


### Agenda Item 3

	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>SCHOOLS FORUM</b>  <b>Tuesday, 12<sup>th</sup> November 2019</b>	
<b>DEDICATED SCHOOLS GRANT MONITORING QUARTER 2 2019/20</b>		
<b>Open</b>		
<b>Wards Affected: (All Wards); All</b>		
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<b>Purpose of the report</b>  This report updates forum on the 2019/20 quarter 2 budget monitoring position after updates to the allocation received in July 2019 from the Education and Skills Funding Agency (ESFA). It also includes the forecast accumulated Dedicated Schools Grant (DSG) carry forward deficit position in 2019/20.		

## 1. Introduction

### 1.1. This paper sets out:

- Carry forward balances at 1<sup>st</sup> April 2019
- Forecast variances in each of the blocks of the Dedicated Schools Grant in 2019/20
- Projected closing balances at 31<sup>st</sup> March 2020
- Changes in 2019/20 dedicated schools grant allocations advised by Education and Skills Funding Agency (ESFA) in 2019/20
- Proposed use of maintained schools contingency funding in 2019/20 to support schools restructuring costs

### 1.2. This paper makes the following recommendations:

- Recommendation 1: Agree falling rolls protection of £25,000 from the falling rolls protection fund to Phoenix Academy following their successful Ofsted and to assist with expenditure undertaken by the school to successfully impact their roll.
- Recommendation 2: Agree maintained primary school contingency to three schools totalling £185,000 per Table 3 to assist with restructure

costs as part of setting a balanced forward budget and to mitigate retained deficit forecast at 31/03/20 as a result of those costs.

## 2. Summary Position

2.1. Table 1 below shows the high level position for 2019/20 financial year at quarter 2.

**Table 1 – Accumulated Adjusted DSG Carry Forward from 2018/19 (balances at 31/03/19 and forecast balances at 31/03/20)**

<b>Dedicated Schools Grant (DSG) Balances by Block</b>			
<b>Figures in red and brackets represent surplus</b>	<b>Balance 31/03/19</b>	<b>2019/20 Forecast Variance</b>	<b>Forecast Balance 31/03/20</b>
	£m	£m	£m
Schools Block	(0.550)	0.085	(0.465)
Central Services Schools Block	0	0	0
High Needs Block	13.960	5.850	19.81
Early Years Block	0.206	(0.206)	0
<b>TOTAL DSG</b>	<b>13.616</b>	<b>5.729</b>	<b>19.345</b>

- 2.2. The Schools Block surplus carry forward at 31/03/19 comprises:
- £0.225 for falling rolls protection
  - £0.325m underspend on the maintained schools de-delegated budgets. Surplus retained for future requests from maintained schools in financial difficulty and contingency.
- 2.3. The Central Services Block was fully spent in 2018/19 after a transfer of £0.268m to support High Needs Block expenditure.
- 2.4. The High Needs Block is forecast to overspend by £5.85m in 2019/20, which represents an improvement versus the £7.13m overspend on High Needs in 2018/19. The retained HNB deficit at 31/03/19 was £13.96m, rising to forecast £19.81m at 31/03/20.
- 2.5. Early years DSG closed with a retained deficit in 2018/19 due to the additional cost of the previous budget share model versus funding available. This gap and risk have been removed from the budget from 2019/20 due to the participation model.

## 3. Schools Block 2019/20

- 3.1. Projected underspends and use of retained balances in the 2019/20 schools block are indicated in Table 2 below. Underspends on the schools block will be carried forward to 2020/21 as school funds per the conditions of grant.

**Table 2 - Schools Block Forecast 2019/20**

	£m	£m	£m
	2019/20 Budget	2019/20 Forecast	2019/20 Variance
Schools Block delegated (after academy recoupment)	37.220	37.220	0
Use of Falling Rolls Protection Carry Forward	0	0.100	0.100
Maintained schools de-delegated Budget	0.706	0.691	(0.015)
Transfer to High Needs Block	1.003	1.003	0
<b>Total Schools Block received by LBHF. (underspend to c/f)</b>	38.929	39.014	0.085

- 3.2. Schools Forum agreed in January 2019 to allocate the balance of the 2018/19 falling rolls fund to schools from 2019/20. Of the £0.225m carry forward to 2019/20, Schools Forum have allocated £0.075m to schools most impacted by falling rolls between the October 2017 and October 2018 census. The remaining falling rolls fund of £0.150m in 2019/20 is yet to be allocated by Schools Forum.
- 3.3. Recommendation 1 seeks approval to make a falling roles payment of £25,000 to Phoenix Academy in 2019/20 in recognition of their falling roll between the October 2017 and October 2018 census. The payment would represent a contribution to expenditure and actions undertaken by the School to reverse their falling roll. Following a successful Ofsted outcome, Phoenix Academy qualifies under the conditions of falling rolls protection for support.
- 3.4. The 2019/20 maintained schools de-delegated budget is forecast to outturn with an underspend of £0.015m with respect to payments from the 'schools in financial difficulty and contingency' budget in 2019/20. Any underspend will be carried forward to 2020/21 to support requests from maintained schools in the future.
- 3.5. This underspend assumes agreement to recommendation 2 in this report that contingency payments are released totalling £185,000 per Table 3 below to three maintained primary schools.

**Table 3 – Requests for Schools in Financial difficulty/contingency**

School	Reason for request	Year of request	Amount £m
Miles Coverdale	Request support for restructure costs associated with setting a balanced budget for 2020/21	2019/20	0.046
Flora Gardens	Request support for restructure costs associated with setting a balanced budget for 2020/21	2019/20	0.031
Old Oak	Request support for restructure costs associated with setting a balanced budget for 2020/21	2019/20	0.108

- 3.6. Before recommending any such payments Officers undertake due diligence with the school to:
- Understand the reason for the request and that support is required to avoid a deficit position
  - Verify the accuracy of budget monitoring in the school
  - Confirm that the schools budget forecasts and plans reasonably ensure a sustainable financial position over the medium term (based on 2019/20 funding levels)

#### 4. Early Years Block 2019/20

- 4.1. The early years block is forecast to underspend by £0.206m in 2019/20 in order to offset the carried forward deficit as per Table 4 below:

**Table 4 – Early Years Block Forecast 2019/20**

	£m	£m	£m	£m
<b>Early Years Funding Element</b>	<b>2019/10 Original Budget</b>	<b>2019/10 Revised Budget</b>	<b>2019/20 Forecast Expenditure</b>	<b>2019/20 Variance</b>
3 and 4 YO universal & extended offer	13.326	13.722	13.181	(0.541)
2 YO Disadvantaged offer	1.467	1.132	1.467	0.335
EY Pupil Premium	0.078	0.106	0.106	0
Disability Access Fund	0.037	0.037	0.037	0
MNS supplementary funding	0.808	0.820	0.820	0
<b>Total 2019/20 Early Years</b>	<b>15.716</b>	<b>15.817</b>	<b>15.611</b>	<b>(0.206)</b>

- 4.2. The two year old funding has been subject to a retrospective clawback due to an overstatement of eligible numbers on the January 2019 census.
- 4.3. An underspend against three and four year old funding will offset the resulting two year old offer overspend in year. An underspend versus three and four year old is expected through:
- Use of budgeted contingency
  - Increase in overall funding from three and four year old universal and targeted funding
- 4.4. As funding for the period September 2019 to March 2020 is contingent on the January 2020 census, there remains some risk of a retained Early Years deficit at the year end.

#### 5. Central Services Schools block 2019/20

- 5.1. The CSSB block is forecast to outturn to budget as set out in Table 5 below:

**Table 5 – Central Services Schools Block Forecast 2019/20**

	£m	£m	£m
	2019/20 Budget	2019/20 Forecast	2019/20 Variance
Copyright Licensing	0.097	0.097	0
Asset Management, Place Planning and Strategic Operations	0.604	0.604	0
Asset Management – capital expenditure on the school's estate including windows repayments	1.435	1.435	0
Management, Support & Finance	0.931	0.931	0
Virtual School	0.282	0.282	0
Lilla Huset Professional Development Centre	0.200	0.200	0
Admissions and ACE	0.516	0.516	0
Transfer to High Needs	0.350	0.350	0
<b>Total</b>	<b>4.415</b>	<b>4.415</b>	<b>0</b>

- 5.2. Nil variance is currently forecast on CSSB in 2019/20, however budgets are being reviewed for opportunities to reduce expenditure to increase the block transfer to support high needs expenditure.

## **6. High Needs block 2019/20**

- 6.1. The High Needs block is forecast to outturn over spend by £5.85m, as set out in Table 6 below. This would result in a cumulative deficit on the High Needs Block of £19.81m at 31<sup>st</sup> March 2020.

**Table 6 – High Needs 2019/20**

	2019/20 Forecast £m
Place funding	4.37
Top-up funding and placement costs	16.39
Alternative provision education, home tuition, hospital education and outreach	3.00
SALT and OT contracts	0.91
HNB Central services	1.90
<b>Total expenditure</b>	<b>26.57</b>
HNB (net) allocation	(19.01)
In-year allocation	(0.36)
Transfer from SB	(1.00)
Transfer from CSSB	(0.35)
<b>Total income</b>	<b>(20.72)</b>
<b>FORECAST OUTTURN (overspend)</b>	<b>5.85</b>

- 6.2. The High Needs budget has been supported by a transfer of £1.003m from the Schools Block and £0.350m from the Central Services Block.
- 6.3. In July 2019, the 2019/20 High Needs Block allocation was amended for updated import/export adjustment. This saw the 2019/20 allocation reduce by £0.545m versus the allocation advised in March 2019.
- 6.4. The adverse change was as a result of incorrect pupil numbers used for the import/export adjustment with respect to Ealing West London College. This was queried with the ESFA in July 2019. A corrective adjustment is expected to the funding amount in the Autumn 2019 term. This may improve the forecast position.

**Report ends**