

**Title of meeting:** Schools Forum

**Date of meeting:** 17 December 2019

**Subject:** Dedicated Schools Grant 2019-20 quarter one budget monitoring

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

**Wards affected:** All

**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 projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2019-20 as at the end of June 2019.

**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 June 2019, together with the associated explanations contained within this report.

**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 2019-20, was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2019. Further budget adjustments were agreed by the Cabinet Member and endorsed by Schools Forum in July 2019; whilst these were approved after the closure of the first quarter accounts, the adjustments have been included within the first quarter's monitoring to ensure the forecast reflects recent decisions. This report provides Schools Forum with the latest forecast estimate of the year-end outturn as at 30 June 2019.

3.3. Table 1 below sets out the forecast year-end financial position of the DSG budget as at 30 June 2019.

<b>Table 1 - Dedicated Schools Grant</b>				
	<b>Original budget 2019-20 £000's</b>	<b>Revised Budget 2019-20 £000's</b>	<b>Projected outturn 2019-20 £000's</b>	<b>Projected over / (under) spend £000's</b>
<b>Income</b>				
DSG Brought forward 2018-19	0	(3,138)	(3,138)	0
DSG and other specific grants	<u>(72,309)</u>	<u>(70,012)</u>	<u>(70,012)</u>	<u>0</u>
<b>Total Income</b>	<b>(72,309)</b>	<b>(73,150)</b>	<b>(73,150)</b>	<b>0</b>
<b>Expenditure</b>				
Primary ISB	28,753	26,671	26,671	0
Secondary ISB	11,680	11,680	11,680	0
Special school place funding	1,578	1,411	1,411	0
Inclusion Centre Place funding	302	307	307	0
Alternative provision place funding	<u>1,090</u>	<u>1,090</u>	<u>1,090</u>	<u>0</u>
<b>Total Delegated</b>	<b>43,403</b>	<b>41,159</b>	<b>41,159</b>	<b>0</b>
De-delegated and central budgets	1,580	1,746	1,421	(325)
Early Years	14,138	14,138	14,138	0
High Needs	13,189	13,439	13,795	356
<b>Total Expenditure</b>	<b>72,309</b>	<b>70,483</b>	<b>70,513</b>	<b>30</b>
<b>Net forecast position</b>	<b>0</b>	<b>(2,668)</b>	<b>(2,637)</b>	<b>30</b>
<b>DSG Carried forward</b>	<b>0</b>	<b>2,668</b>	<b>2,637</b>	<b>(30)</b>

### Academy conversions and SEND changes

3.4. Since the original budget was set in January 2019, there have been a number of academy conversions, special school place changes and other SEND adjustments. These have been included within the revised budget in Table 1 which was approved by Cabinet Member and Schools Forum in July 2019.

### De-delegated and Central Budgets

3.5. The growth fund allocations have been issued to schools and academies meeting the criteria for 2019-20. Overall three maintained schools and nine academies received growth funding for the financial year 2019-20. The growth fund forecast shows an underspend of £319,000 compared to budget. No further payments are expected for this financial year.

The remaining £6,000 underspend is due to DfE centrally negotiated licenses costs which were £6,000 less than the estimated budget.

### Early Years Block

- 3.6. At the time of closing the first quarter's accounts, the final summer term payments to early years' providers of two, three and four year-old childcare have yet to be made, the forecast remains on budget. Adjustments will be made during July and August 2019 for actual take up during the summer term, as well as the funding adjustment to the DSG for take up during 2018-19. The forecast will be updated accordingly in the second quarter monitoring statement.

### High Needs Block

- 3.7. The summer term class lists for Special Schools and, Inclusion Units across the City were not available at the time of writing this report, the forecast outturn for the Element 3 Top-up funding for these settings is assumed to be as at budget and forecasts will be updated and included in the quarter 2 monitoring report.
- 3.8. Table 2 below summarises the forecast outturn position for the high needs block, explanations for which are set out in the following paragraphs.

<b>Table 2 - High Needs Budget</b>	<b>2019-20 Revised budget</b>	<b>Forecast Out turn as at 30 June 19</b>	<b>Forecast (under)/over spend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Element 3 Top up	9,440,000	9,694,600	254,600
Out of City providers	2,365,100	2,466,100	101,000
EYs Complex Needs Inclusion Fund	52,500	52,500	0
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
<b>Total High Needs Block</b>	<b>13,439,200</b>	<b>13,794,800</b>	<b>355,600</b>

### Element 3 Top-up

- 3.9. Table 3 below breaks down the forecast overspend position for the Element 3 Top up funding as at the end of June 2019.

<b>Table 3 - Element 3 Top-up</b>	<b>2019-20 Revised budget</b>	<b>Forecast Out turn as at 30 June 19</b>	<b>Forecast (under)/over spend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
EHCP Mainstream	1,413,600	1,664,600	251,000
Element 3 Top Up Special Schools	6,258,700	6,258,700	0
Element 3 Top Up - Resource Units	215,100	215,100	0
Element 3 Top Up - AP	213,700	217,300	3,600
Post 16 Special Educational Needs	909,000	909,000	0
Element 3 Top Up - OLA School	429,900	429,900	0
<b>Total Element 3 Top-up</b>	<b>9,440,000</b>	<b>9,694,600</b>	<b>254,600</b>

- 3.10. The September 2019 in-take of Post 16 pupils will not be agreed and finalised with Colleges until October 2019, when pupil destinations are confirmed. The forecast position is assumed to remain on budget and will be updated in the third quarter following receipt of the final data.
- 3.11. The forecast position for pupils at mainstream schools with Education Health and Care Plans (EHCP), is showing a predicted overspend of £251,000. The forecast position includes any changes to pupils and EHC Plans up to the end of June 2019 along with the expected growth (based on 2018-19 growth) over the remaining months of the academic year. The sustained annual growth is attributed to increasing numbers of pupils with high needs along with increased complexity of need.
- 3.12. There has been a net increase of 35 mainstream pupils with EHCPs between April and June 2019. The average cost per pupil has increased from a budgeted rate of £3,465 to £3,783. This increase in cost reflects the higher levels of need and associated support requirements for pupils with EHC Plans in mainstream settings.
- 3.13. The summer half term class list was received for the alternative provision settings (Harbour and Flying Bull). It shows an increase in the number of pupils hence the forecast out turn is expected to overspend by £3,600.
- 3.14. A task and finish group has been set up to review the potential introduction of banded funding for mainstream EHCP, whilst this won't offer a saving it is expected curtail the level of growth seen in this sector. The outcomes of the discussions and any proposed changes will be consulted with schools and brought to the October 2019 Schools Forum and Cabinet Member meetings.

### **Out of City Placements**

- 3.15. Out of City placements are split between:
- Independent and Specialist provision
  - Child and Adolescent Mental Health Services (CAMHS).

3.16. Table 4 below provides a breakdown of the forecast position for each element.

<b>Table 4 - Out of City Placements</b>						
	<b>Budget</b>		<b>Forecast position</b>		<b>Variance</b>	
	<b>£</b>	<b>Pupils</b>	<b>£</b>	<b>Pupils</b>	<b>£</b>	<b>Pupils</b>
Independent & Specialist providers	2,337,700	36	2,417,800	39	80,100	3
CAMHS	27,400	7	48,300	7	20,900	0
<b>Total</b>	<b>2,365,100</b>	<b>43</b>	<b>2,466,100</b>	<b>46</b>	<b>101,000</b>	<b>3</b>

### **Independent and specialist provision**

3.17. The budget is forecasted to overspend by £80,100, based on the current number of pupils and forecast expenditure. This reflects the increase in number of pupils (39 pupils compared to a budget of 36 pupils) partially offset by a slight reduction in average cost (£64,950 budget vs £62,000 current).

### **Child and Adolescent Mental Health Services (CAMHS)**

3.18. There are currently 7 Pupils where the authority is expecting to fund a CAMHS placement at an estimated total cost £48,300; this is £20,900 over budget. The significant uplift in cost reflects the increasing levels of need and associated support provided to these 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 2018-19 of £6,900, compared to a budgeted cost of £3,900.

### **Grant funding**

3.19. The DSG grant funding includes the adjustments made for academy conversions and post 16 place recouplement occurring during the first quarter. Further adjustments are expected in the second quarter for:

- Early years' pupil numbers for the period September to March 2018-19 and for 2019-20 financial year following the January 2019 census.
- High needs block import/export adjustment to reflect the movement of pupils across local authority boundaries.

3.20. Once received, the adjustments will be included in the second quarter monitoring.

### **Carry forward balance**

3.21. The January budget setting report and the July budget revision reports provided an update on the use of the carry forward from 2018-19. Table 5 below provides the position as at the 30 June 2019.

<b>Table 5 - Use of the 2018-19 carry forward balance</b>		
	<b>£m</b>	<b>£m</b>
<b>Brought forward from 2018-19 (including school specific contingency)</b>		<b>3,138</b>
School Specific Contingency 2019-20	(0.142)	
<b>Carry forward from 2018-19 before Budget Revisions</b>		<b>2.996</b>
June 2019 forecast overspend as per Table 1	(0.030)	
<b>Forecast position as at 30 June 2019</b>		<b>2.966</b>
Increase in HN budget to support additional spend (July 19 budget revisions)	(0.329)	
<b>Revised carry forward balance</b>		<b>2.637</b>

3.22. The carry forward balance of £2.637m contains the known pressures as at the end of June 2019. There are a number of potential spending implications which will impact on the carry forward balance. At the time of writing the report the relevant approvals have not been granted and the values quoted are estimates based on information available at the time and have not been included in the forecast position at the end of June 2019. The potential impact is explained in the paragraphs below.

#### **Potential impact in 2019-20**

3.23. As reported previously The Willows Centre for Children closes on 31 August 2019, there is a potential deficit final balance of approximately £100,000.

3.24. During the summer term a number of requests were received for the re-banding of pupils at Solent Academies Trust schools. At the time of writing the report the final approvals have not been confirmed but based on the draft information this could be in the region of £289,000 in 2019-20, with a full year effect of £362,000 in 2020-21.

#### **Potential impact in future years**

3.25. The authority is working with Solent Academies Trust to set an Element 3 Top-up rate for the whole Trust rather than have separate top-up rates for each school. Whilst the overall impact of this process will be to maintain funding at the current levels for the whole Trust, there may be an increase in overall funding. Based on the banding exercise carried out for all special schools in September 2017 a notional estimate of £50,000 has been set aside for this.

3.26. The authority has received confirmation from the DfE regarding the building of a new 66 place Special Free school at Wymering. Whilst the DfE will be funding the building of the School, the authority is responsible for funding the 60 places and the Element 3 Top-up for the pupils that attend the school.

3.27. Current DfE guidelines suggest that the place funding will be included in the DSG grant in the first year of opening. However the authority will not receive

funding for the additional pupils as part of its Dedicated Schools Grant until the following financial year. Therefore the carry forward would need to cover the initial academic year's element 3 top-up of approximately £1.2m.

3.28. The potential impact on the carry forward of these activities is set out in the table below.

<b>Table 6 - Potential call on 2018-19 carry forward</b>		
	<b>£m</b>	<b>£m</b>
<b>Forecast position as at 30 June 2019</b>		<b>2.637</b>
<b>Other potential pressures (awaiting confirmation - not included within the June forecast balance)</b>		
Willows closing balance	(0.100)	
Increased levels of need for pupils attending special schools	(0.289)	
<b>Estimated DSG reserves 2019-20</b>		<b>2.248</b>
Solent Academies Trust banding review	(0.050)	
Increased level of need for pupils attending special schools - full year effect	(0.362)	
Wymering Free School (Element 3 top-up funding)	(1.320)	
<b>Estimated future DSG reserves</b>		<b>0.516</b>

3.29. The balance of £0.516 equates to 0.34%<sup>1</sup> of the authorities DSG funding. Putting the authority at risk of not being able to meet future pressures.

3.30. There are a number of uncertainties regarding future DSG funding, for example the 2020-21 spending review, the SEND call for evidence, which may impact on the funding received in future years. The Children Families and Education Finance team is working with the Education Department and schools to manage the position. Proposals will be brought to future Cabinet Member and Schools Forum meetings following consultation with schools.

#### **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 2019-20 as at the end of the first quarter, 30 June 2019.

#### **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

<sup>1</sup> Dedicated Schools Grant total value of £152,241,766, including academies

**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 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

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

.....  
Signed by: