



**Schools Forum**  
20 June 2018

**Report from the Strategic Director  
of Children and Young People**

**Dedicated Schools Grant Financial Outturn 2017/18**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	N/A
<b>No. of Appendices:</b>	One: <ul style="list-style-type: none"> <li>• Dedicated Schools Grant Financial Outturn 2017/18</li> <li>• 2017/18 Schools Outturn</li> <li>• Maternity Licenses Trade Union</li> </ul>
<b>Background Papers:</b>	N/A
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**1. Purpose of the Report**

- 1.1. This report sets out the final Dedicated Schools Grant (DSG) outturn against the budget set for 2017/18, and provides detail on the overall £1.8 million underspend.

**2. Recommendations**

- 2.1. Schools Forum is asked to note this report.
- 2.2. That a report is prepared analysing school budget share plans for the October Schools Forum.

**3. Summary**

- 3.1. The Dedicated Schools Grant (DSG) budgets underspent by a total of £1.8 million in 2017/18.
- 3.2. This underspend was principally caused by an underspend on school growth and rising rolls within the schools block (£2.1m). This was despite a £1m reduction in the budget in

2017/18. For 2018/19 the growth budget has been reduced by a further £0.5 million in anticipation of the fall in demand, and methods for allocating rising rolls funding have been amended.

3.3. There was also an underspend in the early years block, largely due to an underspend on nursery provision for 3 and 4 year olds in maintained schools, and a planned underspend on central budgets.

3.4. The high needs block overspent in 2017/18 by £1.6 million, primarily due to overspends on top-up funding to mainstream settings, and a higher amount of recoupment for high needs post-16 than anticipated. A more detailed analysis of high needs recoupment is being undertaken in order to more accurately budget for recoupment in 2018/19.

#### **4. Background**

4.1. The schools funding formula for 2017/18 was set in December 2016 ahead of the final DSG budget being confirmed in February 2017.

4.2. The DfE recoup formula and high needs place funding from the DSG to allocate this directly to academies and free schools. This is the difference between the £308 million DSG for Brent and the £198 million reported in appendix A.

#### **5. 2017/18 DSG Budget**

5.1. The total income received was £96k less than the amount initially allocated. This mainly relates to an Early Years funding block adjustment to the 2016/17 early years block, relating to the January 2017 early years census, which shows that provision had fallen by approximately 30 FTE compared to the previous January. Final DSG income for 2018/19 may therefore increase or decrease depending on the change in FTE nursery provision. In addition, an adjustment was made to the schools block relating to National Non Domestic Rates for school academy conversions as they qualify for charitable relief.

5.2. Appendix A sets out the outturn for the 2017/18 DSG. A total of £308 million was allocated to Brent schools with £111m being recouped and distributed directly to Academies. This leaves budgeted income and expenditure of £198million. Overall, an underspend of £1.8 million is reported.

#### **6. Schools Expenditure**

6.1. The expansion budget of £2.5 million and rising rolls budget of £1.1 million have underspent by a total of £2.1 million. The expansion budget underspent by £1.5 million, despite a £1 million reduction in the budget in 2017/18. In addition, only £0.53 million was allocated to schools with rising rolls. As agreed by schools forum, the method for allocating rising rolls in secondary provision has been amended which together with demographic changes will result in a greater number of schools qualifying for rising rolls funding than under the previous model. In addition, the total growth budget will be reduced to £2 million in 2018/19, with the £0.5 million reduction to be held as a contingency.

6.2. There are also known underspends on the schools budgets share forecasts relating to the Floreat free school, which was included in the mainstream funding formula budget but will now not be opening.

#### **7. Early Years Expenditure**

7.1. The Nursery Education Grant (NEG) allocations for 3 and 4 year old provision in maintained school nurseries and nursery schools were previously set at the start of the year and allocated accordingly, resulting in no over or underspends in year. However following the implementation of the Early Years National Funding formula in September

2017, payments were made according to actual pupil numbers each term, in the same way as all other Early Years providers.

- 7.2. An anticipated underspend on the Early Years Block was reported in the January Schools Forum due to lower than budgeted for take up of the Nursery Education Grant for 3 and 4 year olds in the autumn term, which coincides with the introduction of the 30 hours entitlement. Although, in common with other London boroughs, there was a significant increase in take up in the spring term, there is an overall £0.8m underspend on 3 and 4 year old NEG, primarily due to lower than budgeted for payments to the maintained school nurseries and nursery schools.

## **8. High Needs Expenditure**

- 8.1. High needs budgets allocated to mainstream schools are set at the start of the year and allocated accordingly. The £0.1 million overspend on these budgets relates to the allocation for Brent River College Primary pupil referral until, which was not budgeted for and opened in September 2017.
- 8.2. Any adjustments to the set high needs budgets are made from the in-year placements budget. The required reporting for the S251 return splits top up budgets by maintained and academy schools though there is no operational or financial difference in how these payments are administered or calculated. Overall top up support to schools overspent by £1.5 million reflecting an increase in demand from the previous year. This was partially offset due to the borough being able to accommodate more of its High Need placements; DSG spend on placements in residential and independent settings was £0.25 million under budget.
- 8.3. An additional £0.3m overspend occurred due to the High Needs recoupment amount being higher than anticipated. Funding is recouped from the High Needs block to support post 16 education in sixth form and college settings. Work is being undertaken to ensure more accurate forecasting of high needs recoupment in future years.
- 8.4. There is a £0.2 million underspend on the revenue charge for the capital costs of The Village School, against a £0.9m budget. This is an annual charge, which is influenced by interest rates. The budget reflects the historic level set and under the current DfE guidance if reduced cannot be subsequently increased.

## **9. Central Items**

- 9.1. The final outturn showed an overall underspend of £0.3m on the central services budgets. The areas that underspent were the school admissions service and the school improvement budget line that contributes to the school effectiveness service.
- 9.2. Central block expenditure budgets will receive a 1% uplift for pay inflation in 2018/19.

## **10. Maternity / Paternity, Licenses & Trade Union**

- 10.1. Maternity/ Paternity, Licenses and Trade Union funding are de-delegated from schools budgets. Appendix C shows the 2017/18 budget and outturn of these three schemes.
- 10.2. The Maternity/ Paternity grant scheme allows schools to pool risk so that maternity costs do not fall unevenly on individual schools. Where an eligible member of staff goes on maternity leave, schools can claim a pro-rata grant of £4,248 per teacher or £3,211 per non-teacher although staff are only covered if they have at least 1 year's continuous employment within Brent or within Local Government, and provided they return to work after their maternity leave.
- 10.3. Trade Union de-delegation provides the capacity to fund time off to trade union representatives, which they have a statutory right to. The funding allows the

representative to be released by the school, and for the school to afford the costs of supply cover. The scheme enables schools to pool risk so that the cost related to releasing members of staff on trade union activities does not fall unevenly on individual schools.

10.4. The council currently purchases licenses on behalf of all maintained schools within the borough in addition to the DfE arrangement with copyright management organisations to simplify the way in which such licenses are bought and paid for by schools and academies. As a result the DfE now manages most of the copyright licences for all schools in England.

## 11. School Admissions Service

11.1. The budget and outturn for the school admissions service is shown below. The overall

	Budget	Outturn	Variance
EMPLOYEE EXPENSES	629,969	529,819	-100,150
SUPPLIES AND SERVICES	59,013	33,844	-25,169
SUPPORT SERVICES	0	-27,750	-27,750
TRANSPORT RELATED EXPENDITURE	0	58	58
<b>TOTAL EXPENDITURE</b>	<b>688,982</b>	<b>535,971</b>	<b>-153,011</b>
GOVERNMENT GRANTS	0	-632	-632
<b>TOTAL INCOME</b>	<b>0</b>	<b>-632</b>	<b>-632</b>
<b>Grand Total</b>	<b>688,982</b>	<b>535,339</b>	<b>-153,643</b>

underspend of £153k is largely due to underspends on employee expenses, due to staff vacancies. Supplies and Services and Support Service underspends primarily relate to historic recharges not processed as they are no longer required. Budget realignment will be undertaken for future years.

11.2. Table 1: School Admissions Service Budget & Outturn:

## 12. DSG Balances

12.1. The DSG underspend of £1.8 million will be added to existing reserve of £6million, so that reserves total £7.8million as at the start of 2017/18.

12.2. It has been approved by schools forum that £2.5 million is to be used for allocation in the funding formula in 2018/19 and 2019/20. An additional £2 million reserves will be retained as a contingency against cost pressures and potential funding reductions within the High Needs block and the Early Years Block.

## 13. School Balances

13.1. Overall school balances have decreased by £2.7 million from £19.4 million to £16.7 million on a like for like basis (Appendix B). This is the second year of declining school balances in Brent. However there is no obvious pattern in the outturn across school types.

13.2. Of the 51 Primary Schools 6 finished the year in deficit, 13 have balances of 8% or less and 32 have balances of 8% or more. When analysing this information against the school size (number on roll in the October 17 census), there is no clear pattern. Just over half of these schools have above the average number of pupils on roll. During 2017/18 27 Primary schools decreased their reserve balance by an average of £158K, and 24 increased their reserve balances by £83K on average. There are only 2 maintained secondary schools. One has an extremely low reserve balance and one has a balance of 4% of income.

- 13.3. Special Schools and PRUs mostly increased their reserves balances in 2017/18, and Nursery School balances remained relatively static, with 3 of the 4 nursery schools finishing with healthy reserves balances, and one in a small deficit.
- 13.4. Part of the decrease in reserves was due to larger planned spending. The year-end returns showed that 4 out of the 61 maintained schools and nursery schools, used their balance to support planned improvement projects of over £0.3 million with a combined total spend of £3.1 million. It should be noted that devolved school capital allocations are now very low and some schools are clearly using balances to proceed with certain projects.
- 13.5. In summary, whilst there is a mixed picture in how individual schools are managing their financial position, the figures suggest that in 2017/18 schools in Brent have mostly been able to manage pressures without a significant deterioration of their financial position. It is not yet known if they can continue to do so into 2018/19 and 2019/20. The funding and expenditure pressures will persist, and are likely to require schools to take action to balance their budgets. Those schools in deficit are expected to set a balanced budget for 2018/19, and will be monitored closely throughout the year.
- 13.6. Schools budgets, which project forwards for 3 years, are submitted to the council by 31 May 2018, and will be monitored in June. It is recommended that CYP finance provide schools forum with a report in the Autumn that analyses 2018/19 school budgets and identifies key themes.

#### **14. Financial Implications**

- 14.1. The financial implications have been detailed in the body of this paper.

#### **15. Legal Implications**

- 15.1. There are no legal implications for this report.

#### **16. Equality Implications**

- 16.1. Not applicable.

#### **17. Consultation with Ward Members and Stakeholders**

- 17.1. Not applicable.

**Report sign off:**

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