

Report to:	EDUCATION ATTAINMENT IMPROVEMENT BOARD
Date:	25 June 2019
Reporting Officer:	Tom Wilkinson; Assistant Director of Finance Tim Bowman; Assistant Director of Education
Subject:	SCHOOLS FINANCE UPDATE
Report Summary:	This report provides an overview of the various elements of Education Finance, which is funded by the Department for Education (DfE) through the Dedicated Schools Grant (DSG).
Recommendations:	Members are requested to note the contents of the report.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supporting aspiration and hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial policies and financial regulations
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	As outlined in the body of the report
Legal Implications: (Authorised by the Borough Solicitor)	Monitoring of the various funding streams is very important to ensure they are spent correctly and on time to ensure the Council meets its statutory obligations and required outcomes.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant (DSG) is a condition of the grant and procedures exist in budget monitoring and closure of accounts to ensure that this is achieved. Section 106 funding is time limited and can only be spent as outlined in the specific section 106 agreement. There is a risk of the council needing to repay the funds to the developer if the funds and schemes are not closely monitored. Some Capital Grants are time limited and will need to be repaid to DFE if they are not spent in the correct time allocation. If the council overspends its DSG funding they will be required to put together a deficit recovery plan to the DFE outlining the action we are taking to recover the deficit and manage spending.
Access to Information:	This report does not contain information which warrants its consideration in the absence of the Press or members of the public

Background Information: The background papers relating to this report can be inspected by contacting Christine Mullins



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1. INTRODUCTION

1.1 This report provides an overview of funding across the Education Service to support delivering the Educational priorities in Tameside.

2. DEDICATED SCHOOLS GRANT 2018/19 and 2019/20

2.1 The dedicated schools grant is allocated through a nationally determined formula to local authorities in 4 blocks;

- Central Services Schools Block - provided to provide funding to Local Authorities to support carrying out statutory duties on behalf of schools.
- Schools Block - This is intended to fund mainstream (non-special) Schools
- High Needs Block - This is to fund Special Schools, additional support in mainstream schools for Special Educational Needs (SEND) and other SEND placements / support.
- Early Years Block - This funds the free/extended entitlement & funding of places for 2, 3 and 4 year olds in school nurseries and Private, Voluntary and Independent (PVI) Sector settings.

2.2 In 2018/19 the total DSG allocation of £196.024m is allocated to the Tameside Borough for all Schools and Academies. £70.226m is then top sliced and allocated to Tameside Academies for which they then must report to the Education Schools Funding Agency (ESFA) on performance and spending.

2.3 The remaining £125.798m is allocated by the council for its maintained schools. This is allocated to individual schools who have delegated spending decisions but are responsible for reporting to the council in relation to their financial performance.

2.4 TABLE 1 - Schools Funding allocated in Tameside Borough 2018/19

DSG Funding Blocks	Allocation to Tameside Maintained Schools £000	Allocation to Tameside Academies by ESFA £000	Total DSG Allocated to Tameside Schools and Academies £000
Schools Block	90,162	68,856	159,018
Central School Services Block	897		897
High Needs Block (Pre/Post 16)	18,471	1,370	19,841
Early Years Block	16,267		16,267
Total	125,798	70,226	196,024

2.5 The outturn position against the 2018/19 DSG settlement is included in table 2.

TABLE 2 - 2018/19 DSG allocation and spend

DSG Funding Blocks	DSG Settlement 2018/19 at March 2019 £000	Distribution / Spend 2018/19 £000	Variation Surplus / (Deficit) £000
Schools Block	159,018	159,078	(60)
Central School Services Block	897	890	7

High Needs Block (Pre/Post 16)	19,841	21,295	(1,453)
Early Years Block	16,267	15,698	570
Total	196,024	196,961	(937)

- 2.6 The deficit of £0.060m on the schools block relates to diseconomies funding of £0.153m, this will be funded from the DSG reserve as agreed by schools forum and £0.056m of business rates adjustments due to the actual charges being higher than estimated. This is partly offset by a small surplus on growth funding of £0.013m and business rate relief from academy conversions and prior year adjustments of £0.135m.
- 2.7 The surplus on the central school services block (CSSB) relates to the School Forum and support for SACRE (Standing Advisory Council on Religious Education), which is a statutory duty, allocations not being fully utilised.
- 2.8 The deficit on the high needs block is £1.453m and further information relating to this can be found at Section 3.
- 2.9 The surplus on the early years block is currently £0.570m. Final allocations for the early year's settlement will be provided by the DfE in June/July 2019. The final allocation is affected by early year's census data from January 2019. This is estimated to result in an additional increase in the surplus of £0.109m.
- 2.10 The surplus relates to an increase in the 3 and 4 year olds universal and extended entitlement take-up. This is offset by deficits in 2 year old funding and early years. The surplus will be transferred to the DSG reserve and earmarked to support the High Needs Spending.
- 2.11 DSG for 2019/20 allocated to Tameside Borough is outlined in Table 3 below

2.12 **TABLE 3 Schools Funding allocated in Tameside Borough 2019/20**

DSG Funding Blocks	Allocation to Tameside Maintained Schools £000	Allocation to Tameside Academies by ESFA £000	Total DSG Allocated to Tameside Schools and Academies £000
Schools Block	86,567	75,802	162,369
Central School Services Block	925		925
High Needs Block (Pre/Post 16)	19,392	1,462	20,854
Early Years Block	16,270		16,270
Total	123,154	77,264	200,418

The funding to the borough has increased from £196m to £200m. The increase in the funding for Academies is partly through their share of the increase, but also because 5 schools converted to academy during 2018/19.

- 2.13 Updates to DSG funding will be made by the DfE throughout the year to reflect any academy conversions and early year's allocations.

2.14 **Table 4 Projected Outturn for 2019/20**

DSG Funding Blocks	DSG Settlement 2019/20 at March 2019 £000	Projected Distribution / Spend 2018/19 £000	Variation Surplus / (Deficit) £000
Schools Block	162,369	162,355	14
Central School Services Block	925	925	0
High Needs Block (Pre/Post 16)	20,854	26,360	(5,507)
Early Years Block	16,270	16,270	0
Total	200,418	205,910	(5,492)

2.15 The surplus on the schools block relates to a small surplus on growth funding of £0.014m it is anticipated this will contribute to the DSG reserve and be utilised to offset anticipated pressures in the High Needs Block it should be noted these are estimates at this stage.

2.16 The CSSB is expected to be spent in full.

2.17 The projected deficit on the high needs block is expected to be £5.507m and further information relating to this can be found at Section 3

2.18 The Early years block is expected to be on target however there are expected to be minor overspends that can be offset with savings in other areas.

2.19 The DSG will be monitored and regular updates will be reported to members and forum.

3. HIGH NEEDS DEDICATED SCHOOLS GRANT

3.1 High Needs funding is provided to the Tameside MBC to fund Special Schools, additional support in mainstream schools for Special Educational Needs (SEND) and other SEND placements / support. This is for both the Maintained and Academy Schools

3.2 Table 5 outlines the areas of spending in the high needs sector for 2018/19 and provides forecast 2019/20 expected spend.

Table 5 – High Needs 2018/19 Outturn and 2019/20 Forecast

High Needs Budget Position	2018/19 Final Position £000's	2019/20 Forecast £000's	Difference £'000's	Difference %
Expenditure				
Mainstream	1,492	1,877	385	26%
Special	9,155	9,440	284	3%
Tameside Pupil Referral Service	2,517	2,538	21	1%
Resourced Units	260	127	(133)	(51)%
Independent Schools	1,824	2,105	281	15%
Non Maintained Special Schools	425	391	(34)	(8)%
Out of Borough (Pre 16)	445	721	276	62%
Post 16	2,378	2,448	70	3%
Hospital Education	66	76	10	16%
SEN Support Services	1,772	1,841	69	4%

Income Out of Borough	(408)	(250)	158	(39)%
Totals	19,925	21,313	1,388	(7)%
Funding Allocation				
Original Funding Allocation	19,324	20,337	1,012	5%
Academy Recoupment	(1,370)	(1,462)	(92)	5%
Additional Pressures Funding	517	517	0	0%
Total Funding	18,471	19,392	921	5%
Overspend before Balance bfwd	(1,453)	(1,921)		
Projected in Year Growth		3,586		
Projected Overspend at Year End (Before Reserves)		(5,507)		
DSG Reserves		3,228		
Projected Overspend at Year End (after Reserves)		(2,279)		

- 3.3 The reason for overspending in the borough is due to
- The increasing high needs population such as special school places and resourced provision
 - Increase Education Health Care Plans being issued there has been an increase from 945 to 1267 increase of 322 plans in 2018/19. Each of these plans requires specific funding to support the child.
 - Increases in the number of Post 16 placements requiring top up funding
 - Increased spending in supporting Tameside children in the Independent Sector or Out of Borough placements
- 3.4 There has continued to be a significant numbers of referrals over the last 4 months, averaging at 45 per month. If growth continues throughout the financial year at current levels this would create a potential further pressure on the High Needs budget of which could exceed £3.5m. It is estimated that the number of plans maintained will increase will by between 300 and 650, bringing the total number of EHCPs Tameside maintains to more than 1,800 by the end of the year.
- 3.5 The financial pressures in the High Needs Block are therefore serious and represent a high risk to the Council. There is an on-going review of SEND services and the SEND Strategy looking at our local offer and ways to address the financial pressures, and to stabilise the position over the following three years. If as predicted the HNB enters into deficit by the end of 2019/20, the Council will be expected to produce a 3 year deficit recovery plan and submit this to the DfE.

4. DEDICATED SCHOOLS GRANT RESERVE POSITION

- 4.1 Prior year's unutilised dedicated schools grant is set aside in a earmarked reserve details of which are outlined in Table 6 for both the final year end position in 2018/19 and the projection for 2019/20.

4.2 Table 6 Dedicated Schools Grant

	2018/19 Surplus/ (Deficit) £000	2019/20 Surplus/ (Deficit) £000
DSG Reserve Brought Forward	3,881	3,228
Reserve Commitments from Schools Block 2018/19		
Diseconomies Funding 2018/19	(153)	
In year surplus/deficit on business rates	79	(5)
In year surplus on growth fund	13	19
Schools Block 2018/19 Subtotal	(60)	14
In year surplus on Central Services Schools Block	7	
In year deficit on High Needs Block	(1,453)	(5,507)
Current in year surplus on Early Years	570	109
Early Years Block 2017/18 Adjustment	357	0
Refunds for De-delegated items from 2017/18	(96)	
Interest Received	24	
DSG Reserve after Commitments	3,228	(2,156)

4.3 In 2018/19 there has been a reduction in the reserve, in the main this due to funding the overspend on the High Needs Block. There have been contributions to the reserve in year too, the most significant of these relating to surplus funds in the Early Years Block.

4.4 If the 2019/20 projections materialise, there would be a deficit of £2.156m on the DSG. This would mean a deficit recovery plan would have to be submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years and will require discussions and agreement of the Schools Forum. The position will be closely monitored throughout the year and updates will be reported to Members.

5. MAINTAINED SCHOOLS BALANCES

5.1 At the end of each financial year schools balances are reported to Schools Forum. The balance is the amount of unspent schools funding that each schools hold at the end of the financial year.

5.2 The funding held can come from a number of sources, underspent dedicated schools grant, pupil premium grant, capital grants and other funding the school has raised. Table 7 outlines the balances held by schools at the end of 2018/19.

5.3 Table 7 Schools Balances 2018/19 compared to balances 2017/18.

Sector	2017/18	2018/19	Movement	% Change
Primary	£7,353,202	£7,003,697	(£349,505)	(4.75%)
Secondary	(£3,364,149)	(£22,797)	£3,341,352	(99.32%)
Special	£215,718	£408,373	£192,655	89.31%
Total Schools	£4,204,770	£7,389,273	£3,184,503	75.74%

- Overall school balances have increased by £3.185m or 75.74% since 2017/18.

- In the primary sector the overall surplus balance reduced by -£0.350m, however some of this reduction relates to 3 academy conversions £0.461m meaning the actual movement in year in the maintained sector is an increase £0.111m.
- In the secondary sector the deficit balances reduced by £3.341m or -99.32%
- There was an increase in surplus balances in the special sector of £0.193m or 89.31%.

5.4 Table 8 Schools balances 2018/19 surplus and deficits analysed separately.

Sector	No	Surplus	No	Deficit	Total
Primary	57	£7,012,753	1	(£9,056)	£7,003,697
Secondary	4	£1,544,295	2	(£1,567,092)	(£22,797)
Special	4	£425,718	1	(£17,344)	£408,373
Total Schools	65	£8,982,765	4	(£1,593,492)	£7,389,273

Within these balances above are 6 schools where balances need to transfer to the Academy trust they have converted to. These amounts are shown below for reference.

Academy Convertors	No	Surplus	No	Deficit	Total
Primary	5	£501,817	1	(£9,056)	£492,761

5.5 The schools are permitted to hold reasonable balances. Permitted balances at Tameside are defined as balances up to 5% in Secondary Schools and up to 8% in the primary and special sector. Schools governing bodies holding balances above this limited must submit a plan approved by Governors to the Local Authority outlining the reasons for holding these balances and the plan should demonstrate of how they intend to utilise these funds.

5.6 **Table 9 shows the number of schools with surplus balances and the percentage balances held.**

Actual School Balances 2018/19	Under 5%	5.01% - 8%	8.01% - 10%	10.01% to 15%	15.01% - 20%	Over 20%
Primary Schools	15	10	7	12	10	4
Secondary Schools	3	1	1		1	
Special Schools	3				1	
Total	21	11	8	12	12	4

Italics - Represent surplus schools exceeding permitted balances 36 in total.

5.7 In 2018/19 a review of the PFI contract related to the 6 schools in the Building Schools for the Future (BSF) Project resulted in a rebate to 4 secondary schools and 2 special schools totaling £3.252m. £2.818m related to previous financial years and £0.434 related to a 2018-19 in-year rebate. This has in some part accounted for the increase in balances in those sectors.

5.8 At the start of the financial year 2018-19 approved budget plans submitted to the LA projected school balances would be £1.741m at the end of the financial year. Actual school balances at £7.389m meaning budget plans were overstated by £5.648m. A significant part of this would relate to the PFI rebate but this still leaves in the region of £2.396m additional surplus balance.

5.9 During this term the Schools finance team will be working with schools to obtain approved plans and review the detail within the plans to try and ensure there is better budget planning in schools. A report will be taken to schools forum in June to consider different options when reviewing schools with excessive surplus funds.

6. SECTION 106 UPDATE

6.1 This section summarised the financial position with regard to receipts for Section 106 (s106) Agreements (Table 10) and Developer Contributions (Table 11). Section 106 payments and Developer Contributions are received from developers when developments are likely to result in an increased demand for school places in a local area. They are usually time limited, and are for specific projects.

6.2 Table 10 – Education Section 106 Funds

Section 106		Education £000
S106 - Applied	Balance Transferred Prior Years (2006/07 - 2017/18)	1,250
	Total	1,250
S106 - Not yet earmarked	Brought Forward from 2017/18	(621)
	Received Periods 1 – 3 2018/19	(54)
	Received Periods 4 – 6	(37)
	Total	(712)
S106 - Not yet reached trigger point. (Agreements in place but not met criteria that triggers developers payments)		(595)

6.3 Table 11 – Education Developer Contributions

Developer Contributions	Education £000
Brought Forward from 2017/18	(69)
Received Periods 4 - 6	(4)
Total	(73)

6.4 The current position for Section 106 is £712k and £73k of Developer Contributions. The Section 106 funds are time limited and the deadline for these funds to be utilised is shown in table 12.

6.5 Table 13 – Remaining Section 106 Funds by the deadline for utilisation

Year Funding must be utilised	Education £000
2019/20	(69)
2020/21	(54)
2021/22	(141)
2022/23	(256)
2023/24	(191)
Total	(712)

6.6 The 2019/20 draw down has been retrospectively approved as Executive Decision. It is expected this will be reported to the next Capital Panel meeting.

7. EDUCATION CAPITAL

7.1 Appendix A outlines the 2018/19 outturn investment for Education. A detailed breakdown of all schemes within Education, including future budgets and re-profiling is provided.

7.2 Table 14 – Capital Schemes

Education Capital Programme	2018/19 Budget £000	2018/19 Outturn £000	2018/19 Outturn Variation £000
Expenditure			
Other Schemes individually below £1m And unallocated funding	4,768	4,170	598
Total	4,768	4,170	598
Funded By			
Grants	4,599	4,001	598
Revenue Contribution from Capital	169	169	
Total	4,768	4,170	598

7.3 Regular detailed reports on progress with the Education Capital Programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The Education Capital Programme is £0.598m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £0.598m of budget into 2019/20 has been requested.

7.4 Education Services Re-profiling Requested:

Reasons for the re-profiling of the £0.598m of budget into 2019/20 are outlined below for specific schemes:-

Aldwyn Primary School- (£0.416m)

The classroom extension scheme has been delayed because of procurement and indemnity issues which are being addressed. It is expected that the works will be completed imminently.

Alder High School- (£0.271m)

The 4-classroom extension scheme has been delayed because of procurement problems, the ability of tenderers to meet our financial tests and protracted legal and contractual issues between the Council and the SPV who own the building.

Russell Scott- (£0.320m)

Expenditure in year is lower than originally forecast due to delays in the completion of this scheme. Works are anticipated to be concluded in 2019/20.

Stock Condition Survey- (£0.100m)

This has been delayed awaiting price and change order from the LEP. It is anticipated that the surveys will be carried out over summer 2019.

Holden Clough Primary- (£0.073m)

Operational reasons meant the scheme needed to be carried out when the school was closed for a two week period. The Easter holidays was the first opportunity to carry out these works and will take place then.

7.5 The budgets for 2019/20 can also be found in **Appendix 1**.

8. RECOMMENDATIONS

8.1 As set out at the front of the report.

APPENDIX 1

Education Capital Programme							Re-profiled Budgets		
Capital Scheme	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2018/19 Outturn £000	2018/19 Outturn Variation £000	Re-profiling to be approved £000	2018/19 £000	2019/20 £000	2020/21 £000
Unallocated Funding Streams	0	2,082	211	0	0	0	0	2,082	211
Mossley Hollins High	750	331	0	720	30	(30)	720	361	0
Aldwyn Primary School	558	2,228	0	142	416	(416)	142	2,644	0
Hyde Community College	500	1,246	0	546	(46)	46	546	1,200	0
St Anne's Denton Primary	500	60	0	520	(20)	20	520	40	0
Alder Community High School	450	1,959	0	721	(271)	271	721	1,688	0
Russell Scott Primary	385	0	0	65	320	(320)	65	320	0
Devolved Schools Capital	373	686	0	466	(93)	93	466	593	0
St Thomas Moore RC College	200	0	0	200	0	0	200	0	0
Stock Condition Survey	100	0	0	0	100	(100)	0	100	0
Minor Schemes (Under £100K)	952	2,720	0	790	162	(162)	790	2,882	0
Total	4,768	10,626	211	4,170	598	(598)	4,170	11,910	211