

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	7 October 2015
SUBJECT:	Revised Schools Budget 2015/16
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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IS REPORT CONFIDENTIAL?	No

SUMMARY

1. The purpose of this report is to notify the Schools Forum of the revised Schools Budget for 2015/16 and to seek support for the proposed use of the underspending from 2014/15.

DISCUSSION

Introduction

2. The Dedicated Schools Grant (DSG) is a ring-fenced grant that can only be spent for the purposes outlined in the DfE's regulations. A revision to the Schools Budget is necessary each year to reflect the under or overspending arising on the DSG in the previous financial year and adjustment to the DSG once the Early Years figures have been confirmed. Under DfE' regulations, underspendings are carried forward automatically to the following financial year and the LA must consult with the Schools Forum over its plans to utilise underspendings, or address overspendings.

The carry forward for 2014/15

3. The underspend carried forward at 31/3/15 was **£10.566m**. This represents 2.15% of the £492.049m 2015/16 DSG and reflects:
 - a. A one-off allocation of **£5m** of the 2013/14 DSG underspend to all schools.
 - b. One-off protection of £0.598m for schools as a result of the changes made to Band 6 to 8 statements.
 - c. Net underspendings of **£2.289m** on budgets held centrally within the DSG. Details are set out in Appendix 1.

Existing commitments

4. A thorough review of commitments has taken place and prudent estimates of those have been made. They total **£4.810m**. Details are set out in Appendix 2. Some commitments are anticipated but cannot be quantified at this stage.

Proposed developments

5. The LA has no proposals for developments.

Proposals for use of the uncommitted sum

6. The underspend (£10.566m), less existing commitments (£4.810m), leaves **£5.756m**. However, as stated in paragraph 4. above, there are other commitments which cannot yet be quantified, so the uncommitted sum is less than this. The £5.756m figure represents only 1.1% of the 2015/16 DSG.
7. This is the lowest level of DSG underspend for several years but the position is not unexpected. The level of underspending has been high since the government mainstreamed £67m of Standards Funds grants in to the DSG, when significant funds were set aside to fund protection. In recent years, the DSG underspend has gradually been reduced by allocating sums to all schools in successive years (e.g. £5m, £4m and £7m have been allocated to schools in the last three years).
8. The LA proposes that this sum is not committed and is instead held in reserves. This is considered prudent given the following points:
 - a. The LA must act prudently and avoid overspending the DSG.
 - b. The LA has never overspent the DSG since it was created in 2006/07.
 - c. The LA would be unable to fund a DSG overspend from its non-DSG budgets which have and will continue to be subject to very significant cuts in future years, in stark contrast to the 'cash flat' protection given by government to the DSG.
 - d. Under current DfE's regulations, the Schools Forum has to approve the writing off of any DSG overspend against the future year's DSG and due to the aforementioned funding restraints, the LA cannot take the risk of approval not being given.
 - e. Even if the Schools Forum's approval was given, an overspend would almost certainly result in reduced budgets for schools and that uncertainty would undermine their financial planning.
 - f. Several of the budgets held centrally within the DSG are large, demand-led and uncontrollable (e.g. early years and funding needed for schools' demographic growth).

- g. A number of existing budgets are tight, under pressure and subject to recent growth (e.g. the Learners with Learning Difficulties or Disabilities, and SEN Out of County budgets).

Budgets must therefore be set prudently to avoid overspending the DSG. In view of these and other uncertainties, it is therefore proposed that all of the uncommitted sum is held in reserve. This represents only 1.1% of the DSG and is considerably lower than the average carried forward by maintained schools and, probably, academies.

RECOMMENDATIONS

The Schools Forum is asked to:

- 1) Note the contents of the report;
- 2) Support the LA's proposals for use of the uncommitted sum, as outlined in paragraphs 8 above.

The views of the Schools Forum will be reported to Children's Services DMT and Lead Executive member before final decisions are made.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.
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Appendix 1 - Central DSG Budgets 2014/15 – Explanations for major underspendings and overspendings
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Appendix 2 - 2014/15 DSG commitments

BACKGROUND PAPERS			
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PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	Revised Schools Budget 2013/14	8 th October 2014	County Offices, Newland, Lincoln, LN1 1YQ

DSG Central Budgets 2014/15 – Explanations for major underspendings and overspendings

The main underspendings and overspendings were:

Budget	(Underspend) / Overspend £m
Unallocated Headroom This was the uncommitted sum set aside last year.	(2.171)
Early Years – Disadvantaged 2 year old funding In September 2013, the government extended free early years provision to 2 year old children from the 20% most deprived areas. In September 2014, this was extended to 2 year olds from the 40% most deprived areas. Lower than expected demand has given rise to this underspending. The aim is to maximise take-up.	(1.372)
Early Years – PVI free entitlement This is a demand-led budget. Forecasting the budget requirement accurately at the start of the financial year is therefore extremely difficult.	(0.468)
Nursery Classes funding formula This underspend arose because the forecast growth in both the number of children accessing early years provision and the hours taken up was less than expected. This budget is uncontrollable and demand is difficult to forecast accurately.	(0.468)
Nursery Schools funding formula The explanation for the underspending on nursery schools is the same as that given for nursery classes above.	(0.368)
SEN Out of County placement Where the LA is unable to meet the needs of children within existing provision, out of county placements are required. Between December 2013 and August 2015, the number of placements rose from 89 to 104. This gave rise to an overspend in 2014/15. In January 2015, the Schools Forum supported the LA's proposal to increase this budget by £2m in 2015/16.	2.108
School Growth fund This budget provides the revenue costs to support the LA's duty to provide sufficient school places. There has been considerable growth in recent years but the timing of the capital developments is unpredictable and the revenue costs can vary. With the Schools Forum's approval, this budget was increased by £0.5m in 2015/16.	0.601
Other Underspends & overspends	(0.151)
Total	(2.289)

2014/15 DSG commitments

The commitments are:

Budget	Commitment £m
Energy savings initiatives in schools These are the remaining commitments for the boiler optimisation programme in schools. The original commitment was approved by the Schools Forum.	1.524
Early years disadvantaged two year old funding This is the unspent government funding from previous years.	1.617
Sector-led investment This was approved by the Schools Forum in April 2015. This is for the LA and headteachers to develop ideas and plans for new and imaginative ways of securing school improvement in the medium term. This will provide both local support and challenge for school improvement and the sum was designed to pump prime this initiative over two to three years.	0.500
Looked After Children This is to support additional staffing for this team.	0.160
Boston Pilgrim school Temporary funding was agreed for 2015/16 whilst a review of provision across the county takes place.	0.233
14-19 Strategic Officer This is to fund the remaining year of a two-year post to lead the implementation of the 14-19 strategy.	0.070
School re-organisations, including new schools and closures These are the estimated commitments for various school reorganisations and the start-up costs for new primary schools, etc.	0.706
Total	4.810

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