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| Report to: | SCHOOLS' FORUM |
| Date: | 11 February 2020 |
| Reporting Officer: | Tim Bowman – Assistant Director Education Tom Wilkinson – Assistant Director Finance |
| Subject: | DEDICATED SCHOOLS GRANT BUDGET UPDATE FOR 2019-20 |
| Report Summary: | A report on the Dedicated Schools Grant budget position for the financial year 2019-20. |
| 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) | The legal framework for school budgets is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act 1998 and accompanying regulations. The School and Early Years Finance (England) Regulations 2014 provide the framework for the funding of maintained schools including how the local authority may allocate their schools budget. The School and Early Years Finance Regulations 2014 gave effect to the decision to reform school funding through a simplified local formula with greater delegation to schools and new arrangements for funding pupils with high needs. The School and Early Years Finance (England) (No. 2) Regulations 2018 came into force on 7 December and sets out the requirements for determining the 2019/2020 financial year. Members of the Schools' Forum are required to exercise due diligence to ensure acceptable compliance with projections for the 2019/2020 financial year. |
| 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:



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1. INTRODUCTION

- 1.1 This report is presented to provide an update on the Dedicated Schools Grant (DSG) budget for 2019-20. The report sets out:
- A budget update for the DSG for 2019-20 (Section 2)
 - A detailed update for High Needs (Section 3)
 - Known pressures and commitments for 2019-20 (Section 4)

2. DSG BUDGET UPDATE FOR 2019-20

- 2.1 The updated DSG settlement and the projected distribution / spend is included in Table 1.

Table 1 – DSG Update

| DSG Funding Blocks | DSG Settlement 2019-20 at Nov 2019 £000 | Projected Distribution / Spend 2019-20 £000 | Variation Surplus / (Deficit) £000 |
|--------------------------------|--|--|---|
| Schools Block | 162,369 | 162,263 | 106 |
| Central School Services Block | 925 | 925 | 0 |
| High Needs Block (Pre/Post 16) | 20,782 | 26,561 | (5,779) |
| Early Years Block | 16,479 | 16,233 | 247 |
| Total | 200,555 | 205,982 | (5,426) |

Note: the table above includes roundings

- 2.2 The projected surplus on the schools block mainly relates to a surplus on growth funding of £0.101m and a small surplus relating 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 £5.779m and further information on this can be found at Section 3 of this report.
- 2.6 The projected surplus on the early years block is £0.247m and further details are provided in Section 4 of this report.

3. HIGH NEEDS UPDATE 2019-20

2019-20 Budget Projection

- 3.1 As reported at last update on the high needs budget in June 2019, growth has continued at expected levels. When setting the budget in February 2019 predictions indicated there would be an in year overspend of £5.51m and after taking into account the DSG reserves there would be a year-end overspend of £2.28m.

- 3.2 The latest figures (assuming the reserves figure of £3.23m is used in full to support the high needs overspend) show the projected overspend at March 2020 has increased slightly to £2.55m. This assumes further growth of £0.69m for the spring term.

Table 2 – High Needs Update 2019-20 at December 2019

| High Needs Budget Position | Original Forecast £000 | Revised Forecast Dec 2019 £000 | Variance Surplus / (Deficit) £000 | % Change |
|--|---------------------------|--------------------------------------|--|-------------|
| Mainstream | 1,877 | 2,489 | (612) | 33% |
| Special | 9,440 | 10,137 | (697) | 7% |
| TRPS | 2,538 | 2,546 | (9) | 0% |
| Resourced Units | 127 | 213 | (86) | 68% |
| Independent Schools | 2,105 | 3,127 | (1,022) | 49% |
| NMSS | 391 | 331 | 60 | -15% |
| OOB (Pre 16) | 721 | 1,040 | (319) | 44% |
| Post 16 | 2,448 | 2,999 | (551) | 23% |
| Hospital Education | 76 | 76 | 0 | 0% |
| SEN Support Services | 1,841 | 1,800 | 42 | -2% |
| Income OOB | (250) | (346) | 96 | 38% |
| Total | 21,313 | 24,411 | (3,098) | |
| Original Funding | 20,337 | 20,265 | (72) | |
| Academy Recoupment | (1,462) | (1,462) | 0 | |
| Additional Pressures Funding | 517 | 517 | 0 | |
| Total Funding | 19,392 | 19,320 | (72) | |
| Overspend before Balance b/wd. | (1,921) | (5,091) | (3,170) | |
| Projected in Year Growth: | | | | |
| Summer Term Real Time | 1,662 | £0 | 1,662 | |
| Autumn Term Real Time | 1,099 | £0 | 1,099 | |
| Spring Term Real Time | 824 | 688 | 136 | |
| Total Growth | 3,586 | 688 | 2,898 | |
| Projected Overspend at Year End (Before Reserves) | (5,507) | (5,779) | (272) | |
| DSG Reserves at 1 April 2019 | 3,228 | 3,228 | | |
| Projected Overspend at Year End (after Reserves) | (2,279) | (2,551) | (272) | |

Note: the table above includes roundings.

- 3.3 The growth seen across all sectors can also be seen in the increases in number of EHCP's as shown in the table below.

Table 3 – Growth in EHCP's across sectors at December 2019

| Sector | Original EHCP's Funded Apr 19 | Revised EHCP's Funded Dec 19 | Diff | % Change |
|---------------------|-------------------------------|------------------------------|------------|------------|
| Mainstream | 354 | 477 | 123 | 35% |
| Special | 485 | 557 | 72 | 15% |
| TRPS | 15 | 16 | 1 | 7% |
| Resourced Units | 44 | 57 | 13 | 30% |
| Independent Schools | 81 | 134 | 53 | 65% |
| NMSS | 11 | 8 | -3 | -27% |
| OOB (Pre 16) | 70 | 93 | 23 | 33% |
| Post 16 | 192 | 221 | 29 | 15% |
| Totals | 1,252 | 1,563 | 311 | 25% |

Growth to the Year End

- 3.4 There continues to be a significant number of requests for assessment and a review of the growth earmarked to the end of the financial year seems reasonable. This shows EHCP's could increase by a further 90 – 120 taking the total number of EHCP's to approx. 1,683 by March 2020.

4. EARLY YEARS UPDATE 2019-20

- 4.1 A detailed update of the Early Years block for 2019-20 is included in Table 4.

Table 4 – Early Years update 2019-20 as at December 2019

| Early Years Funding Block | Early Years DSG Settlement at Dec 2019 £000 | Projected Distribution / Spend £000 | Projected Outturn Surplus / (Deficit) £000 |
|--|---|-------------------------------------|--|
| Early Years for 3 and 4 Year Olds Universal Entitlement | 9,106 | 8,653 | 453 |
| Early Years for 3 and 4 Year Olds Extended Entitlement | 3,818 | 3,824 | (6) |
| Early Years for 2 Year Olds | 2,608 | 3,018 | (411) |
| Early Years Pupil Premium | 149 | 161 | (12) |
| Early Years Disability Access Fund | 54 | 31 | 22 |
| Early Years Centrally Retained Expenditure (3 & 4 Year Olds) based on 4% Retention | 545 | 345 | 200 |
| Early Years Centrally Retained Expenditure (2 Year Olds) | 50 | 50 | 0 |
| SEN Inclusion Fund | 150 | 150 | 0 |
| Total | 16,479 | 16,233 | 247 |

Note: the table above includes roundings.

- 4.2 The projections are based actual uptake for the Summer 2019 and Autumn 2019 terms and estimates for uptake in the Spring 2020 term. The updated projections show the funding position has improved for 3 and 4 year olds but there is still significant pressure on the 2 Year Olds funded hours. The improvement on the 3 and 4 year old funding relates to actual uptake for the autumn term being lower than estimated. Work has been undertaken to endeavour to ensure the take up of places is reflective of the actual places being funded throughout the year in the Spring 2020 term census collection.
- 4.3 The final settlement for early years funding will not be announced until June/July 2020. The final distribution / spend and estimated final settlement will be reported to Schools' Forum in the Summer 2020 term.
- 4.4 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 any pressures on Extended Entitlement and 2 Year Olds, and the wider pressure of the High Needs Deficit.

5. KNOWN PRESSURES AND COMMITMENTS FOR 2019-20

- 5.1 Table 5 provides details of the estimated closing position of the DSG for 2019-20.

Table 5 – Estimated DSG Position for 2019-20 year end

| | Surplus / (Deficit) £000 |
|---|--------------------------------|
| DSG Reserve Brought Forward from 2018-19 | 3,228 |
| Schools Block Changes 2019-20 | |
| In year surplus on business rates | 5 |
| In year surplus on growth fund | 101 |
| Schools Block 2019-20 Subtotal | 106 |
| In year deficit on High Needs Block | (5,779) |
| Current in year surplus on Early Years | 247 |
| Early Years Block 2018-19 Adjustment | 122 |
| DSG Reserve after Commitments | (2,077) |

Note: the table above includes roundings.

- 5.2 Should all the projections materialise, there would be a deficit of £2.077m 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. The position will be closely monitored and updates will be reported to Schools' Forum.

6. CONCLUSION

- 6.1 The projected in year deficit on DSG is £5.426m. If this materialises it would lead to a deficit on the DSG reserve, estimated to be £2.077m.
- 6.2 The projected deficit may require a deficit recovery plan to be submitted by the LA to the DfE.

7. RECOMMENDATIONS

7.1 As set out at the front of the report.