

## **Introduction**

This report sets out the Dedicated Schools Grant (DSG) for the financial year 2014/15 (1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015). The balances reported are taken from the Consistent Financial Reporting (CFR) data provided by schools to the Education Funding Agency (EFA).

## **DSG Outturn**

Table 1 shows details of the DSG income and expenditure for the period ending 31<sup>st</sup> March 2015.

Gross DSG income received by the borough was £119m. £28m of which was recouped by the EFA for them to passport through to Hammersmith and Fulham recoupment academies (which are mainly recent ex-maintained schools that converted)

Following the recoupment, the Authority, had £90.3m, plus the £6.185m 2013/14 carry forward balance of DSG, making a total of £96.577m, available to spend on schools and centrally retained services.

£75.936m was distributed to schools, while £20.641m was retained centrally, to be used on the services identified in Table 2. Note the £6.185m carry forward is contained within that group and can only be spent on pupils or pupil related services to support schools and other educational support services.

At the end of the financial year, a balance of £5.281m of this remains unspent and will be carried forward into 2015/16.

<b>Table 1: Dedicated Schools Grant 2014/15</b>			
	Central Expenditure	ISB	Total
Final DSG for 2014/15 before Academy recoupment			119,087
Academy figure recouped for 2014/15			<b>-28,695</b>
Total DSG after Academy recoupment for 2014/15			90,392
Brought forward from 2013/14			6,185
Carry-forward to 2015/16 agreed in advance			0
Agreed initial budgeted distribution in 2014/15	20,641	75,936	96,577
In-year adjustments	0	0	0
Final budgeted distribution for 2014/15	20,641	75,936	96,577
Less actual central expenditure	<b>-15,360</b>		<b>-15,360</b>
Less actual ISB deployed to schools		<b>-75,936</b>	<b>-75,936</b>
Plus local authority contribution for 2014/15	0	0	0
<b>Carry forward to 2015/16</b>	<b>5,281</b>	<b>0</b>	<b>5,281</b>

### **DSG Carry Forward**

The DSG for 2014/15 shows a cumulative balance of £5.281m. As identified at previous Forums, the potential risk with moving to a more National Funding Formula and changes in the SEN funding block means that there continues to be pressures in this area. Table 2 below sets out the analysis of the DSG Outturn for 2014/15

The carry forward also includes £1.64m of under spend of 2 year old funding, which is subject to a separate report on the agenda and has previously been identified to the Forum. This leaves the DSG school element at £3.641m, which appears to be a healthy balance and an appropriate level given the financial pressures on SEN and the National Funding Formula.

The other areas of significant variances in year from the original spend profile are:

- An overspend of £1.52m in the High Needs block which is due to the genuine financial pressure and is a combination of volume changes, needs changes and movement to the existing High Needs inter-authority recoupment following national funding formula changes. Forum is aware of the pressure on High Needs and this was further discussed at Budget Setting for 2015/16. The independent High Needs spend area was the largest pressure point in 2014/15 and this spending increased from £1.262m in 2013/14 to £2.191m

and was a significant part of the overspend. Further detailed analysis is taking place to establish the underlying reasons for this shift, as it does not reflect the existing policy or operational approach.

- There was a savings target built into this area of £554k against the base budget to offset historic reductions in central services following academisation. These were not fully achieved in year and this combined with being the first significant year for roll pressures in the secondary phase (Phoenix and Fulham College Boys) and also financial support needed in several Primary Schools (Sullivan and New Kings being the two main ones) has generated an overspend that are usually fully offset by in- year efficiencies, but that have not materialised this year. There was also the need to support several schools with significant problems around funding in-year that has contributed to the overspend/draw-down from balances of £1.154m. These were not significant pressures on the DSG in year as we had made sufficient historic provision in for these types of challenges.

Service	Budgeted Spend	Actual Spend	Variance
DSG Underspend carried forward from 2013/14	6,184,592		-6,184,592
High Needs Centrally Retained Funding	3,151,150	4,667,512	1,516,362
3 and 4 Year old Funding to the PVI	3,333,046	3,272,515	-60,531
2 Year Old Funding	2,515,000	872,607	-1,642,393
School Maintenance Programmes	1,435,200	1,371,297	-63,903
Other Centrally Retained Spend including maternity, trade union, growth funding, schools facing challenging financial circumstances, NNDR provisions and General Fund	4,021,604	5,176,089	1,154,485
			0
<b>Total Underspend Carried forward to 2015/16</b>	<b>20,640,592</b>	<b>15,360,020</b>	<b>-5,280,572</b>

What is apparent through the detailed work with schools in challenging circumstances in 2014/15, is that our current formula does need to re-institute the funding factor linked to roll reductions that we had prior to the National Changes to the Local Funding Formula. At the time these changes came into effect, the borough had been going through a few years of consistently growing rolls both in Primary and Secondary phases. As such, the need for additional financial protection for schools to more effectively phase in staffing and organisational changes following roll reductions was not felt to be needed.

Whilst the Minimum Funding Guarantee is in place to protect schools nationally from significant funding turbulence, our historical position as a Forum was that it never effectively responded to the real challenge of providing sufficient protection for schools experiencing large scale reductions in rolls.

It is proposed that we re-institute the previous approach to help protect schools facing significant changes in roll to enable them an extra period (April to August) to implement reductions, so that the existing school cohorts are relatively protected from significant change and an effective lead in time can be managed.

The proposal is to create a:

### **Provision for Falling Rolls**

Where a school has a reduction in roll that exceeds 5% between financial years, that additional funding is allocated to the school to enable them to manage the financial challenge that is equivalent to the age weighted funding multiplied by the roll reduction figure x 5/12ths.

This in effect provides a core basic level of funding for the 5 month period, April to August, which would mirror the normal contractual terms in place.

### **Final DSG Allocation 2015/16**

Appendix 1 sets out details of the 2015/16 final DSG Allocation confirmed by the EFA in March 2015.

This allocation shows the Gross Amount of funding, including the additional funding identified in March 2015 for roll growth.

## **School Balances 2014/15**

Appendices 2 and 3 set out the School Balances at 31<sup>st</sup> March 2015, the accounts have only recently been closed and as such further work still needs to be undertaken.

Appendix 2 sets out the table identifying school balances as per the EFA requirements and shows individual school balances / annual income and percentage of balance against income. The second table in Appendix 2 breaks this down further by comparing the balances to uncommitted / committed against the annual funding streams to contextualise the balances better.

Appendix 3 identifies the schools where they have exceeded the balance threshold (8% Nursery, Primary and Specials or 5% Secondary schools).

This is stage one of the review approach and is providing Forum with the headline details. Officers need to further review these balances against the last 2 years returns by schools, as the Forum policy is that where a school are potentially unreasonably accruing balances these Headteachers will be invited to a later Forum to justify in detail the approach or risk some clawback of excessive balances to support other schools.