

Title of meeting: Schools Forum

Date of meeting: 28 November 2018

Subject: Dedicated Schools Grant 2018-19 quarter two budget monitoring

Report by: Chris Ward, Director of Finance and Information Services and Section 151 Officer

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

1.1. The purpose of this report is to inform Schools Forum of the projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2018-19 as at the end of September 2018.

2. Recommendations

It is recommended that Schools Forum:

- 2.1. Notes the forecast year-end budget position for the Dedicated Schools Grant as at 30 September 2018, together with the associated explanations contained within this report.
- 2.2. Endorses the necessary adjustments to Dedicated Schools Grant to reflect:
- Early years budgets and DSG income budget, to reflect the adjustment in grant funding due to pupil number changes, as set out in paragraphs 3.30 and 3.31.
 - An adjustment to the DSG to reflect the decision by the Secretary of State to approve the transfer of £1.0m to capital to support the development of Redwood Park School.
 - An adjustment to the DSG to reflect the decision to support The Harbour School in May 2018.

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 2018-19, was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2018. Further budget adjustments were agreed by the Cabinet Member and endorsed by Schools Forum in July 2018. This report provides Schools Forum with the latest forecast estimate of the year-end outturn as at 30 September 2018.
- 3.3. Table 1 below sets out the forecast year-end financial position of the DSG budget as at 30 September 2018.

Table 1 - Dedicated Schools Grant				
	Original budget 2018-19 £000's	Revised Budget 2018-19 £000's	Projected outturn 2018-19 £000's	Projected over / (under) spend £000's
Income				
DSG Brought forward 2017-18	(413)	(4,687)	(4,687)	0
DSG and other specific grants	<u>(79,592)</u>	<u>(70,389)</u>	<u>(70,284)</u>	<u>105</u>
Total Income	(80,005)	(75,076)	(74,971)	105
Expenditure				
Primary ISB	34,230	28,561	28,561	0
Secondary ISB	14,742	11,305	11,305	0
Special school place funding	1,556	1,556	1,607	51
Inclusion Centre Place funding	346	301	301	0
Alternative provision place funding	<u>1,082</u>	<u>1,082</u>	<u>1,082</u>	<u>0</u>
Total Delegated	51,956	42,805	42,855	51
De-delegated and central budgets	1,385	1,538	1,539	1
Early Years	14,204	14,131	14,157	26
High Needs	12,460	12,462	12,852	390
Expenditure approved by the Secretary of State	0	1,000	1,000	0
Approved support to Special Schools	0	868	868	0
Total Expenditure	80,005	72,804	73,271	467
DSG Carried forward	0	2,272	1,700	(573)

Academy conversions and post 16 recoupment

- 3.4. Since the original budget was set in January 2018, there have been a number of academy conversions and Post 16 place adjustments; these have been included within the revised budget along with the one academy conversion (Meon Infant School) during the period from 1 July to 30 September 2018.

Special School places

- 3.5. Special school places are expected to overspend by £50,800. This is mainly due to the additional seven places agreed at Willows Centre for Children for pupils who started school in September 2018.
- 3.6. In addition, the summer term class lists identified an additional pupil placed at Mary Rose Academy, which lead to a further increase in place funding. As the autumn term class lists will not be confirmed by the SEND team until November 2018 it has been assumed that the additional place will be paid for the full financial year. Once the autumn term class lists have been confirmed the forecast may be adjusted.
- 3.7. As stated in the July report to Cabinet Member and Schools Forum, the in-year budgetary pressure is being offset against the 2017-18 carry forward, whilst the High Needs budgets are reviewed with the expectation that they will be manageable within the allocated budget for the 2019-20 financial year.

De-delegated and Central Budgets

- 3.8. The growth fund allocations have been issued to schools and academies meeting the criteria for 2018-19. Overall four maintained schools and seven academies received growth funding for the financial year 2018-19. There is a small overspend on the budget (£1,700) due to the rounding of pupil numbers, no further payments are expected during the course of the financial year.

Early Years Block

- 3.9. The nursery budget is forecast to overspend by a nett £25,700. The second quarter's accounts contain the final summer term payments to early years' providers of two, three and four year-olds and the estimated payments for the autumn term. The forecast is therefore estimated based on the payments to the end of the second quarter.
- 3.10. Table 2 below provides a breakdown of the forecast overspend. There is an expected overspend for two, three and four year old place funding due

to an increase in pupil numbers over the summer term and the growth contingency fund has been used to offset the predicted overspend. The remaining overspend relates to the early years pupil premium for eligible three and four year olds.

Table 2 Early Years Forecast			
	Total 2018-19		
	Budget 2018-19	Forecast	Variance (Under) / Over
	£	£	£
Two year olds	1,939,800	1,962,500	22,700
Two year old contingency growth fund	50,100	27,400	(22,700)
Three & four year olds universal hrs	8,008,500	8,339,800	331,300
Three and four year olds additional hours	2,862,300	2,834,400	(27,900)
Three & four year old contingency growth fund	329,500	26,100	(303,400)
Three & four year olds Pupil Premium	99,500	125,200	25,700
Total	13,289,700	13,315,400	25,700

3.11. Following the receipt of the final payments for the autumn term and spring term estimated payments, the forecast position and use of the growth contingency may be revised and will be reported in the third quarter monitoring.

3.12. As in previous years if the increased pupil numbers are accessing early child care at the time of the January 2019 census the authority will see an adjustment to the early years funding block in July 2019-20 to reflect the change in pupil numbers.

High Needs Block

3.13. The summer term class lists for Special Schools, Inclusion Units and Alternative Provision (AP) settings across the City were fully validated and paid during the second quarter, estimated element 3 payments for the autumn term have been paid to schools and included in the quarter 2 forecasts, this includes the additional pupils at Willows Centre for Children who started school in September 2018.

3.14. Table 3 below summarises the forecast outturn position for the high needs block, explanations for which are set out in the following paragraphs.

Table 3 - High Needs Budget	2018-19 Revised budget	Forecast Outturn as at 30 Sept 18	Forecast (under)/overspend
	£	£	£
Element 3 Top up	8,731,900	9,102,100	370,200
Out of City providers	2,148,900	2,253,000	104,100
Financial support to special schools	868,300	868,300	0
Expenditure approved by Secretary of State	1,000,000	1,000,000	0
Permanent exclusion recharge	0	(85,000)	(85,000)
SEN support services	674,700	674,700	0
Medical Education	660,000	660,000	0
Outreach	186,900	186,900	0
Fair Access Protocol	60,000	60,000	0
Total High Needs Block	14,330,700	14,720,000	389,300

Element 3 Top-up

3.15. Table 4 below breaks down the forecast overspend position for the Element 3 Top up funding as at the end of September 2018.

Table 4 - Element 3 Top-up	2018-19 Revised budget	Forecast Out turn as at 30 Sept 18	Forecast (under)/over spend
	£	£	£
EHCP Mainstream	1,205,200	1,550,500	345,300
Element 3 Top Up Special Schools	5,824,400	5,812,000	(12,400)
Element 3 Top Up - Resource Units	281,200	288,000	6,800
Element 3 Top Up - AP	221,100	220,800	(300)
Post 16 Special Educational Needs	800,000	800,000	0
Element 3 Top Up - OLA School	400,000	430,800	30,800
Total Element 3 Top-up	8,731,900	9,102,100	370,200

3.16. The September 2018 in-take of Post 16 pupils cannot be agreed and finalised with Colleges until after October 2018, when pupil destinations are confirmed. Therefore the forecast position will be updated in the third quarter following receipt of the final data.

3.17. The forecast position for pupils at mainstream schools with Education Health and Care Plans (EHCP), is showing a predicted overspend of £345,300. The forecast position includes any changes to pupils and EHC Plans up to the end of September 2018 and along with the expected growth (based on 2017-18 growth) over the remaining months of the academic year.

3.18. There has been a net increase of 22 mainstream pupils with EHCPs between July and September 2018. The average cost per pupil has

decreased from £3,494 at the end of the first quarter to £3,405 at the end of quarter two, this is still high than a budgeted rate of £2,911 per pupil.

3.19. Portsmouth is responsible for paying the Element 3 Top-up rates for our pupils, including when they are placed in Special Schools located in other local authorities. The forecast overspend reflects known variances, however, a number of invoices are still outstanding for the 2017-18 financial year. Expected costs were accounted for in the correct year, but any variances to these estimates could impact on the forecast position for 2018-19. The current value of the outstanding creditors is £74,400.

Out of City Placements

3.20. Out of City placements are split between:

- Independent and Specialist provision
- Child and Adolescent Mental Health Services (CAMHS).

3.21. Table 5 below provides a breakdown of the forecast position for each element.

Table 5 - Out of City Placements						
	Budget		Forecast position		Variance	
	£	Pupils	£	Pupils	£	Pupils
Independent & Specialist providers	2,120,400	40	2,217,700	36	97,300	(4)
CAMHS	28,500	7	35,300	9	6,800	2
Total	2,148,900	47	2,253,000	45	104,100	(2)

Independent and specialist provision

3.22. Whilst the budget is forecast to overspend by £97,300, this is lower than the forecast position of £178,600 at the end of quarter one. There has been no change in the actual number of pupils, however the authority has seen two high cost placements cease, which have been replaced by two lower cost placements. Thus the average cost of the placements at £61,590 whilst higher than the budgeted average of £53,010 has reduced from the average cost of £63,862 as at the end of June 2018.

3.23. The authority is currently awaiting a number of outstanding invoices from providers relating to the 2017-18 financial year. These are currently showing as creditors in the 2018-19 financial year. Estimated costs were accounted for in the correct financial year, but any variances to these estimates could impact on the forecast position for 2018-19. The current value of the outstanding creditors is £131,100.

Child and Adolescent Mental Health Services (CAMHS)

- 3.24. There are currently 9 Pupils where the authority is expecting to fund a CAMHS placement at an estimated total cost 35,300, this is £6,800 over budget (budget set on 7 pupils). It should be noted that the actual cost of these pupils will not be known until the invoice is received. The estimate is based on the average cost per pupil paid in 2017-18 (£3,916).
- 3.25. There were a number of pupils placed in CAMHS settings in 2017-18 for whom the authority is still awaiting invoices. These have been accounted for in the correct year, however, should the value of the actual invoice be different from the creditor provision, this could impact on the forecast for 2018-19. The current value of outstanding creditors is £19,600.

Expenditure approved during the financial year

- 3.26. In February 2018 Cabinet Member approved a proposal to utilise £1 million of the 2017-18 carry forward to fund capital works at Redwood Academy. This proposal was subsequently endorsed by Schools Forum at the February 2018 meeting. Under the School and Early Years Finance (England) regulations, Secretary of State Approval is required when transferring revenue grant to capital projects. The Council has applied for and received Secretary of State approval for this transfer.
- 3.27. The revised budget and forecast position in Table 1 includes the £1 million to reflect the Secretary of State approval, and this report seeks Schools Forum endorsement to adjust the DSG budget accordingly.
- 3.28. In May 2018, the Cabinet Member and Schools Forum agreed to provide one-off financial support to The Harbour School from accumulated balances, in order to write off the school's deficit and move forward with a balanced budget.
- 3.29. The revised budget and forecast position in Table 1 reflects that position and it is requested that Schools Forum formally endorse the change in budget provision.

Grant funding

- 3.30. The DSG grant funding includes a number of adjustments to the allocation made by the Department for Education during the second quarter. This includes the adjustments made for academy recoupment, high needs, early years and post 16 place recoupment. Table 5 sets out the adjustments to the funding blocks with the explanations detailed in the paragraphs below.

Table 5			
DSG Funding Blocks	March 18 allocation (excluding academies)	July 2018 allocation (excluding academies)	Revised DSG allocation (excluding academies)
	£,000	£,000	£,000
Schools Block	41,912	40,884	(1,028)
Central School Services Block	799	799	0
Early Years Block 2018-19	14,204	14,131 ¹	(73)
High Needs Block	14,969	14,880	(89)
Total DSG	71,884	70,694	(1,190)

- 3.31. The schools block reduction represents the recoupmnt for Penhale Infant and Nursery academy conversions. The Meon Infant conversion will be reflected in the November allocation and confirmed in the quarter three report.
- 3.32. In July 2018, the DfE confirmed the final allocation of the 2017-18 early years block based on the January 2018 census data. Providing a net increase (£17,000) in funding due to the number of 2 year old children accessing early education in the City increasing offsetting those 3 and 4 year old pupils eligible to receive early years pupil premium decreasing. The funding allocation from the DfE has been adjusted to reflect this.
- 3.33. The reduction in pupil numbers recorded on the January 2018 census has also impacted on the early years block allocation for 2018-19. Approval is sought to increase the budget for 2 year olds in Private, Voluntary and Independent (PVI) settings, decrease the early years' pupil premium the DSG income and decrease the 3 and 4 year olds in PVI and maintained settings by a net £56,000; in order to reflect the in-year decreased funding allocation from the DfE.
- 3.34. Over the autumn term the Children's Finance team have worked with both the Early Years team and Education Information team to test a methodology using the January census information available in March to support the estimation of the early years block allocation adjustment made in the July every year. The results of the testing indicate that using this methodology should provide the authority with a robust estimate of the mid-year adjustment. It is intended to use this process to estimate the adjustments to the 2018-19 and the 2019-20 allocations, which will be reported in the 2018-19 outturn report to Cabinet Member and Schools Forum.
- 3.35. The majority of the high needs block allocation reduction relates to the import/export pupil number changes. As part of the methodology for funding the local authority under the high needs block national funding

¹ This reflects the 2018-19 allocation adjustment, the net funding adjustment of £56,000 incorporates the £17,000 increase for 2017-18 and the £73,000 decrease for 2018-19.

formula the DfE adjusts for the nett number of pupils placed in Portsmouth high needs settings by other local authorities and the Portsmouth pupils placed in other local authority schools. When the original allocation was received in December 2017 Portsmouth was a nett importer based on the January 2017 school census and the 2016-17 individual learner record (ILR) submitted for post 16 pupils.

- 3.36. In July 2018 the allocation was updated for the January 2018 school census and the 2017-18 ILR return, this adjustment moved the authority from a nett importer to a nett exporter, reducing the funding by £87,000.
- 3.37. The import/export adjustment was new this year and the authority is developing a methodology to estimate the impact of future import/export adjustments to support planning.
- 3.38. The remaining high needs adjustments relate to the recoupment of additional post 16 places at Highbury College from September 2018. Partly offset by an increase in per pupil funding received through the national funding formula, providing an overall nett deduction to the high needs block of £89,000.
- 3.39. As some of these adjustments were unexpected and therefore not budgeted, this provides a nett forecast reduction in DSG income compared to budget.

Carry forward balance

- 3.40. As at the 30 September 2018 the forecast carry forward has reduced to £1.7m, which reflects the decisions made by Cabinet Member and endorsed by Schools Forum to use the brought forward balance to manage pressures in the high needs block and one-off spending decisions.

4. Reasons for recommendations

- 4.1. It is recommended that Schools Forum notes the contents of the report in respect of the financial forecast outturn for 2018-19 as at the end of the second quarter, 30 September 2018.

5. Equality impact assessment

- 5.1. 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.

6. Legal implications

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

7. Director of Finance's comments

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

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Signed by:

Appendices:

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

The information upon which this report has been based has been drawn from a variety of sources: however much of the information used is held in budget files prepared by the children and Education Finance Team. Please contact Beverley Pennekett, Finance Manager, if required.

Title of document	Location

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

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Signed by: