

DSG FINANCIAL MONITORING REPORT PERIOD 7 2019/20

Purpose of the Report

1. The purpose of this report is to provide the Schools Forum with a summary of the Dedicated Schools Grants (DSG) financial position for the current financial year.

Information and Advice

2. The DSG is a ring fenced grant that is paid to Local Authorities specifically to be used in support of the schools budget. For 2019-20 NCC's total DSG is £604.330m. £548.733m of the grant has been allocated to the Individual Schools Budget (ISB) which is delegated to schools, academies and PVI's. The remaining £55.597m (Non-ISB) is held centrally by NCC and used to support children and young people in schools and other forms of education.
3. The conditions of the grant permit Local Authorities to transfer up to 0.5% of money designated as school block to other items with the consent of the schools forum. Due to pressures within the High Needs Block Nottinghamshire County Council have transferred 0.5% of the Schools Block and £0.244 million of the Central Schools Block to increase the funding in the High Needs Block for 2019/20. The table below summarises Nottinghamshire's DSG allocation for 2019/20:

| Funding Block | Published Allocation £ millions | Transfer Between Blocks £ millions | Revised Allocation £ millions | ISB £ millions | Non ISB £ millions |
|----------------------|--|---|--|---------------------------|-------------------------------|
| Schools | 482.064 | -2.410 | 479.654 | 477.328 | 2.326 |
| High Needs | 66.362 | 2.654 | 69.016 | 23.330 | 45.686 |
| Early Years | 49.136 | | 49.136 | 48.075 | 1.061 |
| Central Services | 6.768 | -0.244 | 6.524 | 0.000 | 6.524 |
| Total DSG | 604.330 | 0.000 | 604.330 | 548.733 | 55.597 |

Forecast Outturn 2019/20

4. At period 7 the DSG is forecasting an overspend of 0.312 million. A summary of the variances by funding block is included in the report.

| Previous Variance £ millions | Funding Block | Budget £ millions | Forecast Expenditure £ millions | Forecast Variance £ millions |
|---------------------------------|------------------|----------------------|------------------------------------|---------------------------------|
| 0 | Schools | 479.654 | 479.654 | 0 |
| 1.512 | High Needs | 69.016 | 70.565 | 1.549 |
| -1.513 | Early Years | 49.136 | 47.746 | -1.390 |
| 0.174 | Central Services | 6.524 | 6.677 | 0.153 |
| 0.173 | Total | 604.330 | 604.642 | 0.312 |

Explanation of Significant Under and Overspends

5. High Needs Block £1.5 million overspend

Appendix A provides a full breakdown of the variances within the High Needs Block.

As detailed in paragraph 3, the High Needs Block has been increased for 2019/20 by transferring £2.654 million of funding from the Schools and Central Schools Services Blocks. If these transfers had not taken place then the High Needs Block would have a forecast overspend of £4.203 million for 2019/20

6. Early Years Block £1.4m underspend

The forecast for 2019/20 has been calculated by Children and Families Finance and is based on the trend in termly pupil number fluctuations continuing from 2018/19 into 2019/20.

This underspend is forecast due to the fluctuations in the number of 3 & 4 year old places (Universal and Additional) being funded by the Early Years Block in each term of the year.

For 2019/20 the funding received by Nottinghamshire was based on the number of children recorded on the Jan 2019 and Jan 2020 censuses.

$$\text{Funding} = 5/12 \text{ Jan 2019} + 7/12 \text{ Jan 2020}$$

The payments made to providers are based on the number of children recorded on the termly school census or headcount return, this means that the number of places funded by the Early Years Block can fluctuate dramatically from term to term.

Appendix B illustrates the termly projection of the number of children that will receive funded hours based on trend data from 2017/18 and 2018/19. The forecast shows how the fluctuations in the number of funded children cause the forecast underspend to occur. The 'dip' in number of funded places that occurs in the Autumn term is due to eligibility i.e. more and more children become eligible for their entitlement throughout the academic year (three year olds are eligible the term after they turn three), before a large proportion enter schools in the Autumn term.

In September the Schools Forum recommended that the local authority increase the basic hourly rate paid to providers of 3 & 4 year old childcare in 2019/20 by £0.1 per hour. If this recommendation is approved by the Secretary of State, the underspend will reduce by £0.990 million.

7. Central School Services Blocks £0.2 million overspend

The overspend is on the Educational Psychology Service. Due to grant regulations concerning the contribution to combined budgets, the funding for this service has not been increased since 2013/14 despite annual inflationary increases in costs.

Use of the Schools (Non-ISB) Reserve

8. The accumulated Schools (Non-ISB) Reserve was £4.632m at the beginning of 2019/20. Schools Forum agreed the carry forward of £0.156 million of underspends from 2018/19 to support services in 2019/20.
9. The Final allocation of the 2018/19 Early Years was announced by the ESFA in June 2019. Due to additional pupils being registered on the January 2019 Early Years census, this was £0.081 million higher than had been anticipated.
10. Based on the net effect of the in-year variances detailed in this report, there is currently a projected surplus of £3.255 million on the unringfenced Schools (non-ISB) Reserve for 2019-20.

| | £ millions |
|---|--------------|
| Opening Non ISB reserve (unringfenced) 01.04.2019 | 4.632 |
| 2018/19 carry forwards agreed by Schools Forum | -0.156 |
| Forecast High Needs Block Overspend 2019/20 | -1.549 |
| Forecast Central Schools Services Block overspend 2019/20 | -0.153 |
| Forecast Early Years Block Underspend 2019/20 | 1.390 |
| Early Years hourly rate top up 2019/20 | -0.990 |
| Early Years Block Adjustment 2018/19 | 0.081 |
| Forecast Non ISB reserve (unringfenced) 31.03.2020 | 3.255 |

11. Nottinghamshire have retained £1.269 million of the 'growth funding' allocated through the Schools Block of the DSG. This funding is allocated by the ESFA to allow LAs to fund additional pupils in new or growing schools and in year changes to pupil numbers that schools would not otherwise receive funding for. Due to uncertainty over the growth funding to be received in future years, NCC agreed with the Schools Forum to ringfence £1.269 to fund future growth.
12. The reserve can be used to support additional expenditure provided that the Schools and Early Years Finance (England) Regulations 2018 are complied with.
13. It may be used to support central school services block expenditure provided no spending limits are breached, for example the Combined Services budgets are restricted to historic commitments and require Secretary of State approval to add new commitments or increase expenditure on existing ones.
14. It can also be transferred between funding blocks i.e. High Needs or Early Years Block and be allocated to schools/early years providers via the funding formula but only in advance of

the funding period it is to be used for and in agreement with the Forum. In-year redetermination of budget shares is not permissible under the regulations.

15. The Schools National Funding Formula consultation stated that local authorities would be able to use previously accumulated reserves across all 4 blocks (Schools, Early Years, High Needs and Central) in 2017/18, 2018/19 and 2019/20. It is uncertain what will be allowed after that date.

Funding announcement 2020/21

16. On Friday 11 October the ESFA released the indicative funding allocations for NCC's Schools and High Needs Blocks for 2020/21. The allocations were calculated using the National Funding Formula and are summarised below:

| Funding Block | Published Indicative Allocation £ millions | Increase From 2019/20 Allocation £ millions |
|----------------------|---|--|
| Schools | 502.375 | 20.311 |
| High Needs | 77.887 | 11.525 |
| Total DSG | 580.262 | 31.836 |

17. The allocations above will be updated in December 2019 to reflect more up to date pupil numbers and characteristics

RECOMMENDATION

1. That the Schools Forum notes the content of the report.

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