

Southend-on-Sea Borough Council

Agenda
Item No.

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

To
Education Board

On
18th December 2018

Report prepared by:
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Dedicated School Grant Budget Planning 2019/20 And Forecast Outturn 2018/19 update

1 Purpose of Report

To present the Education Board with the Dedicated Schools Grant (DSG):

- Proposed funding methodology for distribution of the 2019/20 Individual School Block (ISB) allocations
- 2019/20 draft budget
- And updated forecast outturn for 2018/19

2 Recommendations

Education Board (EB) are asked to:

- 2.1 Agree that the 2019/20 Individual School Block allocations are distributed in accordance with the principles of the National Funding Formulae in full (as referenced in 3.7, and Appendix 1).
- 2.2 And note that the final DSG Individual school budgets for mainstream schools will be set in January 2019, based on the decisions and principles made in this report and updated according to the Numbers on Roll as at the October 2018 census.
- 2.3 [Maintained Schools only] Agree the de-delegation of funding to be centrally retained from the Schools block for the following services: (As referenced in 3.17)
 - Governor Subscriptions
 - Staff Costs (Trade union duties)

- 2.4 Agree the growth fund to support schools is held centrally within the Schools block and distributed to provide the extra required places within the authority. (As referenced in 3.20) (And note, as per last DSG paper, the revised funding methodology for award of growth fund will be presented back to the EB in March 2019).
- 2.5 Agree the indicative 2019/20 early years budget is set as referenced in 3.23
- 2.6 Agree the commitments held with the central school blocks remain the same. (as referenced in 3.37)

3 Background

- 3.1 This reports sets out the 2019/20 Draft DSG budget and 2019/20 proposed funding methodology for award of funding to Individual School Budgets.
- 3.2 This reports follows on from the extensive “DSG forecast outturn 2018/19 and budget planning for 2019/20” presented at the last October 2018 EB, which explained both the background to the current DSG reserve balance position and set the trajectory for budget planning in 2019/20, that informs this report.
- 3.3 And, in continuation of the presentation of the last EB DSG report, to inform sensible and strategic medium term financial planning the 2019/20 Budget planning and the latest 2018/19 forecast outturn are presented alongside within each funding block, and as displayed in ‘Appendix 2 – DSG Budget and Outturn 2018/19 to 2019/20’.
- 3.4 In relation to 2018/19 forecast outturn. Given a large amount of detail and explanation was provided in the last DSG report, this report will only comment on any summarized material movements from the previous 2018/19 forecast outturn.

Schools Block – Individual School Block (ISB) allocations

2018/19 Budget to Forecast Outturn – (£30,000) projected underspend

- 3.5 Now expected at a (£30,000) underspend, representing the in year business rate relief saving the DSG is able to retain, following schools converting to an academy status in 2018/19 and successfully applying for charitable business rate relief reduction.

2019/20 Individual Schools Budgets

Indicative DSG funding allocation £116.733M (tbc in January 2019)

- 3.6 As per recommendation 2.4 approved in the last DSG EB report, Appendix 1 – displays the per pupil funding amounts for each school to be set in 2019/20 (key columns D and F). And this continues on the trajectory of implementing the principles of the National Funding Formulae (NFF) in full, and a decision that the EB also effectively agreed in principle, when setting the 2018/19 funding rates in December 2017 one year ago.

- 3.7 Therefore, in terms of the increase DSG funding per pupil growth from the 2017/18 baselines. Appendix 1 – displays the schools that were increased to the basic minimum per pupil funding amount of £3,500 and £4,800, in primary and secondary schools respectively, and who will stay on that baseline in 2019/20, and all remaining schools have been modelled to receive the additional 1% increase per pupil funding from their 2017/18 funded base line per pupil.
- 3.8 The only minor caveat towards awarding exactly 1% (it could be very slightly more or slightly less) being applied to all remaining schools not subject to the minimum per pupil funding amount, is in relation to annual business rate adjustments. The DfE, do not re-align the funding applied to DSG for business rates, the DfE therefore place the expectation this is re-aligned with DSG school block funds. Therefore to ensure a school is not unfairly penalized by business rate adjustments, it is only sensible and fair to re-align the funding attached to business rates each financial year.
- 3.9 And, as referenced in the last DSG EB report, and in accordance with the traditional annual budget cycle, final ISB total funding allocations for 2019/20 are not known until the DfE have processed the October 2018 school census for numbers on roll within each school, and release these results in late December 2018. The January 2019 DSG EB report will therefore present these final allocations for approval, before the required full council approval in February 2019.
- 3.10 It must be also be recognised, that given the DSG medium term financial plan and recovery plan explained in the last DSG EB report, and a position that has held within this report, there will be no recommendation made to top slice 2019/20 funding away from the DSG schools block to support the High Needs Block. This then also means the Local Authority and Education Board continue to support a 100% passport through rate of DSG Individual school block funds made available by the Department of Education through to mainstream schools.

School block – Centrally retained de-delegated lines (Voting rights Maintained only)

Indicative DSG funding allocation £5,526 (tbc in January 2019)

- 3.11 Whilst, these de-delegated funds are now relatively immaterial in terms of overall size, in view of fairness to the remaining maintained schools, and given the continued conversion of maintained schools to academy and potential for further conversions. It is now strongly advised, that the remaining de-delegated funds are fixed to a maximum same per pupil de-delegated amount as set in the 2018/19 APT base line. This will then also mean the de-delegated funds year on year are now appropriately reduced or increased according to the numbers on roll at those maintained schools alone.
- 3.12 To ensure the total fund (Maintained de-delegated amount plus academy school buy-in) are appropriately adequate to meet their intended purpose, it is therefore strongly advised that academy schools support these funds and buy-in to those services. There has unfortunately been a decline in the number of academy schools supporting these funds over the years.

- 3.13 The Education board, should be minded – that should these funds be greater than the amount paid out of the fund in any given financial year. The DSG allows ring fence of that fund, and any residual underspend would be carried forward as part of DSG reserve balances.
- 3.14 In relation to the de-delegated support for governor funds in 2019/20. It has been advised that the SSGA (Southend School of Governor Association) will not be sending in an invoice for 2019/20 which contributes to governor training courses. It is therefore only appropriate and fair that the de-delegated amount is set to £0.00p per pupil in 2019/20.
- 3.15 The de-delegated funding rate per pupil will therefore be set to £1.00 for staff costs (trade union duties) – as per the 2018/19 baseline, and £0.00p for governor annual subscriptions (FYI it was £0.14p in 2018/19).
- 3.16 As said, the actual size of the total funds, will now only fluctuate depending on the Numbers of Rolls in the maintained schools, but to give a basis, using the 2018/19 Numbers on roll as at the October 2017 census, they would now be set to £0 (or equivalent £774 if it was £0.14p) – for governor annual subscriptions and £5,526 for Staff costs (Trade Union Duties) in 2019/20.
- 3.17 The Maintained Schools are therefore asked to vote and approve the revised funding approach as described in 3.11 and 3.15.

Schools Block – Centrally retained Growth fund

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

- 3.18 £140,000 over spend as explained in full in the last DSG EB report, on the growth fund.

2019/20 Budget Planning

Indicative allocation of £1.190M (tbc in January 2019)

- 3.19 As per recommendation 2.7, and explained in full in the last DSG EB report, the application of growth fund to be awarded to schools from 2019/20 will be re-modelled given the recent change in the DfE funding approach and presented back to the EB for approval in March 2019 (and once considered through the Resources Sub Group).
- 3.20 However, in view of para. 3.19. This report still seeks formal approval from the EB, that following the final DfE December 2018 calculations. The actual resulting 2019/20 growth fund which will be awarded to the DSG schools block, is now recognised as school block - centrally retained, and to be administered solely for the purposes of awarding growth to the relevant individual schools who have increased their number of classes for the 2019/20 academic year.

Early Years Block

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

- 3.21 Full details of the updated DfE funding adjustment to the early years block was explained in the last DSG EB report, including the risks on forecasting given the method of funding awarded to the DSG block related to the PTE (part time equivalent) funding received from DfE and PTE funding distributed to providers. However, regardless early years outturn continues to be held on line to budget, reflecting the confidence of the previous modelling work in the terms of the early years fund rate received from the DfE, and now 100% passport rate of core early years funding rates distributed to providers, including the changes applied to the distribution deprivation factor this financial year.

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

2019/20 Budget Planning

Indicative allocation of £9.952M (tbc in July 2019, and further update by the DfE in July 2020)

- 3.22 As agreed in the previous “EB early years funding paper” The results on the consultation of changes to the 2019/20 funding applied to the deprivation factor have also been announced, with positive support to change the additional award of deprivation factor to be in line with the distribution of early years pupil premium and this will now be adopted from the 1st April 2019. Therefore, as per the last the DSG EB paper, the DSG early years budget will also reflect a £135,000 early years centrally retained amount, to support an early years SEN Inclusion fund and other additional training.
- 3.23 The Education Board, are therefore asked to agree the DSG early years budget should are set on the following indicative DfE released PTE indicative funding allocations and amounts, including the amount now centrally retained.

	2019/20 DfE Indicative PTE*	2019/20 DfE £ Annual Amount
2 year old	422	1,260,330
3 & 4 year old Universal	2,739	6,760,254
3 & 4 year old Additional	660	1,628,900
Disability Access Fund		42,435
Pupil premium		125,667
Centrally retained		135,000
Total	3,821	9,952,586

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

High Needs Block

2018/19 Budget to Forecast Outturn – a projected £357,000 overspend against allocated services lines (or £157,000 overspend against the 2018/19 original in year allocation)

- 3.24 As referenced and a key reminder, 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.
- 3.25 As always stated, High Needs is a volatile spend forecast area given the nature of service demands, and therefore spend forecasts are always subject to risk and therefore movement and can only be informed on the information presented at the time of forecasting.
- 3.26 And, as referenced in full, in previous DSG papers, significant effort has been made over the last 2 financial years, within High Needs to both contain and reduce spend forecasts and savings have been delivered. The remaining financial pressure is therefore not an unexpected position.
- 3.27 In view of the volatile of spend forecasts on high needs, and associated risks 'Appendix 3' summarizes both the 2018/19 forecast spend to budget position and key forecast movements since the last EB DSG report within High Needs, including summarized explanations as to where movement has occurred.

2019/20 Budget Planning

Indicative allocation of £18.882M

- 3.28 As per, approved recommendation 2.8, in the last DSG EB paper, the detailed High Need budget allocation will be presented to the EB for approval in the March 2019 (and once considered through the Resources Sub Group and prior engagement with key stake holders).
- 3.29 To summarize, the last DSG EB paper, the DfE have set an indicative budget allocation of £18.882M and this is a welcome increase of £0.657m from 2018/19, but still below an uncapped national funding formulae.
- 3.30 The EB and local authority have now also set the medium financial strategy in terms of DSG deficit recovery, and given that High Needs is due to receive additional funding. The first point of call, of any additional funding is to therefore restore the deficit high need DSG reserve, before determining remaining funding allocations for service lines.
- 3.31 Once the deficit is restored, additional funding can be awarded to support high needs provision that should be rightly administered, with an updated and informed high need service strategy for future years.

Central Block

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

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

2019/20 Budget Planning

Indicative allocation of £1.739M (tbc in January 2019)

- 3.33 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 small fluctuation dependent on pupil numbers between years.
- 3.34 A number of educational services are covered by funding that is held centrally, which is subject to a limitation of no new commitments or increases in expenditure from 2018/19. And please be minded, these services lines remain the same as voted in December 2017, for this year for 2018/19.
- 3.35 Approval is required by the Education Board each year to confirm the amounts and service lines.
- 3.36 The table below provides a breakdown of the services funded by centrally retained funding.

	Amount
From Central Schools Services Block	
CLA/MPA Licences	£122,297
Combined Budgets	£941,288
Schools Admissions	£236,300
Servicing of Schools Forum	£18,700
ESG Retained Duties	£420,219
	£1,738,804

- 3.37 The Education Board is asked to agree, as in previous years, that this portion of the DSG as shown in 3.36, can be held centrally for the services to continue that are supported by these amounts.

DSG Funding

2018/19 Budget to Forecast Outturn

- 3.38 The Latest DfE advised DSG funding allocation for 2018/19 is now £147.336m. Which, has therefore now been updated, for the DfE 2018/19 early years funding adjustment as referenced in 3.21, 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.

- 3.39 And, as referenced in the last EB DSG report, the 2017/18 Early years funding adjustment of (£205,000) 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

- 3.40 The current indicative funding allocation for 2019/20, has been set at £148.502M. However, we continue to note that the DfE's £1.190M funding attached to growth funding is inaccurate, and the school block funding allocation will also 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

- 3.41 The table below summarises the current forecast outturn position for 2018/19 and DSG reserve balances allocated to each block as at the 1st April 2018. This table, also illustrates the potential revised DSG reserve position as the end of 31st 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
2018/19						
Funding	116,221	699	10,452	18,223	1,738	147,336
Outturn	116,192	839	10,452	18,381	1,738	147,701
Variance	(30)	140	-	157	-	267
Reserves surplus / (deficit)						
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	30	(140)	0	(157)	0	(267)
Anticipated transfer in year	(30)	30	(56)	56	0	0
31 March 2019	0	(110)	241	(668)	0	(537)
Potential in year Variance 2019/20	0	0	0	534	0	534
31 March 2020	0	(110)	241	(134)	0	(3)

- 3.42 The table above, therefore demonstrates, that therefore whilst the DSG reserves balances will be at an unfavourable current forecast position of a (£537,000) 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 (£3,000) 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.
- 3.43 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."
- 3.44 As the DSG deficit reserve balance will be greater than 1% of total DSG resource as at the 31st 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 support and approval of the Education Board.
- 3.45 It must also continue to be noted, that Southend's depleted DSG resources have been mainly driven by underfunding awarded to Southend within the High Needs block, which will helpfully be rectified under the national funding formulae subject to a full capped release.
- 3.46 However, regardless, with the full support of EB and Local Authority, high need savings over the last two financial years, have been successfully delivered to contain further funding pressures until the High needs block funding is restored back to balance.

4 Conclusion

- 4.1 The DSG financial papers, continue to offer both a DSG 2018/19 forecast outturn and 2019/20 budget planning view combined, and therefore sensibly inform a medium term DSG financial plan. It is unfortunate, due to the current absence of any government funding announcements from 2020/21, we cannot further forward plan with any certainty the allocation of DSG resources beyond 2020/21 at this time.

5 Appendices

Appendix 1 - Indicative Individual School budget allocations 201920

Appendix 2 - DSG Budget and Outturn 201819 to 201920

Appendix 3 - High Need 201819 forecast and summarized movement