

**Dudley Schools Forum - 27<sup>th</sup> January 2015**

**Report of the Interim Director of Children's Services**

**Schools Reserves and Dedicated Schools Grant (DSG) Assurance Testing**

**Purpose of Report**

1. To inform Schools Forum of the DfE annual assurance testing in relation to the deployment of the Dedicated Schools Grant and schools' surplus balances.

**Budget Working Group Discussed**

2. Yes – 21<sup>st</sup> January 2015.

**Schools Forum Role and Responsibilities**

3. From 1st April 2006, the Schools Budget has been funded by a direct Department for Education (DfE) grant: the Dedicated School Grant (DSG).
4. Schools Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.

**Action for Schools Forum**

5. To note the outcome of the 2013/14 assurance testing and the likely adverse outcomes of the 2014/15 assurance testing result in relation to the deployment of the Dedicated Schools Grant and schools' surplus balances.

**Attachments to Report**

6. Appendix A -Table 1 reflecting outcome of 2013/14 assurance testing and Table 2 with additional 2014/15 forecast outcomes.

Laura Jones-Moore  
Principal Accountant  
12<sup>th</sup> January 2015

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**Purpose of Report**

1. To inform Schools Forum of the DfE annual assurance testing in relation to the deployment of the Dedicated Schools Grant and schools' surplus balances.

**Background**

2. The DfE requests information from Local Authorities in relation to the deployment of the Dedicated Schools Grant (DSG) for the Outturn to be signed off by the Treasurer by 31<sup>st</sup> October in respect of the preceding financial year.
3. As part of the DSG Chief Finance Officer's Outturn Statement for 2013/14, the DfE set out additional criteria for testing and will be writing to specific Local Authorities, to request information on how they are proposing to address the issue if a:
  - A: Local Authority has overspent its DSG by 2% or more (i.e. it is 2% or more in deficit).
  - B: Local Authority has underspent its DSG by 5% or more (i.e. it is 5% or more in surplus).
  - C: Local Authority has 2.5% of its schools that have been in deficit of 2.5% or more for the last 4 years and their individual deficit must have been at least £10,000 each year. DfE will only ask Local Authorities for more information where at least three schools in the Local Authority meet the criteria.
  - D: Local Authority has 5% of schools that have had a surplus of 15% or more for the last 5 years and their individual surplus must have been at least £10,000 each year. DfE will only ask Local Authorities for more information where at least three schools in the Local Authority meet the criteria.

**2013/14 and 2014/15 DSG Assurance Tests**

4. For 2013/14 it is not expected that Dudley will breach the DfE assurance testing for A, B, C or D noted in paragraph 3 however, this report draws your attention to potential areas for the next financial year of 2014/15.

- Test B results reflect that the Local Authority underspent the DSG by 4.69% during 2013/14 and on current forecast this will be greater than 5% for 2014/15. The Director has a number of proposals to address this position, as discussed at Schools Forum however the impact will be post 2014/15.
  - Test D results for 2013/14 are detailed in Table 1 of Appendix A. This highlights those schools with surplus balances in excess of 15% for 5 consecutive years. Table 2 of Appendix A highlights those schools which on current information are also likely to have surplus balances in excess of 15% for 5 consecutive years by the end of financial year 2014/15. It is likely therefore that test D will be contravened.
5. It is expected that upon receipt of the information requested from the Local Authority, the DfE would then contact Dudley to ascertain whether the balances are held for a strategic purpose and when the balances will be utilised.

### **Finance**

6. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2014.
7. Schools Forums are regulated by the regulated by the Schools Forums (England) Regulations 2012 as amended by the 2013 and 2014 School and Early Years Finance (England) Regulations.
8. From 1<sup>st</sup> April 2006, the Schools Budget has been funded by a direct grant; Dedicated School Grant (DSG).

### **Law**


9. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

### **Equality Impact**

10. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

### **Recommendation**

11. Schools Forum to note the outcome of the 2013/14 assurance testing and the likelihood of the 2014/15 testing result being adverse in relation to the deployment of the Dedicated Schools Grant and schools' surplus balances.



**Pauline Sharratt**  
**Interim Director of Children's Services**

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**Table 1 – Schools where surplus balances have exceeded 15% for five consecutive years – 2013/14**

<b>School</b>	<b>Financial Year</b>	<b>Total Revenue Balance £</b>	<b>Total Revenue as a % of Total Revenue Income</b>
Netherton Park Nursery	2009/10	183,819	33.0%
	2010/11	269,196	52.4%
	2011/12	418,087	55.8%
	2012/13	269,681	43.0%
	2013/14	213,513	27.2%
Howley Grange Primary	2009/10	342,833	21.6%
	2010/11	457,662	27.3%
	2011/12	329,499	19.1%
	2012/13	264,331	16.6%
	2013/14	285,681	15.7%

**Table 2 – Schools where surplus balances are also likely to exceed 15% for five consecutive years by end of 2014/15**

<b>School</b>	<b>Financial Year</b>	<b>Total Revenue Balance £</b>	<b>Total Revenue as a % of Total Revenue Income</b>
Cradley C of E Primary	2009/10	94,631	11.6%
	2010/11	142,611	16.9%
	2011/12	159,148	17.9%
	2012/13	173,649	19.6%
	2013/14	184,942	26.4%
Oldswinford Hospital	2009/10	1,202,522	14.4%
	2010/11	1,829,748	21.5%
	2011/12	2,585,006	31.0%
	2012/13	2,996,605	36.2%
	2013/14	2,966,407	36.7%
The Sutton Special	2009/10	151,598	7.9%
	2010/11	414,154	17.8%
	2011/12	630,792	23.8%
	2012/13	423,024	17.2%
	2013/14	414,506	17.9%