

# Final Dedicated Schools Grant Outturn 2012-13

**Schools Forum**

**Date: 9<sup>th</sup> July 2013**

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Author:	Finance Manager – Education and Innovation
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 To advise Schools Forum members on the final 2012/13 Dedicated Schools Grant (DSG) outturn position following closure of the Local Authority's (LA's) 2012/13 final accounts.
- 1.2 This report provides Forum Members with information on the final spend against the 2012/13 retained budget. Although there is demand-led pressure in many areas of the retained budget the LA is continuing to take action wherever possible to minimise central spending in order to maximise the value of DSG that can be distributed to Schools and Academies via the local fair funding formula.
- 1.3 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 periodically provided to Corporate Board, Cabinet and the Children and Young Peoples Overview and Scrutiny Committee.
- 1.4 The LA is required to report the position on the DSG budget to the Schools Forum throughout the year and at the financial year end. This report advises Schools Forum of the final DSG balance following closure of the 2012/13 final accounts. In accordance with grant conditions, the year-end DSG balance (whether positive or negative) must be carried forward to the following year and the Schools Forum must be consulted on how the surplus or deficit is managed.

## **2. Recommendations**

The Schools Forum is recommended to:

- 2.1 Note that the final outturn on the 2012/13 retained DSG budget was an underspend of £1.817m
- 2.2 Note that after the allocation of funding previously agreed by the Schools Forum the total balance currently available for redistribution is £1.183m.

## **3. Detail**

Final Outturn Position 2012/13

- 3.1 At the 6<sup>th</sup> March 2013 Schools Forum meeting members were advised that the LA anticipated finishing the 2012/13 financial year with an overall surplus of

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£1.974m. This included £0.333m which had been brought forward from 2011/12 plus an estimated underspend of £1.641m against the 2012/13 retained budget of £18.376m.

- 3.2 Attached at **Annex A** is the report issued to the Economy and Attainment Leadership Team on 14<sup>th</sup> May which was based on information at the end of March. Following closure of the LA's 2012-13 accounts final spending has been confirmed at £16.465m producing a net underspend of £1.817m. This represents an improvement of £0.191m compared to the end of January projection reported to the Schools Forum in March.
- 3.3 There were 5 areas of the retained budget where final spend varied significantly to the end of January projections and these are detailed in **Annex A**. The unspent DSG retained funding balance of £1.817m has been carried forward to the 2013-14 financial year.

<b>Schools Forum is asked to note that the final position on the 2012/13 retained budget was an underspend of £1.817m.</b>
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## Previous Year Funding

- 3.4 As confirmed at the March Schools Forum meeting there is £0.333m available for distribution from previous years, primarily relating to the wind up of the Standards Fund.

## 2012/13 Transitional Support Funding Recoupment

- 3.5 As previously reported to the Forum the LA was still seeking to recover transitional protection funding of £222,105 which had been allocated in 2012/13 to those academies which would have been detrimentally affected by the redistribution of former Standards Fund grants. For maintained settings funding was allocated via the local formula in 2012/13 to match reduced funding in that year. For academies, due to the DfE's time lag arrangement, funding was recouped from the LA in 2012/13 with an expectation that this would be allocated to academies in 2013/14 to coincide with them experiencing the delayed impact of the local formula changes.
- 3.6 One of the more positive aspects of the school funding reform is that academy funding is more closely aligned to the LA's local formula and for the 2013/14 academic year, academies will be funded based on the LA's 2013/14 local formula, not the 2012/13 formula. This means that the 2012/13 local formula changes will never feature in an academy's funding allocation and it is possible that losses in funding for individual academies may not actually materialise if they made gains from the new 2013/14 allocations. Although extremely difficult to quantify the LA estimates that actual losses will be lower than the value of transitional protection recouped. Individual academies will automatically receive MFG protection at -1.5% per pupil which is a little more generous than the

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transitional protection agreed by Schools Forum which restricted cash losses arising from formula changes at -2.5%.

- 3.7 On 4<sup>th</sup> April 2013 the LA received a letter from the DfE confirming that the 2012/13 recoupment values would not be adjusted as they were made in line with the regulations. The LA was required to transfer the value of funding earmarked for each academy and this did correctly include transitional protection. The school funding reform programme has meant that the LA's funding intentions have not come to fruition, but as DfE state, there is not an exact match between what is paid to academies and what is recouped. The LA has, therefore, with a degree of reluctance had to accept that funding will not be returned.

## Commitments Already Agreed

- 3.8 In setting the 2013/14 formula, Schools Forum agreed that the surplus funds carried forward from 2012/13 would be used over two financial years to ease transition to the new national funding formula. For 2013/14 £0.9m was allocated as a one-off uplift to primary BPPE (basic per pupil entitlement) rates which were below South West average rates. This had the effect of reducing MFG (minimum funding guarantee) protection costs arising from the enforced formula changes which were predominantly in primary settings.
- 3.9 At the March Forum members agreed that the Education Other than at School (EOTAS) service would be allowed to retain whatever surplus it achieved in 2012/13 to enable a premises improvement scheme at the Stratton Education Centre to be carried out in 2013/14. This was estimated at £78,000 and the final balance was £67,000.

## Current Position

- 3.10 The table below summarises the current position compared to the projections reported in March:

<u>Table 1 – Summary of DSG Available for Distribution</u>		
	March Projections	Latest Position
Estimated balance cfwd at 31/3/2013	£1.974m	£2.150m
Less – Primary BPPE increase	£0.900m	£0.900m
Less – EOTAS retention	£0.078m	£0.067m
Balance currently available	£0.996m	£1.183m

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## Medium Term Retained Budget Position

- 3.11 Elsewhere on today's agenda is a report covering the 2013/14 financial position which identifies some in-year cost pressures which the LA intends to meet from the 2013/14 DSG allocation without drawing on the brought forward DSG balance above. The school funding reform programme has introduced a much higher degree of uncertainty for the LA (and schools) in managing the retained budget, particularly with regard to the high needs budget where early indications are that contingency requirements for growth in placements and some top up values may have been understated.
- 3.12 Although underspends have been achieved on the retained budget in each of the last three years the LA does not anticipate continuing this trend and achieving break even in the first year of the new arrangements would appear to be a significant challenge. When considering requests for additional funding the LA will need to compare the relative financial positions of individual schools and the retained budget. Schools with relatively high balances will be expected to absorb temporary cost pressures and the LA will also expect academies to also adopt this position. The LA will however strive to improve the fairness of future funding by making any necessary changes to the local formula and other funding values. All settings are advised to consider that any overspends on the retained budget can only be funded from future reductions in other areas of school funding.
- 3.13 Following a recent legal judgement it is likely that additional pressure will be placed on the retained budget and individual schools/academies in future years relating to unsettled Equal Pay claims. The LA is currently working through the implications of the Dumfries and Galloway ruling and letters will be sent to those schools and academies which are affected when details are finalised. Equal pay costs are being borne over a 20 year period with 50% of costs charged to the retained DSG budget. The central budget will therefore need to be increased in 2014/15 and an update will be provided to the Schools Forum in January.
- 3.14 A further report on today's agenda provides information on potential formula changes that may be required in 2014/15. As originally intended the LA will seek to delegate the £1.183m balance available from 2012/13 as part of the 2014/15 budget setting process and proposals will be made to the Schools Forum in January. It is however important to recognise that this is one-off funding which cannot support recurring funding increases.

<p><b>Schools Forum is asked to note that after the allocation of funding previously agreed by the schools Forum the total balance currently available for redistribution is £1.183m.</b></p>
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## 4. Alternative Options

- 4.1 The LA could distribute the full value of the retained underspend in 2013/14 but an equitable method for allocation would need to be agreed which complied with the new school finance regulations.

## 5. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

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

### Legal and Human Rights Implications

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

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 This report does not make any recommendations that affect these areas.

### Links to One Swindon, Plans and Policies

- 5.4 Utilisation of the DSG has a direct link to two of the Council's five priorities – "Right skills, right jobs in the right place" and "Make the best use of Swindon's resources inside and outside the Council".

### Diversity Impact Assessment

- 5.5 As there are no proposals in this report, a DIA has not been completed.

### Risk Management

- 5.6 There are no specific risk management implications not highlighted in the body of the report.

## 6. Consultees

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

## 7. Background Papers

- 7.1 None

## 8. Appendices

- 8.1 Annex A –Dedicated Schools Grant Final 2012-13 Outturn report issued to the Economy and Attainment Leadership Team on 14<sup>th</sup> May 2013