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Executive Summary

This report sets out the current position regarding the 2017-18 Dedicated Schools Grant (DSG) budget, including any current pressures and risk areas in the schools block, which will require monitoring and addressing during the current financial year. In addition an update is provided on the latest position regarding the DSG for 2018-19 – this information needs to be qualified given the current uncertainty on the NFF following the 2017 General Election.

Schools Forum Actions

The Schools Forum is asked to:

- Note DSG budget 2017-18 position
- Note that the Local Authority will provide budget monitoring reports to each Schols Forum meeting with a particular emphasis on the LA central retentions to the Schools Block
- Request a report on Summerhouse financial performance in October
- Set up a working party on the Maternity Insurance Scheme
- Set up a working party to review the criteria used for allocating funds to schools under the “Schools in Financial Difficulty Scheme”
- Note the early issues already identified in the DSG 2018-19 and to give a view on the baseline exercise

1. DSG 2017-18

- 1.1 As identified in the previous report on the agenda relating to the Outturn for the 2016-17 Dedicated Schools Grant (DSG) with the reduction in DSG reserves and the lack of a significant contingency against each of the DSG blocks there needs to be very close monitoring of the DSG budget. This will allow early actions to address any identified pressures.
- 1.2 The consequences of any significant overspending would be to move to a DSG deficit position. That would have very serious implications for future budget shares across all blocks and is a position that needs to be avoided. As noted last year there is also a need to regularly review the DSG received against the assumptions made in setting budgets to avoid the issues arising on the schools block so causing significant in-year pressures.
- 1.3 The table below sets out the current DSG allocations as compared to the previous year. The comparison shows what was assumed in March less any deduction for academy recoupmnt.

This shows that the grant is in line with our expectations and the budget set. For the early years block we are awaiting an updated allocation in July.

Table 1: 2017-18 DSG Current Allocations

	DSG 2016-17	DSG 2017-18
	£m	£m
Schools Block	124.6	128.22
High Needs Block	37.12	43.3
Early Years Block	27.56	27.99
Total	189.28	199.51

Note: the early years block is subject to change due to in-year census based upon participation in early years settings in the LA

- 1.4 The detailed budgets behind each of the blocks is attached as an appendix to the reports on the individual blocks of the DSG and this will form the basis of future budget monitoring reports to each meeting of Schools Forum.
- 1.5 The early budget pressures and risks associated with each of the blocks and their relevant budget areas have been reviewed and the early action required identified. For the high needs block and the early years block these are included within the separate reports on the agenda. This report, therefore, considers Schools Block alone.

Individual Schools Budgets

- 1.6 There are no risks associated with these as any adverse or favourable movement does not impact upon the DSG as a whole, only as a movement in the total of schools balances. The Local Authority(LA) does monitor schools budgets with a particular focus upon schools in deficits and those schools with surpluses above thresholds. This is considered in a separate report on the agenda. The clawback mechanism is a matter for Schools Forum and the overall position is such on the DSG that the Schools Forum and the LA needs to review very carefully any schools which have had excess balances for a number of years and any commitments that these are being held for.

Central Retentions

- 1.7 The main risk area is related to the growth in pupil numbers and the Growth Fund. We believe there will be pressures in this area, however these may be offset to an extent where bulge and expansions do not happen as planned. It is difficult to assess the position regarding the falling rolls fund as this is a new area, however to an extent this can be underwritten by the schools in difficulty fund although this would not apply to academy and free schools as this budget is one

that is de-delegated. With regard to the other central retentions these will be reviewed and any likely underspend will be identified and earmarked as appropriate to fund any pressure.

De-delegations

- 1.8 The “**schools in difficulty and intervention funds**” are demand led and financial pressures on schools are increasing, however the LA will prioritise claims to ensure that the budget is operated within these cash limits. The LA wishes to set up a working party with the Schools Forum to review and tighten up the current criteria as it is likely that more and more schools will seek access to that funding. The Schools Forum has already expressed its wish that the LA takes account of balances held by schools that make requests and also that only the settings funding this area can access funds.
- 1.9 There are some pressures on the fund for **licenses and subscriptions** but there is likely to be some compensating underspends which will be available to fund this. The highest risk area for overspends within de-delegations are Summerhouse and the maternity scheme.
- 1.10 Whilst £200k of additional resources have gone into **Summerhouse** in 2017-18, given the demand led nature of the service and past financial performance this will require very close monitoring and a report on budget performance will come to the next meeting of Schools Forum. Therefore we recommend that Schools Forum support the request that Summerhouse prepare such a report to present at the next meeting of Schools Forum in October.
- 1.11 The other highest risk area for de-delegations relates to **Maternity Insurance** which had a budget of £669k and spent £804k in 2016-17. This has been consistently overspending for a number of years. This is not financially sustainable and consideration needs to be given to measures to ensure that this breaks even in 2017-18. Options to do this could include, limiting the scope, capping the payments and/or requesting additional top up funding from schools. Consideration also needs to be given to moving the scheme to a fully traded service from 2018-19 in line with practice at other LAs.

The LA asks the Schools Forum support it setting up a working party to look at this issue and report back to Schools Forum in October.

- 1.12 As set out earlier the 2017-18 budget position on the high needs block and early years block are considered in separate reports on the agenda.

2. 2018-19 DSG Baselineing

- 2.1 There is, following the General Election, considerable uncertainty regarding the implementation of the National Funding Formula (NFF). However, in the meantime and in preparation for the NFF, there has been an Education and Skills Funding Agency (ESFA) DSG baselineing exercise undertaken for 2018-19. This has identified a number of significant issues which we are required to consult the Schools Forum on.

- 2.2 The results of the DSG baselining exercise showed that there is a funding issue going forward within the overall DSG baseline largely flowing from the fact that the DSG reserve has been used to subsidise the schools block. This is also associated with the unwinding of the previous overfunding of growing schools which was identified in December 2016. If spending continues at the current rate within the DSG, there would be a need to £2.3m from the schools block to support the other blocks.
- 2.3 Discussions are ongoing with the ESFA regarding the technical funding issues associated with this and whether there has been any inherent disadvantage flowing from using reserves/ and or unwinding the overfunding of growing schools. If the DSG baseline position is confirmed then this would represent a significant issue for the schools block. Decisions on transfers between blocks would be possible by Schools Forum when setting the 2018-19 budget, subject to the regulations under the NFF operating for 2018-19. It is accepted that it may be difficult to make an assessment of this until the position on the NFF is known, as there are still uncertainties regarding the reductions being faced overall.
- 2.4 The Schools Forum is therefore asked for its view of this matter, noting that it may wish to defer this view until the position becomes clearer on the NFF in 2018-19.
- 2.5 The other issue for early consideration will be whether it will be still permissible to continue with the existing de-delegations in 2018-19 as identified at Appendix 1 to the report or whether the budget areas need to move to traded service.

Appendix 1

Schools Block 2017-18 – Central Retentions

	£000
Growth Fund	600
Falling Rolls Fund	100
Places in independent schools for non SEN	294
Admissions	673
Servicing of Schools Forum	15
ESG Retained Duties	600
	2,282

Schools Block 2017-18 – De-delegations

	£000
Contingencies	787
Behaviour Services	531
Summerhouse	1,132
Free School Meals	151
Licenses & Subs	23
Maternity Cover	669
Trade Union Cover	78
ESG General Duties	353
School Improvement	688
	4,412

Schools Block 2017-18 – Contingencies

	£000
Schools in financial difficulty	515
Audit	39
Intervention Fund	233
Total	787