

	Schools Forum 12 December 2018
	Report from the Strategic Director of Children and Young People
Dedicated Schools Grant Schools Budget Forecast – 2018/19	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	N/A
No. of Appendices:	Four: <ul style="list-style-type: none"> • DSG Forecast 2018/19 • Joint SLT SCT Letter • Annex to the Joint SLT SCT Letter • ALDCS / SLT Presentation - High Needs
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Andrew Ward, Head of Finance Email: andrew.ward@brent.gov.uk Tel: 0208 937 6462 Dena Aly, Senior Finance Analyst Email: dena.aly@brent.gov.uk Tel: 0208 937 2179

1.0 Purpose of the Report

- 1.1. The purpose of this report is to update School Forum Members with the Forecast position of the Dedicated Schools Grant (DSG) 'Schools Budget', including Sixth Form funding grants and planned use of reserves for 2018/19. It also includes a presentation which describes the pan-London pressures on High Needs provision.

2.0 Recommendation(s)

- 2.1. Schools Forum is asked to note this report.

3.0 Summary

- 3.1. The Q2 forecast for the DSG Schools Budget was for a broadly balanced outturn, for Q3 it is clear there are increased pressures in the High Needs Block, but there are other probable underspends which indicate that the overspend can be limited to approximately £0.1M overall. The pressures can be largely offset this year, by

the forecast underspends on early years provision and school growth budgets. Appendix A is the full budget monitoring table.

- 3.2. DSG reserves can however be maintained at the planned level of £3M+ if no new spending commitments are entered into within the earmarked reserves for Early Years and High Needs, and if the balance of these unspent funds is returned to the general DSG reserve. Combined lobbying with other Local Authorities continues to raise the profile of this issue and seek funding from government to meet the demand for High Needs provision.

4.0 Background

- 4.1. Overall the DSG or Schools Budget underspent by £1.8M in 2017/18. Of the 4 blocks of the DSG, the Central block and Early Years block underspent, the High Needs Block overspent by £1.6M, and the pupil growth budgets which sit within the mainstream Schools Block underspent by £2.1M. The £1.8M brought the DSG reserve up to £7.9M, all formed from prior year underspends.
- 4.2. The National Fair Funding reforms introduced a minimum funding guarantee in 2018/19, which increased the High Needs Block by 0.5% per child in the borough, which equated to approximately £1M.
- 4.3. The Dedicated Schools Grant (DSG) expenditure budget for 2018/19 totals £315m which is supported by £312m of grant income and £3m of DSG reserves released in consultation with Schools Forum. The £315m represents the total cost of funding education to early years and school age pupils in the borough before recoupment of funds by the Department for Education to fund the borough's Academies.
- 4.4. For this report the budget monitoring presented in appendix A also includes sixth form funding (due to the interconnectedness to the high needs post 16 funding) and the budgeted use of reserves. It also shows the gross pre-recoupment budgets and includes lines to show the Schools Block and High Needs recoupment figures. This has been done so as to clearly present all variances which affect the DSG.
- 4.5. Net of academy recoupment the DSG expenditure budget is £202.9M supported by £198.5M of income and £4.5M of reserves formed from prior year underspends.

5.0 Income

- 5.1. There are a number of variances of forecast income to that budgeted for. The Early Years adjustment for 2017/18 reduced 2018/19 income by £278K.
- 5.2. There was also a relatively late adjustment to the 'Import/Export' adjustment to Brent's High Needs formula. The formula adjusts each council's block funding to account for whether it is a net importer or exporter of High Needs pupils. Though it was known Brent would be an exporter of pupils, at the time of budget setting this adjustment was thought to be £1.7M. A later DfE update to the data resulted in this increasing to £2M, which consequently means that High Needs block funding is £0.3M less than budgeted for.

- 5.3. The High Needs recoupment figure also increased largely due to more post 16 students with High Needs being educated in the borough, but a significant proportion of this comes back to Brent as part of the element 2 Sixth Form Funding which has now increased compared to the original budget set.
- 5.4. In total forecast income is £0.35M (0.17%) less than the income budget.

6.0 Early Years

- 6.1. The Early Years Block is the most self-contained of the 4 blocks, and totals £24M. 95% of this block income is passed onto providers, and little variance is expected on the remaining 5%. The 95% allocated out should be broadly in balance with the income received. However the amounts actually paid to providers are expected to exceed the income by £310K as part of a planned use of reserves designed to protect existing funding rates, e.g. maintaining 2 year old provision at £6 per hour.
- 6.2. A reduction to the Early Years Block income of £278K has been applied to the income to be received in 2018/19. This actually relates to 2017/18, and is due to lower take up of universal 3 and 4 year old entitlement and 2 year old entitlement as at the January Census compared to the previous estimates upon which the indicative allocations were based on. As per CIPFA guidance on the DSG this was not accrued for in the 2017/18 accounts, but officers will review this decision in future. If an accrual can be estimated for Early Years funding adjustments at year end then this will result in a clearer and more transparent in-year position for the Early Years Block.
- 6.3. The £278K funding reduction for 2017/18 is a pressure on the 2018/19 DSG. However it is also indicative of lower than budgeted participation numbers in Early Years, and so an underspend totalling £0.3M has been forecast for 2018/19. Participation numbers naturally fluctuate through the annual cycle, with low numbers in the autumn term rising to the highest participation levels in the summer term. The total Early Years Block position will continue to be monitored and reported upon.

7.0 Schools Block

- 7.1. There should be little volatility in the net position of the funds allocated to schools (£229M), the funding formula is already set for 2018/19 and in-year academy conversions will have little net impact, with the amount recouped equal to the formula budget share. There is potential for some variance when changes are made to National Non-Domestic Rates allocations following any revaluations. These are adjusted to ensure schools receive funding equal to the rates charged.
- 7.2. It is likely that there will be a large underspend against the growth contingency budgets (£3M) which are prudently set aside for localised primary growth and for the demographic bulge in Secondary phase pupil numbers. Allocations will be known at the end of the autumn term, but the indications from the number of primary place offers made indicate a likely underspend of £2.4M. The rise in secondary pupil numbers is expected to become more evident, and require more funding from this budget from 2019/20 onwards.

8.0 Central Block

- 8.1. The Central Block of the DSG (£2.4M) funds central services for schools. There are some minor variances which are listed in appendix A, which result in an underspend.

9.0 High Needs

- 9.1. The largest variance to budget is in the High Needs Block (£54M). The High Needs block underspent up to 2016/17, but overspent in 2017/18 and, in common with all London Boroughs, is now experiencing growing demand led pressures.
- 9.2. The block supports high needs pupils in specialist provision, in mainstream settings, and provides specialist support services. Although there has been an increase in the amount of in-borough special provision places, which are less costly than places out of borough, the total increase in number of High Needs children, the increased severity of need, and the increase in the rates charged, means there is a forecast overspend in excess of £2M on the total cost of special educational placements.
- 9.3. The number of Education Health and Care Plans (EHCPs) is approximately 2,200, compared to 1,650 statements 4 years ago, an annualised increase of 8%, well in excess of population growth. This growth will continue to be monitored and the current demand for support is expected to remain. Nearly half of EH&C plans are for children in mainstream settings, and additional funding is allocated to schools according to need. This is an additional budget pressure on the High Needs Block.
- 9.4. The rise in demand is also evident in the increased numbers of post 16 places, with growing demand for provision for 19-25 year olds. The High Needs post 16 budget of £1.8M overspent by £0.6M in 2017/18 where approximately 180 young people were supported compared to 150 in the previous year, and this is likely to be repeated in 2018/19. Academies providing for High Needs post 16 students are also funded from recoupment and increasing numbers of students, particularly in mainstream sixth forms is the main reason for the variance on High Needs recoupment.
- 9.5. It is expected that the underspend on growth budgets in the Schools Block will substantially compensate for an overspend on high needs, and DSG reserves can be called on if required. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.
- 9.6. Work is continuing with the Schools Forum sub-group for High Needs on addressing the pressures for the 2019/20 budget, though this will remain challenging. In-house provision is better value for money than either independent provision, or provision in other local authorities, and there has been success in increasing the number of planned High Needs places in borough for September 2019. Work is also continuing to pursue further opportunities to increase the number of Additional Resource Provision (ARPs), within mainstream settings.

- 9.7. The majority of London Boroughs are overspending on High Needs and lobbying efforts to draw attention to the funding issue are continuing. Appendices B and C are included for information. This is a letter to the Secretary of State from the Society of London Treasurers and the Society of County Treasurers requesting additional funding for High Needs provision. This shows this is a national issue and appendix C links the funding pressure to the introduction of the SEND reforms. Other Schools Forums and Headteacher groups have also written to make representations, and Brent Schools Forum may wish to consider this course of action.
- 9.8. Appendix D is also included for Forum's attention. It is a presentation co-produced by ALDCS and the Society of London Treasurers with the support of London Councils, which is a useful explanation of the financial pressures caused by increased demand for High Needs across London. This will be presented to members at the forum.

10.0 Other Expenditure

- 10.1. Sixth Form funding to maintained sixth forms is expected to be on budget in 2018/19.
- 10.2. The Early Years reserve of £1M is included in appendix A. The forecast assumes that the £310K budgeted shortfall on EY provision (as per January 2018 Early Years School Forum report) will be met from this earmarked reserve, plus the £633K development grant made to all Early Years providers in 2018/19. It has also been assumed in the forecast that the small balance of £57K can be returned to the DSG general reserve at year end.
- 10.3. The High Needs reserve of £1M is included in appendix A. The forecast shows that £200K is expected to be allocated for qualifying bids for High Needs Inclusion proposals which can be funded in 2018/19 which aim to sustainably improve inclusivity in mainstream schools in future years reducing some pressure on the High Needs Block.
- 10.4. The Black Caribbean Boys Achievement project and the School Leadership project, which Schools Forum approved in June 2018, will be funded from this earmarked reserve for 2018/19. Funding for these innovative investment projects in subsequent years will be managed from across the available DSG and DSG reserve resources in 2019/20.

11.0 DSG Reserve

- 11.1. Appendix A shows that the current forecast is for DSG reserves to be reduced slightly by around £100K going into 2019/20. However the main risk to this is that it is possible that without government action High Needs pressures will continue to rise and further deplete the reserve.
- 11.2. Given the growing High Needs pressures it is clear that it would be prudent for reserves to be held against these in 2019/20. Beyond that it is clear that real increases in government funding will be needed to maintain the current levels of provision for High Needs pupils.

12.0 Financial Implications

12.1. The financial implications have been detailed in the body of this paper.

13.0 Legal Implications

13.1. There are no legal implications for this report.

14.0 Equality Implications

14.1. Not applicable.

15.0 Consultation with Ward Members and Stakeholders

15.1. Not applicable.

Report sign off:

GAIL TOLLEY

Strategic Director of Children and Young People