

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>DSG End of Year Financial Position</b>		
<b>KEY DECISION</b>	<b>Yes</b>	<b>Item No.</b>	<b>5</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>30 June 2016</b>

## **1. Purpose of the Report**

This report considers the schools' carry forward position at the end of the financial year and the final position on the Dedicated School Grant at the end of the financial year.

## **2. Recommendation**

The Forum

- i) Note the balances held by schools.
- ii) Note the position on the DSG
- iii) Support the promotion of the Peer Review system
- iv) Roll forward the mutual fund balances into 2016/17

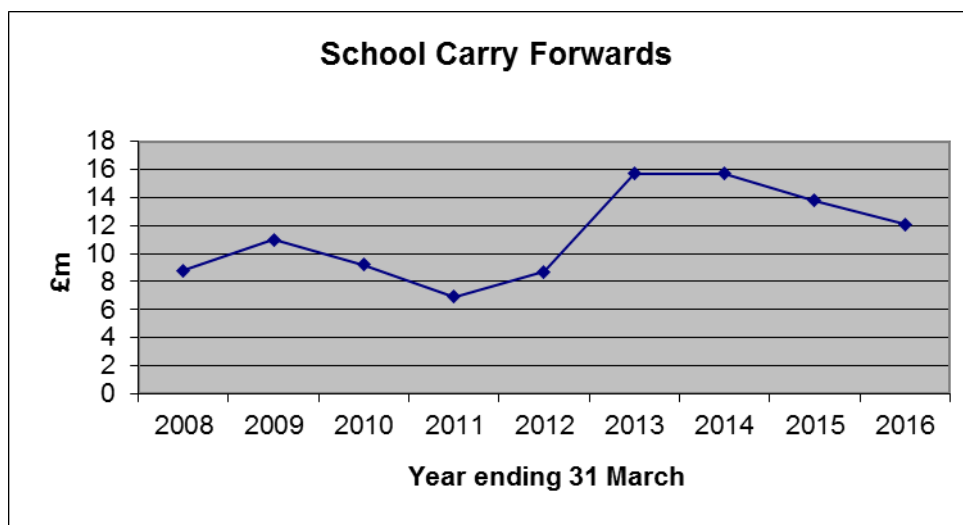
## **3. Dedicated Schools Grant Outturn**

- 3.1 The most significant overspend at the year-end was on high needs pupils, which totalled £2.3m. There was a further pressure of £0.2m on early years. The high needs overspend was caused by more placements being made to providers outside of Lewisham. These placements were not in the independent sector, but in further education colleges, other local authorities, maintained schools and academies. The fund set aside from previous year's carry forward was £2.5m and this allowed the DSG to balance at the end of 2015/16.
- 3.2 This does end the position of the last few years whereby the carry forward has provided a safety net to any overspends in the Dedicated Schools Grant. The action the Schools Forum took when setting the 2016/17 budget re-aligned the spending to the resources available. This will mean though that careful monitoring of the expenditure will be required during the year and swift management action taken to address any emerging pressures.

## **4. Schools' Carry Forwards**

- 4.1 Appendix A (tabled) contains a list of school carry forwards at the end of the 2015/16 financial year (31 March 2016). The total year end balances in schools was £12.4m (£12.1m without external funds). The

balance at the end of the previous year stood at £13.9m (31 March 2015), a fall of £1.8m.



- 4.2 The reporting of school carry forwards is subject to accounting regulations and the requirements specified under the national consistent financial report. For example internal payments on PFI schemes, advance payments of future years' federation funding and balances held on behalf of other schools. When surveyed in the past these adjustments have totalled £2m. As the Schools Forum agreed not to operate a Balance Control Mechanism this year no data was collected. The individual school balances have to be considered with this in mind.
- 4.3 There were two secondary schools with licenced deficit budgets at the year end. These were Sedgehill and Deptford Green schools. There was one primary school with a licenced deficit, being All Saints. At the end of the financial year there are a further nine schools which have deficit balances and will need to apply for a licenced deficit. Whilst overall school balances stand at £12.4m, this should not detract from the fact that secondary schools have a cumulative deficit of £1.6m, with seven of the 11 secondary schools ending the year in deficit.
- 4.4 The average percentage balance for Primary schools is a 7% surplus, Secondary Schools is a 2% deficit and for Special Schools it is a 17% surplus. For schools overall the percentage carry forward is a 5% surplus.

	School Budget 2015/16	Carry Forward 2014/15	Carry Forward 2015/16	Change	% of school budget
	£'000	£'000	£'000	£'000	
Primary	-142,544	-10,198	-10,542	-344	-7%
Secondary	-78,098	-831	1,712	2,543	2%
Special	-17,680	-2,794	-3,051	-257	-17%

PRU	-3,247	-178	53	231	2%
Nursery	-1,724	-26	-313	-287	-18%
Total	-243,294	-14,026	-12,142	1,884	-5%

Figures Exclude External Fund Balances

For the first time we are seeing a number of schools in deficit. With the imminent funding reforms that will reduce the funding, schools will need to carefully consider their budget plans.

- 4.5 A workshop was run on the 21 June 2016 to take those schools who are likely to be in deficit through the process and to provide advice and guidance on managing the human resources implications

With less and less resource there is limited capacity at the centre to provide close scrutiny and the range support that maybe required. There are other approaches that need to be considered.

- Efficiency benchmarking club - this has started but has had little impact to date – and will be re-invigorated.
- Strategic Finance Consultancy service. This may be helpful in providing an independent view, but there would appear to be insufficient resource to provide a service from the Local Authority that could be valued by schools and but would need to be bought into by schools. Initial discussions have taken place with possible consultants.

Previously the Schools Forum have agreed a Peer review system with finance professionals across the sectors, drawn from maintained schools, academies and local authority staff. This would bring in an extended range of skills that could combine together to provide a more comprehensive package for schools. This has stumbled a little due to the lack of volunteers but with the current financial position it maybe that more people are willing to support the process.

- 4.6 How the peer review system was proposed work

Such a review would entail bringing together a team of finance experts and related disciplines. The structure of the team may consist of a Head teacher, governor, school business manager as well as a finance professional. They would be tasked with reviewing a school by holding discussions with senior staff in the school and governors and providing a report. The aim of the process would be to identify and share good practice in financial management. This would include:

- Governor processes to exercise challenge;
- The use of benchmarking data to drive change;
- the use of unit costs in assessing value for money;
- The approaches to delivering support services e.g. sharing or collaborative arrangements that promote Value for Money.

A secondary school review may need different personnel to that for a primary review.

The whole process would need volunteers to be involved and in the initial period, it would also require a school willing to be subject to the review. Follow this an assessment would be made of whether this programme could have a wider remit.

The Schools Forum are asked to support the promotion of the peer review system and members invited to volunteer

- 4.7 A table showing the forecast end of year balances for 2016/17 will be tabled at the meeting

## 5. Mutual Funds

- 5.1 The Schools Forum has a number of mutual funds that it manages on behalf of schools. At the end of the year, any balances are returned to schools or rolled forward to the next year. The end of year position is described below.

### 5.2

	<b>Growth Fund</b>	<b>Contingency</b>	<b>Non-Sickness Supply</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Brought Forward</b>	<b>177,687</b>	<b>-1,510,098</b>	<b>-208,725</b>
<b>Distributed To Schools</b>			<b>208,725</b>
<b>Offset</b>	<b>(177,687)</b>	<b>177,687</b>	
	<b>0</b>	<b>-1,332,411</b>	<b>0</b>
<b>De-Delegation Income</b>			<b>-800,000</b>
<b>Budget</b>	<b>-1,792,000</b>		
<b>Spend To Date</b>	<b>1,572,417</b>	<b>605,862</b>	<b>975,850</b>
<b>Projected Spend</b>			
	<b>-219,583</b>	<b>605,862</b>	<b>175,850</b>
<b>Cumulative Total</b>	<b>-219,583</b>	<b>-726,549</b>	<b>175,850</b>

- 5.3 It is proposed that the Growth Fund and Non-Sickness Supply 2015/16 balances are rolled forward and combined with the 2016/17 funds. Examination of the table above shows that if the offset and distribution

of 2014/15 balances had not been actioned, the 2015/16 year end balances would have been much smaller.

- 5.4 Sedgehill School will transfer to an academy by order at a date still to be confirmed. The national regulations mean that any deficit remains when this type of conversion takes place and can be charged to the schools contingency if there are sufficient funds. It is therefore proposed that the 2015/16 balances are rolled forward and combined with the 2016/17 funds.

## **6 Conclusion**

Schools face challenging financial circumstances. The carry forwards would indicate that this is more acute in the Secondary sector than the primary sector. The decline in Secondary balances is worrying and highlights the importance of budget planning and tight budget monitoring.

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