

DEDICATED SCHOOLS BUDGET – BUDGET MONITORING 2018-19

Purpose of the Report

1. To report on the outturn position for the dedicated schools budget in 2018-19.
2. To report on the dedicated schools grant (DSG) reserve at the end of 2018-19.

Main Considerations

Academy Recoupment

3. The final budget for 2018-19 has been adjusted to reflect all academy recoupment through the year, including part year adjustments for in-year converting schools. The budget has been reconciled to the DSG allocation notified to the local authority in March 2019.

Outturn 2018-19

4. Appendix 1 shows expenditure as at 31st March 2019. The Dedicated Schools Grant (DSG) was overspent by £4.183 million at the end of the year, which is aligned with the forecast at the end of February 2019.
5. There are a number of movements in the variance within the overall total and the February forecast is shown on the summary for comparison. The reasons for the key variances and the movements in the last two months of the year are outlined below.
6. The overspend on the High Needs Block is £4.735 million and this is offset by underspends in the growth fund, early years and central blocks.
7. Schools Forum Members will recall The High Needs Working Group was set up in September 2018 to identify contributing factors and to make proposals to reduce the cost pressure on the high needs block.

Schools Funding

8. The growth fund underspent by £0.130 million - this was a slight improvement on January's forecast position of £0.080 million.

Early Years Budgets

9. Budgets for the free entitlement for 30 hours childcare for 2, 3- & 4-year olds were underspent by £0.324 million. This wholly based on a full year of 30 hours entitlement.
10. 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.

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

	Planned Volume (in FTE)	Final Volume (in FTE)	Volume Variance (in FTE)
2-year-old Funding	417	479	62 (or 15%)
3 & 4-year-old Funding	4,888	4,802	(121) (or 2.5%)
Overall	5,306	5,247	(59) (or 1.1%)

High Needs Budgets

12. High Needs budgets overspent by £4.735m. 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.

Central Schools Budgets

13. 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.

External Factors

14. Unlike local authority budgets, the Council is unable to prioritise non-statutory services or indeed, increase Council tax to increase these budgets and sufficiently fund the education of these vulnerable pupils. Schools Forum will be aware;
15. This significant overspend must be viewed alongside national factors. Nationally, Wiltshire is seventh from the very lowest funded local authority in the Country.
16. 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.
17. 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.
18. Whilst local action plans are very much in place to reduce spend, with rising demand and an elongated age group in scope, the only long-term solution remains a national increase in Schools Funding. Only increasing base budget will allow strategic plans to be rolled out.
19. 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.

Activity Data (Volume)

20. 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	Final Outturn	Final Variance
HNB Spend	£39.255M	£43.990M	£4.735M (11% increase)
Number of EHCPs	2,767	3,449 <i>as at 31/03/19</i>	682 (25% increase)

Demand shown above is leading to placements being made outside local authority provision. Appendix 2 shows the activity data across placement budgets for 2018/19.

Internal Response - Capital Investment - Expansion of Place Provision

21. Wiltshire was successful in a Free School Bid for 150 place Special School provision in the South of the County. Wiltshire's capital contribution to this scheme will be found from the DfE SEND capital grant, not DSG. This school will create additional places and enable more children to be placed in Wiltshire Special Schools.
22. Cabinet considered a report on Special School Consultation in the North of the County on 22 May 2019. The outcome was not available at the time of writing this report. The Council has committed to investing significant capital sums to extend provision in the North of the county funded by borrowing. The local authority budget will finance the capital and interest repayments.
23. The DfE SEND capital grant allocation was increased to £1.36 million for the period to 2021 and is fully allocated to schemes. 153 additional places are planned in schools as a result of this funding.
24. There is another report on the agenda from the Acting Head of Childrens Commissioning outlining progress and planned timescales on these expansion plans.

Internal Response – High Needs Block Working Group & ISOS

25. The High Needs Block Working Group was established in September 2018 met through the Autumn 2018 term. Local Authority funding has been prioritised to fund ISOS who are nationally recognised for their work with the DfE and SEND funding. ISOS presented their approach to the March Schools Forum meeting. There is a separate update on the agenda from the Director of Education & Skills on current progress and ISOS will return to Schools Forum in October to present their findings and recommendations. At this point, Schools Forum will be given the opportunity to consider a transfer from schools block to the high needs block and plan any necessary consultation and approval required.

DSG Reserve

26. The reserve brought forward of £0.846 million was reduced by the early years block adjustment of £0.035 million.
27. Members approved the Revenue Outturn report at Cabinet on the 11 June which included a contribution of £1.3 million to the DSG reserve.
28. The overspend and adjustments to the DSG above will create a deficit DSG reserve of £2.072 million.

	£ million
Balance Brought Forward 17/18	(0.846)
Early Years post year adjustment 17/18	0.035

DSG Overspend 18/19	4.183
Local Authority Contribution	(1.300)
Carried Forward deficit reserve 18/19	2.072

29. This overspend equates to 0.6% of total DSG. In addition to contributing towards the deficit, the local authority will cashflow this deficit until a recovery plan brings the reserve back into balance.
30. 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.
31. 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

32. Schools Forum is asked to note the final outturn budget monitoring position and the continued pressure on high needs budgets.
33. 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.
34. Schools Forum are asked to contribute specifically to the ISOS consultancy work on the high needs block.

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