

**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 28 February 2019.

**Main Considerations**

2. Appendix 1 to this report outlines the budget monitoring summary as at 28 February 2019 but will be shared in Part II of this meeting.
3. An overspend of £4.170 million is currently projected against the overall schools budget. The forecast overspend on the High Needs Block is £4.574 million and this is offset by underspends in the growth fund, 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. A presentation on from the external consultants is on today's agenda.

***Schools Funding***

5. A budget of £1.0 million was set aside in 2018/19 as a growth fund. The latest forecast of expenditure on this is £0.920 million which creates a small underspend.

***Early Years Budgets***

6. Budgets for the free entitlement for 30 hours childcare for 2, 3- & 4-year olds are currently forecast to be underspent by £0.320 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	19 (or 4%)
3 & 4-year-old Funding	4,888	4,802	(86) (or 1.7%)
Overall	5,306	5,238	(67) (or, 1%)

***High Needs Budgets***

7. High Needs budgets are projected to overspend by £4.574m. The biggest areas of overspend are Independent Special School Fees, Named Pupil Allowances and top ups in schools and alternative provision and elective home education support for pupils with SEND. The post-16 budget shows an underspend which is partially offsetting the overspend in other areas.
8. This significant overspend must be viewed alongside national factors. Nationally, Wiltshire is seventh from the very lowers funded local authority in the Country.

9. 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.
10. 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 continue to urge government to address before permanent damage is done to very many vulnerable pupils. The f40 group has organised a briefing in Parliament for MPs around fairer funding for 14 May 2019.
11. Whilst local action plans are very much in place to reduce spend, with rising demand and an elongated age group in scope, the long-term solution remains a national increase in Schools Funding. Only increasing base budget will allow strategic plans to be rolled out.
12. 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.
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 (16%) than expenditure (9%) which could be an indicator that we have more children and young people with lower levels of need.

	Budgeted	Forecast	Forecast Variance
HNB Spend	£39.255M	£43.829M	£4.574M (12% increase)
Number of EHCPs	2,767	3,400 <i>as at 28/02/19</i>	633 (23% increase)

14. Wiltshire submitted a Free School Bid for 150 place Special School provision in the South of the County. This was successful, and plans are in place to take this forward. This will create additional places and enable more children to be placed in Wiltshire Special Schools.
15. The DfE SEND capital allocation is on schedule to be fully allocated to schemes and will be published by the deadline of 31st May 2019.

### **Central Schools Budgets**

16. 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**

17. The reserve brought forward of £0.846 million is reduced by the early years block adjustment of £0.035 million. The forecast overspend and adjustments to the DSG to be discussed further in Part II of this meeting would take the reserve into a deficit position of £2.060 million. This overspend equates to 0.6% of total DSG. The local authority will cashflow this deficit.
18. The DfE updated their guidance around deficit DSG reserves following a national increase in deficit reserve levels. The guidance distributed following the consultation states that where a local authority has an overall deficit on DSG of 1% or more at the end of the 2018 to 2019 financial year, it must by 30 June 2019 submit a recovery plan to the Department for Education, setting out how it plans to bring the overall DSG account into balance within a maximum of three years. In exceptional cases the authority may propose to leave some of the accumulated deficit outstanding, where it is not practicable to do otherwise. The recovery plan should be discussed and, if possible, agreed with the schools forum, and will require Chief Finance Officer sign off prior to submission to the Department for Education. In previous years the DfE have asked authorities with a cumulative deficit of 2% or more to provide plans outlining how they will bring their deficits back into balance. The decision to move the threshold to 1% is in recognition of the increase in local authorities recording a DSG deficit over the last two years.
19. The DSG reserve deficit does pose a concern and Schools Forum need to ensure all relevant steps are made to work alongside local authority officers to form a plan around high needs block activity to ensure best value across services provided by schools, centrally retained teams and external providers.

## **Proposals**

20. Schools Forum is asked to note the budget monitoring position at the end of February 2019 and the continued pressure on high needs budgets.
21. Schools Forum are asked to contribute to the on-going work of the High Needs Working Group, a multi-agency response to the high needs pressures.
22. Schools Forum are asked to contribute through continued membership of the working group specifically to the ISOS consultancy work on the high needs block.

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