

2014-15 Dedicated Schools Grant General Updates

Schools Forum

Date: 7th October 2014

Author:	Head of Finance – Education and Innovation
Wards:	All
Locality Affected:	All
Settings Affected:	As the DSG is ring fenced funding provided by the DfE to meet the educational needs of early years, school age and all 0 to 25 year old high need pupils, any decisions on how the grant is utilised indirectly affects all settings.

1. Purpose and Reasons

- 1.1 To provide Schools Forum members with updates relating to 2014/15 including the inclusion of all Swindon Academy pupils in our DSG, an update on overall DSG and other funding available this year and proposals regarding equal pay.

2. Recommendations

The Schools Forum is recommended to:

- 2.1 Note the latest position regarding Swindon Academy pupil costs and that additional funding is to be provided by the EFA meaning that Swindon will not be detrimentally affected by the end of partial recoupment arrangements.
- 2.2 Note that the latest estimate of Swindon's overall 2014/15 DSG settlement is £153.574m.
- 2.3 Note that Swindon will receive £0.5m of EFA funding to effectively reimburse the DSG for place costs at Uplands Sixth Forum
- 2.3.1 Agree that this will be used to repay £0.5m of equal pay liabilities in 2014/15.
- 2.3.2 Agree that this will be used to enhance mainstream BPPE rates by £0.5m from 2015/16 onwards.
- 2.4 Note the position regarding school NNDR charges
- 2.4.1 Agree that the current NNDR balance is to be used to repay £0.8m of equal pay liabilities in 2014/15 which will leave a more reasonable sum of £0.2m.
- 2.5 Note that the equal pay liability as at 1st April 2015 payable from the centrally retained budget is currently estimated at £2.5m which will require annual budgetary provision to be made from 2015/16 onwards of £0.161m.
- 2.5.1 Agree to the repayment of £2m of liabilities from the sources identified in the current year reducing the liability as at 1st April 2015 to £0.5m which will require a reduced annual budgetary provision to be made from 2015/16 onwards of £0.034m.

Further information on the subject of this report can be obtained from Steve Haley, 01793 465794, shaley@swindon.gov.uk.

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3. Detail

Swindon Academy costs and DSG implications

- 3.1 At the last three Schools Forum meetings officers have advised that the end of partial recoupment academies instigated by the EFA had unintended and very significant detrimental consequences for Swindon. Overall additional costs charged to the local formula for the Academy's 918 pupils (which were previously outside Swindon's DSG) are £4.556m whilst the additional funding generated from their inclusion in our schools block DSG calculation was only £3.765m. There was therefore a gap between costs and funding of £0.791m.
- 3.2 The LA Finance team has contacted EFA on a number of occasions and on 18th September finally received confirmation that the change to recoupment arrangements was intended to be broadly cost neutral for LAs and that we could expect to receive the extra funding needed to meet the shortfall. This eliminates the risk that the DSG balance would need to be depleted to meet this cost in the current year. From 2015/16 onwards, as reported elsewhere on today's agenda, Swindon's schools block DSG is to be enhanced and the EFA calculations include Swindon Academy pupils.
- 3.3 In July Schools Forum was advised that, following late DfE changes to the High Needs block, the LA was anticipating an overall 2014/15 DSG settlement of £149.083m. As a result of the Swindon Academy issue above being resolved (£4.556m) and other minor DfE changes (£0.065m) the final 2014/15 DSG settlement is now estimated at **£153.574m** subject to an Early Years adjustment which DfE will make arising from the January 2015 census.

Schools Forum is asked to

- **Note the latest position regarding Swindon Academy pupil costs and that additional funding is to be provided by the EFA meaning that Swindon will not be detrimentally affected by the end of partial recoupment arrangements.**
- **Note that the latest estimate of Swindon's overall 2014/15 DSG settlement is £153.574m.**

High Needs Funding Update

- 3.4 Forum Members will recall that in order to meet EFA school budget setting deadlines the LA was required to finalise 2014/15 mainstream school funding at the 21st January 2014 Schools Forum meeting and finalise Special School and SRP funding at the 11th March 2014 Schools Forum meeting whilst there remained a great deal of uncertainty over the levels of High Needs funding available. Furthermore the financial risk arising from including Swindon Academy in our DSG had been recognised but was unresolved.

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- 3.5 On 31st March 2014 the EFA announced that in addition to whatever High Needs DSG funding was provided, they would also be allocating place funding to LAs in respect of their maintained sixth forms at £10,000 per agreed place. At that time the EFA were not recognising 13 continuing pupils at Uplands sixth form who were initially deemed ineligible for funding because they were aged 18 on 31st August 2013. As reported to the July Forum meeting this decision was eventually reversed and for 2014/15 we will therefore receive a total of £510,000 place funding over and above the DSG. This does not in any way affect Uplands school as their 2014/15 funding has been allocated by the LA based on their agreed places for which they are receiving place and top up funding.
- 3.6 This does however represent additional recurrent funding that is currently unallocated and available for distribution although due to the school finance regulations there is limited scope to use it in the current year. This could have provided a partial solution towards the Swindon Academy DSG shortfall described above but this issue has now been resolved and a decision on how best to use this funding is required.
- 3.7 In a report to the 9th July 2013 Schools Forum members were advised that the LA was unhappy at the level of new high need funding that was being provided to meet the cost of its new responsibilities for high need students attending Further Education colleges and Independent Specialist Providers. The LA had hoped that the new arrangements would have addressed the long standing subsidy of post 16 high needs provision from the DSG. Prior to the new arrangements, whilst the LA was responsible for meeting the costs of all post 16 SEN students in school sixth forms, these pupils were excluded from all DSG calculations and regardless of actual pupil numbers or costs the only funding LAs received was something called the SEN Post 16 block grant.
- 3.8 This grant predated the DSG and was determined nationally in 2001/02 following the transfer of responsibilities to LAs from regional Learning and Skills Councils. Although subject to minor annual inflationary increases since that time the level of grant has been unaffected by changes in pupil numbers and for areas such as Swindon, with a growing number of post 16 SEN pupils, the gap between costs of provision and funding provided by DfE has widened each year. For Swindon this gap was quantified in 2012/13 at £1.25m as the annual costs of Uplands sixth form, out of borough post 16 SEN placements and SEN pupils in mainstream sixth forms totalled £1.85m whereas the notional SEN post 16 block grant value was only £0.6m. This meant that the LA was effectively having to use the DSG (which at that time was only provided for pupils up to the age of 16) to subsidise the costs of post 16 SEN pupils by a considerable value. In other words funding allocated to the LA for early years, school age pupils and central services was having to be diverted.
- 3.9 This was acknowledged as a long standing issue at a meeting with YPLA staff back in 2012 when LA officers were advised that the whole area of high needs
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funding was under review. With hindsight the changes implemented from the start of the 2013/14 academic year to transfer responsibilities for FE College and ISP post 16 SEN students only made matters worse. The value of the existing SEN block grant was transferred into the High Needs DSG block (without any review) and, whilst some additional funding has been allocated, both the place numbers and values per pupil have been capped by the EFA and the long standing DSG subsidy requirement remains in place.

- 3.10 It is the LAs conclusion therefore that the £0.5m of EFA funding receivable to reimburse the costs of places at Uplands sixth form represents an opportunity to reduce the long standing subsidy that has been necessary from other services funded by the DSG. The following table was provided in a report to the last Schools Forum and is replicated below to help illustrate this.

Table 1 – 2013/14 Funding and Spending by DSG Block			
DSG Blocks	DfE Funding Received	Local Spending Allocations	Difference
Early Years – 3 and 4 year olds	£8.128m	£7.500m	-£0.628m
Early Years – Disadvantaged 2 year olds	£1.985m	£0.918m	-£1.067m
Schools	£112.432m	£109.740m	-£2.692m
High needs	£22.901m	£25.479m	+£2.578m
Central services, pupil growth, admissions etc.	?	£1.745m	+£1.809m
Unallocated DSG balance	-	£0.064m	
Totals	£145.446m	£145.446m	£0.0m

- 3.11 Elsewhere on today's agenda an update on various 2015/16 issues is provided which includes proposals to pass on extra schools block DSG through to mainstream schools via an uplift to the BPPE rate in 2015/16. It is suggested that the extra £0.5m receivable from the EFA is also added to BPPE funding to partially reinstate the historic diversion of mainstream funding to meet high need pupils/students in sixth forms. There is also a recommendation to boost nursery funding in 2015/16.
- 3.12 It is not possible to instigate further funding allocations to mainstream settings during 2014/15 which leaves £0.5m of unallocated funding in the current year. At section 3.20 to 3.24 below Forum Members are recommended to use this funding to pay off equal pay liabilities chargeable to the centrally retained budget which will marginally benefit all DSG funded provision in future years.

Schools Forum is asked to;

- **Note that Swindon will receive £0.5m of EFA funding to effectively reimburse the DSG for place costs at Uplands Sixth Forum**

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- **Agree that this will be used to repay £0.5m of equal pay liabilities in 2014/15.**
- **Agree that this will be used to enhance mainstream BPPE rates by £0.5m from 2015/16 onwards.**

National Non Domestic Rates (Business Rates)

- 3.13 In setting the local formula each year, in common with most other Authorities, the LA uses an NNDR factor to ensure mainstream schools and academies receive sufficient funding to meet their actual NNDR charge as levied at the start of each year. Maintained schools pay full business rates whilst Voluntary Aided schools and Academies attract 80% charitable rate relief. (Special Schools are exempt from NNDR). Over recent years the LA has received in year refunds where a school has converted to Academy status after paying their full NNDR charge for that year and these refunds have been carried forward as a contingency to meet the in-year costs of revaluations.
- 3.14 One positive consequence on the DSG arising from the Academy conversion programme is that this reduces the proportion of DSG that has to be earmarked in the local formula and paid by schools to cover NNDR charges. For example in 2010/11 NNDR costs of £1.700m represented 1.82% of annual mainstream school funding whereas for 2014/15 the value was £1.463m (1.26%). This effectively allows more delegated funding to be spent on teaching and learning rather than on fixed premises costs.
- 3.15 Individual NNDR charges are determined by Rateable Values which are set by the Valuation Office Agency on behalf of HMRC. Where premises are extended (such as when a school expansion takes place) it is likely that back dated NNDR arrears become payable but there is usually a time delay before charges reflect building works. It is therefore considered good practise for LAs to maintain an NNDR contingency reserve to meet any in year back dated costs without affecting school budgets until the following financial year.
- 3.16 All premises are subject to 5 yearly rateable value (RV) reviews and following the 2010 exercise the LA engaged specialist agents to challenge the RVs and lodge appeals on a number of premises including schools. Earlier this year the outcome of these appeals became known and the LA is pleased to report that a number of backdated refunds have been received including some schools. The most significant of these relate to Isambard (£117k), Orchid Vale (£87k), and Nova Hreod (£94k) plus smaller values at Toothill, Oakhurst, Gorse Hill and Redoaks which together provide a total refund of £370k.
- 3.17 This will have no impact on these schools in the current year and whilst their charges will reduce in 2015/16 this will be matched by local formula adjustments to ensure annual funding continues to match annual costs levied. This will however marginally benefit all mainstream schools as a lower amount of funding

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will be tied up in NNDR costs at least up to 2017 when the next review takes place, 2 years later than was originally planned.

- 3.18 Due to the volume of academy conversions in Swindon over recent years a substantial credit balance has built up and the value carried forward as at 31st March 2014 was £0.655m. Since the start of the year a further £0.370m has been received in back dated refunds bringing the total available up to £1.025m. Forum members will be aware that a number of primary schools have or are in the process of expanding (Haydonleigh, Even Swindon, Orchid Vale etc.) but these settings are unlikely to generate significant NNDR cost pressures. For example Haydonleigh and Even Swindon's current annual NNDR charges are £30k and £47k respectively and whilst the Valuation Office appears rather slow to consider appeals and process refunds they are a little quicker to collect increased charges and arrears owed on expanding schools are unlikely to build up to significant levels. This therefore leaves the LA with £1m which seems an excessive amount given the current level of risk involved.
- 3.19 Set out below is an update on the equal pay liabilities payable from the centrally retained budget which includes proposals to utilise a number of sources of one off funding to clear as much debt as possible thereby releasing pressure on future year's DSG. This includes a proposal to utilise £0.8m of the NNDR reserve which will leave a more proportionate contingency balance of £0.2m.

Schools Forum is asked to;

- **Note the position regarding school NNDR charges**
- **Agree that the current NNDR balance is to be used to repay £0.8m of equal pay liabilities in 2014/15 which will leave a more reasonable sum of £0.2m.**

Equal Pay Update

- 3.20 Forum members will be aware that substantial equal pay claims have been settled across the public sector over recent years and that single status agreements supported by job evaluation schemes have been implemented to avoid further claims being logged. Agreement was reached at the July 2010 Schools Forum that the LA would settle all claims relating to Swindon school staff and that payments would subsequently be recovered with the centrally retained DSG budget picking up 50% of all costs and individual schools picking up 50% of their costs. Schools are able to settle their liabilities by taking out a 20 year loan or by using school balances and the same funding options apply to Academies after conversion.
- 3.21 At the July meeting Forum members agreed in principle that approximately £0.7m of the existing DSG balance could be used to pay off some of the equal pay liability. Based on all settled claims the total liability on the centrally retained

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budget (including estimated interest) is currently £2.9m which is matched by individual loans owed by schools. As reported elsewhere on today's agenda a number of schools have elected to make lump sum repayments in 2014/15 which, if matched by the LA, will result in a £190,000 overspend on this year's centrally retained budget. (The current budget of £170,000 was set to meet existing liabilities of £136,000 per year plus a provision of £34,000 to meet the costs of new claims had they been funded via long term loan). The latest forecast spend against this budget is £360,000 and the LAs assessment is that the overspend can be absorbed by a combination of underspends and increased funding in other parts of the retained budget.

- 3.22 After making this year's payments this will leave the central DSG budget with an equal pay liability as at 1st April 2015 of £2.5m which will require on-going central payments of £161,000 per year and annual budgets will need to be provided at this level from the DSG for the next 16 years.
- 3.23 A variety of funding sources have been identified by the LA which could be used to pay off central equal pay liabilities as follows;
- £0.5m arising from EFA funding towards SEN sixth form places at Uplands
 - £0.8m arising from NNDR refunds (leaving a balance of £0.2m)
 - £0.7m of the DSG balance (leaving a balance of £0.65m)
- 3.24 Subject to Forum support a total of £2m of equal pay liabilities could therefore be repaid in the current year in addition to the projected £360,000 which would reduce the 1st April 2015 liability down from £2.5m to £0.5m. This would reduce the 2015/16 central budget requirement from £170,000 to £34,000 thereby freeing up DSG that can be delegated to schools and other providers in future years. This proposal will not affect individual schools equal pay liabilities but will generally benefit all settings which are DSG funded. Subject to a satisfactory 2014/15 outturn position it is likely that the LA will recommend a further and final repayment of the central liability should DSG balances or other funds allow this.

Schools Forum is asked to

- **Note that the equal pay liability as at 1st April 2015 payable from the centrally retained budget is currently estimated at £2.5m which will require annual budgetary provision to be made from 2015/16 onwards of £0.161m.**
- **Agree to the repayment of £2m of liabilities from the sources identified in the current year reducing the liability as at 1st April 2015 to £0.5m which will require a reduced annual budgetary provision to be made from 2015/16 onwards of £0.034m.**

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4. Alternative Options

- 4.1 Alternative options are described throughout this report where applicable.

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), Director of Law and Democratic Services (Monitoring Officer) and Board Director Commissioning (Director of Children Services) are consulted in respect of all reports.

7. Background Papers

- 7.1 Previous reports to the Schools Forum.