

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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Report prepared by:
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Final Outturn for Dedicated Schools Grant 2017/18

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant (DSG) final outturn for the 2017/18 schools budget, high needs, early years and centrally retained.

2 Recommendations

Education Board are asked to

- 2.1 Note the final 2017/18 outturn, and agree the subsequent DSG reserve balances for each funding block to be carried forward into 2018/19.

3 Background

- 3.1 This report sets out the final outturn compared to the 2017/18 DSG budget set for schools, high needs, early years and centrally retained, and resultant impact on DSG reserve balances.

4 2017/18 Dedicated Schools Grant Budgets

- 4.1 Appendix 1 provides the detail of the allocated DSG Budget, final outturn and final variance 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 recoupment figures are reported in separate columns. This report explains the final variances.

Schools Block – £45,000 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. In line with previous reporting, there is a small variance of a £45,000 underspend. This reflects the final and 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 – £583,000 underspend against provisional Early Years DSG funding allocation.

- 4.4 Early years block DSG funding for 2017/18 remains provisional until the DfE have revised the final funding allocation based on January 2018 early years census. This will be announced by the DfE in July 2018, and DSG Early years funding will be adjusted in accordance with that announcement. Therefore any residual Early years underspend, should be isolated within final DSG reserve balances. This will then provide a funding provision that can be firstly called upon should the final 2017/18 early years DSG allocation reclaim any of the unspent funds.
- 4.5 Of the £0.583mil underspend, £0.429mil is attributable to the direct funding allocations for Early years providers as shown:

	2017/18 Provisional funding allocation		Variance £m (under) / over
	PTE*	Budget £m	
2 year old	476	£1.422m	£(0.030)m
3 & 4 year old Universal	2,744	£6.882m	£(0.208)m
3 & 4 year old Additional	431	£1.081m	£(0.191)m
Disability Access Fund		£0.043m	£(0.021)m
Pupil premium		£0.106m	£0.021m
Total		£9.534m	£(0.429)m

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

- 4.6 Southend's model for the distributing of Early years DSG funds to Early providers is a targeted 100% passport through rate. Therefore, as previously explained any underspend for Early Years providers will be due to a lower average distribution of PTE paid out across the year for the 3 terms, compared to the provisional DSG funding awarded based on the January 2017 census alone. Therefore, as we also await the final 2017/18 DSG funding allocations for Early years, this underspend has to be treated as a one off, as subsequent years could see a higher average of PTE paid out to Early Years providers over the 3 terms than funding received in. This also means based on Southend's current model for distribution of funds with a targeted 100% passport rate, that DSG reserve balances should allow for the build up of a contingent early year reserve to call upon, should a higher average of PTE paid out to providers than funding received in, occur in any given financial year.

4.7 The remaining underspend of £0.153mil is on the historical £0.500mil transfer of funds from the Schools block to Early Years, which is used to sustain, support and train the high quality of early years provision provided in Southend. The £0.500mil also includes a £40,000 early years SEN inclusion fund. As previously shared, due to changes implemented through the national funding formulae, 2018/19 is the expected last year of availability to transfer this fund. The Early Years team have therefore been seeking to minimize this spend where possible. This will also help to inform the options paper due to be presented to Education Board on the future of the services funded from this provision for 2019/20.

4.8 Whilst, the total underspend of £0.583mil forms part of the block balances taken to DSG reserves, it is required due to the funding pressures on High Needs that £81,000 is transferred to cover the overspend on High Needs Educational Health and Care Plan (EHCP) Early years top ups due to a considerable increase in the number of early years children requiring a EHCP plan. The administration of both the SEN inclusion fund and EHCP Early years top ups are both supported through the joint work of the Early Years and SEN team, therefore these teams will need to seek to ensure for 2018/19 and future years that the distribution of funding is maintained within their allocations.

High Needs Block - £677,000 overspend

4.9 The final overspend on the high needs block is £0.677M. The previous reported overspend at the March 2018 education board was £0.703M, so this position reflects an overall small reduction of £26,000.

4.10 The following table summarises the current final overspend pressures with a comparison to the summarized position reported at the last education board in March 2018.

	2017/18 ⁱ Budget	2017/18 ⁱⁱⁱ Final Outturn	2017/18 ⁱⁱⁱ⁻ⁱ Final (under) / over	2017/18 ⁱⁱ Forecast	^{iv = iii - ii} (decrease) / increase
Place funding	£7.572m	£7.572m	-	£7.572m	-
Special and PRU provision top up funding	£4.925m	£4.927m	£0.002m	£4.939m	£(0.012)m
EHCP top up provision schools and post-16	£2.924m	£3.136m	£0.212m	£3.084m	£0.052m
Independent Providers	£0.900m	£1.352m	£0.452m	£1.370m	£(0.018)m
Other Provision include SLA's	£1.463m	£1.474m	£0.011m	£1.522m	£(0.048)m
Total	£17.784m	£18.461m	£0.677m	£18.487m	£(0.026)m

- i. As set at the July 2017 Education Board.
- ii. Financial forecasts as presented at the March 2018 Education Board
- iii. Final Outturn 2017/18
- iv. Movement between forecastⁱⁱ and final outturnⁱⁱⁱ

- 4.11 As shown in the table above, the majority of the final outturn for High Need spend is in line with previous forecasts, however, as referenced in section 4.8 the £0.052m increase on the EHCP top up provision is mainly due to the final balance reflected for Early years EHCP top ups. The (£0.048m) decrease movement for the other high need funding provision and SLA's is due to final funding awarded to the Preventative pathways service which is now paid according to occupancy levels from July 2017 which is lower than the 85% anticipated forecast.
- 4.12 Obviously an overspend of £0.677m is considerable but this is not an unexpected forecast overspend for High Needs. The High Need 2018/19 detailed budget allocation will also be presented to this Education Board, and continues to seek to both contain High Need spend and set a target to partially restore DSG balances. However, as also referenced in that paper, it does need to be noted that High Need spend is now a pressure area for the majority of local authorities and Southend's DSG High Need funding awarded in 2018/19 has been capped considerably lower than the suggested national funding formulae amount, had caps on any funding gains between years not been applied. Therefore High Need spend will continue to be challenge to contain without the support of all Schools in Southend.

Centrally Retained - £80,000 underspend

- 4.13 The forecast underspend on centrally retained is £0.080M. 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

- 4.14 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.
- 4.15 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 the 2017/18 DSG Final Outturn and Reserve balances

4.16 The table below summarises the current forecast outturn position for 2017/18 and DSG reserve balances allocated to each block as at the 31st March 2018.

Block	Schools £000	High Needs £000	Early Years £000	Central £000	Total £000
Expenditure					
Budgeted	113,370	17,784	10,034	2,508	143,696
Outturn	113,325	18,461	9,451	2,428	143,665
Variance	(45)	677	(583)	(80)	(31)
Income					
Budgeted	(113,370)	(17,784)	(10,034)	(2,508)	(143,696)
Outturn	(113,370)	(17,784)	(9,612)	(2,508)	(143,274)
Variance	0	0	422	0	422
Reserves surplus / (deficit)					
1 April 2017	0	(96)	422	0	326
16/17 Early years adj	0	0	(422)	0	(422)
17/18 variance	45	(677)	583	80	31
Transferred in year	(45)	206	(81)	(80)	0
31 March 2018	0	(567)	502	0	(65)

4.17 Again, as previously predicted, DSG reserve balances are now in a deficit position due to the funding pressures on High Needs. The 2018/19 High Need detailed budget allocation seeks to restore a proportion of the High Needs deficit balance, and full restoration continues to be targeted by the end of 2019/20.

5 Conclusion

5.1 This paper 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 – Final Outturn