Report to:	**SCHOOLS' FORUM**
Date:	22 October 2019
Reporting Officer:	Tim Bowman – Assistant Director Education Tom Wilkinson – Assistant Director Finance
Subject:	**DEDICATED SCHOOLS GRANT BUDGET UPDATE FOR 2019-20 AND EARLY YEARS OUTTURN POSITION FOR 2018-19**
Report Summary:	A report on the Dedicated Schools Grant budget position for the financial year 2019-20 and update on the Early Years final outturn position for the financial year 2018-19.
Recommendations:	Members of the Schools' Forum 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 support aspiration and hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial policy and framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure. The current projection for 2019-20 shows a deficit on the DSG which will require a deficit recovery plan to be submitted by the Local Authority (LA) to the Department for Education (DfE).
Legal Implications: (Authorised by the Borough Solicitor)	There is a statutory duty to use resources efficiently and effectively against priorities and to achieve a balanced annual budget. In noting the report Members should ensure they understand the outturn and budget positions and that robust challenge is factored into the reporting mechanism especially given the current known deficits.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
Access to Information:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press of members of the public.**
Background Information:	The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, by: Telephone: 0161 342 3216 e-mail: christine.mullins@tameside.gov.uk

1. INTRODUCTION

1.1 This report is presented to provide an update on the Dedicated Schools Grant (DSG) budget for 2019-20 and advise Schools' Forum of the final outturn position for the Early Years element of DSG for 2018-19. The report sets out:

- A budget update for the DSG for 2019-20
- A detailed update for Early Years (including the final settlement of 2018-19 DSG) (Section 3)
- Known pressures and commitments for 2019-20 (Section 4)

2. DSG BUDGET UPDATE FOR 2019-20

2.1 The updated DSG settlement for 2019-20 was received in July 2019. The updated settlement and the projected distribution / spend is included in Table 1.

TABLE 1

DSG Funding Blocks	DSG Settlement 2019-20 at July 2019 £000	Projected Distribution / Spend 2019-20 £000	Variation Surplus / (Deficit) £000
Schools Block	162,369	162,284	84
Central School Services Block (CSSB)	925	925	0
High Needs Block (Pre/Post 16)	20,782	26,169	(5,388)
Early Years Block	16,479	17,150	(671)
Total	**200,555**	**206,529**	**(5,974)**

Note: the table above includes roundings.

2.2 The projected surplus on the schools block relates to a surplus on growth funding of £0.101m partly offset by £0.016m of business rates adjustments.

2.3 The CSSB settlement includes funding for the Admissions Services, Schools' Forum and Licences as well as the centrally retained services (formally supported by the Education Service Grant) and is projected to have a nil variation.

2.4 The centrally retained service funding is supporting a proportion of the statutory costs of: the Director of Children's Services; the Assistant Director of Education; Planning for Schools; Asset Management; Health and Safety; SACRE; Education Welfare; Appeals; and statutory functions carried out by Finance and Internal Audit.

2.5 The projected deficit on the high needs block is £5.388m and further information on this can be found as a separate agenda item.

2.6 The projected deficit on the early years block is £0.671m and further details are provided in Section 3 of this report.

3. EARLY YEARS DETAILED UPDATE (INCLUDING THE FINAL SETTLEMENT FOR 2018-19)

3.1 In addition to the 2019-20 update there was also an updated settlement for 2018-19, specifically in relation to early years. The early years figures take account of the January 2019 census which has resulted in the below changes.

3.2 For 2018-19 the overall settlement for Early Years has increased by £0.122m. As reported in June 2019, it was estimated that there would be an additional £0.109m in the final settlement. The main reason for the variation was an increase in the Early Years Pupils Premium settlement of £0.015m. This results in a total surplus of £0.692m relating to 2018-19. This is detailed in Table 2.

TABLE 2 – Early Years 2018-19 Final Position

Early Years Funding Block	Distribution / Spend 2018-19 £000	Estimated Surplus / (Deficit) March 2019 £000	Final Settlement for 2018-19 £000	Final Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal Entitlement (including contingency)	8,694	472	9,164	470
Early Years for 3 and 4 Year Olds Extended Entitlement (including contingency)	3,569	333	3,902	333
Early Years for 2 Year Olds	2,765	(112)	2,653	(112)
Early Years Pupil Premium	161	(37)	139	(22)
Early Years Disability Access Fund	28	23	51	23
Early Years Centrally Retained Expenditure (3 & 4 Year Olds)	260	19	279	19
Early Years Centrally Retained Expenditure (2 Year Olds)	52	0	52	0
SEN Inclusion Fund	169	(19)	150	(19)
Total	**15,698**	**679**	**16,390**	**692**

Note: the table above includes roundings.

3.3 The known surplus of £0.570m was transferred to the reserve at the end of the 2018-19 financial year. This surplus and the additional £0.122m 2018-19 adjustment will be required to support the projected deficit highlighted at 2.6 and detailed below in Table 3.

3.4 For 2019-20 the overall settlement for Early Years has increased to £16.479m (an increase of £0.209m). A detailed update of the Early Years block for 2019-20 is included in Table 3.

TABLE 3 – Early Years 2019/20 updated settlement

Early Years Funding Block	Early Years DSG Settlement 2019-20 at July 2019 £000	Projected Distribution / Spend 2019-20 £000	Projected Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal Entitlement	9,106	9,044	63
Early Years for 3 and 4 Year Olds Extended Entitlement	3,818	4,194	(376)
Early Years for 2 Year Olds	2,608	3,144	(536)
Early Years Pupil Premium	149	178	(29)
Early Years Disability Access Fund	54	41	12
Early Years Centrally Retained Expenditure (3 & 4 Year Olds) based on 4% Retention	545	349	196
Early Years Centrally Retained Expenditure (2 Year Olds)	50	50	0
SEN Inclusion Fund	150	150	0
Total	**16,479**	**17,150**	**(671)**

Note: the table above includes roundings.

3.5 Table 3 reflects the updated 2019-20 Early Years settlement, compared with the projected distribution / spend against the grant. The projections are based on estimates for uptake and current indications show there will be a significant pressure on the 3 & 4 Year Olds Extended Entitlement and 2 Year Olds funded hours. Urgent work is required to ensure the take up of the places is reflective of the actual places being funded throughout the year for the Spring Term census collection. As stated in 3.2 the 2018-19 surplus will be required to support this deficit should it materialise.

3.6 The final settlement for early years funding will not be announced until June/July 2020. The projections will continue to be updated throughout the financial year to take account of actual uptake and reported to Schools' Forum.

3.7 The figures are following a similar pattern to the last two years final figures, which have resulted in small reductions on Universal Entitlement, significant increases in Extended Entitlement and reductions in 2 Year Old funding. Therefore at this stage there is some pressure on the Extended Entitlement, which may be alleviated through the final adjustment for 2019-20 but the situation is worse than in prior years. There is concern in relation to the reductions in the 2 year old funding which presently looks like an area for concern. Estimates will be produced for the final settlement once the January 2020 census data is available to provide the most accurate final position possible in advance of the final settlement.

3.8 As agreed at Schools' Forum in February 2019, the centrally retained element of early years has been increased. Additional resource is being implemented to support early years priorities. However, due to the resource being implemented part way through the year there is projected to be an in-year surplus which will support the pressures on Extended Entitlement and 2 Year Olds.

4. KNOWN PRESSURES AND COMMITMENTS FOR 2019-20

4.1 Table 4 provides details of the estimated closing position of the DSG for 2019-20.

TABLE 4 –DSG 2019/20

	Surplus / (Deficit) £000
DSG Reserve Brought Forward from 2018-19	**3,228**
Schools Block Changes 2019-20	
In year deficit on business rates	**(16)**
In year surplus on growth fund	**101**
Schools Block 2019-20 Subtotal	**84**
In year deficit on High Needs Block	**(5,388)**
Current in year deficit on Early Years	**(671)**
Early Years Block 2018-19 Adjustment	**122**
Estimated DSG Reserve after Commitments	**(2,624)**

Note: the table above includes roundings.

4.2 Should all the projections materialise, there would be a deficit of £2.624m on the DSG. As a result a deficit recovery plan would have to be submitted to the DfE outlining how we expect to recover the deficit over the next 3 years. This will require discussion and agreement of the Schools' Forum, more detail can be found in a separate paper on the agenda. The position will be closely monitored throughout the year and updates will be reported to Schools' Forum.

5. CONCLUSION

5.1 The projected in year deficit on DSG is £5.974m. If this materialises it would lead to a deficit on the DSG reserve, estimated to be £2.624m.

5.2 The projected deficit may require a deficit recovery plan to be submitted by the LA to the DfE.

6. RECOMMENDATIONS

6.1 As set out at the front of the report.