

**Title of meeting:** Cabinet Member for Education

**Date of meeting:** 10<sup>th</sup> July 2017

**Subject:** 2016-17 Dedicated Schools Grant Outturn Report and Revised Budget 2017-18

**Report from:** Alison Jeffery, Director of Children's Services

**Report by:** Richard Webb, Finance Manager

**Wards affected:** All Wards

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

The purpose of this report is to inform the Cabinet Member of the year-end outturn position as at the end of March 2017 for the Dedicated Schools Grant (DSG) and to propose revisions to the DSG budget for 2017-18.

**2. Recommendations**

It is recommended that the Cabinet Member:

- a. Note the year-end outturn budget position for the Dedicated Schools Grant as at the end of March 2017 and the variance explanations contained within this report.
- b. Approve the revised DSG budget for 2017-18 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 DSG budget for the financial year 2016-17, was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2016, with subsequent changes approved throughout the financial year. This report provides the Cabinet Member for Education with the year-end outturn position as at 31<sup>st</sup> March 2017.

#### 4. Dedicated Schools Grant

4.1. The table below sets out the DSG final outturn position as at the 31<sup>st</sup> March 2017.

| <b>DEDICATED SCHOOLS GRANT</b>                           | <b>Original Estimate<br/>2016/17<br/>£'000's</b> | <b>Revised Estimate<br/>2016/17<br/>£'000's</b> | <b>Outturn<br/>£'000's</b> | <b>over/<br/>(under)<br/>spend<br/>£'000's</b> |
|----------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|----------------------------|------------------------------------------------|
| <b>DSG : Devolved</b>                                    |                                                  |                                                 |                            |                                                |
| Primary ISB                                              | 46,665                                           | 43,810                                          | 43,810                     | 0                                              |
| Secondary ISB                                            | 19,141                                           | 19,141                                          | 19,141                     | 0                                              |
| Special school place funding                             | 2,837                                            | 2,666                                           | 2,684                      | 18                                             |
| Resource unit place funding                              | 635                                              | 635                                             | 635                        | 0                                              |
| Alternative provision place funding                      | 1,530                                            | 1,297                                           | 1,297                      | 0                                              |
| <b>Total Devolved DSG</b>                                | <b>70,808</b>                                    | <b>67,549</b>                                   | <b>67,567</b>              | <b>18</b>                                      |
| <b>DSG : Retained</b>                                    |                                                  |                                                 |                            |                                                |
| De-Delegated Budgets, Growth Fund and centrally retained | 1,285                                            | 1,339                                           | 1,047                      | (292)                                          |
| Early Years                                              | 10,979                                           | 11,269                                          | 11,049                     | (220)                                          |
| High Needs                                               | 10,446                                           | 10,616                                          | 10,817                     | 201                                            |
| Contribution to capital programme                        | 0                                                | 0                                               | 2,000                      | 2,000                                          |
| <b>Total expenditure</b>                                 | <b>93,518</b>                                    | <b>90,773</b>                                   | <b>92,480</b>              | <b>1,707</b>                                   |
| DSG and other Specific Grants                            | (93,210)                                         | (90,424)                                        | (90,644)                   | (220)                                          |
| DSG Brought Forward                                      | (308)                                            | (5,048)                                         | (5,048)                    | 0                                              |
| DSG Carried Forward                                      | 0                                                | 4,699                                           | 3,212                      | (1,487)                                        |
| <b>Total Income DSG</b>                                  | <b>(93,518)</b>                                  | <b>(90,773)</b>                                 | <b>(92,480)</b>            | <b>(1,707)</b>                                 |
| <b>TOTAL Dedicated Schools Grant</b>                     | <b>0</b>                                         | <b>0</b>                                        | <b>0</b>                   | <b>0</b>                                       |

*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 in the following sections.

#### **De-Delegated budgets, growth fund and centrally retained**

4.3. The underspend in this area of the budget is mainly due to the schools specific contingency which was underspent as expected by £132,500; Schools Forum has agreed previously to carry the underspend forward into 2017-18 for use for the same purpose.

4.4. There was also an underspend in the growth fund of £72,700, together with adjustments in recoupment relating to schools converting to academy status.

### **Impact of Academy conversions on the Primary, Secondary and Special Individual Schools Budgets (ISB) & De-Delegated Budgets**

- 4.5. During 2016-17 two mainstream schools converted to academy status along with Redwood Park special school. The table below shows the adjustments made to the budgets during the year, to reflect these conversions, for the Primary and Secondary Individual School Budgets (ISB) as well as the De-Delegated Budgets.

|                            | Original Budget<br>as at April 2016<br>£000's | Impact of Academy<br>Conversions<br>£000's | Revised Budget<br>(as shown above)<br>£000's |
|----------------------------|-----------------------------------------------|--------------------------------------------|----------------------------------------------|
| Primary ISB                | 46,665                                        | (2,855)                                    | 43,810                                       |
| Secondary ISB              | 19,141                                        | 0                                          | 19,141                                       |
| De-Delegated<br>and Growth | 897                                           | (20)                                       | 877                                          |

- 4.6. The Special ISB budget has also been adjusted to reflect recoupment of place funding by the Department for Education (DfE) relating to the conversion of Redwood Park School to academy status.

### **Special School place funding**

- 4.7. The overspend of £18,000 in this area of the budget is due to the additional place funding paid to Mary Rose special academy during the year. The academy had an additional 8 pupils placed with them throughout the year, in excess of the agreed commissioned places, which exceeded the anticipated budget requirement by 3 pupils. The overspend has been partially offset by an underspend in the budgeted additional places required at Cliffdale special academy, where the authority placed 11 children at the school while the expected requirement was 12 places.

### **Early Years**

- 4.8. The overall early years block underspent by £220,000 in 2016-17. The main reason for the variance was a decrease in the numbers of 2 year olds accessing early education in the city.
- 4.9. The numbers reduced from 740 Full Time Equivalents (FTE) in the autumn term 2016 to 683 in the spring term 2017. The numbers had also dropped when compared to the same term last year 735 and 683 respectively. This underspend had not been previously forecast within the budget monitoring reports as the relevant census data used to generate payments to early education providers was not finalised until after the end of quarter 3.
- 4.10. Any reduction in child numbers accessing education at the time of the January census will result in a reduced Early Years funding allocation from the DfE.

## **High Needs**

- 4.11. 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 2016-17, the overall High Needs budget was over spent by £201,000, the reasons for which are explained in the paragraphs below.

### Pupils with SEND in mainstream schools

- 4.12. As previously reported, the number of requests for Education, Health and Care Plan (EHCP) assessments from mainstream schools during 2016-17 has doubled (from 130 to 260) when compared 2015-16. Most requests were agreed, indicating that there is sufficient evidence to justify an assessment.
- 4.13. The increase in finalised EHC Plans has led to an increase in the Element 3 funding being paid to mainstream schools to support children with high needs where the cost of additional support exceeds the £6,000 which is expected to be met by the school. The numbers of pupils with an EHCP in mainstream schools has increased during 2016-17 by 57 from 246 to 303 with the majority of the increase in July and August 2016.
- 4.14. For 2016-17 the level of funding being provided to mainstream schools exceeded the budget by £234,000 and is in line with our reported forecast in the quarter 3 monitoring report.

### Out of City Placements

- 4.15. The overspend in this area of the budget is due to the average cost of placements being higher than in previous years, (£47,800 in 2016-17 compared to £43,328 in 2015-16), due to both an increase in the complexity of need and growing cost pressures from providers. The final overspend amounted to £204,000 which is £126,000 less than previously reported due to two changes in high cost placements towards the end of the year, and the actual costs of the children placed by the Child and Adolescent Mental Health Service (CAMHS) being less than estimated.
- 4.16. The numbers of children being placed out of the city remains relatively low and consistent with 2015-16 at 37. The overspend also includes the cost for seven children placed by the Child and Adolescent Mental Health Service (CAMHS) being supported from this budget, the costs of these placements was £90,000 in 2016-17.

#### Post 16 Funding

- 4.17. It was reported in the third quarter budget monitoring report that, in September 2014 the Children and Families Act introduced further responsibilities on the Council for children in post 16 education. The act extended the age range from post 16 to include children in education from 19 to 25 without providing specific funding. The effect of this policy change has led to an increase in the numbers of children remaining in further education beyond 18. As at the end of the financial year the authority was supporting 21 young people in the 19 to 25 age bracket. The final overspend of £233,000 at the end of the financial year, which was slightly higher than the £167,000 forecast overspend previously reported due to the late confirmation of the academic year intake at some colleges and post 16 providers.

#### Financial support for special schools in financial difficulty

- 4.18. In October 2016 financial support for Redwood Park Special School was approved by the Cabinet Member for Education and endorsed by Schools Forum. The additional allocation to the school was agreed at £500,000, however the Authority has worked closely with the Interim Executive Board to minimise the financial support required by the school. The final amount of financial support required to be allocated to school amounted to £483,400.

#### Element 3 top up funding

- 4.19. In setting the budget for 2016-17, funding was set-aside to meet the Element 3 top-up funding costs of the expected additional pupils at Mary Rose & Clifdale Special Schools from September 2016, as well as the potential "band creep" arising from the new intake of pupils in September. Due to the numbers of Children placed at the schools by other local authorities (24), for which the commissioning authority pays any top up, the actual level of funding required to meet these expected pressures, was less than had been budgeted for; leading to an under spend at the end of the financial year, which was slightly higher than our forecast estimate reported in quarter 3.
- 4.20. In addition, there was an underspend in respect of the Alternative Provision and Resourced Units; as a result of lower than previously anticipated numbers of pupils being placed by the City Council in these settings.
- 4.21. The underspends arising in this area of the budget have been used to partially offset the other areas of overspend within the High Needs block detailed above, resulting an overall nett overspend of £201,000.

### **Contribution to Capital Programme**

- 4.22. Following agreement by both Cabinet Member and Schools Forum, it was reported during 2016-17 that the Council had received approval from the Secretary of State for Education to transfer £2m to capital programme. The funding will be used to remodel the Special Schools within Portsmouth to enable them to support pupils with more complex needs. The £2m contribution has now been transferred to the capital programme.

### **Dedicated School Grant and Carry Forward**

- 4.23. The variance of £220,000 in the DSG grant allocation relates to an adjustment for the 2015-16 financial year for children accessing early education. The funding is based on the spring 2016 census which is finalised in the following July.
- 4.24. 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 £90,424,000 compared to an initial budget estimate of £93,210,000.
- 4.25. The carry forward decreased in 2016-17 from £5,048m to £3,212m. This is due to the £2m contribution to the capital programme together with the sum of all the variances in the overall DSG.

## **5. Revised Budget 2017-18**

- 5.1. Appendix 1 shows the budget for 2017-18 which was approved in February 2017. Since agreeing the budget there has been a small number of changes which have required the proposed revisions below.

### **Academy Conversions**

- 5.2. There have been 4 academy conversions since the beginning of the financial year, as listed below. The necessary budget adjustments have been reflected in the table in appendix 1.

- Springfield Secondary School 1 April 2017
- Solent Infant School 1 April 2017
- Solent Junior School 1 April 2017
- Arundel Court Primary 1 May 2017

### **Schools Specific Contingency and the carry forward**

- 5.3. The underspend in the schools specific contingency of £132,500 in 2016-17 has been transferred from the brought forward balance to the contingency budget. This allocation was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2017.

### **Early Years Pupil Premium Grant**

- 5.4. The Early Years Pupil Premium Grant has been reduced by £4,000 to reflect the revised allocation from the Department for Education (DfE).

## **6. Reasons for recommendations**

It is recommended that the Cabinet Member note the contents of the report in respect of the financial outturn for 2016-17 and approve the amendments to the budget for 2017-18,) for the reasons set out in section 5.

## **7. Equality impact assessment (EIA)**

An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010. There is no change to policy or service and through the budget review process equality impact assessments would be undertaken on an individual basis as required.

## **8. Legal implications**

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

## 9. Finance comments

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

Signed by: Alison Jeffery, Director of Children, Families and Education

### Appendices:

Appendix 1 - Dedicated Schools Grant Revised Budget 2017-18

### 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 | <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a> |
| DSG Budget Estimates and Monitoring Records        | Education Finance                                                  |

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

.....  
Signed by:





## Appendix 1 - Dedicated Schools Grant Revised Budget 2017-18

|                                             | Revised<br>Approved<br>2017-18<br>Budget<br>February<br>2017<br>(including<br>Academies) | Proposed<br>Budget<br>Changes | Revised<br>2017-18<br>Budget July<br>2017<br>(including<br>Academies) | Revised<br>2017-18<br>Budget<br>July 2017<br>(excluding<br>Academies) |
|---------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|
|                                             | £000                                                                                     | £000                          | £000                                                                  | £000                                                                  |
| <b>Individual School<br/>Budgets (ISB)</b>  |                                                                                          |                               |                                                                       |                                                                       |
| Primary                                     | 62,597                                                                                   | -                             | 62,597                                                                | 38,909                                                                |
| Secondary                                   | 44,643                                                                                   | -                             | 44,643                                                                | 14,168                                                                |
| Special school place<br>funding             | 5,328                                                                                    | -                             | 5,328                                                                 | 1,558                                                                 |
| Resourced unit place<br>funding             | 921                                                                                      | -                             | 921                                                                   | 596                                                                   |
| Alternative Provision<br>place funding      | 1,190                                                                                    | -                             | 1,190                                                                 | 1,070                                                                 |
|                                             | <b>114,679</b>                                                                           | <b>0</b>                      | <b>114,679</b>                                                        | <b>56,301</b>                                                         |
| <b>De-delegated and<br/>central budgets</b> |                                                                                          |                               |                                                                       |                                                                       |
| Growth Fund                                 | 275                                                                                      | -                             | 275                                                                   | 275                                                                   |
| De-delegated budgets                        | 321                                                                                      | 132                           | 453                                                                   | 413                                                                   |
| Licences                                    | 120                                                                                      | -                             | 120                                                                   | 120                                                                   |
| Schools Forum                               | 15                                                                                       | -                             | 15                                                                    | 15                                                                    |
| Admissions                                  | 252                                                                                      | -                             | 252                                                                   | 252                                                                   |
| ESG Retained duties                         | 374                                                                                      | -                             | 374                                                                   | 374                                                                   |
| Academy conversion<br>adjustments           | -                                                                                        | -                             | -                                                                     | 180                                                                   |
|                                             | <b>1,357</b>                                                                             | <b>132</b>                    | <b>1,489</b>                                                          | <b>1,629</b>                                                          |
| <b>Early Years</b>                          |                                                                                          |                               |                                                                       |                                                                       |
| 3 & 4 Year old provision <sup>1</sup>       | 10,299                                                                                   | (4)                           | 10,295                                                                | 10,295                                                                |
| 2 Year old provision                        | 2,206                                                                                    | -                             | 2,206                                                                 | 2,206                                                                 |
| Disability access fund                      | 68                                                                                       | -                             | 68                                                                    | 68                                                                    |
| Inclusion fund                              | 108                                                                                      | -                             | 108                                                                   | 108                                                                   |
| Central expenditure on<br>under 5           | 623                                                                                      | -                             | 623                                                                   | 623                                                                   |
|                                             | <b>13,304</b>                                                                            | <b>(4)</b>                    | <b>13,300</b>                                                         | <b>13,300</b>                                                         |
| <b>High Needs</b>                           |                                                                                          |                               |                                                                       |                                                                       |
| Element 3 Top-up funding                    | 8,145                                                                                    | -                             | 8,145                                                                 | 8,145                                                                 |
| Out of city placements                      | 2,000                                                                                    | -                             | 2,000                                                                 | 2,000                                                                 |
| SEN support services                        | 675                                                                                      | -                             | 675                                                                   | 675                                                                   |
| Medical Education                           | 660                                                                                      | -                             | 660                                                                   | 660                                                                   |
| Outreach services                           | 187                                                                                      | -                             | 187                                                                   | 187                                                                   |
| Fair Access Protocol                        | 60                                                                                       | -                             | 60                                                                    | 60                                                                    |
| Post 16 - Places                            | 290                                                                                      | -                             | 290                                                                   | 0                                                                     |
|                                             | <b>12,017</b>                                                                            | <b>0</b>                      | <b>12,017</b>                                                         | <b>11,727</b>                                                         |
| <b>Total Expenditure</b>                    | <b>141,357</b>                                                                           | <b>128</b>                    | <b>141,485</b>                                                        | <b>82,957</b>                                                         |
| DSG Income                                  | (141,357)                                                                                | (128)                         | (141,485)                                                             | (82,957)                                                              |
| <b>Total Income</b>                         | <b>(141,357)</b>                                                                         | <b>(128)</b>                  | <b>(141,485)</b>                                                      | <b>(82,957)</b>                                                       |

<sup>1</sup> Includes pupil premium for 3 and 4 year olds