

Schools Forum			
REPORT TITLE	DSG End of Year Financial Position 2017/18		
KEY DECISION	Yes	Item No.	5
CLASS	Part 1	Date	21 June 2018

1. Purpose of the Report

This report considers the schools' carry forward position and the final position on the Dedicated School Grant at the end of the financial year to March 2017/18.

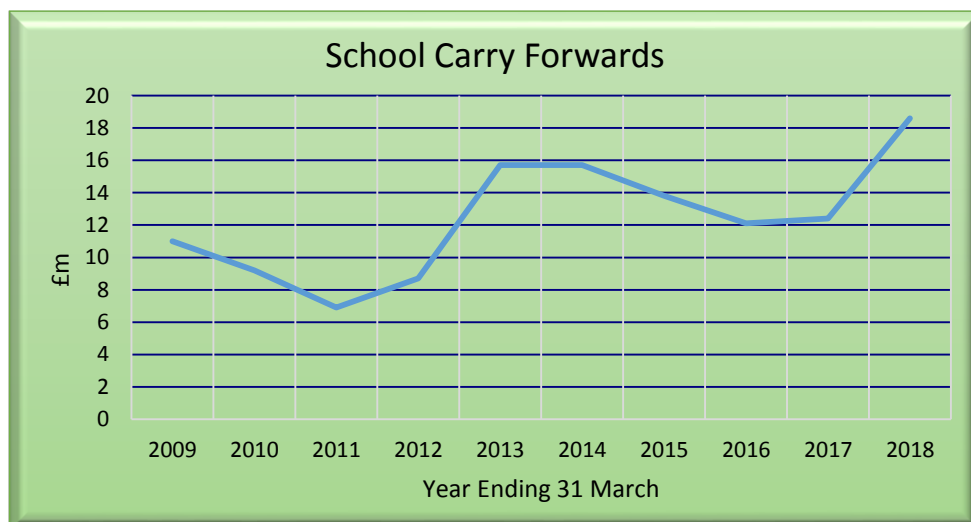
2. Recommendation

The Forum

- i) Note the balances held by schools.
- ii) Note the position on the DSG
- iii) Roll forward the mutual fund balances into 2018/19

3. Schools' Carry Forwards

- 3.1 Appendix A (tabled) contains a list of school carry forwards at the end of the 2017/18 financial year (31 March 2018). The total year end balances in schools was £18.6m (£18.3m without external funds). The balance at the end of the previous year stood at £12.4m (31 March 2017), a rise of £5.9m.



- 3.2 There were 9 schools in total with deficit balances totalling £1.5m at the end of 2017-18 financial year. From the 9 schools, 3 are primary schools, 3 secondary, 1 each of All through, Special and Nursery schools. Three of the schools in deficit have loans totalling £0.6m. There are a further 6 schools who are not showing a deficit but are benefiting from loans totalling £2.4m. This is because the council has shifted from giving licensed deficits to using loans for schools experiencing financial difficulties. The aggregated school balances of £18.3 (excluding External Funds) are £5.9m higher than last year.
- 3.3 The average percentage balance for Primary schools is 10% surplus, for Secondary Schools is a 0.4% surplus (this includes All Through Schools) and for Special Schools it is an 8% surplus. For schools overall, the percentage carry forward is a 5% surplus. Overall this is an appropriate level of balances but it is clear that they are not evenly spread and in general secondary and all through schools are in a precarious financial position.

School Type	School Budget 2017/18	Carry Forward 2016/17	Carry Forward 2017/18	Change	% of School Budget
	£'000	£'000	£'000	£'000	
Primary	155,866	-12,683	-15,956	-3,273	10%
Secondary *Includes 3 All Th	75,945	2,815	-95	-2,910	0.4%
Special	20,396	-2,333	-2,130	203	8%
PRU	2,899	113	0	-113	0%
Nursery	1,729	-342	-135	207	6%
Total	256,835	-12,430	-18,316	-5,886	5%

- 3.4 A table showing the forecast end of year balances for 2017/18 for individual schools 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 £0.147m on the central DSG. There was an underspend of £1.4m on Early years. This underspend reflects the actual take up of 85% of all eligible 3-4 year olds; and a 60% take up for 2 year olds. Any over or underspend is potentially subject to adjustment as data used by DFE for 17-18 allocations are based on January 2017 census data
- 4.2 The High Needs Block was, in effect, balanced with a marginal £58k overspend. There are however underlying pressures within Special Needs services which generated £0.4m overspend, due to higher than expected demand for places. This was in part cancelled out by an underspend in Access, Inclusion and Alternative provision where anticipated growth only partly materialised. This is however expected to have a full year impact next year. Pressures in special educational needs and alternative provision continue and in the coming year (2018-19), there is a high risk of overspend. Lewisham shares this challenge with local authorities across the country.

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

	Growth Fund	Contingency	Non-Sickness Supply
	£	£	£
Brought Forward	(178,154)	(1,326,547)	503,606
Distributed To Schools	0	0	0
Offset	0	0	0
Sub-Total	(178,154)	(1,326,547)	503,606
De-Delegation Income	0	(650,000)	(1,684,997)
Budget	(1,092,000)	0	0
Spend To Date	1,139,289	471,333	1,116,038
Projected Spend	0	0	0
Sub-Total	47,289	(178,667)	(568,959)
Cumulative Total	(130,865)	(1,502,214)	(65,353)

5.3 It is proposed that the Growth Fund and Non-Sickness Supply balances are rolled forward into 2018/19 funds. The large contingency balance is being held in relation to the deficit balance at one of our secondary schools which has had an academy order issued.

6 Financial Support and HR support over the year.

The following support to schools has been delivered

- 13 Finance based training sessions
- 68 Finance visits to schools
- 36 HR health checks completed
- 11 reorganisations / redundancy and 5 consultations underway

We are continually looking at ways to support schools in improving financial management so as to reduce the financial risk exposure. One of those ways is to undertake a 3 year budget planning cycle so that there is more long term planning by schools. Further detail is provided later in this report on 3 year Budget planning exercise. Another tool that is being applied is risk profiling of schools on various criteria including Finance. This will enable early identification of financial risks and ensure that early action is introduced to manage these.

7. Schools Financial Performance and compliance

Over the past year there have been some key returns and submissions due from schools. In Summary;

- There was a 100% return rate of the Schools Financial Value Standard and all within the 31st March deadline
- Schools Finance has undertaken a review of the SFVS returns and looking at ways of improving the reliability, consistency and evidencing of these returns so that they serve as an effective tool for providing financial support and advise as well as identify early warning signs

8. Schools 3 Year Budget Plan

All but 5 budget plans have been received. All of these schools have been visited by Schools Finance (apart from one which was due to staff bereavement). We are unable to report on the timeliness of submission as a result of IT issues which necessitated re-submission after deadline.

Early analysis of the budget plans for 2018/19 shows that;

- Once all budget plans have been received, 14 schools are anticipated to be forecasting a deficit or to have a loan covering a deficit.
- The forecast cumulative revenue balances for the year 2018-19 total to a surplus of £13.9m, a reduction of £4.3. 70% of schools are forecasting an in-year deficit for 2018-19
- Its worthy of note that in 2017-18 cumulative budget plans totalled to £7.3m surplus compared to an actual figure of £15.6m (minus Loans drawn)
- Cumulative revenue balances are forecast to fall to a surplus of £8.6m by the end of 2019/20 and a deficit of £0.5m by the end of 2020/21

9. Loans to schools

There are 9 schools with loans with a balance totalling £3m. From this number 7 are Secondary schools and 2 are Primary. Work over the year concentrated of ensuring schools with deficits budgets had a sustainable budget recovery plan. Seven loans have been agreed and the agreements signed. 2 loans are pending signature

It is important to note that the loan is distinct to the cash released to schools. The bank account is automatically topped up so that school cannot run out of cash which prevents a school being in a position where they run out of cash to pay staff or suppliers.

10. Conclusion

Although the year on year carry forward figure is significantly higher at £5.9m and the number of Schools in deficit is lower than same period last year (13 compared to 9). There are still some underlying financial risks to note for 2018-19. There are proportionately more Secondary schools in deficit and requiring loans and this is an area that will be closely monitored in the coming year. There are other pockets of risks around Special Needs that require careful financial management.

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