



**Title of meeting:** Schools Forum

**Date of meeting:** 10<sup>th</sup> July 2019

**Subject:** 2018-19 Dedicated Schools Grant Outturn Report and Revised Budget 2019-20

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

**Wards affected:** All Wards

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

- 1.1 The purpose of this report is to inform Schools Forum of the year-end outturn position as at the end of March 2019 for the Dedicated Schools Grant (DSG) and to propose revisions to the DSG budget for 2019-20.

**2. Recommendations**

- 2.1 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 2019 and the variance explanations contained within this report.
  - b. Endorse the revised DSG budget for 2019-20 as set out in Appendix 1 and section 5.

**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, with subsequent changes approved throughout the financial year. This report provides Schools Forum with the year-end outturn position as at 31<sup>st</sup> March 2019.

#### 4. Dedicated Schools Grant

4.1. Table 1 below sets out the DSG final outturn position as at the 31<sup>st</sup> March 2019.

<b>Table 1 - Dedicated Schools Grant</b>				
	<b>Original budget 2018-19 £000's</b>	<b>Revised Budget 2018-19 £000's</b>	<b>Outturn 2018-19 £000's</b>	<b>Over / (under) spend £000's</b>
<b>Income</b>				
DSG Brought forward 2017-18	(413)	(4,687)	(4,687)	0
DSG and other specific grants	<u>(79,592)</u>	<u>(70,294)</u>	<u>(70,675)</u>	<u>(382)</u>
<b>Total Income</b>	<b>(80,005)</b>	<b>(74,980)</b>	<b>(75,362)</b>	<b>(382)</b>
<b>Expenditure</b>				
Primary ISB	34,230	28,464	28,464	0
Secondary ISB	14,742	11,305	11,305	0
Special school place funding	1,556	1,556	1,622	67
Inclusion Centre Place funding	346	301	312	11
Alternative provision place funding	<u>1,082</u>	<u>1,082</u>	<u>1,082</u>	<u>0</u>
<b>Total Delegated</b>	<b>51,956</b>	<b>42,708</b>	<b>42,786</b>	<b>78</b>
De-delegated and central budgets	1,385	1,539	1,330	(209) <sup>1</sup>
Early Years	14,204	14,131	13,826	(305)
High Needs	12,460	14,331	14,140	(191)
<b>Total Expenditure</b>	<b>80,005</b>	<b>72,709</b>	<b>72,082</b>	<b>(627)</b>
<b>DSG Carried forward</b>	<b>0</b>	<b>2,271</b>	<b>3,280</b>	<b>1,009</b>

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

#### **Dedicated School Grant**

4.2. The 2018-19 DSG grant income was £382,000 higher than budgeted; as reported previously, this relates mostly to the additional funding for pupils with Special Education and Disabilities (SEND) announced by the Secretary of State in December 2018. A further increase was made in respect of the 2017-18 financial year, for children accessing early

<sup>1</sup> This includes £141,800 underspend on the schools specific contingency which Schools Forum and the Cabinet Member for Education approved would be carried forward to 2019-20 for the same purpose.

education. The funding is based on the spring 2018 census which is finalised in the following July and therefore adjusted in the following financial year.

- 4.3. The value of the DSG funding received directly by the Council reduced during the financial year, as a consequence of schools converting to Academy status and their funding being paid directly to them from the Education & Skills Funding Agency (ESFA). The final amount allocated to Portsmouth City Council amounted to £70.675m compared to an initial budget estimate of £79.592m.
- 4.4. The net overall position is an increase to the carry forward of £1.009m comprising of increased DSG income of £382,000 and underspend of £627,000. A breakdown of which is set out in the report below.

#### Academy conversion - budget adjustments

- 4.5. There were 2 academy conversions (Meredith Infant School and Stamshaw Infant School) during the final quarter of the financial year, making a total of 3 academy conversions in 2018-19. The revised budget includes adjustments relating to these academy conversions.
- 4.6. Table 2 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.

<b>Table 2 - DSG budget adjustments 2018-19</b>					
	<b>Original Budget as at Jan 2018 £000's</b>	<b>FYE of 2017-18 academy conversions £000's</b>	<b>Budget as at April<sup>2</sup> 2018 £000's</b>	<b>2018-19 Impact of Academy Conversions £000's</b>	<b>Revised Budget (as shown above) £000's</b>
Primary ISB	34,230	(5,253)	28,977	(513)	28,464
Secondary ISB	14,741	(3,436)	11,305	0	11,305
De-Delegated	243	90	333	(3)	330
<b>Total</b>	<b>49,214</b>	<b>(8,599)</b>	<b>40,615</b>	<b>(516)</b>	<b>40,099</b>

- 4.7. The De-delegated adjustment shows the net position of the schools-specific contingency of £132,600 brought forward from 2017-18 and a reduction in de-delegated budgets of £43,500 due to academy conversions.
- 4.8. The variances shown in Table 1 are explained in more detail in the following sections.

<sup>2</sup> Original budget less schools that converted to academy status as at 1 April 2018 and the agreement to use the 2017-18 schools specific contingency carry forward for the same purpose in 2018-19.

### **DSG Devolved - Individual School Budgets**

- 4.9. As previously reported, additional special school places were commissioned over the course of the year, over and above those agreed in the original budget. The majority of the overspend of £66,700 relates to 7 additional places at Willows from September 2018 (40,800), plus the equivalent of 2.5 additional places over the course of the year across Mary Rose and Cliffdale Academy special schools.
- 4.10. The Inclusion Centre overspend relates to two additional places at Trafalgar School from September 2018. These places are included in the 2019-20 budget.

### **DSG retained**

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

- 4.11. The Schools Specific contingency of £141,800 remains unspent at the year end. As agreed by the Cabinet Member and Schools Forum, this will be carried forward to be used for the same purpose in 2019-20.
- 4.12. The remaining element of the underspend is due to one off recoupment adjustments made to the DSG following schools' conversion to academy status (£67,000).

### **Early Years**

- 4.13. The net underspend of £305,439 on the early years budgets relate to a combination of an increase in two years olds and additional hours for eligible 3 and four year olds offset by decrease in three and four year olds accessing universal early education in the city.
- 4.14. The cost of funding provision for two year olds exceeded the budget by £132,000, which was partly offset by the use of the two year old growth contingency (£50,100) to give a net overspend in that area of £81,900.
- 4.15. The budget for three and four year old provision includes both the universal 15 hours and the additional 15 hours for working parents, which was introduced in September 2017. There was a reduction in pupils accessing the universal hours and an increase in those accessing the additional 15 hours. With the partial use of the growth contingency, this led to an underspend of £276,078.



	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Universal 15 Hours	8,008,500	7,980,252	(28,248)
Additional 15 hours for working parents	2,862,300	2,943,970	81,670
Growth contingency	329,500	0	(329,500)
<b>Total</b>	<b>11,200,300</b>	<b>10,924,222</b>	<b>(276,078)</b>

- 4.16. The growth contingency forms part of the on-going budget provision into 2019-20, whilst following a review and Schools Forum and Cabinet Member approval this has been reduced it is expected that there is sufficient funding to cover any future fluctuations in numbers during 2019-20.
- 4.17. It should be noted that any change in pupil numbers accessing early education at the time of the January 2019 census will result in an adjustment to Early Years funding allocation from the DfE in 2019-20. Current estimates expect this to be a net increase of approximately £33,000.
- 4.18. In addition to the place funding variations, there were underspends on the disability access fund (DAF), the three and four year old growth contingency and centrally retained budgets. The Inclusion Fund for nursery pupils with low level special educational needs and disabilities (SEND) was on budget this year, compared to an underspend last year.
- 4.19. The nursery pupil premium overspent by £56,300 in 2018-19, as this is funded based on the January 2017 census and updated in the following financial year using the January 2018 census, the authority is expecting to receive additional funding to cover these costs.

### **High Needs**

- 4.20. The High Needs budgets are the most volatile area of the DSG budget and very difficult to project accurately, due to a significant proportion of the funding being linked to pupil needs and movements. At the end of 2018-19, the overall High Needs budget was under spent by £190,800, as explained below.

<b>Table 4 - High needs budget</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Element 3 Top- up	8,732	8,745	13
Out of City Placements	2,148	2,030	(119)
SEN support services	3,450	3,365	(85)
<b>Total</b>	<b>14,331</b>	<b>14,140</b>	<b>(191)</b>

### **Element 3 Top-up**

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

#### Pupils with SEND in mainstream schools

- 4.21. As previously reported, the increasing number of Education Health and Care Plans (EHCP) has led to an increase in Element 3 funding being paid to mainstream schools to support children with high needs where the cost of additional support exceeds £6,000. The numbers of pupils with an EHCP in mainstream schools has increased during 2018-19 from 414 to 531.
- 4.22. During 2018-19, there were 117 new EHCPs issued. This was reflected in the overspend of £351,000 on this area of the budget.

#### Special Schools

- 4.23. The final outturn position for Element 3 funding for special schools was a £296,900 underspend. The underspend relates to:
- 32 pupils placed in Portsmouth special schools by other local authorities for which Portsmouth is not liable for top-up funding (£353,700)
  - Offset by additional funding required to meet the element 3 for unbudgeted additional places and an increase in the levels of need and complexity of individual pupils (£56,800).
- 4.24. Over the year a total of 534 pupils were placed at Portsmouth Special schools compared to a budget of 536, with an increase in the number of pupils placed by other local authorities (32 compared to a budget of 23).
- 4.25. The underspend on this budget partially offsets the overspend on the mainstream element 3 top-up payments.



#### Inclusion Centres and Alternative Provision units

- 4.26. There was an underspend in respect of the Alternative Provision (£36,352) and Inclusion Centres (£7,469) as a result of lower than previously anticipated numbers of pupils being placed by the City Council in these settings.

#### Other Local authority schools

- 4.27. Portsmouth City Council is responsible for the element 3 top-up funding of pupils with SEND placed in other local authority schools. For 2019-20 this budget has underspent by £82,800, the increase in the forecast underspend between quarter 3 and the end of the year relates to 2017-18 accruals no longer required (£15,600) and final clarification of the cost of placements which reduced the value of the orders at year end by £76,700

#### Post 16 Funding

- 4.28. The 2018-19 Post 16 element 3 Top-up budget included funding for 107 pupils based on the 2017-18 academic year, this assumed the same level of stability of pupil numbers that were seen in both the 2016-17 and 2017-18 academic years. The 2018-19 academic year saw an increase of 14 Portsmouth pupils with SEND attending further education establishments. The additional pupils combined with an increase in the average cost from £7,374 to £7,618 per pupil, has led to an overspend of £85,600 on post 16 funding.

#### Out of City Placements

- 4.29. 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 £118,500, analysed as:
- Independent and specialist provision - Underspend of £119,000
  - CAMHS - overspend of £500
- 4.30. At the end of the financial year there were 40 pupils (budget 40 pupils) placed in independent and specialist out of city settings at a total cost of £2,066,400. Whilst there was no change in the number of pupils, the average cost per pupil has reduced from the budget of £53,010 to £51,600 (excluding CAMHS) providing a saving of £54,000.
- 4.31. Over the course of the final quarter all 2018-19 open orders, commitments and the remaining 2017-16 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, contributions from social care were agreed or had not started were

identified, thus reducing the final outturn further to provide a £119,000 underspend.

- 4.32. There were only 6 pupils (budget 7 pupils) placed in CAMHS settings over the course of the year. The costs for children placed by CAMHS were higher than estimated (based on the previous year average), which lead to an overspend of £20,100. This was almost entirely offset by the release of a number of the previous year's accruals which were not required, providing a net overspend of £500.

#### SEN Support Services

- 4.33. A receipt of funds relating to permanent exclusion recharges was appropriated in 2018-19 which contributed £85,100 to the underspend in the High Needs area.

#### **Carry forward balance**

- 4.34. The carry forward decreased in 2018-19 from £4.687m to £3.280m, representing the sum of all the variances in the overall DSG. As set out at previous meetings a number of decisions were made over the course of the financial year to utilise the 2017-18 carry forward to support the:

- Schools specific contingency
- High needs block pressures
- Revenue contribution to the refurbishment of Redwood Park School Academy
- The Harbour School
- Additional special school places at Willows Centre for Children

- 4.35. The final balance brought forward from 2018-19, has placed the authority in a stronger position to manage any fluctuation in expenditure in 2019-20, particularly within the high needs block. Decisions made in February 2019 (see paragraph 5.4) and the continuing growth in the numbers of pupil in mainstream schools with EHCPs is providing day one pressures of £257,000.

## **5. Revised Budget 2019-20**

- 5.1. Appendix 1 shows the budget for 2019-20 which was approved in January 2019. Since agreeing the budget there have been a number of changes, requiring the proposed revisions below.

#### **Academy Conversions**

- 5.2. A further two academy conversions have been completed since setting the budget in January 2019, as listed below. The necessary budget



adjustments have been completed and are reflected in the table in appendix 1.

- Meredith Infant School 1 March 2019
- Stamshaw Infant School 1 April 2019

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

5.3. The underspend in the schools specific contingency of £141,800 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 2019.

### **High Needs - impact of decision**

5.4. At the meeting on 13 February 2019 the Cabinet Member reversed the decision to implement proposed changes to the high needs funding for 2019-20. The revised budget contains the impact of these changes namely:

- The removal of the proposed banding system for Element 3 top-up for children with an EHCP in mainstream schools and Inclusion centres
- Special school element 3 Top-up rates reverting to 2018-19 rates (i.e. no 1% reduction as originally agreed).
- Remove the intention to save 10% by recommissioning the Outreach service.
- Remove the requirement to make efficiencies within the Portage plus team.

5.5. The financial impact of these changes is additional cost of £126,000

### **Restructuring of Special Schools in the City**

5.6. At the meeting on 20 March 2019 the Cabinet Member for Education approved the decision to close the Willows Centre for Children from 31 August 2019. The budget contains the adjustment to both place and element 3 Top-up funding for the period following the school's closure.

5.7. On the 26 April 2019 the Regional Schools Commissioner approved the expansion of Cliffdale Primary Academy from the 1 September 2019. This expansion included an additional 48 places, previously accommodated at the Willows Centre for Children. Due to the economies of scale, level of need and age of the pupils transferring, it is proposed that the Element 3 Top-up rates for these children will be paid at Mary Rose 2019-20 rates from 1 September 2019.

### **Additional Special School places**

- 5.8. The expansion of Cliffdale by 48 places has reduced the number of additional places required at Cliffdale from 11 to 10 from September 2019 taking the total number of places at Cliffdale to 126. In addition there has also been an increase of 7 places at Mary Rise from 1 September 2019, taking to the total number of places at Mary Rose to 152.

### **Early Years Complex needs inclusion fund.**

- 5.9. In January 2019 a report was taken to Cabinet Member and Schools forum regarding the proposal to introduce an Early Years complex needs inclusion fund, using the difference in funding between The Willows Centre for Children and the Cliffdale Primary Academy for the pupils that were transferring following the closure of Willows. As set out above the proposal to change the funding band for the Willows pupils transferring to Cliffdale has meant the funding available was not sufficient to cover the total cost of this fund. Whilst it was considered to set up a fund with reduced funding the amount available would not provide adequate levels of funding to meet the needs of pupils in early years settings. It is therefore proposed to provide an annual fund of £90,000 of which will be covered from the carry forward in 2019/20. The provision of this fund is not sustainable in the long term due to the one off nature of the carry forward, it will need to be reviewed periodically against all other risks to the DSG.
- 5.10. An early years complex needs inclusion fund of £90,000 (prorate) has been included in the revised and will be available from September 2019. Guidance on accessing the fund is being produced by the Early Years Team and SEND Team.

### **Technical adjustment**

- 5.11. The revised budget includes a technical adjustment to the Inclusion Centre place recoupment relating to Trafalgar Academy, due to the recoupment timing applied by the DfE.
- 5.12. Over all these changes have increased the projected high needs costs by £328,800. It is proposed to fund the additional high needs pressures from the 2018-19 DSG carry forward for 2019-20. Due to the one off nature of the carry forward, it will not be sustainable to continue to fund the high needs pressures in this manner. Whilst there has been a DfE SEND call for evidence there is no guarantee that this will result in additional funding for 2020-21. Therefore further work will be required to ensure the continued sustainability of the DSG in 2020-21.



### Appendix 1 - Dedicated Schools Grant Revised Budget 2019-20

	2019-20 Schools Budget January 2019 (Including Academies)	Proposed Budget Revisions	2019-20 Schools Budget July 2019 (Including Academies)	2019-20 Schools Budget July 2019 (Excluding Academies)
	£000	£000	£000	£000
<b>Schools Block</b>				
<b>Individual Schools Budgets (ISB)</b>				
Primary	65,978	(0)	65,978	26,671
Secondary	49,453	0	49,453	11,680
<b>Total ISB</b>	<b>115,432</b>	<b>(0)</b>	<b>115,431</b>	<b>38,351</b>
<b>De-Delegated and Central Budgets</b>				
Growth Fund	754	0	754	754
De-delegated Budgets	0	142	142	142
Academy Conversions	0	25	25	25
<b>Other Schools Block Sub Total</b>	<b>754</b>	<b>167</b>	<b>921</b>	<b>921</b>
<b>Total Schools Block</b>	<b>116,186</b>	<b>167</b>	<b>116,352</b>	<b>39,272</b>
<b>Central School Services Block</b>				
Schools Forum	16	0	16	16
Admissions	307	0	307	307
Licences (negotiated by DfE)	126	0	126	126
ESG retained duties	377	0	377	377
<b>Central School Services Block Total</b>	<b>826</b>	<b>0</b>	<b>826</b>	<b>826</b>
<b>Early Years Block</b>				
3 & 4 Year Old Provision <sup>1</sup>	11,502	(0)	11,502	11,502
2 Year Old Provision	1,994	(0)	1,994	1,994
Central Expenditure on under 5's	642	0	642	642
<b>Early Years Block Total</b>	<b>14,138</b>	<b>(0)</b>	<b>14,138</b>	<b>14,138</b>
<b>High Needs Block</b>				
<b>Individual Schools Budgets</b>				
Special School Place Funding	5,518	78	5,597	1,411
Resource Unit Place Funding	522	0	522	307
Alternative Provision Place Funding	1,210	0	1,210	1,090
<b>Total ISB</b>	<b>7,250</b>	<b>78</b>	<b>7,329</b>	<b>2,808</b>
Element 3 Top-up funding	9,261	179	9,440	9,440
Out of City Placements	2,365	0	2,365	2,365
SEN Support Service	665	10	675	675
Medical Education	660	0	660	660
Outreach Services	178	9	187	187
Fair Access Protocol	60	0	60	60
Early Years Complex Needs Inclusion fund	0	53	53	53
Post-16 high needs places	504	0	504	0
<b>Other high needs block sub total</b>	<b>13,693</b>	<b>251</b>	<b>13,943</b>	<b>13,439</b>
<b>Total High Needs block</b>	<b>20,943</b>	<b>329</b>	<b>21,272</b>	<b>16,247</b>
<b>Total Expenditure</b>	<b>152,092</b>	<b>495</b>	<b>152,588</b>	<b>70,483</b>
<b>Income</b>				
Schools Block	(116,186)	(25)	(116,211)	(39,131)
Central Schools Services Block	(826)	0	(826)	(826)
Early Years Block	(14,138)	0	(14,138)	(14,138)
High Needs Block	(20,943)	(0)	(20,943)	(15,918)
DSG Income <sup>2,3</sup>	(152,092)	(25)	(152,117)	(70,012)
One-off use of Carry Forward	0	(471)	(471)	(471)
<b>Total Income</b>	<b>(152,092)</b>	<b>(495)</b>	<b>(152,587)</b>	<b>(70,483)</b>

<sup>1</sup>Includes early years pupil premium

<sup>2</sup>2019-20 per ESFA allocations March 2019

<sup>3</sup> Includes reimbursement of Growth funding for Academy schools



**6. Reasons for recommendations**

It is recommended that Schools Forum note the contents of the report in respect of the financial outturn for 2018-19 and approve the amendments to the budget for 2019-20 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 2019-20

**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:

<b>Title of document</b>	<b>Location</b>
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: