the last 2 years however the original budget proved to be over optimistic. |
| BAC’s Income | (0.715) | Income collected from exclusions. |
| Other | 0.018 |  |
| Over allocation | 0.147 | Original over allocation in setting the High Needs Block for 2018-19. |
| **TOTAL** | 1.521 |  |
| Additional funding received in year | (0.357) | Additional in year funding granted on the 17th December 2018 |
| **TOTAL** | **1.164** |  |

A more detailed analysis is shown in Appendix A both in year and comparisons to the previous year financial position and allocation.

**Early Years**

The outturn position for the Early Years Block is on paper an under spend of £0.292m. The outturn position reflects an estimated 2018-19 final year adjustment of £0.148m. From the January 2018 and 2019 head counts an increase in numbers particularly in the 3 & 4 year old provisions was calculated. This increase in 3 and 4 year old numbers however was partially offset by lower than anticipated take up in the 2 year old sector.

There was also an under spend on the centrally retained function of just over £0.1m. In respect of 2019-20 an opportunity has been taken to allocate some costs previously charged to the High Needs Block which were more appropriate to charge to the Early Years Block.

**Year-end accounting adjustment**

During the year an adjustment was reflected through the accounts and records of the Council to account for a previous year’s estimation of take up. This resulted in a one off net windfall for the DSG of £0.514M. 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 and there being sufficient funds to meet any unforeseen costs without having to reduce individual allocations in future years.

As reported in previous years the DSG balances were substantial. The rationale for holding such levels this was predominantly around the potential turbulence and uncertainty caused by the move to the new funding system. During this time a number of one off payments were made to schools as were felt appropriate and prudent at the time. However in setting the funding formula for 2018-19 and 2019-20 due to the reduction in the DSG contingency balances and the projected overspend on the High Needs Block in both 2017-18 and 2018-19 no one-off payment was considered possible. Indeed the worsening position on the high needs block resulted in a successful request to top slice 0.4% from the Schools Block in 2019-20 to assist with high needs spending pressures. The value of this top slice equates to £0.4m. This approach was supported by the Schools Forum following full consultation with them and schools.

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 estimated DSG allocation for 2018-19 of £31.680m this would equate to £1.584m.

**Contingency Balance as at 31st March 2019**

At the start of the financial year the DSG contingency balance brought forward was £1.190m. The unaudited DSG over / under spend for each of the blocks for the financial year is shown below and totals a net over spend of £0.712m. Over and above this the DSG position has benefitted from a one-off technical adjustment of £0.514m which cannot be relied on in future

The balance available in DSG contingency as at the 31st March 2019 is £0.949m. This is demonstrated in tabular form below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| **DSG Contingency as at the 1 April 2018** |  | 1.190 |
| 2018-19 net in year Schools Block underspend | 0.082 |  |
| 2018-19 net in year HNB overspend | (1,164) |  |
| 2018-19 net in year Early Years underspend | 0.292 |  |
| 2018-19 net in year Central Services underspend | 0.035 |  |
| 2018-19 Year end accounting adjustment | 0.514 |  |
| **DSG Contingency as at the 31 March 2019** |  | **0.949** |

The contingency amount remaining of £0.949m is below the 5% balance of the current 2018-19 DSG allocation of £31.680m.

**Recommendations**

It is recommended that Schools Forum note the 2018-19 DSG outturn position.

Contact Officer: David Kirven, Strategic Lead –Business Partnering.

11th July 2019