



Report to: Schools Forum

Date: 7th May 2020

Subject: Dedicated Schools Grant
Outturn Position 2019/20

Report of: Eleni Ioannides – Interim Director Children and Families

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Summary: To inform Schools Forum of the year end position of the Schools Budget and DSG for 2019-20. To update Forum on the level of school's balances as at 31/03/2019.

Recommendation(s): For Schools Forum to note the contents of the report.

Implications:

*What are the **financial** implications?* Recorded within the report.

*What are the **staffing** implications?* n/a

Risks: n/a

1. Introduction

1.1 The purpose of the report is to inform Schools Forum of the financial outturn position for 2019/20 for the DSG and other school specific grants.

2. 2019-20 Outturn Position

2.1 Appendix 1 attached to this report highlights the following:

- School balances have increased by £0.427m.
- Expenditure on the Early Years block has been in line with the DSG allocation and therefore there are no under/overspends to report.
- The High Needs block is reporting a significant overspend for 2019/20. The pressures facing this block of funding have been reported to Forum on a regular basis, the last report indicated a projected over-spend of circa £3.5m, which included the repayment of the £0.6m deficit brought forward from 2018/19. The brought forward deficit can be funded from previous underspends on the DSG. The final out turn position is a £2.915m overspend and will be carried forward into 2020/21.

As previously reported the main pressures on the high needs block include:

- EHCP top up costs due to the increasing number of plans and Early Years Additional Resources.
- Special School funding due to the increasing number of places and additional funding requirements due to the complexity of pupil needs.
- Alternative Provision including home tutoring costs due to the number of permanent exclusions and difficulties in finding suitable school places for those excluded.
- Post 16 provision costs
- Independent school placements which are increasing both in terms of the number of placements and the value of the fees.

Further information is included in Appendix 3 of this report.

- The overall underspend in relation to centrally retained funding (including growth and recoupment adjustments) totals £1.202m. In summary, the underspends were as follows:
 - Recoupment adjustments (UTC and 2018/19 recoupment error) - £0.485m
 - Growth Funding - £0.311m
 - Contingency - £0.245m
 - Miscellaneous central underspends - £0.161m (e.g. Schools Forum, TU duties, NNDR adjustment for Academy Conversion)

As previously agreed, £0.300m, of this underspend in respect of the recoupment adjustment is to be used to support the high needs block in 2020/21.

In addition, from the Growth Funding underspend, a further £0.147m is committed to Academies that were successful in their growth funding applications in 2019/20. As funding is provided on an Academic Year basis, payments are still to be made for the period April to August 2020.

This leaves a total uncommitted balance of £0.755m. A further report will be presented at the next Forum meeting outlining proposals for the use of this central underspend.

3. School Balances

- 3.1 The mandatory requirement for Councils to operate a clawback scheme was removed in April 2011 following a decision by Forum to suspend the scheme in light of formula changes and future uncertainties around funding.
- 3.2 As a result the Finance Division work with and support, on a less formal basis, those Schools who appear to be carrying excess balances. Below is a summary of balances as at 31/03/2020. Appendix 2 lists the balances held individually by schools.
- 3.3 Academy conversions are excluded from both March 2019 and March 2020 values to enable a fair comparison to be made.

Table 1 – Summary of School Balances

Balances	Nursery & Primary (£)	Secondary (£)	Special (£)	Total (£)
As at 31/3/19	8,569,504	5,052,661	893,548	14,515,713
As at 31/3/20	8,776,262	5,259,852	906,371	14,942,484
Annual Increase / Decrease (+/-)	206,757	207,191	12,823	426,771
Annual % Increase / Decrease (+/-)	2.41%	4.10%	1.45%	2.94%

Number of Schools	82	11	6	99
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Average Balance 31/3/19	107,028	478,168	151,062	150,934
Average Increase/Decrease	2,521	18,836	2,137	4,311
Median Balance 31/3/19	94,606	309,222	151,679	99,223
Median Increase/Decrease	-1,208	50,602	-3,426	-998

- 3.4 The table shows an increase in the balances across all sectors, with overall balances totalling £14.942m. It is noted that whilst balances have increased, only 48 schools made an in-year surplus, with the remaining 51 reporting an in-year deficit. 5 schools have reported increases in balances in excess of £100,000 (1 primary, 4 secondary), and 3 schools have had decreases in excess of £100,000 (1 primary, 2 secondary).

- 3.5 As a measure of what is a reasonable level of balances, DfE has historically used 5% of budget as a threshold for Secondaries and 8% for other sectors. The numbers of schools exceeding these thresholds are shown in Table 2 below.

Table 2 – Number of Schools exceeding DfE Threshold

Sector	Number of Schools	% of Schools in sector
Nursery & Primary	49	60%
Secondary	6	56%
Special	2	33%
Totals	57	58%

- 3.6 At year end we have 4 schools reporting an overall deficit position with a further 4 schools holding reserves of less than £10,000. Whilst budgets are only due to be returned by 1st June 2020, initial indications are that a number may struggle to set a balanced budget in 2020/21 as highlighted by school 3 year budget projections.
- 3.7 For completeness also included within Appendix 4 for information is a summary of the reserves held by Academies within the borough as reported within their year end accounts dated 31st August 2018 and 31st August 2019. Please note the figures quoted include both restricted and unrestricted funds.

4. Recommendations

- 4.1 Forum to note the outturn position and level of balances held.
- 4.2 Forum to advise if any further information or detailed review of school balances is required.