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| Decision maker: | Cabinet Member for Education |
| Subject: | Dedicated Schools Grant Budget Monitoring Report for the Third Quarter 2017/18 |
| Date of decision: | 15 February 2018 |
| Report from: | Chris Ward, Director of Finance and IS |
| Report by: | Beverley Pennekett, Finance Manager |
| Wards affected: | All |
| Key decision: | No |
| Budget & policy framework decision: | No |

1 Purpose of report

- 1.1 To inform the Cabinet Member for Education of the projected revenue expenditure within the Dedicated Schools Grant (DSG) for the current financial year 2017-18 as at the end of December 2017.
- 1.2 To provide an update on the 2018-19 predicted pressures following further information from the Department for Education (DfE) and Special Educational Needs and Disability team.

2 Background

- 2.1 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.
- 2.2 The original DSG budget for the financial year 2017-18, was approved by the Cabinet Member for Children and Education and endorsed by Schools Forum in January 2017, with further changes approved and endorsed subsequently. This report provides the Cabinet Member for Education with a forecast estimate of the year-end outturn based on the position as at 31st December 2017.



3 Recommendations

It is recommended that the Cabinet Member:

- 3.1 Notes the forecast year-end budget position for the Dedicated Schools Grant as at the end 31st December 2017, together with the associated explanations contained within this report.
- 3.2 Notes the potential pressures for 2018-19 and impact on the brought forward balances.

4 Dedicated Schools Grant forecast position as at the end of December 2017

- 4.1 Table 1 below sets out the forecast year-end financial position of the DSG budget as at 31st December 2017.

Table 1

| DEDICATED SCHOOLS GRANT | <i>Original Estimate 2017/18 £000's</i> | <i>Revised Estimate 2017/18 £000's</i> | <i>Projected Outturn £'000's</i> | <i>Projected over/ (under) spend £'000's</i> |
|--|---|--|--------------------------------------|--|
| DSG : Devolved | | | | |
| Primary | 43,475 | 35,391 | 35,391 | 0 |
| Secondary | 19,326 | 14,168 | 14,168 | 0 |
| Special school place funding | 1,558 | 1,558 | 1,561 | 3 |
| Resource unit place funding | 596 | 596 | 596 | 0 |
| Alternative provision place funding | 1,070 | 1,070 | 1,070 | 0 |
| Total Delegated | 66,025 | 52,783 | 52,786 | 3 |
| DSG : Retained | | | | |
| De-Delegated Budgets, Growth Fund and centrally retained | 1,425 | 1,749 | 1,523 | (226) |
| Early Years | 13,304 | 13,029 | 13,044 | 15 |
| High Needs | 11,659 | 11,659 | 11,792 | 133 |
| Total Expenditure | 92,413 | 79,220 | 79,145 | (75) |
| DSG and other Specific Grants | (92,413) | (79,088) | (78,937) | 151 |
| DSG Brought Forward | 0 | (3,213) | (3,213) | 0 |
| DSG Carried Forward | 0 | 3,080 | 3,004 | (76) |
| Total Income DSG | (92,413) | (79,221) | (79,146) | 75 |
| 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



Academy conversions

- 4.2 There have been two academy conversions (, Langstone Infants, Langstone Juniors) during the period 1st October to 31st December 2017. The revised budget includes the previously approved adjustments relating to these conversions. The budget share payments for the four schools with known conversion dates in quarter four have also been adjusted in quarter three; budget adjustments for the schools will be carried out as the schools convert during quarter four.

Special school place funding

- 4.3 The small forecast overspend is due to an additional short term (three month) placement at Cliffdale based on the period two class list. The forecast has reduced from the previous quarter where the additional place had been assumed to continue for the full financial year. However following the receipt of the autumn term class lists it has been confirmed that the additional place was not required, therefore the forecast has been revised down.

De-delegated, growth fund and centrally retained

- 4.4 The forecast underspend of £226,000 relates to the one off recoupment adjustments made to the DSG when schools convert to academy status; along with a small underspend in the cost of licences for schools negotiated centrally by the DfE. This was partially offset by the Growth fund overspend which remains at £33,000 as reported in the previous quarter and is expected to remain as such for this financial year.

Early Years

- 4.5 The current forecast includes a forecast overspend on two year olds of £235,600 which has been partially offset by the release of the contingency budget of £55,500. This has been offset by a forecast underspend relating to 3 and 4 year olds of £145,400.
- 4.6 The 3 and 4 year forecast is based on the summer and autumn term actual payments and spring term estimated payments, with expected growth for the spring term 2018 (based on historic data). It should be noted the spring term estimates are lower than in previous years, this may be due to the timing of pupils starting nursery. The final position may change following the payment of the adjustment for actual pupils at the end of the Spring term.
- 4.7 The 2 year old budget is forecast to overspend, due to an expected increase in numbers from the revised budget of 605 pupils to 685 by the end of the financial year. Should these pupils be attending the settings at the time of the January census, the authority should receive additional funding during 2018/19 to cover the growth.

High Needs

- 4.8 The high needs budgets are the most volatile area of the DSG and as such the most difficult to predict. The total high needs budget is currently forecast to overspend by £133,000, the reasons for which are explained below.

Element 3 Top-up funding

- 4.9 At the end of quarter three, the authority has been unable to finalise all payments to the special schools, resource and alternative provision units due to delays in receipt of some of the October 17 class lists. Therefore the forecast contains an estimate of the associated costs based on a combination of agreed class lists for October and budgeted costs for schools. The current forecast position may change following receipt of the outstanding information; the impact of these changes will be reported at year end.
- 4.10 In total the Element 3 budget is forecast to underspend by a net £9,671. This is due to several factors as detailed below.
- 4.11 Special School element 3 Top-up funding is forecast to underspend by £50,000. The underspend relates to number of different factors, including a reduction in the number of pupils placed by other local authorities at Portsmouth special schools during the autumn term, partially offset by an increase in the level of pupil need and associated funding plus an increase in the number of pupils placed by the local authority
- 4.12 The autumn term class lists for the Alternative Provision settings had not been received at the end of quarter 3, therefore the forecast position remains at an underspend of £3,600 which may change when reporting the final outturn position.
- 4.13 The Inclusion units are forecast to overspend by £8,900, due to an increase in the number of pupils attending the units over the summer and autumn terms.
- 4.14 Due to a number of new placements in the autumn term of Portsmouth pupils in other local authority special schools the budget is currently expected to overspend by approximately £35,000. However there are a number of creditors who have yet to present invoices for 2016-17 financial year, should these not be received then the final position may reduce.

Other High Needs Funding

- 4.15 In November 2017 a review of the permanent exclusion budget within local authority budget identified that funding received from schools to support pupils who had transferred to either special school or alternative provision settings had not been transferred back to the DSG to offset the Element 3 funding paid to the setting who admitted the pupil. This identified a one-off transfer of £196,000 which has helped to offset the forecast overspend. Processes have been updated to ensure that this budget is reviewed annually and any funding relating to the placement of permanent exclusions in special school and AP settings is transferred to the DSG.

- 4.16 The forecast includes the final balance for one special school on conversion to Academy status, repayment of the pupil premium grant and invoices received after conversion but relating to the school during its maintained status.
- 4.17 The Post 16 funding is forecast to underspend by £85,200. Payments have been made for all invoices received to date, three outstanding invoices which were received for the 17/18 academic year and the November cohort. A new order for £5,000 has been placed which has slightly reduced the forecast from the previous month.

Pupils with SEND in mainstream schools

- 4.18 The third quarter of 2017-18 has seen an increase in the top up funding paid to mainstream schools to support children with high needs where the cost of additional support exceeds the first £6,000 which is met by the school. As at the 31st December 2017 the forecast is showing a predicted overspend of £270,000. The projected overspend is based on the current pupil information (as at the 31 December) of 367 pupils compared to 306 in December 2016/17; together with a projection for anticipated growth for the remainder of the year based on the 2016-17 growth for the same period. This forecast will continue to be reviewed throughout the year as actual pupil details become available.

Out of City Placements

- 4.19 The actual expenditure for children in out of city placements is forecast to overspend the current budget by £116,600 in 2017-18. The increase in forecast is due to additional placements between October and December 2017.
- 4.20 There are currently 46 children in out of city placements, 7 of whom have been placed by the Child and Adolescent Mental Health Service (CAMHS). The numbers of children are consistent with the 2016-17 financial year however the average cost of a placement has increased over the last quarter from £44,500 in quarter 2 to £48,400 as at the end of December 2017. The increase in the average cost is due to an increase in the number of children taking up placements and the higher financial value of the placements.

5 Dedicated Schools Grant adjustments

- 5.1 As reported in quarter 2 the reduction in the DSG grant allocations (£151,000) relates to an early years block prior year adjustment.

6 2018-19 Dedicated Schools Grant predicted pressures

- 6.1 In January 2018 the Cabinet Member approved the DSG budget for 2018-19, which was subsequently endorsed by Schools Forum. Since the January meeting a number of further pressures have been identified against the high needs budget, these include:
- A request to increase the number of places at a Portsmouth special school from September 2018.

- A forecast further increase in the number and cost of pupils with Education Health and Care Plans (EHCP) based in mainstream schools for 2018-19.
- Confirmation by the DfE that they have not accepted our request to reduce the number of high needs places based at a post 16 independent setting in the City, which will result in a higher than expected recoupment cost.

6.2 The total of the above pressure will equate to a further £444,000 pressure on the 2018-19 budget which will need to be funded from the 2017-18 carry forward. The table below set out the impact of the 2017-18 expected carry forward of £3.1m.

| | £m |
|---|--------------|
| Estimated brought forward from 2017-18 | 3.100 |
| Items previously notified | |
| Schools specific contingency (earmarked reserve) | (0.132) |
| High needs block pressures | (0.413) |
| The Harbour School | (1.000) |
| Previously notified estimated DSG reserves | 1.555 |
| Additional special school places | (0.123) |
| Increased EHCP costs and pupils at mainstream schools | (0.218) |
| Post-16 recoupment of high needs places | (0.102) |
| Estimated DSG reserves | 1.112 |

6.3 As set out in the January 2018 report "School funding arrangements 2018-19" the Education Department is considering a number of actions in conjunction with the outcomes of the SEND strategic review to ensure that high needs expenditure is brought back in line with the funding by 2019-20.

7 Equality impact assessment (EIA)

7.1 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 if required.

8 Legal comments

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

9 Finance comments

9.1 Financial comments are contained within the body of the report.

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Chris Ward, Director of Finance & IS

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 |
|--|--|
| DSG Budget Monitoring | Education Finance Team |
| School & Early Years Finance (England) Regulations | www.legislation.gov.uk |

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

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Signed by: