

**DEDICATED SCHOOLS BUDGET – BUDGET MONITORING 2018-19****Purpose of the Report**

1. To present budget monitoring information against the Dedicated Schools Grant (DSG) for the financial year 2018-19 as at 31<sup>st</sup> October 2018.

**Main Considerations**

2. Appendix 1 to this report outlines the budget monitoring summary as at 31<sup>st</sup> October 2018.
3. An overspend of £3.238 million is currently projected against the overall schools budget. The forecast overspend on the High Needs Block is £4.1million and this is offset by underspends in early years and central blocks.
4. The High Needs Working Group was set up in September to identify contributing factors and to make proposals to reduce the cost pressure on the high needs block. An update from the High Needs Working Group summarising progress to date and proposed mitigation plans is a separate agenda item.

***Early Years Budgets***

5. Budgets for the free entitlement for 30 hours childcare for 2, 3 & 4 year olds are currently forecast to be underspent by £0.769 million. This estimate is now wholly based on a full year of 30 hours entitlement. It is important to note that the underspend reported above for 2, 3 and 4-year-old grant will have a post financial year adjustment from the DfE - previously this has borne little relation to the final variance due to the formula and floors and ceilings used by the DfE in their calculation.

The table below show this forecast underspend relates to volume of take up.

	Planned Volume (in FTE)	Forecast Volume (in FTE)	Forecast Volume (in FTE)
2-year-old Funding	417	436	17 (or 4%)
3 & 4-year-old Funding	4,943	4,802	(141) (or 3%)
Overall	5,360	5,238	(122) (or, 2%)

***High Needs Budgets***

6. High Needs budgets are projected to overspend by £4.125m. The biggest areas of overspend are Independent Special School Fees, Named Pupil Allowances and top ups in non-Wiltshire provision. The post-16 budget shows an underspend which is partially offsetting the overspend in other areas.
7. This significant overspend must be viewed alongside national factors. Nationally, Wiltshire is seventh from the very lowers funded local authority in the Country.
8. The demand for high needs funding is out-stripping the budgets available to local authorities across the country, resulting in serious deficits in the high needs block in over half of all local authorities. Many are finding it extremely difficult to recover these

deficits and cuts to existing high needs services and pupil top-up funding makes what provision that is available simply unsustainable.

9. There is an emerging crisis in high needs funding, created in part by the continued use of historic funding levels, that Fair Funding Groups, local authorities and Schools have been keen to urge government to address before permanent damage is done to very many vulnerable pupils.
10. The solution will need to be increased base budget to allow strategic plans to be rolled out as opposed to an amount of one off funding.
11. The complexity of the high needs services demanded by more and more children (and their parents) is far greater than was the case just a few years ago, more accurate medical assessment and improved methods of treatment increase demand still further. Such increasing needs requires recognition through the national high needs formula.
12. The High Need Block Working Group paper includes an appendix shows the position of neighbouring authorities.
13. One of the major drivers of the increased cost is volume. Activity (volume) is measured in full time equivalent placements. (FTE) the table below show that volume has increased at a higher level (21%) than expenditure (11%) which could be an indicator that we have more children and young people with lower levels of need.

	Budgeted	Forecast	Forecast Variance
HNB Spend	£38.422M	£42.547M	£4.125M (11% increase)
EHCP	2,626	3,182	556 (21% increase)

In view of the on-going pressure on the high needs block, a report from the High Needs Working Group is a separate agenda item at today's meeting. The report will include all mitigating actions proposed by the group.

### **Central Schools Budgets**

14. There is a small forecast underspend on central school budgets held and managed by the local authority on the schools behalf – including maternity and copyright licences. Some of this surplus might be available to fund other identified funding pressures such as union duties – as previously discussed at Schools Forum.

### **DSG Reserve**

15. The reserve brought forward of £0.846 million is reduced by the early years block adjustment of £0.035 million. The forecast overspend would take the reserve into a deficit position of £2.427 million. This overspend equates to 1.3% of total DSG.
16. The DfE has issued the consultation about the detailed implementation of the tightening of the rules governing deficits in local authorities' overall DSG accounts, under which local authorities have to explain their plans for bringing DSG account back into balance. The DfE intend to require a report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019. This report will need to have been discussed with the Schools Forum. Wiltshire will be submitting a response by the required deadline.

### **Proposals**

17. Schools Forum is asked to note the budget monitoring position at the end of October 2018 and the continued pressure on high needs budgets and to support and contribute to the on-going work of the High Needs Working Group.

18. The proposals of the High Needs Working Group should be examined for benefits, risks, feasibility and timescale. These should form part of an action plan being drawn up by Childrens Services. A further report should be brought to the next Schools Forum.

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