

**Title of meeting:** Cabinet Member for Education

**Date of meeting:** 25 March 2020

**Subject:** Dedicated Schools Grant 2019-20 Quarter 3 budget monitoring

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

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

**2. Recommendations**

It is recommended that the Cabinet Member:

2.1. Notes the forecast year-end budget position for the Dedicated Schools Grant as at 31 December 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. This report provides Cabinet Member with the latest forecast estimate of the year-end outturn as at 31 December 2019.

3.3. Table 1 below sets out the forecast year-end financial position of the DSG budget as at 31 December 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>(70,263)</u>	<u>(70,263)</u>	<u>0</u>
<b>Total Income</b>	<b>(72,309)</b>	<b>(73,401)</b>	<b>(73,401)</b>	<b>0</b>
<b>Expenditure</b>				
Primary ISB	28,753	26,672	26,493	(179)
Secondary ISB	11,680	11,680	11,680	0
Special school place funding	1,578	1,411	1,436	25
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>41,006</b>	<b>(153)</b>
De-delegated and central budgets	1,580	1,746	1,421	(325)
Early Years	14,138	14,176	14,125	(51)
High Needs	13,189	13,652	14,354	702
<b>Total Expenditure</b>	<b>72,309</b>	<b>70,734</b>	<b>70,906</b>	<b>172</b>
<b>DSG Carried forward</b>	<b>0</b>	<b>2,668</b>	<b>2,495</b>	<b>(172)</b>

### **Academy conversions / school closures**

- 3.4. There have not been any academy conversions since the quarter two report was communicated in December 2019.

### **Individual schools budget**

- 3.5. The budgets for the Diocese schools were overstated by £179,000 which related to the NNDR rates at the start of the financial year. The schools agreed to an adjustment of their allocations to correct their financial position and this was actioned in July 2019. An adjustment to the budget for the NNDR rates for the affected schools will be included in the schools budgets for the next financial year.

### **Special School places**

- 3.6. The forecast overspend on Special School places is due to additional pupil placements over the commissioned place numbers at Mary Rose and Cliffdale. It is assumed the places will continue until the end of the financial year, however, the forecast may be revised as further information becomes available.

### De-delegated and Central Budgets

- 3.7. The forecast outturn remains the same as quarter two and is not expected to change by the end of the financial year.
- 3.8. The forecast position includes growth fund allocations that have been issued to all eligible schools and academies meeting the criteria for 2019-20. Three maintained schools and nine academies received growth funding for the financial year 2019-20 and no further payments are expected. This will result in a £319,000 underspend compared to budget.
- 3.9. 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

- 3.10. The Early Years Block is forecast to underspend by a net £51,000. The third quarter's accounts contain the final summer and autumn term payments to early years' providers, and estimated payments for the spring term 2020.
- 3.11. Table 2 below provides a breakdown of the forecast position regarding two three and four year old place funding.

**Table 2 Early Years Block Forecast two three and four year old place funding**

	Total 2019-20		
	Budget 2019-20	Forecast	Variance (Under) / Over
	£	£	£
Two year olds	1,865,300	1,832,200	(33,100)
Two year old contingency growth fund	48,100	48,100	0
Three & four year olds universal hrs	7,924,200	8,024,100	99,900
Willows Nursery Closure Costs	0	100,000	100,000
Three and four year olds additional hours	3,236,800	3,161,000	(75,800)
Three & four year old contingency growth fund	153,200	29,100	(124,100)
<b>Total</b>	<b>13,227,600</b>	<b>13,294,500</b>	<b>(33,100)</b>

- 3.12. The two year old place funding forecast underspend has decreased by £70,000 to £33,100 since quarter two. This is an area that has overspent in recent years and is starting to see the impact of a falling birth rate. Should the number of pupils on the January 2020 early years census reflect the reduction of pupil numbers seen in the summer and autumn terms 2019 then the authority will see a reduction in funding in 2020-21.
- 3.13. There is an expected overspend for three and four year old place funding due to an increase in pupil numbers over the summer and autumn terms and the estimated final balance determination following the closure of

Willows nursery. The growth contingency fund has been utilised in order to reduce the impact of the predicted overspend.

<b>Table 3 Early Years Block Forecast Other Expenditure</b>			
	<b>Total 2019-20</b>		
	<b>Budget 2019-20</b>	<b>Forecast</b>	<b>Variance (Under) / Over</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Disability Access Fund	59,700	18,500	(41,200)
Inclusion Fund (2,3 and 4 year olds)	117,100	117,100	0
Central services	643,300	643,300	0
Three & four year olds Pupil Premium	127,800	151,100	23,300
<b>Total</b>	<b>(17,900)</b>	<b>930,000</b>	<b>(17,900)</b>

3.14. In line with the increased number of three and four year old place funding the budget for the pupil premium grant for eligible three and four year olds is forecast to overspend by £23,000.

3.15. The DfE has recognised that the current rules for the provision of Disability Access Fund have restricted the funding that local authorities are able to pass to early years settings. From 2020-21 the DfE have lifted the restriction of the set amount and will allow the authority to pass additional funding to settings.

### **High Needs Block**

3.16. The September and October 2019 class lists for Special Schools, Inclusion Units and Alternative Provision (AP) settings across the City were fully validated and paid during the third quarter and estimated Element 3 payments for the period to 31 March 2020 have been paid to schools and included in the Quarter 3 forecasts. This included payments for 20 additional pupils at Mary Rose and Cliffdale who started school in September 2019.

3.17. Table 4 below summarises the forecast outturn position for the high needs block, explanations for which are set out in the following paragraphs.

<b>Table 4 - High Needs Budget</b>	<b>2019-20 Revised budget</b>	<b>Forecast Outturn as at 31 Dec 19</b>	<b>Forecast (under)/overspend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Element 3 Top up	9,653,000	9,833,000	180,000
Out of City providers	2,365,100	2,880,300	515,200
Permanent exclusion recharge	0	(67,300)	(67,300)
EYs Complex Needs Inclusion Fund	52,500	126,500	74,000
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
<b>Total High Needs Block</b>	<b>13,652,200</b>	<b>14,354,100</b>	<b>701,900</b>

### Element 3 Top-up

3.18. Table 5 below breaks down the forecast overspend position for the Element 3 Top up funding as at the end of December 2019.

<b>Table 5 - Element 3 Top-up</b>	<b>2019-20 Revised budget</b>	<b>Forecast Out turn as at 31 Dec 19</b>	<b>Forecast (under)/over spend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
EHCP Mainstream	1,413,600	1,861,200	447,600
Element 3 Top Up Special Schools	6,258,700	5,970,800	(287,900)
Element 3 Top Up - Resource Units	215,100	210,800	(4,300)
Element 3 Top Up - AP	213,700	188,800	(24,900)
Post 16 Special Educational Needs	1,122,000	1,230,900	108,000
Element 3 Top Up - OLA School	429,900	370,500	(59,400)
<b>Total Element 3 Top-up</b>	<b>9,653,000</b>	<b>9,833,000</b>	<b>180,000</b>

3.19. The forecast position for pupils at mainstream schools with Education Health and Care Plans (EHCPs), is showing a predicted overspend of £447,600 due to an increase in both pupil numbers and average costs. The forecast position includes any changes to pupils with EHC Plans up to the end of December 2019 along with the expected growth over the remaining months of the academic year.

3.20. Whilst the number of mainstream pupils with EHCPs has remained static from the end of quarter two at 518, the average cost per pupil has increased from £3,537 at the end of the second quarter to £3,599 at the end of quarter three.

3.21. The increase on the underspend on the element 3 Top-up for Special Schools is due to the number of pupils who are placed by other local

authorities, for which Portsmouth is not responsible for paying the Element 3 Top-up, continuing into the autumn term.

- 3.22. The summer and autumn half term (September and October) class lists have been received for the Alternative Provision and Resource Units resulting in a small net underspend of £29,200.
- 3.23. During the third quarter the authority received confirmation of the number of pupils attending post 16 Colleges in the City. The authority also received clarification from the Department of Education regarding the responsibility for paying element 2 place funding of £6,000 for each pupil with an EHCP attending the two Post 16 colleges in the City. This confirmed that as the home authority Portsmouth were responsible for the place funding even if the home authority for the individual pupil was located outside of Portsmouth. This has created a forecast overspend of £108,900 for the post 16 element 3 budget for 2019-20. This change has been built into the 2020-21 budget and the authority is expecting to be funded for these additional places (although on a lagged basis) via the 2020-21 import/export.
- 3.24. In July 2019, the high needs allocation funding was adjusted through the Import/Export adjustment. This has provided an additional £213,000 which is included in the revised budget figure for Post 16 Special Educational Needs. As part of this process the authority challenged a number of adjustments, in November 2019 the authority received confirmation from the DfE of the acceptance of the adjustments which has created an additional £18,000.

### Out of City Placements

- 3.25. Out of City placements are split between:
- Independent and Specialist provision
  - Child and Adolescent Mental Health Services (CAMHS).
- 3.26. Table 6 below provides a breakdown of the forecast position for each element.

<b>Table 6 - 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	2,797,800	47	460,100	11
CAMHS	27,400	7	82,500	10	55,100	3
<b>Total</b>	<b>2,365,100</b>	<b>43</b>	<b>2,880,300</b>	<b>57</b>	<b>515,200</b>	<b>13</b>

### Independent and specialist provision

- 3.27. The budget is currently forecast to overspend by £460,100 a reduction of £38,300 since quarter two. This represents a net increase of one pupil from

quarter two and a reduction in the average cost per pupil by £2,127 to £59,527 per pupil reflecting the change in the level of need of some pupils in independent and specialist provisioned places.

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

3.28. There are currently 10 Pupils where the authority is expecting to fund a CAMHS placement at an estimated total cost £82,500; this is £55,100 over budget. Whilst there has been no increase in the number of pupils since quarter two, the average cost per pupil has increased to £8,251 (increase of £2,285). The quarter two forecast contained estimated costs for a number of pupils whose costs were unknown, which has now been confirmed.

### **Permanent Exclusion Recharge**

3.29. As previously reported the credit of £67,300 represents the proportion of permanent exclusion income from schools where pupils have been placed in an alternative provision setting for a period of time before moving to a new mainstream placement. This is an annual contribution to the element 3 top-up costs.

### **Early Years Complex Needs Inclusion Fund**

3.30. With the closure of Willows the number of early years high needs nursery places reduced. To support early years' pupils with high needs in mainstream nursery settings the early years complex needs fund was set up. This was funded from a small saving from the closure of Willows and the use of the carry forward.

3.31. Since the provision was set up the service has supported 24 pupils over the autumn term and is forecast to support a further 39 pupils during the spring term. Due to the increased numbers this budget is forecast to overspend for 2019-20 by £74,000.

### **Grant funding**

3.29 The authority received a revision to the DSG grant funding allocation in November 2019. This included a further increase to the High Needs Block import/export of an additional £18,000 following DfE confirmation of underfunded places as set out in paragraph 3.24 above. Plus the recoupment of Post-16 place and academy special school places agreed with the DfE from September 2019 (£280,000). Table 5 sets out the adjustments to the funding blocks as at November 2019.

<b>Table 6</b>			
<b>DSG Funding Blocks</b>	<b>July 2019 allocation (excluding academies)</b>	<b>November 2019 allocation (excluding academies)</b>	<b>Revised DSG allocation (excluding academies)</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Schools Block	39,131	39,131	0
Central School Services Block	825	825	0
Early Years Block 2018-19	14,176	14,176	0
High Needs Block	16,372	16,110	(262)
<b>Total DSG</b>	<b>70,504</b>	<b>70,504</b>	<b>(262)</b>

### **Carry forward balance**

3.35 As at the 31 December 2019 the forecast carry forward has increased to £2.5m from £2.3m reported in Quarter two, which reflects the forecast year end position as at the end of December 2019 and decisions made by Cabinet Member and endorsed by Schools Forum to use the brought forward balance to manage pressures in the high needs block.

#### **4. Reasons for recommendations**

4.1 It is recommended that Cabinet Member notes the contents of the report in respect of the financial forecast outturn for 2019-20 as at the end of the third quarter, 31 December 2019.

#### **5. Equality impact assessment**

5.1 An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity.

#### **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 .....

.....  
Signed by: