

Open Report



City of
Stoke-on-Trent

City Council

18 September 2017

DSG Financial Settlement and Forecast Outturn 2017-18

Report of	Director of Children and Family Services
	Section 151 Officer
Report Author	Helen Meigh – Finance Team Manager
Type of Decision	For Information
Wards Affected	All Wards
Stronger Together Priorities and how they are applicable:	
Support our residents to fulfil their potential	
To support the strategic objective of supporting our schools to deliver a step change in educational attainment so that every young person has access to a school rated 'good' or better.	

1.0 Purpose of Report:

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| 1.1 | The report provides members of the Schools Forum with an update on the Schools Budget position for 2017-18. |
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2.0 Recommendation(s):

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| 2.1 | Members of the Forum are asked to note the report and consider and support the proposed use of DSG reserves in 2017-18. |
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3.0 Summary of Main Points:

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| 3.1 | On the 20 th December 2016 the DfE announced details of the school funding settlement for 2017/18. |
| 3.2 | The announcement also confirmed that for 2017/18 no local authority would see a reduction in funding from their 2016 to 2017 funding (adjusted to reflect local authorities' most recent spending patterns on the schools block of the Dedicated Schools Grant (DSG) (per pupil funding) or the high needs block (cash amount). |
| 3.3 | The schools block baseline for 2017 to 2018 reflects the amounts local authorities put in their baselines for both the schools block and central schools block as part of the baseline exercise. It also includes funding for education services grant (ESG) retained duties which has been transferred into the schools block. |
| 3.4 | The main changes from 2016/17 are: <ul style="list-style-type: none">the DSG blocks have been re-baselined to reflect current spending patterns. |

	<ul style="list-style-type: none"> • funding for ESG retained duties (£15 per pupil) will be transferred into the schools block for 2017 to 2018. • the removal of the post-16 funding factor, but with protection through the minimum funding guarantee (MFG) • that local authorities will be able to retain funding from the DSG from maintained schools, including special schools and pupil referral units (PRUs), for statutory duties previously covered by the ESG. • using a national weighting for secondary low attainment figures. • using new bandings for the index of deprivation affecting children (IDACI). • that local authorities are submitting one authority proforma tool (APT) in January 2017. • DfE are consulting changes to the arrangements for free school recoupment. • DfE are introducing a grant to local authorities to cover monitoring and commissioning of school improvement and intervention in failing schools. • clarification on the PFI factor, not all schools have to receive the same funding under the factor, it may vary between PFI contracts.
3.5	The current minimum funding guarantee (MFG) for schools will be retained for 2017/18 so no school can face a funding reduction of more than 1.5% per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year on year changes.
3.6	The DfE are still considering the consultation stage 2 responses to the National Funding Formula and further guidance is expected soon. A local funding formula remains in place to 2019/2020 although the national funding formula will set notional allocation for each school in these years.
3.7	<p>The total 2017/18 DSG allocation (before academy recoupment) for Stoke-on-Trent was confirmed at £196.84m. This allocation was broken down as follows:</p> <ul style="list-style-type: none"> • Schools Block £155.95m • Early Years Block £11.92m • High Needs Block (including Post 16 Funding) £28.97m
3.8	Following the various discussions the formula working group members recommended having a new PFI factor, in the formula, based on a pupil value which would be indexed by RPIX. They felt that with a bulge year moving into year 7 there would be minimal impact on secondary schools which were not in the PFI scheme. The decision was reported to the Schools' Forum on 14th October 2016. Appendix A provides a detailed breakdown of the 2017/18 DSG Budget. This is presented in the 2017/18 Section 251 Budget format required by the DfE.
3.9	There is a substantial financial risk associated with the current level of expenditure within the high Needs block DSG with a forecast overspend of £2.3m for 2017/18. Every attempt is being made to mitigate the pressure and a further action plan will be required. In previous years any overspend would be managed through the DSG reserve. In 2017/18 the

	<p>DSG reserve brought forward from 2016/17 is only £680k and so this is not possible for the current year. The existing reserve will be used to fund the High Needs DSG pressure, with any remaining balance used on the School Readiness Programme. Details of how the financial pressure could be addressed are included in another report to the Schools' Forum.</p>
3.10	<p>It is the responsibility of both the Local Authority and every school and academy in Stoke on Trent to manage the DSG within the available funding envelope.</p>

Technical Appendix:

List of Background papers/sources of information used for this report:
EFA – Schools revenue funding 2017 to 2018 Operational Guide updated 7 th August 2017
List the appendices included as part of this report:
Appendix A – DSG budget and forecast outturn 2017/18

Implications taken into consideration in this report *(Please list as separate appendix if required):*

Financial and Commercial:
Discussed within the report
Legal:
As set out by the School & Early Years Finance (England) Regulations 2017, there is a legal requirement to consult with the schools' forum and maintained schools and academies.
Human Resources:
No direct impact. The allocation of individual school budgets may have an impact on HR.
Public Health and Public Services (Social Value) Act 2012:
None
Equality Impact or Environmental Impact Assessments:
None
Key Risks:
There is a substantial financial risk to the local authority if the DSG cannot be contained within the funding envelope. This will impact on schools in the form of a potential top slice to their delegated budgets in 2018/19.

DSG Budget 2017-18		Budget									
S251 Line	Description	Early Years £000's	Primary £000's	Secondary £000's	Special / SEN £000's	AP/PRUs £000's	Post 16 £000's	Total £000's	Income £000's	FO as at P5 £'000s	Variance £'000s
1.2.12	Carbon reduction commitment allowances (PRUs)	0	0	0	0	0	0	0	0	0	0
EARLY YEARS BUDGET											
1.3.1	Central expenditure on children under 5	1,325	0	0	0	0	0	1,325	(1,325)	1,325	(0)
CENTRAL PROVISION WITHIN SCHOOLS BUDGET											
1.4.1	Contribution to combined budgets	89	562	214	16	0	0	880	(880)	880	0
1.4.2	School admissions	31	205	86	6	0	0	327	(327)	327	0
1.4.3	Servicing of schools forums	2	13	8	1	0	0	23	(23)	23	0
1.4.4	Termination of employment costs	136	881	464	24	0	0	1,505	(1,505)	1,505	0
1.4.5	Falling Rolls Fund	0	0	0	0	0	0	0	0	0	0
1.4.6	Capital expenditure from revenue (CERA)	0	0	0	0	0	0	0	0	0	0
1.4.7	Prudential borrowing costs	53	361	195	11	1	0	621	(621)	621	0
1.4.8	Fees to independent schools without SEN	0	0	0	0	0	0	0	0	0	0
1.4.9	Equal pay - back pay	32	721	299	77	0	0	1,129	(1,129)	1,129	0
1.4.10	Pupil growth/ Infant class sizes	0	532	0	0	0	0	532	(532)	532	0
1.4.11	SEN Transport	0	0	0	0	0	0	0	0	0	0
1.4.12	Exceptions agreed by Secretary of State	0	0	0	0	0	0	0	0	0	0
1.4.13	Other Items	0	107	58	0	0	0	165	(165)	165	0
1.5.1	Other Specific Grants	17	116	63	3	0	0	200	(200)	200	0
1.5.3	Statutory / Regulatory Duties	48	326	177	10	1	0	562	(562)	562	0
1.6.1	TOTAL SCHOOLS BUDGET (before Academy recoupment)	18,303	99,753	67,091	18,779	1,069	1,612	206,607	(206,607)	209,961	3,354

RECONCILIATION OF SCHOOLS BUDGET

1.7.1	Estimated Dedicated Schools Grant for 2016-17	206,607
1.7.2	Dedicated Schools Grant brought forward from 2016-17	670
1.7.3	EFA funding	0
1.7.5	Total funding supporting the Schools Budget (lines 1.7.1 to 1.7.4)	207,277
1.8.1	Academy: recoupment from the Dedicated Schools Grant	(90,201)

RECONCILIATION OF DSG RESERVES

DSG Reserve Brought Forward from 2016-17	670
Earmarked Use of Reserves 2017-18	0
Unallocated DSG Reserve 2017-18	0
DSG Reserve Carried Forward 2017-18	670