



Schools Forum
12 June 2019

**Report from the Strategic Director
of Children and Young People**

Dedicated Schools Grant Financial Outturn 2018/19

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	Appendix A: DSG Outturn 2018/19 Appendix B: Maintained School Balances
Background Papers:	None.
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1. Purpose of the Report

- 1.1. This report sets out the final DSG outturn against the budget set for 2018/19, and provides detail on the overall £1.4 million overspend.

2. Recommendation(s)

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

3. Summary

- 3.1. The Dedicated Schools Grant (DSG) budgets overspent by a total of £1.4 million in 2018/19.
- 3.2. The overspend was primarily due to a £3.1m overspend on the High Needs block. This was partially offset by underspends in the Schools' block, Early Years block and Central Services block. The High Needs block experienced demand led overspends on top-up funding to mainstream settings, residential and independent settings, and post-16 providers.

- 3.3. The underspend in the Early Years block was due to an underspend on nursery provision for 2, 3 and 4 year olds, and a planned underspend on central budgets. The Schools block underspend was due to an underspend on the growth budgets
- 3.4. In addition to the £1.4m overspend, there was planned use of DSG reserves totalling £4.1m in 2018/19. Therefore, in 2018/19 the DSG reserves balance reduced from £7.8m to £2.4m.

4. 2018/19 DSG Outturn

- 4.1. The schools funding formula for 2018/19 was set in December 2017 ahead of the final DSG budget being confirmed in February 2018.
- 4.2. The DfE recoup formula and high needs place funding from the DSG to allocate this directly to academies and free schools. The total gross 2018/19 DSG allocation for Brent was £312m, of which £118m was recouped/deducted by the DfE.
- 4.3. The Dedicated Schools Grant (DSG) expenditure budget totals £315m which is supported by the £312m of grant income and £3m of DSG reserves released in consultation with Schools Forum as one off funding. 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. In addition, £3.5m of sixth form funding is received and passed onto maintained schools which have sixth form provision. The budget is detailed in Appendix A.
- 4.4. Overall the DSG overspent by £1.4m but within this there were large variations on the High Needs block and the pupil growth fund. The overspend can be met from DSG reserves in 2018/19, but the growing cost of High Needs provision is a serious concern for future years, and may deplete reserves by the end of 2019/20.

5. Schools Expenditure

- 5.1. Of the £232m Schools block budget, £116m was allocated directly to Brent maintained schools, £113m has been recouped and allocated directly to academies, leaving a remaining expenditure budget of £4m. The budget for 2018/19 included a planned use of £2.5m reserves to provide support to schools through the funding formula.
- 5.2. The expansion budget in 2018/19 totalled £2.6m, plus £0.5m held as contingency. There was a £0.7m underspend against the £2m allocation. £1.2m was spent on the growth budget, including CAFAI allocations, and a total of £0.8m was spent on rising rolls.
- 5.3. There were some overspends on the schools' budget share forecasts which includes adjustments to funding for NNDR charges to account for the difference between estimated and actual rates. A total of £120k was allocated to schools with 'low cost high incidence SEND'. This followed a review of the funding methodology approved by Schools Forum in June 2018, due to the previous model resulting in no schools qualifying for this funding.

6. Early Years

- 6.1. The Early Years Block budget is £24m. The position of the block's income and expenditure is broadly balanced as 95% of funding received for each child is passed on to fund providers, with 5% (£1.2M) funding centralised support for early years. The number of children in provision has again fallen in line with demographic trends, so the income and expenditure outturn is marginally lower than the £24m budgeted.
- 6.2. The Nursery Education Grant budget allocations for 2-year-old provision (NEG 2) and for 3 and 4-year-old provision (NEG 3 & 4) are set at the start of the year according to estimated take up. Payments are then made according to actual pupil numbers each term.
- 6.3. An anticipated underspend on the Early Years Block was reported in the January Schools Forum due to lower than budgeted for take up of NEG 2 and NEG 3 & 4. An adjustment to 2018/19 allocations will be made by the DFE, for the difference between the estimated and actual take up. There were additional planned underspends on early years central budgets.
- 6.4. The total underspend on the early years block of £1m is offset by a £0.7m income adjustment to the 2018/19 allocation for updated headcount data, and a £0.3m adjustment relating to a final adjustment to the 2017/18 allocation.

7. High Needs Block

- 7.1. There are variances to budget in the High Needs Block (£54M), and to the growth budget which is funded from the main Schools block. The High Needs block underspent in recent years but is now experiencing growing demand led pressures. 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 places, which are less costly than places out of borough, the increase in number of High Needs children and increased severity of need means there is an overspend of £3M on the total cost of these placements.
- 7.2. Total High Needs Block expenditure in 2018/19 was £58M, summarised in table 1 below

7.3. Table 1 – 2018/19 High Needs Block Expenditure

	Budget £'000	Outturn £'000	Variance £'000
'Place' funding in Brent Special Schools and ARPS	8,974	8,828	(146)
'Top up' funding in Brent Special Schools and ARPs	15,489	15,631	141
Top ups to mainstream settings in Brent	6,165	7,747	1,582
Post 16 Top ups	1,800	2,949	1,149
Out of Borough top ups	6,927	6,493	(433)
Residential and independent settings	8,205	9,063	858

Early Years Inclusion Fund	1,128	918	(210)
SEN services	6,129	6,349	221
TOTAL	54,817	57,978	3,161

- 7.4 In 2018/19 the financial forecast increased throughout the year and the final outturn was nearly £3M more than in 2017/18. The £3m increase was due to;
- £1.2M more on increased provision in Brent Special Schools and ARPs
 - £0.8M increase on support for pupils in mainstream settings
 - £0.5M increase on post-16 year old provision
 - £0.5M is on residential and Independent Non-Maintained Special School placements
- 7.5 The main cost driver for the High Needs block is the number of Education Health and Care Plans (EHCPs). These plans specify the amount and type of support a pupil with SEND requires and therefore largely dictates the cost. The number of EHCPs increased by 200 in 2018/19 from 2,000 to 2,200, which is a 10% increase, despite the overall pupil population remaining broadly the same. The average cost of funding the services required by an EHCP is £20k, in a range from £11k to £63k. Table 2 shows the average cost of different EHCP placements.

Table 2 – 2018/19 spend and 2019/20 budget analysis

	18/19 Outturn	Average no. of EHCPs	Cost per EHCPs
	£'000		£'000
Place funding – Brent Special Provision*	8,828	n/a	
Top up funding – Brent Special Provision	15,631	703	22
Top ups to mainstream settings in Brent	7,747	732	11
Post 16 Top ups	2,949	182	16
Out of Borough top ups	6,493	335	19
Residential and independent settings	9,063	143	63
Early Years Inclusion Fund	918	n/a	
SEN Services	6,349	n/a	
Total	57,978		

- 7.6 The rise in demand includes increased numbers of post 16 places where approx. 180 young people are now supported compared to 150 in the previous year, a rise of 20% which is well in excess of demographic growth. The number of Education Health and Care Plans (EHCPs) is currently 2,176, compared to 1,600 statements 3 years ago. Many of these plans are for children in mainstream settings, and additional funding is allocated to the schools according to need. This is an additional pressure on the High Needs Block. Work is continuing on addressing the pressures for the 2019/20 budget and beyond.

8 Pupil Growth

8.1 There were compensating underspends against the growth contingency budgets. These budgets are prudently set aside for localised primary growth, for the demographic bulge in secondary phase pupil numbers, and includes £0.8m spent on supporting the CAFAI projects supporting newly arrived pupils from overseas. The budget underspent by £1.3m in 2018/19, and has been rebased for 2019/20.

8.2 The underspend on growth budgets partially compensates for the overspend on high needs, with DSG reserves meeting the balance of the High Needs pressures.

9 Central Items

9.1 The Central Block of the DSG (£2.4M) funds central services for schools and the final outturn showed an overall underspend of £0.2m on these budgets. The underspend was mainly due to underspends on in the school effectiveness and school admissions teams caused by in-year staffing vacancies.

10 DSG Balances

10.1 The 18/19 outturn leaves DSG reserves of £2.5m to carry forward into the next year, but £1.5m has been allocated to support the High Needs budget in 2019/20 and the remainder will need to be held against the risk of a repeated overspend in 2019/20. The blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet.

10.2 The total DSG reserves as at the start 2018/19 was £7.8million. In addition to the DSG overspend, the planned uses of DSG reserves, shown in table 3 below, result in a closing DSG balance of £2.4m

10.3 Table 3: Use of DSG Reserves:

DSG Opening Balance	(7,921,758)
Schools Funding Formula	2,500,000
Early Years budget- Reserves	310,000
Early Years - development Grant	522,000
Schools Forum Approved projects	555,134
Post- 16 Project	11,675
Inclusion Support Fund	216,656
DSG overspend	1,360,552
DSG Closing Balance	(2,445,741)

11 School Balances

11.1 In total maintained school balances have increased by £0.9 million from £15.8 million during 2017/18 to £16.7 million during 2018/19 (Appendix B). It is noted that maintained schools received £1.2m of the £2.5m reserve funding added to the funding formula for 2018/19.

11.2 Of the 59 maintained Primary & Secondary Schools, PRUs, Nursery and Special Schools, 31 experienced a reducing reserves balance and 28 were able to increase their reserves during 2018/19.

- 11.3 During 2018/19 26 Primary schools decreased their reserve balance by an average of £74K, and 24 increased their reserve balances by £114K on average. Of the 50 Primary Schools 24 have closed with balances of 8% or less and 26 have balances of 8% or more. The average reserve balance held by Primary Schools is 12% of income.
- 11.4 The 2 maintained secondary schools have lower levels of reserves; 0.2% and 3% as a proportion of income.
- 11.5 Special Schools and PRUs were mostly able to increase their reserves balances in 2018/19. Maintained Nursery School balances decreased, but 3 of the 4 nursery schools finishing with reserves balances, with one in a small deficit.
- 11.6 In summary, whilst there is a mixed picture in how individual schools are managing their financial position, the figures suggest that in 2018/19 schools in Brent have mostly been able to manage pressures without significant deterioration of their financial position. It is yet not known if they can continue to do so in 2019/20 and 20/20.
- 11.7 The funding and expenditure pressures will persist, and are likely to require schools to take action to balance their budgets. The nursery in deficit is expected to set a balanced budget for 2019/20, and will be monitored closely throughout the year.
- 11.8 Schools Forum should note that £2.5 million of one off funding was put into the schools funding formula which helped schools retain a level of reserves overall in 2018/19.

12 Financial Implications

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

13 Legal Implications

- 13.1 There are no legal implications for this report.

14 Equality Implications

- 14.1 Not applicable.

15 Consultation with Ward Members and Stakeholders

- 15.1 Not applicable.

16 Human Resources/Property Implications (if appropriate)

- 16.1 Not applicable.

Report sign off:

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