

Southend-on-Sea Borough Council

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

to
Education Board

on
13th March 2018

Agenda
Item No.

Report prepared by:
Paul Grout, Senior Finance Business Partner

Forecast Outturn for Dedicated Schools Grant 2017/18

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant forecast outturn projections expected for the 2017/18 schools budget, high needs, early years and centrally retained as at the end of February 2018.

2 Recommendations

Education Board are asked to

- 2.1 Note the continual projected overspend on the 2017/18 Dedicated Schools Grant (DSG) budget and the consequential forecast impact on resources for 2018/19 (As previously reported).
- 2.2 Recognise the continual need to ensure DSG expenditure and funding is sustainable within its own funding allocations for future years, with DSG reserves restored to balance.
- 2.3 Note the High Needs funding task and finish group continue to address the need to fund immediate High Need savings.

3 Background

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

4 2017/18 Dedicated Schools Grant Budgets

- 4.1 Appendix 1 provides the allocated DSG Budget, forecast outturn and forecast variance for 2017/18 including summarised commentary on forecast variances

for the schools block, high needs, early years, centrally retained and DSG income.

- 4.2 The budget and outturn are presented as gross figures which include allocations which are recouped from the Schools and High Needs Block by the Department for Education (DfE) in order to pass funding directly onto academies, High Need – free school, further education colleges. The recouplement figures are reported in separate columns. This report explains the forecast variances.

Schools Block – £20,000 underspend

- 4.3 The Schools block contains the £113.37M budgeted for mainstream schools in Southend including Academies. 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. There is a small variance of £20,000 underspend, which reflects reduced in year business rate reductions for Schools that have converted to an Academy in 2017/18 that the DSG is able to retain.

Early Years Block – on target

- 4.4 Early Years forecast spend continues to be held to budget overall, and also reflects the latest DfE funding allocations as first reported in the October 2017 Education Board report.
- 4.5 However, within 3&4 year old funding, it must be noted that the % of children qualifying for supplementary deprivation funding awarded to providers is currently running at an estimated 45%, which is an equivalent 11% forecast pressure (est. £60k per annum) above the original 34% target of Children anticipated when originally setting early year provider rates for 2017/18. In terms of overall early years funding, £60k is a relatively small pressure and is expected to be fortunately absorbed through a slightly lower average forecast of PTE* to be paid out across this financial year, compared to the early years PTE funding expected in, as the DfE will base final funding allocations on the January 2018 census alone. This slight fortune is not a sustainable funding position moving forward and therefore the early years 2018/19 funding paper to be presented at this Education board, will seek to address this issue moving forward whilst also re-targeting deprivation funding to those with the most need.

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

- 4.6 The 3 & 4 year old extended entitlement funding for eligible working parents is currently running as an average, approximately 25% below the current DSG funding allocation awarded. The Education Board need to be mindful this is the first year of the extended entitlement funding and the DfE will also likely reclaim any unused funding for 2017/18. Therefore this forecast should continue to be held online, to reflect this anticipated funding reclaim.

High Needs Block - £703,000 overspend

- 4.7 The forecast overspend on the high needs block is £0.703M. The previous reported overspend at the December 2017 education board was £0.613M, so this position now reflects an overall forecast increase of £90,000.
- 4.8 The £90,000 increase is mainly due to increase costs in the Independent Provider sector, with some offset, provided from other high need provision with reduced forecast expenditure. The SEN team report, they try hard to avoid using Independent provision where possible, so unfortunately these costs become unavoidable to support the educational needs of those pupils. This does however highlight that as a priority, future budget planning for the short term, needs to ensure that increased DSG funding awarded to the High needs block in 2018/19 is prioritised to support this particular provision.
- 4.9 The following table summarises the current forecast overspend pressures.

	2017/18ⁱ Budget	2017/18ⁱⁱ Forecast	2017/18 Variance (under) / over
Place funding	£7.572m	£7.572m	-
Special and PRU provision top up funding	£4.925m	£4.939m	£0.014m
EHCP top up provision schools and post-16	£2.924m	£3.084m	£0.160m
Independent Providers	£0.900m	£1.370m	£0.470m
Other Provision include SLA's	£1.463m	£1.522m	£0.059m
Total	£17.784m	£18.487m	£0.703m

- i. As set at the July 2017 Education Board.
- ii. 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

2018/19 detailed High Need budget allocation update

- 4.10 The High Needs funding task and finish group continue to address the need to find further immediate High Need savings and have been frequently meeting since January 2018, and a separate progress report has been provided to this Education Board. To allow the results of that group to conclude, it is sensible to now defer the detailed 2018/19 budget allocation of High Need funding to the June 2018 Education Board.
- 4.11 It is, however, important to note that when setting the detailed budget allocation for 2018/19, that in relation to the submitted Special Schools minimum funding guarantee disapplication request to the DfE, which the Education Board approved, but would subsequently only be recommended to act upon in the absence of seeking no alternative way of balancing the high needs budgets, has been rejected by the DfE for the 4 Special Schools who form part of the SEN Southend Trust. The DfE have yet to announce the outcome of the separate disapplication request for the remaining Special School, and have been chased for a response.

- 4.12 Given the continual severity of the high needs spending pressures in 2017/18, the advice also remains the same, that when setting the detail of High Needs budget for 2018/19, a freeze in current 2017/18 EHCP top up funding rates passed over to special schools and In borough mainstream schools is the best case scenario when planning their own 2018/19 budget allocations.
- 4.13 As first referenced, in the “Dedicated Schools Grant budget 2018/19” January 2018 Education Board paper, given the level of additional provisional funding awarded in 2018/19 and what is anticipated in 2019/20, in order to enable DSG financial recovery to be achieved by the end of 2019/20 which includes the restoration of depleted DSG reserves, based on latest current spend trajectories moving forward, at a minimum further estimated cashable high need savings of £0.300 million (or equivalent 1.6% of total 2018/19 High Needs block funding), is now required. This cashable saving has to be an estimate, as it is based on the latest 2017/18 High Needs forecast spend position, rolling into future years, which are of course subject to further volatility in demand and cost. And note, the cashable saving has increased from the £0.200 million first quoted in the January 2018 paper, but this is of course, due to the now increased forecast spend pressure than was previously reported in December 2017.

Centrally Retained - £83,000 underspend

- 4.14 The forecast underspend on centrally retained is £0.083M. As previously reported, this underspend is a result of actual school growth expenditure applied compared to funding awarded in this year.

Income - £422,000 one off overspend

- 4.15 The Latest DfE advised allocation for 2017/18 is now £143.70m. This is the same funding provision as previously reported in the December 2017 Education Board report, and also includes the updated DSG recoupment for where schools have converted to Academies in 2017/18.
- 4.16 As also explained in full, at the previous Education Board for October 2017, the DfE announced the final early years funding settlement for 2016/17 in July 2017. As a result of this final allocation the available balance in the DSG 2016/17 reserve was overstated by £0.42M. The 2017/18 £0.42M adjustment therefore accounts appropriately for Early Years income and expenditure in relation to 2016/17 as a one off adjustment.

Overall Position for 2017/18 Budget

4.17 The table below summarises the current forecast outturn position for 2017/18.

Block	Schools £000	High Needs £000	Early Years £000	Central £000	Total £000
Expenditure					
Budgeted	113,370	17,784	10,035	2,508	143,696
Forecast	113,350	18,486	10,035	2,425	144,206
Variance	(20)	703	0	(83)	510
Income					
Budgeted	(113,370)	(17,784)	(10,035)	(2,508)	(143,696)
Forecast	(113,370)	(17,784)	(9,613)	(2,508)	(143,274)
Variance	0	0	422	0	422
Reserves					
1 April 2017	0	(97)	422	0	325
Used in year	(20)	703	422	(83)	1022
Transferred in year	20	(103)	0	83	0
31 March 2018	0	(697)	0	0	(697)

4.18 The bottom line indicates an in year overspend of £1.022M overspend against the budgeted £143.7M. And as previously, this overspend would normally be met from DSG balances brought forward from 2017/18. However there is insufficient reserves to cover the overspend, with DSG reserves now predicted to have a £0.697M deficit by the year end.

5 Conclusion

5.1 This situation highlights the continual 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, and also enable the recovery of DSG reserve balances by the end of 2019/20.

6 Appendices

Appendix 1 - DSG Budget 2017/18 – Forecast Outturn as at February 2018