

Title of meeting: Schools Forum

Date of meeting: 15th July 2015

Subject: Dedicated Schools Grant Outturn 2014-15
and Revised Budget 2015-16

Report from: Di Smith, Interim Director of Children's Services

Report by: Richard Webb, Finance Manager for Children's Services

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

This purpose of this report is to inform Schools Forum of the year-end outturn position for the Dedicated Schools Grant (DSG) as at the end of March 2015 and propose revisions to the budget for 2015-16.

2. Recommendations

It is recommended that Schools Forum:

- a. Note the year-end outturn budget position for the Dedicated Schools Grant at the end of March 2015 and the variance explanations contained within this report.
- b. Endorse the revised budget for 2015-16 as set out in Appendix 1.

3. Background

- 3.1. The DSG is a ring-fenced grant for education and can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance (England) Regulations.
- 3.2. The original budget for the financial year 2014-15, was approved by Schools Forum in February 2014 and subsequently revised during the financial year. These revisions were approved and are included within the 'revised budget' figures in the table at 4.1 below.

4. Dedicated Schools Grant

4.1. The table below sets out the DSG final outturn position as at the 31 March 2015.

DEDICATED SCHOOLS GRANT	<i>Original Estimate 2014/15 £000's</i>	<i>Revised Estimate 2014/15 £'000's</i>	<i>Outturn £'000's</i>	<i>over/ (under) spend £'000's</i>
DSG : Devolved				
Nursery ISB	7,446	7,641	7,660	19
Primary ISB	52,729	48,593	48,593	0
Secondary ISB	36,352	26,136	26,136	0
High Needs ISB	4,554	4,617	4,448	(169)
Total Devolved DSG	101,081	86,987	86,837	(150)
DSG : Retained				
De-Delegated Budgets & Growth Fund	1,785	1,593	2,112	519
High Needs	8,768	9,637	8,495	(1,142)
Other centrally retained	4,701	4,732	3,629	(1,103)
Retained balances from amalgamations	0	0	(825)	(825)
DSG and other Specific Grants	(116,240)	(102,407)	(102,521)	(114)
DSG Brought Forward	(95)	(2,314)	(2,314)	0
DSG Carried Forward	0	1,770	4,585	2,815
Total Retained DSG	(101,081)	(86,987)	(86,837)	150
TOTAL Dedicated Schools Grant	0	0	0	0

The figures in the above table are subject to rounding to the nearest £1,000 and may not calculate exactly.

4.2. The variances shown in the table above are explained in more detail below.

Nursery ISB

4.3. During 2014-15 it was reported that actual expenditure on placement costs for 3 & 4 year olds in Private, Voluntary and Independent (PVI) Nursery settings, was forecast to exceed the budget provision by an estimated £250,000. The final outturn for 2014-15 was an over spend of £130,978. However, this was partially offset by an under spend in the Maintained Nursery Units of £111,653, leaving a net over spend of £19,325.

4.4. The under spend on the Maintained Nursery Units arose as a result of increased take up of 2 year old places in private, voluntary and independent (PVI) sector nurseries. Once a child is settled in a PVI setting parents are less likely to transfer the child to a school nursery unit once they are eligible for 3 year old funding. Early Years Commissioning

Managers are working with maintained nurseries to encourage the provision of 2 year old places.

Primary & Secondary ISB & De-Delegated Budgets

- 4.5. During 2014-15 there were 8 Academy conversions. The table below shows the adjustments processed to the budgets during the year, for the Primary and Secondary Individual School Budgets (ISB) as well as the De-Delegated Budgets.

	Revised Budget as at July 2014 £000's	Impact of Academy Conversions £000's	Revised Budget (as shown above) £000's
Primary ISB	52,729	(4,136)	48,593
Secondary ISB	36,352	(10,216)	26,136
De-Delegated	1,785	(192)	1,593

- 4.6. The over spend of £519,000 within the de-delegated budgets arose mainly as a result of the allocations from the 'schools specific contingency fund', which was partially offset by the under spend on the growth fund and other small variances on the de-delegated budgets. The allocations from the schools specific contingency fund related to the transfer of the balances from the closed amalgamating schools. These allocations are offset by the "retained balances from amalgamations" shown separately in the table at 4.1.

High Needs (ISB)

- 4.7. The under spend within the High Needs (ISB) budget arose as a result of the delayed opening of the new Resourced Unit at St Edmunds Secondary School and recoupment of unused additional places created in Mary Rose and Cliffdale Special Schools in 2014-15, which is explained in more detail below.
- 4.8. The Resourced Unit at St Edmunds Secondary School is now expected to open in the autumn of 2015 with an initial capacity of 9 places and funding has been set-aside within the budget for 2015-16.

High Needs

- 4.9. The High Needs budgets are the most volatile area of the DSG budget, due to a significant proportion of the funding being linked to pupil needs and movements. At the end of 2014-15, the High Needs budget was under spent by £1.142m mainly as a result of the areas shown in the table below.

Budget Area	Over/(Under) Spend £000's
Element 3 Top Up Funding	(842)
Exceptional SEN Funding	(260)
Post 16 Funding	(106)
Out of City Placements	203
	(1,005)

Element 3 Top Up Funding

- 4.10. During 2014-15 additional funding was made available to increase the budget provision available for the Special Schools Element 3 Top Up Funding. This funding was set-aside to meet the potential Element 3 costs of the expected additional pupils at Mary Rose & Cliffdale Special Schools from September 2014 as well as the potential "band creep" arising from the new intake of pupils.
- 4.11. The Special Educational Needs and Disability Team worked closely with both the maintained schools and the specialist settings during the year. As a result of this work, the children originally identified to move to Mary Rose and Cliffdale were able to stay with the development and assessment units at Devonshire and Portsdown Primary Schools, whilst others were able to remain at Willows Nursery School following the establishment of a full time reception class.
- 4.12. The final outturn for 2014-15, for the Element 3 Top Up Funding for Special Schools was £567,000 less than originally anticipated, as a result of 17 of the expected additional 23 places at Mary Rose and Cliffdale not being required, the "band creep" pressure that had been experienced in previous years not occurring and the number of overall pupils funded by the local authority being less than expected in some schools.
- 4.13. A further under spend of £188,100 arose in the Alternative Provision and Resourced Unit, Element 3 Top Up funding budgets. The majority of the under spend related to the decrease in the number of pupils funded by the Local Authority in the Alternative Provision units at the Harbour School and Flying Bull Primary School.

Exceptional SEN Funding

- 4.14. As previously reported, this is a one-off under spend of £260,000 and arose as a result of only £80,000 being allocated to Schools from the Exceptional Circumstances fund (based on the agreed allocation methodology and the latest pupil data from the Inclusion team).
- 4.15. As part of setting the budget for 2015-16, Schools Forum agreed to close this fund.

Post 16 Funding

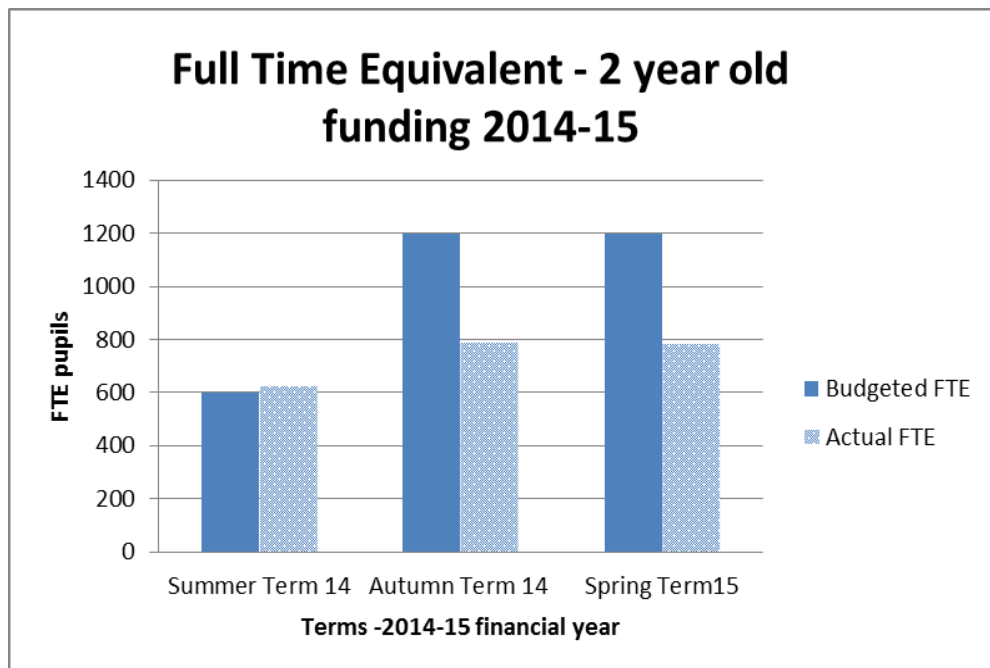
- 4.16. The number of high needs pupils accessing post-16 education has increased between 2013-14 and 2014-15 academic years. The revised budget accounted for an expected increase in numbers of pupils and their related cost. Effective negotiation by the Special Educational needs and Disability Team with the Post-16 Colleges led to a reduction in the overall Element 3 Top-up payable to the Colleges in respect of pupils, resulting in an overall under spend of £106,000.

Out of City Placements

- 4.17. The overall number of Out of City placements remains low in the City compared to our statistical neighbours. However the number of pupils has increased over the course of the year from 27 to 32 at an average cost of £44,138. All cases are being individually reviewed to see if provision can be made locally. The review is expected to be completed in September 2015. However this has led to an over spend of £203,000.

Other centrally retained budgets

- 4.18. The under spend of £1,103,000 arises from two key areas, early years funding; in particular 2 year old places, the falling rolls fund. The under spend on the falling rolls fund had been intended to partially offset the expenditure on the Schools Specific Contingency fund.
- 4.19. From September 2014 Portsmouth received funding for 1,200 2 year olds to receive up to 15 hours free education per week. Over the course of 2013-14 and 2014-15 the Early Years and Childcare team have been working with settings across the City to increase the number of places available to 2 year olds.
- 4.20. Whilst the number of 2 year olds was always expected to be lower than the target of 1,200, there has always been uncertainty regarding the actual numbers, due the uncertainty over the growth in numbers during the autumn and spring terms. As a consequence of this uncertainty a prudent estimate of £250,000 was previously reported.
- 4.21. The final underspend of £879,700 under reflects that pupil numbers did not grow as quickly as anticipated and there was an unexpected plateau of pupils numbers in the spring term. The graph below shows the full time equivalent two year old pupils who were funded over the course of the financial year.



- 4.22. As previously reported the method of funding for 2 year olds will be moving to a participation basis for 2015-16, based on the pupil numbers in the January 2015 census. At the time of writing the report the details around how this adjustment will be made have not been confirmed; however it is expected that the DSG will be reduced to account for lower number of 2 year olds.

DSG Grant & Carry-forward

- 4.23. The funding received directly by the Council in respect of the Dedicated Schools Grant continued to reduce during the financial year, as a consequence of schools converting to Academy status and their funding being allocated directly to them from the Education Funding Agency. The final amount allocated to Portsmouth City Council amounted to £102,521,485 compared to an initial budget estimate of £116,239,600.
- 4.24. The budget was revised during the year at various stages to reflect the changes to the Council's grant allocations, such as the recoupment adjustments for maintained schools converting to Academy status. During the year, an additional income of £114,000 was received for the Early Years Block which related to 2013-14, which led to the year-end variance.
- 4.25. The carry forward of £4.585m places the authority in a strong position with regards to a number of potential pressures that may impact on the budget during 2015-16 and beyond. In particular:

- the expansion of free nursery places for 3 and 4 year old following the Government announcements;
 - the changes to the 2 year old participation funding due to be implemented during 2015-16;
 - growing pressures within the high needs budgets; and
 - the continued roll out of the National Fair Funding Formula.
- 4.26. The one off nature of the carry forward requires that it is used for expenditure of a one off nature. It is not possible to allocate additional funding to schools during 2015-16 as the statutory regulations preclude any changes to a school's budget share within the financial year.
- 4.27. It is recognised that schools are under particular pressure where there are growing numbers of pupils due to the primary expansion plans. It is therefore proposed that the Growth Fund criteria are reviewed during the year to ensure that they encompass the pupil sufficiency requirements. The Children's Finance Team will be working with the Strategic Commissioning Manager over the course of the summer to develop new sustainable criteria which will be brought back to Schools Forum in the autumn.
- 4.28. The potential for making a one off allocation to schools in 2016-17, will be considered, however the impact of a one off allocation on the minimum funding guarantee will need to be explored to ensure that this does not create future budget pressures. It will also be dependent on the 2016-17 formula funding guidelines issued by the Department for Education. This will be covered in future papers relating to the 2016-17 funding formula.

5. Changes to the monitoring of High Needs

- 5.1 Following the finalisation of the 2014-15 High Needs outturn, we have reviewed the current process for identifying the costs associated with the Element 3 Top-up funding. The current process does not support the early identification and payment of the Element 3 top up funding to enable the timely financial forecasting during the year.
- 5.2 In light of this Children's Services Finance have been working with the Special Educational Needs and Disability Team to improve the process. The autumn term is the critical point in the year for financial forecasting, as the new cohort of pupils joining schools in September will have different needs than those that left in July. Currently this information is received at the end of December and is too late to inform the budget setting for the following financial year or the reporting of any budget variations in the current financial year. It is therefore proposed that from

the autumn term 2015, the timing of SEN class list information and payments are changed.

- 5.3 The table below sets out the proposed time table for Element 3 Top-up funding for the academic year 2015-16.

Element 3 top-up adjustments timetable			
Class list - sent by SEND Team	Period covered	School response deadline	Adjustment Processed
1 November 2015	1 September to 31 October 2015	13 November 2015	27 November 2015
1 March 2016	1 November to 29 February 2016	11 March 2016	18 March 2016
24 March 2016	1 March to 24 March 2016	31 March 2016	8 April 2016
20 July 2015	11 April to 20 July 2016	1 August 2016	12 August 2016

- 5.4 Schools will continue to receive a payment based on their estimated Element 3 top-up funding as set out in their Funding Statements. This will be paid at the beginning of the financial year and will be based on 195 academic days. Following the receipt of the confirmed class lists at the dates above, top up funding will be adjusted (up or down) according the actual pupils and the number of academic days the pupils are at the school over the period.
- 5.5 By amending the points in the year that we collect the pupil information and calculate the Element 3 top-up funding, we will be able to produce more timely budget monitoring information during the financial year and this will also help to inform the 2016-17 budget setting process.

6. Revised Budget 2015-16

- 6.1 Appendix 1 shows the initial budget for 2015-16 which was approved by the Cabinet Member for Education and Children's Services on 25th February 2015 and subsequently endorsed by Schools Forum.
- 6.2 At the time of presenting the initial budget for 2015-16 it was highlighted that the Department for Education would be issuing further details regarding the funding allocations for both the Early Years Block and 2 Year Old funding allocations for 2015-16.
- 6.3 Whilst the 2 year old funding allocations are still unknown for 2015-16, the DfE have recovered £83,515 in relation to reduced 3 and 4 year old numbers for the period September 2014 to March 2015. This reflects the change in pupil numbers at the January 2015 census compared to the January 2014 census on which the initial funding for 2014-15 was based. The maintained nursery budget has been revised down to account for the reduction in pupil numbers and therefore the expected reduction in expenditure for 2015-16.

- 6.4 Gatcombe Primary converted to Academy status from 1st February 2015, followed by City Boys Secondary School and Stamshaw Junior School which converted from the 1st April 2015 and therefore adjustments are required to the Primary and Secondary ISB as well as the de-delegated budgets.
- 6.5 In setting the budget for 2015-16 a number of assumptions were made in relation to the number places required within our specialist settings and in particular the Special Schools. The table below shows those places expected to be required for the 2014-15 summer term and the first two terms of the 2015-16 Academic Year. The Inclusion Commissioning Manager has confirmed that these places are expected to be utilised and that no changes are currently required to the High Needs budgets for 2015-16.

School	Original Agreed Commissioned Places 2014-15	Additional Places Summer Term 2015*	Additional Places Academic Year 2015-16*
Cliffdale	104	-	19
Harbour	84	-	-
Mary Rose	125	7	14
Redwood Park	141	-	-
Willows	42	-	-
Total	496	7	33

** Additional places required when compared to original agreed commissioned places*

7. Reasons for recommendations

Members are recommended to note the contents of the report in respect of the financial outturn for 2014-15 and to endorse the amendments to the budget for 2015-16, (which members originally endorsed in February 2015) for the reasons set out in section 6.

8. Equality impact assessment (EIA)

This report does not require an Equality impact Assessment as the proposal does not have any impact upon a particular equalities group.

9. Legal implications

There are no legal implications arising from the recommendations in this report.

10. Director of Finance's comments

Finance comments have been included within the body of this report.

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Signed by:

Appendices: None

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
School & Early Years Finance (England) Regulations	www.legislation.gov.uk
DSG Budget Estimates and Monitoring Records	Education Finance

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Appendix 1 - Budget Summary

	2015-16 Budget (including Academies) (approved 26 th Feb 2014)	2015-16 Budget (excluding Academies)	Proposed Budget Revisions	Revised 2015-16 Budget (excluding Academies)
	£000	£000	£000	£000
<i>Individual School Budgets (ISB)</i>				
Primary	60,707	47,792	(1,771)	46,021
Secondary	43,633	21,144	(2,504)	18,640
Special School Place Funding	5,188	2,898	-	2,898
Resourced Unit Place Funding	902	612	-	612
Alternative Provision Place Funding	1,494	1,384	-	1,384
	111,924	73,830	(4,275)	69,555
<i>De-delegated and central budgets</i>				
Growth Fund	365	365	-	365
De-delegated budgets	562	562	(27)	535
Licences	120	120	-	120
Schools Forum	15	15	-	15
Admissions	252	252	-	252
	1,314	1,314	(27)	1,287
<i>Early Years</i>				
3 & 4 Year Old Provision	7,800	7,800	(84)	7,716
2 Year Old Provision	2,878	2,878	-	2,878
Central Expenditure on under 5	599	599	-	599
	11,277	11,277	(84)	11,193
<i>High Needs</i>				
Element 3 Top-up funding	6,605	6,605	-	6,605
Out of City Placements	1,550	1,550	-	1,550
SEN Support Services	687	687	-	687
Medical Education	573	573	-	573
Outreach Services	187	187	-	187
Fair Access Protocol	60	60	-	60
	9,662	9,662	0	9,662
Total Expenditure	134,177	96,083	(4,386)	91,697
DSG Income	(134,177)	(96,083)	4,386	(91,697)
Total Income	(134,177)	(96,083)	4,386	(91,697)