

Southend-on-Sea Borough Council

Agenda
Item No.

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

to
Education Board

on
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Dedicated Schools Grant Budget 2017/18 Forecast Outturn

1 Purpose of Report

To update the Education Board on the forecast outturn for the 2017/18 schools budget, high needs, early years and centrally retained.

2 Recommendation

- 2.1 Education Board are asked to note the forecast outturn and continual funding pressures in relation to High Needs and the forecast deficit balance of the Dedicated Schools Grant (DSG) reserve by the end of 2017/18.
- 2.2 Education Board recognise the continual need to ensure DSG funding is sustainable for future years.
- 2.3 That the intensive work the Local Authority has been undertaking to ensure High Needs expenditure is contained within the resources available continues.
- 2.4 That the Education Board agree that any underspend that may occur within a block, will firstly be used to assist with the restoration of depleted DSG reserves.
- 2.5 That the Education Board re-affirm that the first call of any additional funding due to High Needs for 2018/19, will firstly be used to restore the restoration of remaining depleted DSG reserves, after 2.4 has been applied.
- 2.6 That the newly formed "Finance Resources Sub Group" commences work on a medium term financial strategy for DSG funds to ensure financial sustainability within 2 years, which is assisted by the recent National Funding Formulae announcements that each block will receive additional funding over the next 2 years.

3 Background

- 3.1 This report sets out the forecast outturn compared to the 2017/18 dedicated schools grant budget set for Schools, high needs, early years and centrally retained.

4 2017/18 Schools budget, high needs, early years, central and income

- 4.1 Appendix 1 provides the allocated DSG Budget, forecast outturn and forecast variance for 2017/18 including summarised commentary on forecast variances.
- 4.2 The budget and outturn are presented as gross figures which include allocations which are recouped by the Department for Education (DfE) in order to pass funding onto academies, High Need – free schools, further education colleges, charitable and commercial providers. The recoupment figures are reported in separate columns. This report explains the forecast variances.

Schools Block – on target

- 4.3 The Schools block contains the £113.37M budgeted for mainstream schools in Southend including Academies. As this was set by the funding formula in early 2017, there is currently no overall variance. The Budget and Forecast outturn columns show the amount allocated directly to maintained primary and secondary schools and the amount recouped for Academies by the DfE.

Early Years Block – on target

- 4.4 Early Years forecast spend has been held to budget, and reflects the revised provisional DfE funding allocation due to a reduction in expected take up of 3 & 4 year old universal entitlement funding and 2 year old disadvantage funding. This sees a £402,000 reduction in income and anticipated spend in 2017/18. This year is also the first year of implementation for the additional 3 & 4 year old funding for working parents and disability access fund, which is likely to see more fluctuations in anticipated take up from those estimated
- 4.5 Following the DfE settlement of Early Years for 2016/17 (see 4.13 to 4.16 below), it is apparent that robust service and financial monitoring of the 2017/18 Early Years service provision and provider rates now needs to be undertaken to ensure financial sustainability of future provision.

High Needs Block - £630,000 overspend

- 4.6 The forecast overspend on the high needs block is £0.63m, which is mainly in line with the recognition of the high risk 2017/18 remaining saving delivery targets declared in the exceptional July-2017 High Needs 2017/18 Budget paper. The Special Educational Needs (SEN) team continue to work towards mitigating the funding pressures for Educational Health and Care Plan (EHCP) top ups applicable to both Schools and Independent Providers and forecast overspends will reduce if they are successful.
- 4.7 The saving target attributable to Hospital Education provision is at particular high risk of delay in full as the High Needs block is statutorily required to fund

education provision in hospital settings, which are often simply billed for by those Hospitals with Southend Children. Future budget planning therefore needs to be improved to ensure funding is put aside for this provision, an immediate £0.038m increase was recognised when setting the 2017/18 budget from 2016/17, but that is unlikely to sustain the on-going demand.

4.8 After intensive review of the Service Level Agreements no further savings will be identifiable for 2017/18 to meet the £0.130m saving target in full, and service focus will be on the effectiveness of these SLA's which will determine their viability for future years. However a small (£0.02m) saving is expected to be delivered due to the revised SLA for preventative pathways which is now paid according to pupil occupancy levels from July 2017.

4.9 The following table summarises the current forecast overspend pressures.

	2017/18* Budget	2017/18 Forecast	2017/18 Variance (under) / over
Place funding	£7.57m	£7.57m	-
Special and PRU provision top up funding	£4.92m	£4.94m	£0.02m
EHCP top up provision	£2.92m	£3.11m	£0.19m
Independent Providers	£0.90m	£1.18m	£0.28m
Other Provision include SLA's	£1.46m	£1.60m	£0.14m
Total	£17.78m	£18.41m	£0.63m

*As set at the July 2017 Education Board.

4.10 These High Need financial forecasts are of course subject to risk of further demand for special schools places, EHCP top ups and Independent Provider placements, but the advice remains constant that the SEN team continue to mitigate these funding pressures where possible.

Centrally Retained - £83,000 underspend

4.11 The forecast underspend on centrally retained is (£0.83m). This underspend is a result of growth funding expenditure applied to Schools for the financial year 2017/18.

Income - £422,000 overspend

4.12 The original expected DSG allocation for 2017/18 was £144.10m. The Latest DfE advised allocation for 2017/18 is now £143.70m. This is a decrease of £0.40m attributable to a revised DfE provisional funding allocation for Early Years, where both the children numbers for anticipated demand of 3 & 4 year old universal entitlement and 2 year old disadvantage funding have reduced. Anticipated expenditure in this area should similarly reduce, meaning that this funding change should not create a budget pressure.

4.13 The DfE have also now announced the final early years funding settlement for 2016/17. As a result it is apparent that the accrual raised at year end, although calculated in good faith, was incorrect. As a result the available balance in the DSG reserve was overstated by £0.42m.

4.14 The table below explains the basis of the estimated funding used for closure of 2016/17, and the final DfE settlement for that year.

	3 & 4 yr old PTE*	2 yr old PTE*	Total funding	
** 2016/17 Original Budget	3000	650	£8.86m	A
2016/17 DFE Provisional allocation	2843	527	£8.15m	B
2016/17 est. funding debtor accrual	+57	+23	£0.20m	C
2016/17 Final anticipated funding	2900	550	£8.35m	D = B + C
2016/17 Final DFE allocation announced in July-17	2785	497	£7.93m	E
Total 2016/17 funding impact	-115	-53	(£0.42m)	G = E - D
2016/17 Original budget to Final allocation (illustrative only)	-215	-153	(£0.93m)	E - A

*PTE (Part time Equivalent). Defined as number of children taking up 15hours per week over 38 weeks

** It also needs to be noted that the final 2016/17 funding allocations were significantly below the original 2016/17 budget allocated. This therefore highlights that take up of 3&4 year old universal entitlement and 2 year old disadvantage has not been to the demand levels previously expected.

4.15 It is stressed that this reduction in funding does not represent an over payment to providers. All providers received payment based on actual children present at the rates agreed by Education Board.

4.16 However the investigation into the funding adjustment highlights two things. Firstly the use of available data needs to be smarter at year end so as to more accurately forecast funding due, and therefore provide Education Board with more robust information sooner. Secondly there is a need to monitor the mix of 2 year olds and 3 & 4 years olds, and the settings in which they participate more closely. Although over a three year period Southend has received more funding for Early Years than paid to providers, in 2016/17 more was paid out than received.

4.17 Further work would be needed to absolutely confirm the cause of the over spend in Early years, but it is likely to be due to the differential rates paid to maintained school and academy hourly nursery rate compared to other early year providers. No action can now be taken in relation to prior years, or indeed the rates for 2017/18. However this does highlight that the provider funding rates agreed at the Education Board in January 2017 for 2017/18 and future years need to be robustly monitored by the Early Years service and Finance to ensure their

sustainability for futures years. That forward looking review also needs to take into account the now likely risk of the ability under NFF to sustain the £0.5mil transfer from the Schools block to Early years to support the quality of provision in early year settings in 2019/20; should the Education Board want to continue the provision of these services, one option may be to re-review the funding rates passed on to providers in future years to create the necessary funding headroom. However, this is obviously a contentious funding issue for Southend and therefore will need careful consideration how this is taken forward. It is also highlights that strong coordinated representation should continue to be made to DfE that Southend Early Year providers are significantly underfunded.

Overall Position for 2017/18 Budget

- 4.18 The current forecast overspend of £0.97m against the budgeted £143.70m is set out below including the current forecast impact on DSG reserve balances.

Block – expenditure		
Schools	0	currently held to online
Early Years	0	currently held to online
High Needs	£0.63m	overspend
Centrally Retained	(£0.08m)	underspend
Subtotal expenditure	£0.55m	overspend
DSG – income	£0.42m	One off overspend – attributable to Early years 16/17 funding adjustment
Total	£0.97m	forecast overspend
2017/18		
DSG Reserve B/fwd	£0.33m	surplus
2017/18 forecast overspend	(£0.97m)	overspend
DSG Reserve C/fwd	(£0.64m)	forecast deficit

5 Conclusion

- 5.1 This report has set out the forecast outturn for 2017/18. It highlights the continually need to address spending on the High Needs Block as a matter of urgency so as to bring it sustainably back within the funding resource available.
- 5.2 Early years funding for 2017/18 now also needs an extensive review to ensure the funding rates allocated to providers are sustainable for future years. Education Board also needs to be mindful of the additional £0.5mil that is currently transferred from Schools Block to Early Years block and the sustainability of this transfer given the direction of travel with the National Funding Formulae implementation.
- 5.3 The “Finance Resource Sub Group” need to work on a medium term financial strategy to be presented and agreed at Education Board to ensure DSG reserve balances are restored to sufficient contingency levels and funding is sustainable for future years.

6 Appendices

Appendix 1 – DSG Budget 2017/18 – Forecast Outturn as at October 2017