

Wiltshire Council

Schools Forum

11th June 2020

DEDICATED SCHOOLS BUDGET – BUDGET MONITORING 2019-20

Purpose of the Report

1. To report on the outturn position for the dedicated schools budget in 2019-20.
2. To report on the dedicated schools grant (DSG) deficit reserve at the end of 2019-20.

Main Considerations

Academy Recoupment

3. The final budget for 2019-20 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 2020.

Outturn 2019-20

4. Appendix 1 shows expenditure as at 31st March 2020. The Dedicated Schools Grant (DSG) was overspent by £9.071 million at the end of the year, which is further explained below.
5. Appendix 2 shows the activity for the financial year and in particular measures the increases in demand for services which, are the driver for cost pressures across high needs and early years blocks.
6. The overspends on the high needs and early years Block are £8.470 million and £1.082 million respectively and these are offset by underspends in the schools and central blocks.
7. This net overspend leads to a DSG deficit reserve of £11.376 million. Schools Forum Members will be aware of the recent legislative change to transfer the whole of the balance of the DSG deficit reserve to top slice future years schools budget shares. The implications of this together with proposed actions are explored in further detail in a report from the Strategic Financial Support Manager for Schools.
8. Schools Forum Members will be aware of the ongoing partnership work around the high needs pressures and there is are updates from the Director of Education and Learning later in the agenda on the work of the HNB working group comprising officers and head teachers together with an update from the new Head of Special School Transformation, Alison Enever.

Schools Funding

9. The growth fund underspent by £0.174 million – this small underspend reflects lower than anticipated usage of the fund.

Early Years Budgets

10. Budgets for the free entitlement for 30 hours childcare for 2, 3- & 4-year olds were overspent by £1.082 million. This wholly based on a full year of 30 hours entitlement.

11. It is important to note that the overspend 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 however we would anticipate this would be a positive adjustment.
12. The table below show this forecast underspend relates to volume of take up which has driven the overspend.

	Planned Volume (in FTE)	Final Volume (in FTE)	Volume Variance (in FTE)
2-year-old Funding	385	419	34 (or 32%)
3 & 4-year-old Funding	4,791	4,997	206 (or 4%)
ISF	447	591	144 (or 32%)
Overall	5,623	6,007	384 (or, 6.8%)

High Needs Budgets

13. The high needs budget allocation was topped up with a transfer of £2.2million from schools block and £0.334 million from central schools services block. Despite this, high needs budgets overspent by £8.470m. The biggest areas of overspend are Independent Special School Fees, Named Pupil Allowances and top ups in schools and colleges, alternative provision and elective home education support for pupils with SEND. The ELP top up budget shows an underspend which is partially offsetting the overspend in other areas.

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 remains one of the very lowest funded local authority for schools 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 similar level (15%) as expenditure (17%). Continuing demand pressures are significantly outstripping the high needs block allocation.

	Budgeted	Final Outturn	Final Variance
HNB Spend	£49.401M	£57.871M	£8.470M (17% increase)
Number of EHCPs	3,351 <i>as at Jan 2019 when we set the budget</i>	3,860 <i>as at 31/03/20</i>	509 (15% increase)

Demand shown above is leading to placements being made outside local authority provision. Appendix 2 shows the activity data across placement budgets for 2019-20.

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. The Council has committed to investing £33.194 million, a significant capital sum to extend provision in the North of the county and create a system of excellence; funded by borrowing. The local authority budget will finance the capital and interest repayments. **At the time of writing, confirmation from the OSA to proceed was awaited.**
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. The council has allocated £0.300 million through Families and Children Transformation (FACT) to fund the research and transformation journey.

Internal Response – High Needs Block Working Group, ISOS report and the HNB Recovery Plan

25. The High Needs Block Working Group was established in September 2018 met through the Autumn 2018 term to look at drivers for demand and explore ways to move forward. An external consultancy, ISOS who are nationally recognised for their work with the DfE and SEND funding were contracted to work with stakeholder groups. ISOS presented their approach to the March 2019 Schools Forum meeting and their findings and recommendations to Schools Forum in October 2019. A specialist consultant headteacher is currently contracted to work with schools on the inclusion agenda. A recovery plan was drafted and shared with Schools Forum in January 2020. A second working group with new membership was set up early in 2020 and there is a separate update on the agenda from the Director of Education & Skills on current progress against the HNB recovery plan and the inclusion approach.

Central Schools Budgets

26. There is a planned underspend of £0.263 million on central school budgets held and managed by the local authority on the schools behalf – including maternity and copyright licences.

DSG Reserve

27. The deficit reserve brought forward of £2.072 million was increased by the early years block negative adjustment of £0.206 million.
28. The overspend and adjustments to the DSG above will create a deficit DSG reserve of £11.376 million.

	£ million
Balance Brought Forward 18-19	(2.072)
Early Years post year adjustment 18-19	(0.206)
DSG Overspend 19-20	9.072
Carried Forward deficit reserve 19-20	(11.376)

29. This overspend equates to 2.6% of total DSG. The local authority will cashflow this deficit until it is able to follow the DfE's guidance that;
- full collection takes place through the top-slice in 2021-22 financial year or,
 - any disapplication to the Secretary of State for Education takes effect or,
 - further change to guidance or, funding levels in future years is received.
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 2019 to 2020 financial year, it must by 30 June 2020 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 DfE recovery plan will now take into account the top slice from the schools block in 2021-22 financial year as well as the plan shared with schools forum to reduce both demand and expenditure in January 2020.
32. DSG reserve deficit does pose a significant concern. The impact of this is explained fully later in the agenda 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

33. Schools Forum is asked to note the final outturn budget monitoring position and the continued pressure on high needs budgets.
34. Schools Forum are asked to continue to contribute to the on-going work of the High Needs Working Group, a multi-agency response to the high needs pressures.
35. Schools Forum are asked to ensure Wiltshire schools engage with the recovery plan which includes rolling out the inclusion agenda.

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