



Schools Forum
10 October 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: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	One: • Q2 Budget Monitoring Position 2018/19
Background Papers:	N/A
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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' for 2018/19.

2.0 Recommendation

2.1 The Schools Forum is asked to note this report.

3.0 Summary

3.1 The Q2 forecast for the DSG Schools Budget is that it will breakeven in 2018/19. There are however notable pressures in the provision of High Needs education causing the block to overspend by at least £2M. Compensating underspends on pupil growth budgets are forecast to offset this overspend, but there is a risk that DSG reserves will have to be drawn down to balance the position by year end.

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.
- 4.2. The National Fair Funding reforms if applied in full would reduce the High Needs block funding by £6M, but the minimum funding guarantees in place for 2018/19 increased the High Needs Block by 0.5% per pupil, 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.

5.0 Early Years

- 5.1. 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.
- 5.2. 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.
- 5.3. The £278K funding reduction is a pressure on the 2018/19 DSG. The total Early Years Block position will continue to be monitored and reported to the Early Years group.

6.0 Central Block

- 6.1. The Central Block of the DSG (£2.4M) funds central services for schools. This also includes a set contribution towards pension strain costs for former school employees of £600k.

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 £2M. 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 High Needs

- 8.1. The main risks of variance to budget are in the High Needs Block (£54M). The High Needs block underspent up to 2016/17, but overspent in 2017/18 and is now experiencing growing demand led pressures.
- 8.2. 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 £1M on the total cost of special educational placements.
- 8.3. 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.
- 8.4. 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.
- 8.5. 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. More accurate High Needs forecasts can be completed in the autumn term, and the blocks will continue to be monitored and reported to Schools Forum in addition to Cabinet. Work is continuing with the Schools Forum sub-group for High Needs on addressing the pressures for the 2019/20 budget.

9.0 Financial Implications

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

10.0 Legal Implications

10.1. There are no legal implications for this report.

11.0 Equality Implications

11.1 Not applicable.

12.0 Consultation with Ward Members and Stakeholders

12.1 Not applicable

Report sign off:

GAIL TOLLEY

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