

**Retained Dedicated Schools Grant Budget Position 2012-13**  
**Schools Forum** **9 October 2012**

**Author:** Lead Finance Manager – Schools and Innovation

**Parish / Wards Affected:** All

**Purpose**

- To advise Schools Forum members of the latest position on the 2012/13 retained Dedicated Schools Grant (DSG) budget

**Recommendations**

***The Schools Forum is requested to note that:***

- ***Based on information available at the end of August, an in year underspend of approximately £1.0m is projected against the 2012/13 retained DSG budget.***
- ***A total of £0.3m remains available from 2010/11 and 2011/12.***
- ***The LA is provisionally forecasting that £1.3m of funding will be carried forward at the end of this financial year and requests Schools Forum agreement to distribute £0.650m as part of the 2013/14 budget setting process and that approximately £0.650m will be redistributed in 2014/15.***

**1. Reasons**

- 1.1 This report provides Forum Members with the latest information on spending against the retained budget. Although there is demand led pressure in some areas, the Local Authority (LA) is continuing to take action wherever possible to minimise retained spending in order to maximise the value of DSG that can be distributed to Schools and Academies via the local fair funding formula.
- 1.2 This report includes proposals to manage risks arising from the school funding reform programme by strategically utilising the projected underspend on the retained budget by enhancing school funding over the next two years.

**2. Detail**

Current Year Budget Position 2012/13

- 2.1 At the 6<sup>th</sup> March 2012 Schools Forum meeting the value of the retained DSG budget for 2012/13 was agreed at £18.015m. At the 3<sup>rd</sup> July 2012 meeting the LA reported that following Department for Education (DfE) verification, the final 2012/13 DSG settlement provided an additional £0.361m of which £0.277m related to additional early years pupils and £0.084m related to additional mainstream / alternative provision pupils.

Further information on the subject of this report can be obtained from Steve Haley on 01793 465794 or Email [shaley@swindon.gov.uk](mailto:shaley@swindon.gov.uk).

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This funding has been added to the retained budget as agreed by Schools Forum bringing the total to £18.376m.

- 2.2 The retained DSG budget is monitored in accordance with standard Swindon Borough Council (SBC) budgetary control procedures and a report is submitted to the Economy and Attainment Leadership Team each month. Updates are also provided to Corporate Board, Cabinet and the Children and Young Peoples Overview and Scrutiny Committee.
- 2.3 Attached at Annex A is the report based on information at the end of August which indicated that an underspend of £1.007m is projected due to two main factors which are explained in the report. The value of any unspent funding on the retained budget will be automatically carried forward at the end of the year and, although the precise amount will not be confirmed until May, it is envisaged that £1m will be available for distribution as part of the 2013/14 budget setting process. This position will continue to be reviewed and reported to the Schools Forum.

***Schools Forum is asked to note that, based on information available at the end of August, an in year underspend of £1.0m is provisionally projected against the 2012/13 retained DSG budget***

#### Funding Available from 2010/11 and 2011/12

- 2.4 In the 3<sup>rd</sup> July 2012 Schools Forum report the Local Authority (LA) advised that a total of £985,650 had been carried forward from 2010/11 and 2011/12 of which £589,451 had been allocated as one off transitional support in 2012/13 to those settings which were detrimentally affected by the redistribution of former Standards Fund grants and ministerial priority funding. This support ensured no setting would lose more than 2.5% in formula funding and left a balance of £396,199.
- 2.5 Of the total transitional funding allocated, £222,000 related to 5 Academies and this value was recouped from the LA by the Education Funding Agency (EFA) at the start of the year. The LA had expected the EFA to passport this funding over to Academies in 2013/14 in accordance with current arrangements whereby Academies are funded based on the LA's previous (not current year) formula. However, as a consequence of the Department for Education (DfE) school funding reform programme Academy funding will be more closely aligned to LA formulas and their 2013/14 funding allocated from September 2013 will be based on the LA's 2013/14 formulas.
- 2.6 Academies will receive Minimum Funding Guarantee (MFG) protection if they are detrimentally affected by formula changes and the EFA will not therefore be passing over any of the transitional protection funding. MFG

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is payable to limit losses per pupil to no more than 1.5% whilst the transitional protection funding allocated by the LA, as approved by Schools Forum, was less generous as this limited the loss of funding to 2.5%. As a consequence of the funding reform Academies will therefore receive greater protection than was anticipated by the LA. Letters were sent to the 5 Academies on 18<sup>th</sup> September explaining this but despite EFA confirming that they would not be passing on the transitional protection funding allocated, they will not refund the £222,000 to the LA. The matter has been taken up by the Board Director – Finance, Revenues, Benefits and Property and will be pursued further with the DfE and EFA. So far, despite representations, the EFA acknowledge the unique circumstances relating to the transitional support funding but maintain that funding has been recouped in accordance with legislation and cannot be returned. If the LA is able to recover this sum it would be available for redistribution via the local formula but this cannot be assumed at this stage.

- 2.7 The Schools Forum agreed at the July meeting that funding totalling £37,822 should be allocated to three primary schools which had employed Advanced Skills Teachers. This was subsequently paid out reducing the balance brought forward to £358,377.
- 2.8 At the same meeting the Forum was also asked to support the payment of £25,500 discretionary funding to Gorse Hill which the LA felt obliged to pay due to the provision of inconsistent financial information at consultation meetings leading up to the decision to amalgamate. Although this was not supported by the Schools Forum, following legal advice, the Director of Children Services wrote to the Headteacher of Gorse Hill to offer the payment. Following consideration by the chair of governors this was subsequently accepted and has since been paid reducing the balance brought forward to £332,877.
- 2.9 At this stage the LA is not aware of any other potential commitments against the brought forward balance and, as a sizeable underspend is currently projected on the retained 2012/13 budget, the LA anticipates that £332,877 will be available for distribution to Schools and Academies in 2013/14.

***Schools Forum is asked to note that that the LA is assuming that £0.3m carried forward from 2010/11 and 2011/12 will be available for redistribution to schools via the local formula***

Funding Available for distribution in 2013/14

- 2.10 At this stage the LA is provisionally assuming that a substantial amount of one off funding of up to £1.333m will be available from previous years for distribution in 2013/14. This figure will need to be reviewed over the next

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few weeks until a final decision is taken in January 2013 regarding the estimated value that can be assumed for redistribution. The exact value will not however be known until May 2013 after the 2012/13 final accounts have been closed. If the LA overestimates the 2012/13 underspend, this would have to be clawed back in 2014/15.

- 2.11 In establishing a new formula in accordance with DfE requirements, despite striving to minimise turbulence, the LA is estimating that a number of schools will be detrimentally affected by the changes and will be eligible for Minimum Funding Guarantee (MFG) payments in 2013/14. As reported elsewhere on today's agenda the cost of MFG is provisionally estimated at £0.585m and whilst the LA cannot directly fund MFG from the retained budget, any allocation of funding from the retained budget will provide inflationary increases to overall school funding and will reduce losses and therefore the final cost of MFG.
- 2.12 It is important to recognise that this is one-off funding only and may result in the LA setting local formula rates in 2013/14 which may not be affordable in 2014/15. There is a possibility therefore that funding rates in 2014/15 would need to be reduced, which in turn may impact upon the cost of the Minimum Funding Guarantee.
- 2.13 To mitigate against uncertainty the LA is minded to manage this risk over two years by redistributing only a proportion of the one-off funding available in 2013/14 and to allocate the remaining funds in 2014/15. This will use the one-off funding over two years and will help to limit the cost of the Minimum Funding Guarantee. At this stage whilst the LA cannot be accurate in determining the final balance carried forward there is a high degree of confidence that funding of £0.650m (50%) could safely be redistributed in 2013/14.

***Schools Forum is asked to agree that the LA should assume at this stage that £0.650m will be carried forward for distribution as part of the 2013/14 budget setting process and that approximately £0.650m will be available for distribution in 2014/15.***

### **Alternative Options**

There are no alternative options presented in this report.

### **Risk Management**

#### *Financial and Procurement Implications*

- Various financial implications are included in this report relating to management of the retained DSG budget

#### *Legal / Human Rights Implications*

- There are no legal or human rights implications arising from this report.

#### *Links to Corporate Plans and Policies*

- Scheme for Financing Swindon Schools

#### *Diversity Impact Assessments*

- As there are no proposals in this report, DIA's have not been completed.

### **Consultees**

The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

### **Background Papers and Appendices**

Annex A – Budget Monitoring report presented to the Economy and Attainment Leadership Team dated 14<sup>th</sup> September 2012