

Schools Forum			
REPORT TITLE	DSG End of Year Financial Position		
KEY DECISION	Yes	Item No.	7
CLASS	Part 1	Date	22 June 2017

## 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.

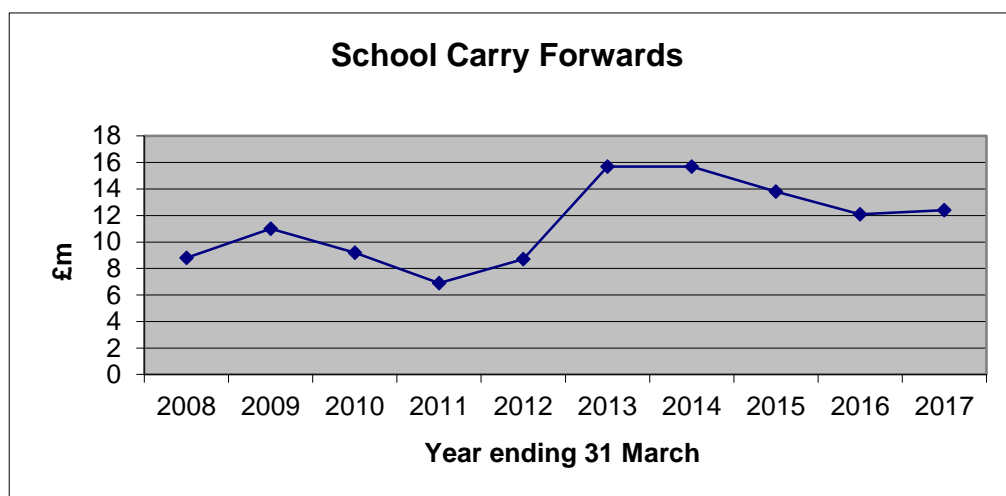
## 2. Recommendation

The Forum

- i) Note the balances held by schools.
- ii) Note the position on the DSG
- iii) Roll forward the mutual fund balances into 2017/18

## 3. Schools' Carry Forwards

- 3.1 Appendix A (tabled) contains a list of school carry forwards at the end of the 2016/17 financial year (31 March 2017). The total year end balances in schools was £12.6m (£12.4m without external funds). The balance at the end of the previous year stood at £12.1m (31 March 2016), a rise of £0.3m.



- 3.2 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.
- 3.3 There were 9 secondary schools, 3 primary schools and one pupil referral unit which had a deficit budget at the year end. There are 6 schools with an agreed budget recovery plan and the other schools are working with Local Authority officers to agree the plan. Overall school balances stand at £12.4m, if you exclude external funds, this is £0.3m higher than last year. This should be set against the fact that secondary schools have a cumulative deficit of £3.7m, with nine of the 11 secondary schools ending the year in deficit.
- 3.4 The average percentage balance for Primary schools is an 8% surplus, for Secondary Schools is a 4% deficit and for Special Schools it is a 12% surplus. For schools overall, the percentage carry forward is a 5% surplus.

	School Budget 2016/17	Carry Forward 2015/16	Carry Forward 2016/17	Change	% of school budget
	£'000	£'000	£'000	£'000	
Primary	153,388	-10,542	-12,683	-2,141	8
Secondary	76,124	1,712	2,815	1,103	-4
Special	19,739	-3,051	-2,333	718	12
PRU	2,682	53	113	60	-4
Nursery	1,862	-313	-342	-29	18
<b>Total</b>	<b>253,795</b>	<b>-12,141</b>	<b>-12,430</b>	<b>-289</b>	<b>5</b>

Figures Exclude External Fund Balances

- 3.5 A table showing the forecast end of year balances for 2017/18 will be tabled at the meeting

#### **4. Dedicated Schools Grant Outturn**

- 4.1 At the end of the financial year there was a small surplus of £0.12m on the central DSG. There was an overspend of £0.3m on early years and £0.3m on Special Educational Needs. This was offset by an underspend on capital expenditure to revenue.

- 4.2 The pupil referral unit was overspent at the year end by a considerable sum and this has been brought forward to consider the position. The Schools Forum following a review of the High Needs Block agreed savings of £401k last March and these have not been achieved.

The unit has been asked to provide a revised staffing model bringing the budget back in line but has not so far provided this. A new head teacher has been appointed and Local Authority officers will work with her to draw up a new financial plan for Abbey Manor College.

## 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>Brought Forward</b>	<b>-247,083</b>	<b>-726,549</b>	<b>158,993</b>
<b>Distributed To Schools</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Offset</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>-247,083</b>	<b>-726,549</b>	<b>158,993</b>

<b>De-Delegation Income</b>	<b>0</b>	<b>-649,998</b>	<b>-799,993</b>
<b>Budget</b>	<b>-1,092,000</b>	<b>0</b>	<b>0</b>
<b>Spend To Date</b>	<b>1,160,929</b>	<b>50,000</b>	<b>1,144,606</b>
<b>Projected Spend</b>	<b>0</b>	<b>1,310,355</b>	<b>0</b>
	<b>68,929</b>	<b>710,357</b>	<b>344,613</b>

<b>Cumulative Total</b>	<b>-178,154</b>	<b>-16,192</b>	<b>503,606</b>
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- 5.3 It is proposed that the Growth Fund and Non-Sickness Supply 2016/17 balances are rolled forward and combined with the 2017/18 funds. The Non-Sickness Supply charges for 2017/18 have been increased to take account of the overspend situation.

## **6 Financial Support and HR support over the year.**

The following support to schools have been delivered

- 17 Finance based training sessions
- 66 Finance visits to schools
- 50 HR health checks completed
- 10 reorganisations / redundancy consultations underway

There have been some changes developed in order to assist schools in their financial management. This has included issue new self checking budget monitoring and budget planning toolkits.

## **7. Schools Financial Performance and compliance**

This has been some notable improvements over the past year

- There was a 100% return rate of the Schools Financial Value Standard
- All but three schools have made a budget submission return to the local authority. The deadline was brought forward a full month to the 1 May this year and most schools met that date. At this time last year 20 schools had not submitted their budget returns.
- Last year 19 schools were balancing their budget so that it read zero, for 2017/18 there is only one.

It was forecast that there were going to be 17 schools in deficit in 2017/18, this is now down to 13. There were expected to be 50 schools operating in-year deficits last year but by the end of the year this was down to 32. Although the number of schools with in-year deficits is still a concern, the tighter budget monitoring this year has reduced costs and the carry forwards have stabilised at a cumulative total of £12m. This will give schools some protection against the financial difficulties that lie ahead.

## **8. Loans to schools**

Work over the year concentrated of ensuring schools with deficits budgets had a sustainable budget plan. Five loans have been agreed and the agreements are being signed.

It is important to note that the loan is distinct to the cash flow and the amount of the money a school has in its bank account. The bank

account is automatically topped so that school cannot run out of cash which prevents a school being a position of where they run out of cash to pay staff or suppliers. Once the loan is agreed the sum will be credited to the school account and the school will no longer show a deficit. However the school will need to budget for the loan repayments.

## **9. Conclusion**

Schools face challenging financial circumstances. The carry forwards would indicate that this is more acute in the secondary sector than the primary sector so far.

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