

Title of meeting:	Schools Forum
Date of meeting:	11 th July 2018
Subject:	2017-18 Dedicated Schools Grant Outturn Report and Revised Budget 2018-19
Report from:	Chris Ward, Director of Finance and Information Services
Report by:	Beverley Pennekett, Finance Manager
Wards affected:	All Wards
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to inform Schools Forum of the year-end outturn position as at the end of March 2018 for the Dedicated Schools Grant (DSG) and to propose revisions to the DSG budget for 2018-19.

2. Recommendations

It is recommended that Schools Forum:

- a. Note the year-end outturn budget position for the Dedicated Schools Grant as at the end of March 2018 and the variance explanations contained within this report.
- b. Endorse the revised DSG budget for 2018-19 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 2017-18, was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2017, with subsequent changes approved throughout the financial year. This report provides Schools Forum with the year-end outturn position as at 31st March 2018.

4. Dedicated Schools Grant

4.1. The table below sets out the DSG final outturn position as at the 31st March 2018.

Table 1				
DEDICATED SCHOOLS GRANT	<i>Original Estimate 2017/18 £000's</i>	<i>Revised Estimate 2017/18 £'000's</i>	<i>Outturn £'000's</i>	<i>over/ (under) spend £'000's</i>
DSG : Devolved				
Primary ISB	43,475	34,757	34,757	0
Secondary ISB	19,326	13,861	13,861	0
Special school place funding	1,558	1,558	1,575	17
Resource unit place funding	596	584	584	0
Alternative provision place funding	1,070	1,070	1,070	0
Total Devolved DSG	66,025	51,830	51,847	17
DSG : Retained				
De-Delegated Budgets, Growth Fund and centrally retained	1,425	1,753	1,388	(365)
Early Years	13,304	13,017	12,323	(694)
High Needs	11,659	11,659	10,943	(716)
Total expenditure	92,413	78,259	76,501	(1,758)
DSG and other Specific Grants	(92,413)	(78,127)	(77,976)	151
DSG Brought Forward	0	(3,213)	(3,213)	0
DSG Carried Forward	0	3,080	4,687	1,607
Total Income DSG	(92,413)	(78,260)	(76,502)	1,758
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 conversion - budget adjustments

- 4.2. There have been 4 academy conversions (College Park Infant, Northern Parade Infant, Northern Parade Junior and King Richard Secondary School) during the final quarter of the financial year, making a total of 13 academy conversions in 2017-18. The revised budget includes the budget adjustments relating to these academy conversions.
- 4.3. The table below shows the adjustments made to the budgets during the course of the year, to reflect these academy conversions, for the primary and secondary individual School Budgets (ISB) and the de-delegated budget.

Table 2			
	Original Budget as at April 2017 £000's	Impact of Academy Conversions £000's	Revised Budget (as shown above) £000's
Primary ISB	43,475	(8,718)	34,757
Secondary ISB	19,326	(5,465)	13,861
De-Delegated	322	73	395
Total	63,123	(14,110)	49,267

- 4.4. The De-delegated budget includes the schools-specific contingency of £132,500 brought forward from 2016-17 as agreed by Schools Forum in January 2017. There has been a reduction in de-delegated budgets of £59,500 due to academy conversions.
- 4.5. The Dedicated Schools Grant income has been adjusted to reflect the pro-rata recoupment of the ISB of the academy converters.
- 4.6. The variances shown in Table 1 are explained in more detail in the following sections.

DSG Devolved - Individual School Budgets

- 4.7. The Special School ISB overspend relates to additional pupils placed at Mary Rose from November 2017 to the end of the financial year. The original budget allowed for an additional eight pupils in the summer term decreasing to six pupils from September 2017. The actual number of pupils during the autumn and spring terms was ten, leading to an increase in place funding of £16,700. Unfortunately the timing of the receipt of the class-lists meant that this increased cost was not identified and included in the quarter 3 monitoring.

DSG retained

De-Delegated budgets, growth fund and centrally retained

- 4.8. The reported underspend of £365,000 is largely due to the one off recoupment adjustments made to the DSG when schools convert to academy status (£255,100). This was partially offset by a small overspend on the licences de-delegated budget; and as previously reported an overspend (£33,500) on the Growth fund which relates to an unexpected bulge year at a primary academy for the 2017-18 academic year.
- 4.9. The Schools Specific contingency of £132,600 remains unspent at the year end. As agreed by the Cabinet Member and Schools Forum, this will be carried forward and used for the same purpose in 2018-19.

Early Years

- 4.10. The net underspend of £694,000 on the early years budgets relate to a combination of an increase in two years olds and a decrease in three and four year olds accessing early education in the city.
- 4.11. Two year old funded hours exceeded the budget by 47,155 or 82.7 full time equivalent (FTE) pupils. This increase led to an overspend of £258,200, which was partly offset by the use of the two year old growth contingency (£55,600) to give a net overspend of £202,600.
- 4.12. The budget for three and four year old provision includes both the universal 15 hours and the additional 15 hours for working parents, introduced from September 2017. There was a reduction in pupils accessing both categories of early education in this age range. The table below shows the variation in hours compared to budget.

Table 3 - 3 and 4 year old activity 2017-18				
	Budgeted Hrs	Actual Hrs	Variance Hrs	FTE
Universal 15 Hours	1,967,245	1,809,916	(157,329)	(275)
Additional 15 hours for working parents	326,648	277,525	(49,123)	(87)
Total	2,293,893	2,087,441	(206,452)	(362)

- 4.13. The reduction of pupils led to a £412,800 underspend on the combined budgets, although it should be noted that any reduction in pupil numbers accessing early education at the time of the January 2018 census will result in a reduced Early Years funding allocation from the DfE in 2018-19.
- 4.14. In addition to the place funding variations, there were underspends on the Inclusion fund for nursery pupils with low level special educational needs and disabilities (SEND), the three and four year old growth contingency, the disability access fund (DAF), nursery pupil premium and the centrally retained budgets. As the funding for these budgets is linked to the pupil numbers and the hourly rate funded by the DfE, it is expected the funding for these elements will also be reduced during 2018-19 following the January census.
- 4.15. As highlighted in the report "School Funding Arrangements 2019-20" elsewhere on the agenda, the 2017-18 pupil and financial data will form part of the review of the funding rates allocated to the formula factors. This will be reported to Cabinet Member and Schools Forum in October 2018.

High Needs

- 4.16. 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 2017-18, the overall High Needs budget was under spent by £716,000, the reasons for which are explained in the table and paragraphs below.

Table 4 - High needs budget			
	Revised Budget	Actual	Variance
	£,000	£,000	£,000
Element 3 Top- up	8,144	7,791	(354)
Out of City Placements	2,000	1,795	(205)
SEN support services	1,151	1,358	(157)
Total	11,659	10,944	(716)

Element 3 Top-up

The element 3 underspend comprises of a number of elements and contributing factors as set out in the paragraphs below.

Pupils with SEND in mainstream schools

- 4.17. As previously reported, 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 2017-18 from 303 to 511.
- 4.18. During 2017-18, there were 225 new Education Health and Care Plan (EHCP) issued in addition to the 286 ECH Plans that converted from the previous SEN statements. This was reflected in the overspend of £285,400 on this area of the budget, as predicted in the third quarter monitoring report

Special Schools

- 4.19. In the budget monitoring report for the third quarter, the authority highlighted that they were unable to provide a robust forecast on the Element 3 Top-up rates at Special Schools, Inclusion Centres and Alternative Provision units as several of the class lists for the period up to the end of October 2017 had not been received and/or approved. Therefore the forecast was based on a mixture of October class lists and budgeted costs. At year-end the authority had received all the approved class lists, with the exception of one special school.
- 4.20. The final outturn position for Element 3 funding for special schools was a £403,900 underspend. The reasons for the underspend relates to:

- 25 pupils placed in Portsmouth special schools by other local authorities for which Portsmouth does not pay top-up funding (£268,300)
 - a reduced call on the budgeted funding to meet any increase in the levels of need and complexity of individual pupils (£135,600).
- 4.21. Overall the authority saw an increase in the numbers of pupils placed at Portsmouth Special schools (515 pupils compared to a budget of 506) and a reduction in the number of pupils placed by other local authorities (25 compared to a budget of 27).
- 4.22. The underspend on this budget has more than offset the overspend on the mainstream element 3 top-up payments.
- 4.23. With regards to the outstanding class list, this has now been received and the final payment due to the school agreed and paid.

Inclusion Centres and Alternative Provision units

- 4.24. There was an underspend in respect of the Alternative Provision (£62,900) and Inclusion Centres (£13,137) as a result of lower than previously anticipated numbers of pupils being placed by the City Council in these settings.

Post 16 Funding

- 4.25. It was reported in 2016-17 that 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.
- 4.26. When setting the 2017-18 budget it was assumed that the academic year 2017-18 would see similar rates of growth as the 2016-17 academic year. However the SEND team and the colleges have worked together to ensure that post 16 pupils are receiving appropriate support in the most cost effective manner. This has enabled the number of pupils in receipt of Element 3 Top up funding during 2017-18 to remain consistent at 103 (105 in 2016-17), leading to a £88,800 underspend in line with the third quarter forecast.

Out of City Placements

- 4.27. The budget for Out of City placements includes pupils based in independent and specialist settings and those placed by Child and

Adolescent Mental Health Service (CAMHS). The total underspend on this budget is £205,400, broken down as:

- Independent and specialist provision - £198,200
- CAMHS - £7,200

- 4.28. At the end of the financial year there were 37 pupils placed in independent and specialist out of city settings at a total cost of 1,850,300. The average cost per placement for 2017-18 was £48,700 (excluding CAMHS), this is an increase when compared to the average cost in 2016-17 of £47,800 for the same number of pupils. Over the course of the final quarter all 2017-18 open orders, commitments and 2016-17 accruals were reviewed in detail with the SEND team. As a result, a number of placements that had either ceased earlier than expected, were cheaper than first anticipated or had not started were identified, thus reducing the final outturn to provide a £198,200 underspend.
- 4.29. There were only 7 pupils placed in CAMHS settings over the course of the year. The costs for children placed by CAMHS were less than estimated (based on the previous year average).

SEN Support Services

- 4.30. A one-off receipt of funds relating to historical permanent exclusion recharges was appropriated in 2017-18 which contributed £196,000 to the underspend in the High Needs area. Measures have been put in place to ensure that future recoveries for permanently excluded pupils who are placed in Portsmouth schools are received in a timely manner. This was partially offset by charges relating to invoices relating to the maintained period for Redwood Park School (£39,300), the cost of supporting the school has now reached £500,000 the total amount agreed by Schools Forum, any further invoices will be charged to the Education Department's budget.
- 4.31. The underspends arising in this area of the budget and the receipt relating to the permanent exclusion recharges have been used to offset other smaller areas of overspend within the High Needs block, resulting in an overall nett underspend of £716,000.

Dedicated School Grant and Carry Forward

- 4.32. The variance of £151,000 in the DSG grant allocation relates to an adjustment for the 2016-17 financial year for children accessing early education. The funding is based on the spring 2017 census which is finalised in the following July and therefore the following financial year.
- 4.33. The value of funding received directly by the Council in respect of the Dedicated Schools Grant reduced during the financial year, as a consequence of schools converting to Academy status and their funding

being allocated directly to them from the Education Skills Funding Agency. The final amount allocated to Portsmouth City Council amounted to £78.127m compared to an initial budget estimate of £92.413m.

- 4.34. The carry forward increased in 2017-18 from £3.212m to £4.687m representing the sum of all the variances in the overall DSG. As set out at previous meetings a number of decisions have been made regarding the use of the carry forward. These are set out in the table below.

Table 5 - 2017-18 carry forward balance	
	£m
Brought forward from 2017-18	4.687
Items previously approved	
Schools specific contingency (earmarked reserve) Approved January 2018	(0.133)
High Needs block pressures Approved January 2018	(0.413)
Revenue contribution to refurbishment of Redwood Park School Awaiting Secretary of State approval	(1,000)
Balance brought forward following approvals	3.141
Items previously notified	
The Harbour School Endorsed by Schools Forum 23 May 2018	(0.868)
Additional Special School Places	(0.123)
Post 16 recoupment of high needs places	(0.102)
Increased EHCP costs and pupils at mainstream schools	(0.218)
Estimated DSG reserves 2018-19	1.830

- 4.35. The final brought forward figure from 2017-18, has placed the authority in a stronger position to manage any fluctuation in expenditure in 2018-19, particularly within early years, where the reduced pupil numbers in the January 2018 census are likely to result in recoupment of approximately £700,000.

5. Revised Budget 2018-19

- 5.1. Appendix 1 shows the budget for 2018-19 which was approved in January 2018. Since agreeing the budget there has been a number of changes which have required the proposed revisions below.

Academy Conversions

- 5.2. A further five academy conversions have been completed since the since setting the budget in January 2018, as listed below. The necessary budget adjustments completed and have been reflected in the table in appendix 1.

- Northern Parade Infant School 1 February 2018
- Northern Parade Junior School 1 February 2018
- College Park Infant School 1 February 2018
- King Richard School 1 March 2018
- Penhale Infant School 1 April 2018

Schools Specific Contingency and the carry forward

- 5.3. The underspend in the schools specific contingency of £132,622 in 2018-19 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 2018.

Element 3 Top up - Mary Rose Academy

- 5.4. As reported in January 2018, discussions have been held with the Solent Academy Trust regarding the Highly Exceptional provision at Mary Rose School, located within the Craneswater Annex and its on-going financial sustainability due to low numbers of pupils attending the setting. As a result of these discussions, it has been agreed to change the format of the Element 3 Top-up payments, front loading the payment for the first two pupils and supporting the school to ensure that fixed costs are covered. It is therefore proposed to change the highly exceptional band for Mary Rose as follows.

Table 6 Highly Exceptional Element 3 Top-up rates - Mary Rose School	
Number of pupils	Band rate £
Pupils 1 and 2	45,000
Pupils 3 to 6	30,000

- 5.5. The introduction of the new band rates will make the provision more sustainable and able to take pupils who might otherwise be placed out of the City. As part of this process it was agreed to cease identifying the

Craneswater Annex as an Inclusion Centre, but to include the place numbers within the overall Mary Rose Special School budget.

- 5.6. Whilst the Trust requested the banding to be implemented retrospectively from September 2017, officers have agreed with the Trust to implement the revised band from September 2018 and to make a one off payment of £15,000 to cover the 2017-18 academic year.

6. Reasons for recommendations

It is recommended that Schools Forum note the contents of the report in respect of the financial outturn for 2017-18 and approve the amendments to the budget for 2018-19 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.

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Signed by:

Appendices:

Appendix 1 - Dedicated Schools Grant Revised Budget 2018-19

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 - Dedicated Schools Grant Revised Budget 2018-19



	Approved 2018-19 Budget January 2018 (Including Academies)	Proposed Budget Revisions	2018-19 Schools Budget July 2018 (Including Academies)	2018-19 Schools Budget July 2018 (Excluding Academies)
	£000	£000	£000	£000
Schools Block				
Individual Schools Budgets				
Primary	64,631	33	64,664	28,976
Secondary	47,642	(33)	47,609	11,305
	112,273	(0)	112,273	40,281
De-Delegated and Central Budgets				
Growth Fund	343	0	343	343
De-delegated Budgets	243	133	376	333
Other Schools Block Sub Total	586	132	718	676
Total Schools Block	112,859	133	112,992	40,957
Central School Services Block				
Schools Forum	16	0	16	16
Admissions	294	0	294	294
Licences (negotiated by DfE)	115	0	115	115
ESG retained duties	374	0	374	374
Central School Services Block Total	799	0	799	799
Early Years Block				
3 & 4 Year Old Provision ¹	11,590	0	11,590	11,590
2 Year Old Provision	1,942	0	1,942	1,942
Central Expenditure on under 5's	672	0	672	672
Early Years Block Total	14,204	0	14,204	14,204
High Needs Block				
INDIVIDUAL SCHOOLS BUDGET				
Special School Place Funding	5,361	0	5,361	1,556
Resource Unit Place Funding	549	4	553	301
Alternative Provision Place Funding	1,202	0	1,202	1,082
	7,112	4	7,115	2,938
Element 3 Top-up funding	8,728	3	8,730	8,730
Out of City Placements	2,149	0	2,149	2,149
SEN Support Service	675	0	675	675
Medical Education	660	0	660	660
Outreach Services	187	0	187	187
Fair Access Protocol	60	0	60	60
Post-16 high needs places	410	0	410	(120)
	12,868	3	12,870	12,340
Total High Needs block	19,980	7	19,986	15,279
Total Expenditure	147,842	140	147,980	71,239
DSG Income ^{2,3}	(147,431)	0	(147,431)	(70,689)
One-off use of Carry Forward	(413)	(137)	(549)	(549)
Total Income	(147,844)	(137)	(147,980)	(71,239)
	(2)	0	(0)	(0)
¹ Includes early years pupil premium				
² 2018-19 per EFA allocations 19th December 2017				
³ Includes reimbursement of Growth funding for Academy schools				