

# Southend-on-Sea Borough Council

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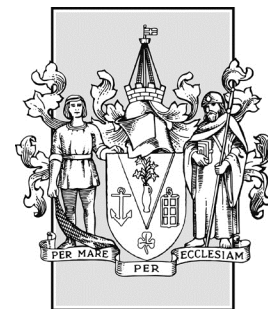
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## EDUCATION BOARD - TUESDAY, 30TH OCTOBER, 2018

Please find enclosed, for consideration at the next meeting of the Education Board taking place on Tuesday, 30th October, 2018, at 8.15am the following report that was unavailable when the agenda was printed.

Agenda No	Item
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| 5. | <b><u>Dedicated Schools Grant (DSG) 2018-19 Forecast Outturn and 2019-20 Budgetary Planning (Pages 1 - 16) – report attached</u></b> |
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Robert Harris  
Principal Democratic Services Officer  
Clerk to the Board  
Legal & Democratic Services  
Southend Borough Council

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# Southend-on-Sea Borough Council

Report of Deputy Chief Executive – People  
and Director of Finance and Resources

To  
**Education Board**

On  
**30<sup>th</sup> October 2018**

Agenda  
Item No.

**5**

Report prepared by:  
Paul Grout, Senior Finance Business Partner

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## **Dedicated School Grant Forecast Outturn 2018/19 And Budget Planning for 2019/20**

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### **1 Purpose of Report**

To update the Education Board on both Dedicated Schools Grant (DSG) forecast outturn for the 2018/19 and budget planning for 2019/20 schools budget, high needs, early years and centrally retained.

### **2 Recommendations**

Education Board (EB) are asked to note:

- 2.1 The forecast 2018/19 outturn, and subsequent potential DSG reserve balances for each funding block to now be carried forward into 2019/20. (as referenced in 4.50)
- 2.2 The continual need to constrain the distribution of high needs funding until the end of 2019/20. (as referenced in 4.41)
- 2.3 The targeted restoration of depleted DSG reserves by the end of 2019/20. (as referenced in 4.51)
- 2.4 With regard to individual school's budget planning for 2019/20, to continue, as followed in 2018/19, with the trajectory of adopting the principles of the National Funding Formulae in full. (as referenced in 4.8)
- 2.5 Continue, to adopt the principles of the National Funding Formulae, that for each separate funding block the distribution of funding is affordable within its own allocation. (as referenced in 3.9)

- 2.6 That the 2019/20 budget paper to finalise the agreed distribution of DSG funding for individual mainstream schools will be presented to the EB in December 2018, including centrally retained. (as referenced in 4.10)
- 2.7 That an additional options paper and recommendation on the application of growth fund awarded to Schools from 2019/20, is presented to the EB for approval in March 2019, and once considered through the Resources Sub Group. (as referenced in 4.22)
- 2.8 That the 2019/20 detailed High Needs budget allocation, is presented to the EB for approval in March 2019, and once considered through the Resources Sub Group. (as referenced in 4.43)

### **3 Background**

- 3.1 This report sets out both the 2018/19 forecast outturn and 2019/20 budget planning for schools, high needs, early years and centrally retained. The budget planning for 2019/20, follows the July 2018 release from the Department of Education (DfE) of indicative 2019/20 DSG funding block allocations.
- 3.2 As a key reminder, our local High Needs budget has unfortunately been under considerable financial pressure since 2016/17, which has been due to the need, and therefore increased demand and award of funding attached to Education Health and Care Plans (EHCP) supporting our local children. This pressure combined, with the complexity of cases for a proportion of our local children, means costs have also risen within our special schools, mainstream schools and the independent provider sector. It must also be noted, this is not only a local funding issue, but a funding issue that is now being experienced in all other local authorities.
- 3.3 Therefore, given the financial pressures within High needs funding, this has therefore been the main contributing factor to the now depleted and deficit DSG reserves balance of (£65,000) carried forward into start of this financial year, at the 1<sup>st</sup> April 2018. And note, as explained, this has been mainly driven by the high need's budget overspend in both financial years 2016/17 and 2017/18 of £0.827M and £0.677M, respectively.
- 3.4 However, it must also be recognised, that whilst financial pressures have been present in both years, the Local Authority and Education Board (EB) have been actively seeking to maintain the high need funding pressure where possible, and savings have been made in both years. And, this is demonstrated in both the EB high need detailed budget allocation papers, setting the "2018/19 High need budget allocations" and the "2017/18 High need budget allocations", presented and approved at the June 2018 and July 2017 EB boards, respectively.
- 3.5 It must also be, further reminded, that under the now implemented DfE High Needs National Funding Formula (NFF), it has been recognised from the DfE that Southend is significantly underfunded. And, if there was no caps applied on any funding gains between any given financial year, Southend's high needs block allocation would actually be in receipt of £19.557M to support our local children.

- 3.6 Therefore, given the DfE's high need national 3% cap on funding gains between any given financial year, Southend's actual 2018/19 funding allocation is capped at £18.223M. And, in 2019/20, Southend's provisional funding allocation is again capped to a now an indicative £18.882M. Of course, whilst any funding gain is welcome, this is still well below the now suggested uncapped £19.577M allocation recognised in the NFF.
- 3.7 This, therefore, does also further support the argument that Southend has been historically underfunded and it is therefore not unduly surprising that the local Authority and Education Board have been unable to contain current High Need spend levels within their current funding allocations in more recent previous financial years.
- 3.8 In relation to the now depleted DSG reserves, the message has also been clear, recognised and supported within the EB that the restoration of depleted DSG reserves will be targeted by the end of 2019/20, through the continued constrained and controlled use of high needs funding distribution. Which will be a position held, until the totality of DSG reserves are restored.
- 3.9 Therefore, to again aid and support this position and the underlying principles of the NFF, DSG reserve balances have been separated and allocated to each funding block. The table below, represents the allocation distrusted to each funding block, as presented and approved in the June 2018 EB Final Outturn paper:

Block	Schools £000	High Needs £000	Early Years £000	Central £000	Total £000
<b>Reserves surplus / (deficit)</b>					
<b>31 March 2018</b>	<b>0</b>	<b>(567)</b>	<b>502</b>	<b>0</b>	<b>(65)</b>

Therefore, the closing reserves balance positions as at 31<sup>st</sup> March 2018, rolls forward into 2018/19 and form's the opening reserve positions as at the 1<sup>st</sup> April 2018.

- 3.10 As, also recommended and approved in the June 2018 EB Final Outturn paper, any movement between individual DSG reserve block balances will be considered at the end of that financial year for EB approval.

#### **4 Dedicated Schools Grant 2018/19 Forecast Outturn and 2019/20 Budget planning**

##### **Foreword**

- 4.1 To further support, more sensible, and therefore strategic medium term financial planning, this paper presents the 2018/19 Forecast Outturn for each funding block alongside the now revised indicative 2019/20 funding allocation released from the DfE in July 2018. At this time, we cannot unfortunately financial plan DSG resource's with any certainty beyond 2019/20 as the DfE, are not yet, in a positon to be able to make any funding announcements with regard to 2020/21.

We therefore eagerly await any further details after Autumn's 2018 government spending review.

- 4.2 However, regardless, in relation to 2020/21, we hope to assume and will indicatively plan, that given the DfE recognition that both our own local High Needs funding is below an uncapped formulae, and the financial funding pressures that Schools themselves are facing and recognised nationally. The local Southend 2020/21 DSG allocation will not be reduced from 2019/20. We also await to see, if the hourly funding rate's attached to the funding received through our DSG Early years funding, to support our Early Years setting is increased, which has now also been held flat for three consecutive financial years 2017/18, 2018/19 and 2019/20.
- 4.3 "Appendix 1 – DSG Budget and Outturn 2018/19 to 2019/20". Provides the detail of the line by line financial position within each funding block that is therefore summarized within the rest of this section.

### **Schools Block – Individual School Block (ISB) allocations**

#### **2018/19 Budget to Forecast Outturn – held on line to budget**

- 4.4 This represents the DSG funding allocations, agreed for distribution to individual schools as set in the January 2018 EB paper. The only budget to spend variation, possible in this section would be due to any further schools converting to an academy status in 2018/19. When a school does convert to an academy, they are therefore able to apply for charitable business rate relief reduction. When this awarded, this can create a saving for the School if they were previously not subject to any rate relief reduction. The DfE, therefore allow the DSG, to retain the business rate relief saving in that financial year only, up to the date of the academy conversion.
- 4.5 The following further 5 primary schools have now converted to an academy status in 2018/19. Our Lady of Lourdes, Sacred Heart, St George's, St Helen's and Temple Sutton. The last maintained secondary school Futures Community College has also now successful converted to an academy status, and officially renamed as Southchurch Community High School.
- 4.6 We await, an updated 2018/19 DfE schools block funding allocation to calculate any small variation due to applied business rate relief deduction.

#### **2019/20 Budget Planning**

- 4.7 In line, with the revised principles of NFF, to ensure every school receives a minimum 1% funding increase on the per pupil led factor from their 2017/18 baselines by 2019/20, and adopting the further principles of ensuring a basic minimum funding per pupil in 2019/20 of £3,500 and £4,800, in primary and secondary schools respectively. The indicative DfE 2019/20 funding allocations have reflected this increase based on the results of the pupil count from the October 2017 census. Final funding allocations for 2019/20 are of course not known until the DfE have processed the October 2018 school census, following which, they will then announce revised DSG 2019/20 ISB allocations on an updated pupil count, due for release in late December 2018.

- 4.8 In accordance, with previous decisions undertaken at the EB, whilst the DfE are still allowing for the adoption of a local funding formulae in 2019/20. There would now be little point in changing the trajectory of our local ISB allocation's away from the principles of NFF, which was adopted in 2018/19. The EB board in December 2017, also voted to accelerate the NFF implementation of the minimum per pupil funding rates of 2019/20 in 2018/19.
- 4.9 Implementing the principles of NFF, is also further strongly supported, when the DfE are still planning to legislate and impose a Hard NFF. The DfE, have also reported, they are pleased by the high level of uptake amongst authorities and their respective education board and school forum's who have now adopted the principles of the NFF.
- 4.10 It is therefore advised, that for the next December 2018 Education Board DSG funding paper, as traditionally presented, the indicative ISB funding allocations using the current known October 2017 census information is shown, and approved for formal agreement from the EB board. This, then also allows appropriate time for the actual 2019/20 ISB funding allocations (and once the DfE have released results of the updated October 2018 school census information), to be prepared and released, and approved in the January 2019 EB the EB, before required Full Council approval in February 2019.
- 4.11 It must also, now be known, that recognising the funding pressures all schools are facing themselves, the local authority, with the continued and assumed support of the Education Board, does not want to look to impose a top slice of funding to support the High Needs Block away from the ISB allocation. This is now practically apparent, given our high needs block will be receiving additional funding in 2019/20. However, this position has to be closely monitored, and made clear as an option or not in the next DSG Financial December 2018 paper, given the volatility, of cost in some provisions of high needs funding support.

### **Schools Block – Centrally retained**

#### **2018/19 Budget to Forecast Outturn – £140,000 overspend**

- 4.12 The overspend, is entirely attributable to the application of growth funding which is used to support Southend's growing school age population, and the local authorities, unquestionable, statutory duty to ensure every child has access to a school place. As a reminder, the DSG growth fund which is centrally retained, and used to support a growing school with the revenue resources required of running a new class from the September of that applicable academic year. This therefore allows additional funding to be passed to that school, covering the annual gap in the DSG funding due to a School's own ISB DSG allocation, which is calculated by the DfE, on an annual lagged funding basis.
- 4.13 Whilst, the £140,000 overspend is of course, unfavourable, this was not unexpected, given the fact this is the first year of funding growth administered in more recent times applied to our secondary school provision, and given the DfE had made no previous announcement until July 2018 on how growth funding was to be distributed to DSG funds from 2019/20. There, was therefore no way

possible to plan an informed or updated funding allocation for award of Growth funding to schools moving forward.

- 4.14 In 2018/19, the DfE, set and held growth funds to the 2017/18 baseline, which for Southend was £1.190M. In accordance, with the previous EB and historical School forum decisions, the 2018/19 growth fund was top sliced by £0.5M and transferred to the Early Year block, to continue the support for sustainability and quality of our Early years local provision.
- 4.15 Therefore, given the transfer of the £0.5M resource, and now growth funding applied to our Secondary Schools, Southend now has an attributable 2018/19 overspend of £140,000 that will fall initially to the DSG School block and now isolated DSG growth reserves to recover in future years.

## **2019/20 Budget Planning**

- 4.16 As referenced in 4.13, the DfE have now announced in July 2018, their funding distribution methodology for DSG resource in relation to growth funding from 2019/20. Further guidance, was also released in October 2018, given local authorities were struggling to understand the actual calculations behind this new methodology and in an attempt to therefore model the value of their own expected growth funds.
- 4.17 And, please note, whilst the DfE produced indicative budget allocations for 2019/20 which is referenced, in appendix 1, and sets a baseline of £1.190M based on our 2017/18 allocation, this will not be representative of the final actual funding amount that will be awarded to our DSG growth fund in 2019/20.
- 4.18 Guidance, on the calculation for growth has been published in the DfE's "National funding formula policy document for 2019 to 2020", but to summarise, the growth funding distributed to DSG resources from 2019/20 will now be based on any pupil growth between annual October school census's, and only using positive growth, within middle layer super output area's (MSOA) will be counted. Note – MSOAs are defined, as small enough geographical areas to detect pockets of growth by the National Office for Statistics; and these are, therefore based on post codes, grouped within a particular geographical area.
- 4.19 To finalise, the distribution of funding to DSG resources the DfE have therefore, also set annual funding rates of £1,370 for each per primary 'growth pupil' and £2,050 for each per secondary 'growth pupil', adjusted slightly by a local area cost adjustment, which are then multiplied by the measured positive output growth using the principles explained in 4.12, to formulate a final funding allocation to DSG resources.
- 4.20 It must also be noted, that this funding methodology, as with the ISB allocation themselves, is now also a lagged funding approach. i.e. the funding awarded for that financial year, will be based on the previous year's growth. But, in theory, this does mean on a longer term funding basis, once growth has reached its peak across a certain period of financial years, any in year depleted DSG resources, should be recovered within the following years DSG funding



awarded. However, what does this also mean of course is that the DSG itself would require cash flow support from the local authority should a DSG deficit occur in any given financial year.

- 4.21 Whilst, the principle of the new DfE growth funding formulae seems justifiable, i.e. in terms of measuring actual growth within an authority, there is concern, with regard to the funded unit rates the DfE have applied to this approach being so low.
- 4.22 The DfE, are also clear that, it is still a local EB decision on how the growth fund is actually applied to Schools, so it is now recommended that a further paper is brought back to the March 2019 Education Board once considered through the Resource Sub Group, for 1) To model, the expected DSG growth that will be awarded to our local DSG funds in future years, and 2) A recommended option, to ensure, a revised and affordable locally applied methodology of awarding DSG growth funding, to our growing Schools is applied from 2019/20.
- 4.23 It must also be noted, it would be unfair to a school to change the current methodology of growth funding awarded this financial year, as a school will have already planned resources, based on the current expected provision.

## Early Years Block

### 2018/19 Budget to Forecast Outturn – held on line to budget

- 4.24 As repeated, on an annual basis, the DfE announced in July 2018, the results of January 2018 early years census, which not only adjusts the funding applied to the early years DSG resource for the previous financial year as final funding allocation, it also forms the basis of a revised indicative funding allocation for the current and following financial year.
- 4.25 The results of the Early Years January 2018 census, announced in July 2018, have also adjusted the resources allocated to our early years funding block by a total reduction of (£205,000). It must, however be noted, the reduction in funding relating to the additional extended entitlement for 3 & 4 years old was not unexpected, given 2017/18 was its first year of implementation and actual uptake was unknown.

The table below, summarizes the differences in the 2017/18 PTE funding allocation distributed from the DfE, that has therefore, also informed an updated DSG budget allocation for 2018/19 and 2019/20.

	2017/18 Previous PTE*	2017/18 Final PTE*	Equivalent Variance in £'s (reduction) / increase**
2 year old	476	422	(£92,000)
3 & 4 year old Universal	2,744	2,739	(£7,100)
3 & 4 year old Additional	737	660	(£116,000)
Disability Access Fund	£43k	£43k	-
Pupil premium	£106K	£117k	£11,000
<b>Total</b>			<b>(£205,000)</b>

\*PTE (Part Time Equivalent). DfE defined as the number of children taking up 15hours per week over 38 weeks.

\*\*7/12's of the PTE adjustment is applicable as the applicable funding reduction in 2017/18.

- 4.26 Whilst, of course, a funded PTE reduction means a financial reduction to the DSG balances, this funding adjustment was sensibly accounted and allowed for in the June 2018 EB DSG final outturn paper, by isolating the 2017/18 Early Years end of year DSG underspend balance within the DSG reserve balances. This, therefore means the one off funding reduction relating to that financial year, will now be funded and drawn down from the specific Early Years DSG reserve, and will have no impact on 2018/19 Early years DSG resources.
- 4.27 And given, the now known final funding allocations for 2017/18, this provides further assurance that the actual early years rates passed over to providers are now, as previously modelled, at an affordable level within DSG resources. And pleased, be minded, this is also currently based on a 100% passport rate through to providers.
- 4.28 However, of course, as explained in previous papers, we need to be further reminded that funding passed over to providers as defined by the DfE, is based on the 3 seasonal and separate termly head counts, and yet actual funding

received to DSG resource is based on the January early census alone, there, therefore continues to be risk or opportunity, that the January early year census returns a lower or higher head count, respectively, than the average of the 3 terms paid out. And note - the January census, is chosen by the DfE, as this expected to be the most representative funding term, to base as an average for that financial year.

## **2019/20 Budget Planning**

- 4.29 As explained in 4.24 and 4.25, the indicative 2019/20 Early years funding allocation is now based on the updated January 2018 census.
- 4.30 However, it must be noted, the 2019/20 indicative Early Years budget does now not reflect the historical £0.5M transfer of resources from the Schools block to Early years. As explained in the “201920 Early Years Funding - Provider Rates and Deprivation Entitlement” paper, under both council officer and council portfolio holder recommendation, an investment bid has been put forward to the Council to continue the support of early years resources from the Councils own general fund of £0.350M, and this is, recognition of the importance and therefore sustainability of the current services provided from the current £0.5M funding block transfer.
- 4.31 For 2019/20, in terms of the DSG being able to continue to support this £0.5M transfer in its entirety from the schools block to early years block, as previously reported, this was simply not sustainable, given both the now known changes on growth fund DSG resources, as referenced in 4.16 through to 4.23, or without further top slicing funds from Individual Schools, which in turn would also place further financial pressures on Schools. Again, it must be also, recognised, that whilst the DfE are continuing to allow local authorities to transfer funding between blocks upto the value of 0.5% of total DSG reserves in 2019/20, this is not the intention under an imposed hard NFF. Therefore, it is simply now not possible, for the DSG School block resources to commit to continue to support the £0.5M transfer from the Schools block to the Early Years block moving forward.
- 4.32 It however, must also be further noted, that given the proposed switch in funding of £0.350M from DSG funding to Council, the scope and use of the £0.350M funding will be widened to support the Early Years community and need.
- 4.33 The remaining £150,000 to replenish the full loss of £0.5M, as also referenced in the “201920 Early Years Funding - Provider Rates and Deprivation Entitlement” paper, will continue to be explored and hopefully approved from existing DSG early years resources by the start of the 2019/20. This, will then also ensure that the statutory duty for the DSG to provide a SEN inclusion fund is sustained from 2019/20.

## High Needs Block

### 2018/19 Budget to Forecast Outturn – a projected £328,000 overspend against allocated services lines (or £128,000 overspend against the 2018/19 original in year allocation)

- 4.34 As referenced, in the June 2018 High Need 2018/19 budget paper, £200,000 was top sliced from service lines in attempt to restore £200,000 back to the depleted the high need DSG reserve balance. And as referenced, in that paper, that would only be delivered, should spend be contained within the funding allocations distributed to service lines.
- 4.35 Whilst, the majority of forecasts are shown in line with the 2018/19 funding allocations, as highlighted in the June 2018, and demonstrates effective budget planning approved through the EB board, the known risk remains with the education costs and support attached to the independent provider sector. This also mirrors current funding pressures, within children social care and externally provided residential placements, whereby this pressure, has being driven by in part, an increase in required numbers of local after children, combined with a private market that has reduced capacity. This is therefore, a funding issue that all other local authorities will be facing.

To inform the EB board, with further context for the number of current pupils supported under the £1.530M independent provider commitment and weekly avg. cost of those placements to High Needs, this is shown in the following table:

	Independent placements	Residential Schools
Current no. of pupils as at Oct-18	28	14
Avg. £ wkly cost annualized*	£416	£1,305
Avg. £ cost per placement annualized*	£21,700	£68,000
Total cost this year**	£660,000	£870,000

\* although a number of these placements are actually paid on a 39 week basis, for presentation only in this table ,the costs have been annualized over a 52 week basis.

\*\* Total cost this year, based on current commitment - includes starters and leavers.

- 4.36 It also must continue to be noted, that forecasts within high needs do remain volatile given the nature of the service, but the SEN team continue to make sure they are administering resources under tight control.
- 4.37 £80,000, has also now been targeted as the revised SLA savings to be delivered against the original £117,000 budgeted targeted. Discussions between the relevant provider and authority lead commissioners, is currently under negotiation to formalise this saving.

- 4.38 The following table summarises the current high need forecast variance to budget.

	<b>2018/19<sup>i</sup> Budget</b>	<b>2018/19<sup>ii</sup> Forecast Outturn</b>	<b>2018/19<sup>ii-i</sup> Final (under) / over</b>
Place funding	£7.422m	£7.422m	-
Special and PRU provision top up funding	£4.905m	£4.905m	-
EHCP top up provision schools and post-16	£3.014m	£3.014m	-
Independent Providers	£1.224m	£1.530m	£0.291m
Other Provision include SLA's	£1.444m	£1.481m	£0.037m
<b>Service lines total</b>	<b>£18.009m</b>	<b>£18.272m</b>	<b>£0.328m</b>
Target allocation to restore depleted DSG reserves	£0.200m	-	(£0.200m)
<b>High Needs block total</b>	<b>£18.224m</b>	<b>£18.272m</b>	<b>£0.128m</b>

## 2019/20 Budget Planning

- 4.39 As referenced under, 3.5 and 3.6. The DfE indicative funding allocation for the high needs block in 2019/20, is now £18.882M. And, this is therefore a welcome increase, in funding of £0.658M from the current 2018/19 funding of £18.224M.
- 4.40 However, as referenced in 3.5, it must be noted this remains a capped increase under the national funding formulae, where if no caps on gains were applied the full funding allocation to be awarded would now be £19.557M.
- 4.41 Whilst, the increase in funding is of course, good news for Southend High Needs funding, we must continue to be minded that the High Needs DSG reserve balance is now depleted to a (£0.567M) deficit. It is therefore, in line with previous EB decision, a necessity that the first point of call for additional funding awarded to the high needs block in 2019/20, is prioritised for restoration of depleted DSG reserves, which in turn means High Need funding distribution must continue to be restrained in 2019/20.
- 4.42 It is, therefore however, now hoped that once, the restoration of depleted High Need DSG reserves is restored and if delivered by the end of 2019/20. High Needs funding distributed to setting from 2020/21, will be allowed to grow. And this will be controlled, in accordance with a well thought out, and updated High Need strategic plan supporting a longer term journey.
- 4.43 To allow time for detailed 2019/20 High Needs allocation to be set, it is recommended that the 2019/20 High Need detail budget allocation paper is presented to the EB in March 2019. And this will be under the officer lead of the

Head of SEND, with the support of required officers, and engagement where required with key stake holders. It is also recommended, that the paper is first taken through the Resources Sub Group before presentation to the EB.

## **Central Block**

### **2018/19 Budget to Forecast Outturn – held on line to budget**

- 4.44 This represents the funding, that the local authority is allocated directly to support educational need, and is forecast to be fully spent in line with budget.

### **2019/20 Budget Planning**

- 4.45 The indicative 2019/20 indicative budget allocation is broadly in line with the 2018/19 budget allocation; where by funding relating to ESG retained duties is subject to some fluctuation dependent on pupil numbers between years.
- 4.46 Whilst, 2019/20 indicative budget allocation is broadly in line with 2018/19, it must be noted that the DfE have released a statement that “in relation to funding for historic commitments there is an expectation that commitments will unwind over time as contracts reach their end points”. What this means in practice, we do not know at this time, and therefore need to be mindful of planned funding to support the central block in future years.

## **DSG Funding**

### **2018/19 Budget to Forecast Outturn**

- 4.47 The Latest DfE advised DSG funding allocation for 2018/19 is now £147.336m. Which, has therefore now been updated, for the early years funding adjustment as referenced in 4.25, and a further small addition of £15,000 awarded to the 2018/19 high needs block relating to a now updated high need import and export funding adjustment.
- 4.48 And, as referenced in 4.26, the 2017/18 Early years funding adjustment is also reflected, as both an income reduction in 2018/19, and a contra drawn down from the DSG early years to fund this reduction.

### **2019/20 Budget Planning**

- 4.49 The total indicative funding allocation for 2019/20, has been set at £148.502M. However, we note that the £1.190M funding attached to growth funding is inaccurate, and the school block funding allocation will be updated once the October 2018 census has been processed by the DfE, and results released late December 2018.

## Overall Position for the 2018/19 DSG Forecast Outturn and Reserve balances projected for both 2018/19 and 2019/20

4.50 The table below summarises the current forecast outturn position for 2018/19 and DSG reserve balances allocated to each block as at the 1<sup>st</sup> April 2018. This table, also illustrates a potential revised DSG reserve position as the end of 31<sup>st</sup> March 2020, subject to high need spend levels being contained to current 2018/19 levels.

Block	Schools – ISB £000	Schools - growth £000	Early Years £000	High Needs £000	Central £000	Total £000
<b>2018/19</b>						
Funding	116,221	699	10,452	18,223	1,738	147,336
Outturn	116,221	839	10,452	18,352	1,738	147,524
<b>Variance</b>	<b>-</b>	<b>140</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>188</b>
<b>Reserves surplus / (deficit)</b>						
1 April 2018	0	0	502	(567)	0	(65)
17/18 Early years funding adj.	0	0	(205)	0	0	(205)
2018/19 forecast Variance	0	(140)	0	(128)	0	(268)
Transferred in year	0	0	0	0	0	0
<b>31 March 2019</b>	<b>0</b>	<b>(140)</b>	<b>297</b>	<b>(695)</b>	<b>0</b>	<b>(538)</b>
<b>Potential in year Variance 2019/20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>529</b>	<b>0</b>	<b>529</b>
<b>31 March 2020</b>	<b>0</b>	<b>(140)</b>	<b>297</b>	<b>(166)</b>	<b>0</b>	<b>(9)</b>

4.51 The table above, therefore demonstrates, that whilst the DSG reserves balances will be at an unfavourable current forecast position of a (£538,000) deficit at the end of this financial year. This is a temporary position, as the DSG reserve balances are now targeted to be restored to a small deficit (£9,000) position as at the end of 2019/20. This, therefore also means any deficit, position will continue be retained within DSG reserves and the local authority from it's our general fund resources, is simply supporting the DSG with cash flow.

4.52 The EB and Local Authority also need to minded, that with effect from 2019/20, the DfE, have issued the following statement in relation to depleted DSG

reerves “With effect from 2019-20, the department intends to tighten the rules governing deficits in local authorities’ overall DSG accounts, under which local authorities have to explain to us their plans for bringing DSG account back into balance. We intend to require a report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019. This report will need to be discussed with the schools forum. We will consult local authority representatives during the autumn of 2018 about the detailed implementation of these new rules.”

- 4.53 As the DSG deficit reserve balance will be greater than 1% of total DSG resource as at the 31<sup>st</sup> March 2019, The DfE will therefore be presented with these DSG financial education board reports, which sensibly and effectively plan the restoration of depleted DSG reserves, and includes the full the support and approval of the Education Board. But, at the same time also highlights to the DfE that Southend’s depleted DSG resources has been driven by recent underfunding awarded to Southend within the High Needs block. However, regardless, with the full support of EB and Local Authority, savings have been found and delivered to contain further funding pressures until the High needs block funding is restored back to balance.

## **5 Conclusion**

- 5.1 This paper, offers both a DSG 2018/19 forecast outturn and early budget planning context for 2019/20 to therefore sensibly inform a medium term financial plan. As explained, in context throughout the body of this report, the reasoning for DSG funding pressures are explained, and restoration of depleted DSG reserve are now targeted by the end of 2019/20.

## **6 Appendices**

Appendix 1 - DSG Budget and Outturn 201819 to 201920



Appendix 1 - DSG Budget and Forecast 201819, and 201920 Indicative budget  
Recommend, if printed, to print in A3 Portrait

Appendix 1 - DSG Budget and Forecast 2018/19, and 2019/20 Indicative budget			A	B	C = A + B	D	E = D - C
Recommend, if printed, to print in A3 Portrait			£	£	£	£	£
			2018/19				
Block	S251 Line	Summary Line	Original Budget *1	Budget adjustments *2	Latest Budget *2	Forecast Outturn	Forecast Variance Over / (under)
Schools Block - Individual School Block allocations	1.0.1	Maintained - Primary	29,375,114	(2,548,048)	26,827,066	26,827,066	-
	1.0.1	Maintained - Secondary	3,079,139	(2,309,202)	769,937	769,937	-
	1.0.1	Academy Recoupment - Primary	30,646,584	2,548,048	33,194,632	33,194,632	-
	1.0.1	Academy Recoupment - Secondary	53,120,878	2,309,202	55,430,080	55,430,080	-
	Subtotal Individual School Block allocations		116,221,715	-	116,221,715	116,221,715	-
Schools block - Centrally retained	1.1.7	De-delegated - Licenses Subscriptions	1,015	-	1,015	1,015	-
	1.1.8	De-delegated - Staff costs	8,070	-	8,070	8,070	-
	1.4.10	Growth Fund *5	690,000	-	690,000	830,000	140,000
Schools Block Total			116,920,800	-	116,920,800	117,060,800	140,000
Early Years	1.0.1	2 year old provision	1,422,015	(161,685)	1,260,330	1,260,330	-
	1.0.1	3 and 4 y/o provision - Universal	6,881,534	(12,493)	6,869,041	6,869,041	-
	1.0.1	3 and 4 y/o provision - Additional	1,924,138	(269,025)	1,655,113	1,655,113	-
	1.0.1	Disability Access Fund	42,435	-	42,435	42,435	-
	1.0.1	Early Years Pupil Premium	106,450	19,217	125,667	125,667	-
	1.3.1	Central Expenditure on Children under 5	500,000	-	500,000	500,000	-
Early Years Block Total			10,876,572	(423,986)	10,452,586	10,452,586	-
High Needs	1.0.1	Place Funding - Special Schools	120,000	-	120,000	120,000	-
	1.0.1	Place Funding - Special Schools Recouped	5,180,000	-	5,180,000	5,180,000	-
	1.0.1	Place Funding - PRU Recouped	810,000	-	810,000	810,000	-
	1.0.1	Place Funding - Special Units	120,000	-	120,000	120,000	-
	1.0.1	Place Funding - Special Units Recouped	198,000	-	198,000	198,000	-
	1.0.1	Place Funding - Free School Recouped	430,000	-	430,000	430,000	-
	1.0.1	Place Funding - CCP and FE Recouped	564,000	-	564,000	564,000	-
	Subtotal Place funding		7,422,000	-	7,422,000	7,422,000	-
	1.0.1	Special School - flexible place funding	80,000	-	80,000	80,000	-
	1.2.1 / 1.2.2	Special School Top ups	4,300,000	-	4,300,000	4,300,000	-
	1.2.1 / 1.2.2	Special Units Top ups	225,000	-	225,000	225,000	-
	1.2.2	PRU Top ups	300,000	-	300,000	300,000	-
	Subtotal Special School and PRU provision top up funding		4,905,000	-	4,905,000	4,905,000	-
	1.2.1	EHCP Early years Top ups	44,000	-	44,000	44,000	-
	1.2.1 / 1.2.2	EHCP Inborough Mainstream - Primary Top ups	1,380,000	-	1,380,000	1,380,000	-
	1.2.1 / 1.2.2	EHCP Inborough Mainstream - Secondary Top ups	490,000	-	490,000	490,000	-
	1.2.2	EHCP Top ups - out of Borough	440,000	-	440,000	440,000	-
	1.2.2	EHCP Top ups - post 16 providers	660,000	-	660,000	660,000	-
	EHCP top up provision schools and post-16		3,014,000	-	3,014,000	3,014,000	-
	1.2.3	EHCP funding - Independent providers	1,223,520	15,000	1,238,520	1,530,000	291,480
	1.2.4	HN targeted LCHI funding	10,000	-	10,000	10,000	-
	1.2.6	Hospital Education provision	100,000	-	100,000	100,000	-
	1.2.7	Individual Tuition service	153,100	-	153,100	153,100	-
	1.2.5	SEN Team - DSG	422,479	-	422,479	422,479	-
	1.2.5	SEN Support Services - special units in schools	212,900	-	212,900	212,900	-
	1.2.8	Behaviour & Reintegration Support (outreach) - DSG	322,000	-	322,000	322,000	-
	1.2.8	Outreach Harbour Development Centre	161,000	-	161,000	161,000	-
	1.2.7	Elective Home Education Costs	8,000	-	8,000	8,000	-
	1.2.7	Commissioned Preventative Pathway AP service	172,000	-	172,000	172,000	-
	2018/19 High needs SLA savings target		(117,000)	-	(117,000)	(80,000)	37,000
	Other High Need funding provision including SLA's		1,444,479	-	1,444,479	1,481,479	37,000
2019/20 Service lines to be allocated			0		0	0	0
Total High Need Non-Place funding			10,586,999	15,000	10,601,999	10,930,479	328,480
High Needs block service lines total			18,008,999	15,000	18,023,999	18,352,479	328,480
High Need budget allocation targetted to restore High DSG reserve balances			200,000	-	200,000	-	(200,000)
High Needs Block total			18,208,999	15,000	18,223,999	18,352,479	128,480
Central block	1.4.1	Contribution to combined budgets	941,288	-	941,288	941,288	-
	1.4.13	CLA/MPA License	122,297	-	122,297	122,297	-
	1.4.2	School Admissions	236,300	-	236,300	236,300	-
	1.4.3	Servicing of School Forums	18,700	-	18,700	18,700	-
	1.5.1/1.5.2/1.5.3	ESG Retained	419,562	-	419,562	419,562	-
Central block			1,738,147	-	1,738,147	1,738,147	-
Grand Total			147,744,518	(408,986)	147,335,532	147,604,012	268,480
DSG - Funding	Schools Block - ISB Retained		(32,463,338)	4,792,500	(27,670,838)	(27,670,838)	-
	Schools Block - ISB Academy Recoupment		(83,767,462)	(4,792,500)	(88,559,962)	(88,559,962)	-
	Schools Block - ISB subtotal		(116,230,800)	-	(116,230,800)	(116,230,800)	-
	Growth fund *5		(1,190,000)	-	(1,190,000)	(1,190,000)	-
	Schools Block subtotal		(117,420,800)	-	(117,420,800)	(117,420,800)	-
	Central Block		(1,738,147)	-	(1,738,147)	(1,738,147)	-
	Early Years Block (2 year olds)		(1,422,015)	161,685	(1,260,330)	(1,260,330)	-
	Early Years Block (3&4 yr olds - Universal)		(6,881,534)	12,493	(6,869,041)	(6,869,041)	-
	Early Years Block (3&4 yr olds - Additional)		(1,924,138)	269,025	(1,655,113)	(1,655,113)	-
	Early Years Disability Access Fund		(42,435)	-	(42,435)	(42,435)	-
	Early Years Pupil Premium		(106,450)	(19,217)	(125,667)	(125,667)	-
	*6	Early Years DSG funding adjustment 17/18	-	-	-	204,798	204,798
	*7	DSG reserve - Early Years budget draw down	-	204,798	204,798	-	(204,798)
	High Needs Funding Block		(11,026,999)	(265,819)	(11,292,818)	(11,292,818)	-
	High Needs Recoupment		(7,182,000)	250,819	(6,931,181)	(6,931,181)	-
	DSG Funding Total			(147,744,518)	613,784	(147,130,734)	(147,130,734)
Total Net DSG Budget			-	204,798	204,798	473,278	268,480
DSG Reserves in totality	DSG B/FWD Surplus / (Deficit)		(65,356)	-	(65,356)	(65,356)	-
	(Issued to Above) / Drawn from above		200,000	(204,798)	(4,798)	(473,278)	(468,480)
	DSG Expected C/Fwd Surplus / (Deficit)		134,644	(204,798)	(70,154)	(538,634)	(468,480)

\*1 Original 2018/19 budget as set through the Education Board Jan 2018 School, Early Years, Central Block and June 2018 High Need

\*2 Reflects latest DSG grant allocation as at Jul 2018 updated for Academy conversions upto July 2018, 2018/19 Early years funding adjustments following the Jan-18 Census updates, and High Needs 18/19 block updated- adjusted for the import and export adjustment

\*3 Reflects the Indicative 2019/20 funding allocations released by the DfE in July 2018. Updated funding allocatoins will be made known in Dec-18 once, once, the Dfe have processed the Oct-18 School Census returns

\*4 2019/20 Forecast outturn based on current known commitments moving forward (excluding growth fund)

\*5 Growth fund purely indicative in 2019/20

\*6 Earlys years 2017/18 DSG funding adjustment as announced by DfE in July 2018

\*7 Reflects the funded drawn down of \*6, from DSG Early years reserves

F	G = F - C	H	I = H - F	
£	£	£	£	
2019/20				
Indicative 19/20 Budget *3	Budget Variation from previous year increase / (decrease)	Forecast Outturn *4	Forecast Variance Over / (under)	Comments
				Final ISB allocation's tbc in January 2019
116,729,892	508,177	116,729,892	-	
1,015	-	1,015	-	tbc
8,070	-	8,070	-	
1,190,000	500,000	1,190,000	-	** Note - tbc and this is not an accurate estimated DfE produced growth funding allocation for 19/20 **
117,928,977	1,008,177	117,928,977	-	
1,260,330	-	1,260,330	-	
42,435	-	42,435	-	tbc Early years 3&4year old direct provision allocation and Early years DSG central expenditure retained
125,667	-	125,667	-	
9,952,586	(500,000)	9,952,586	-	
	(120,000)	120,000	120,000	
	(5,180,000)	5,180,000	5,180,000	
	(810,000)	810,000	810,000	
	(120,000)	120,000	120,000	
	(198,000)	198,000	198,000	
	(430,000)	430,000	430,000	
	(564,000)	564,000	564,000	
-	(7,422,000)	7,422,000	7,422,000	
	(80,000)	80,000	80,000	
	(4,300,000)	4,300,000	4,300,000	
	(225,000)	225,000	225,000	
	(300,000)	300,000	300,000	
-	(4,905,000)	4,905,000	4,905,000	
	(44,000)	44,000	44,000	
	(1,380,000)	1,380,000	1,380,000	high need block service lines to be allocated
	(490,000)	490,000	490,000	
	(440,000)	440,000	440,000	
	(660,000)	660,000	660,000	
-	(3,014,000)	3,014,000	3,014,000	
	(1,238,520)	1,530,000	1,530,000	
	(10,000)	10,000	10,000	
	(100,000)	100,000	100,000	
	(153,100)	153,100	153,100	
	(422,479)	422,479	422,479	
	(212,900)	212,900	212,900	
	(322,000)	322,000	322,000	
	(161,000)	161,000	161,000	
	(8,000)	8,000	8,000	
	(172,000)	172,000	172,000	
	117,000	(80,000)	(80,000)	
-	(1,444,479)	1,481,479	1,481,479	
18,352,479	18,352,479	0	(18,352,479)	
18,352,479	7,750,480	10,930,479	(7,422,000)	on the assumption total high need spends levels in 19/20 hold to 18/19
18,352,479	328,480	18,352,479	-	
529,198	329,198	-	(529,198)	
18,881,677	657,678	18,352,479	(529,198)	
941,288	-	941,288	-	
122,297	-	122,297	-	
236,300	-	236,300	-	
18,700	-	18,700	-	
420,219	657	420,219	-	tbc in January 2019
1,738,804	657	1,738,804	-	
148,502,044	2,152,670	147,972,846	(529,198)	
-	-	-	-	tbc in January 2019
-	-	-	-	
(116,738,977)	(508,177)	(116,738,977)	-	
(1,190,000)		(1,190,000)		tbc in January 2019
(117,928,977)	(508,177)	(117,928,977)	-	
(1,738,804)	(657)	(1,738,804)	-	
(1,260,330)	-	(1,260,330)	-	
(6,869,041)	-	(6,869,041)	-	
(1,655,113)	-	(1,655,113)	-	
(42,435)	-	(42,435)	-	tbc in January 2019
(125,667)	-	(125,667)	-	
-	-	-	-	
-	(204,798)	-	-	
(11,950,496)	(657,678)	(11,950,496)	-	
(6,931,181)	-	(6,931,181)	-	
(148,502,044)	(1,371,310)	(148,502,044)	-	
0	781,360	(529,198)	(529,198)	
(538,634)	(473,278)	(538,634)	-	
-	-	529,198	529,198	
(538,634)	(473,278)	(9,436)	529,198	

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