

Title: Dedicated Schools Grant 2019-20 - Budget Monitoring Report and Reserves as at 30th November 2019

Date: 21st January 2020

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Schools affected: All schools and Early Years providers

1. Purpose of this report

- 1.1. This report updates Schools Forum on the Dedicated Schools Grant (DSG) **forecast** outturn position (year-end) for 2019-20 as at 30th November 2019 and the forecasted Dedicated Schools Grant Reserve year-end position for the financial year 2019-20.
- 1.2. The report highlights a projected overspend year end position of £3.43m against **current budgets**, an increase of £2.54m on the last reported position at the end of August 2019. This is made up as follows:
 - £2.92m overspend in the High Needs block (the forecast is after £2.75m of additional funding added to budgets in 2019-20, which brings the overspend to £5.67m over and above the DSG allocation for High Needs).
 - £0.42m overspend in the Early Years block (overspend based on current DSG allocations that will be updated for January 2020 census)
 - £0.34m overspend in the Schools block.
 - (£0.25m) underspend in the Central Schools Service block
- 1.3. The DSG reserve in October 2020 was reported to have a surplus of £1.95m. Taking into account the overspend position this will result in a forecasted negative deficit reserve of £1.48m with all earmarked and free reserves used. Actions proposed in this report to recover this position in 2020-21 will leave an estimated deficit reserve early in the financial year of £0.2m. A longer term recovery plan (including levels of ear-marked reserves) is to be brought back to Schools Forum in March 2020.
- 1.4. This position will be reported to BCC's Corporate Management Team and Childrens Budget Board, and the outcome of this scrutiny will be fed back to Schools Forum.

2. Movement in Forecasts from August 2019

2.1. The main movements from August are broken down as follows:

- High Needs Education Health Care Plans (EHCP) Top up in Mainstream schools – an **increase of £1.2m** on the budget of £7m. The report to Schools Forum in December highlighted the pressures following the successful work to clear the backlog of EHCPs assessments and issue plans. The costs are based on detailed schedules from schools in November and in early December, School Forum was made aware the forecast overspend would be in excess of £0.5m.
- High Needs Independent schools overspend – an **increase of £536k**. Schools Forum in December was advised that the forecast was likely to increase as September starter data is confirmed.
- High Needs post 16 colleges – an **increase of £500k**, reflecting increased demand for places
- Early Years – an **increase of £420k**. August’s position was a balance budget, although it was noted that pupil data in December would provide a clearer picture of activity.
- Schools Block – a **reduction of (£176k)** in maintained Schools Business rates after securing charitable relief for a number of schools

3. Background

3.1. As agreed by Schools Forum, the final budgets in the 4 blocks to be spent in 2019-20 included additional funding for High Needs - a transfer from Central Services School Block (Historic Commitments) and draw down from DSG reserves:

| DSG block allocations as at November 2019 to 2019-20 budgets | Allocation After Recoupment | movement between blocks | use of reserves | Import /export adjustment to be met from reserves | Final Budgets |
|--------------------------------------------------------------|-----------------------------|-------------------------|-----------------|---------------------------------------------------|---------------|
| | £m | £m | £m | £m | £m |
| Schools Block | 165.7 | 0.0 | 0.0 | 0.0 | 165.7 |
| High Needs Block | 74.5 | 1.7 | 1.05 | 0.16 | 77.4 |
| Early years Block | 31.6 | 0.0 | 0.0 | 0.0 | 31.6 |
| Central Schools Services Block | 7.4 | -1.7 | 0.0 | 0.0 | 5.7 |
| Total DSG Allocation 2019-20 | 279.2 | 0.0 | 1.05 | 0.16 | 280.4 |

3.2. The November DfE allocations reflect the latest academy recoupment, a reduction in the schools block of (£0.240m) since the last reported allocation in July 2019.

4. The Forecasted Outturn (Year-end) position

4.1. The table below shows the 4 blocks forecasted to year end as at 30th November 2019, and then adjusted for further estimates based on the latest information. The adjusted forecasted year-end position is a +£3.43m overspend, details are shown below:

| DSG blocks 2019-20 as at 30th November 2019 | Budget Plan 2019/20 | Year-end Forecast Outturn as at 30/11/19 | Year-end Forecast Variance as at 30/11/19 | Forecast Variance including adjustment post November | Year-end Forecast Variance as at 31/08/19 | Forecast change from August |
|------------------------------------------------|------------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------|
| | £m | £m | £m | | £m | £m |
| Schools Block | 165.76 | 166.10 | 0.34 | 0.34 | 0.54 | -0.20 |
| High Needs Block | 77.39 | 79.76 | 2.37 | 2.92 | 0.56 | 2.35 |
| Early Years Block | 31.56 | 31.56 | 0.00 | 0.42 | 0.00 | 0.42 |
| Central Schools Services Block | 5.72 | 5.47 | (0.25) | -0.25 | (0.22) | (0.02) |
| Total Budgets* | 280.43 | 282.89 | 2.46 | 3.43 | 0.89 | 2.54 |

* Reduction in budget since August 2019 of £0.24m for latest academy recoupment

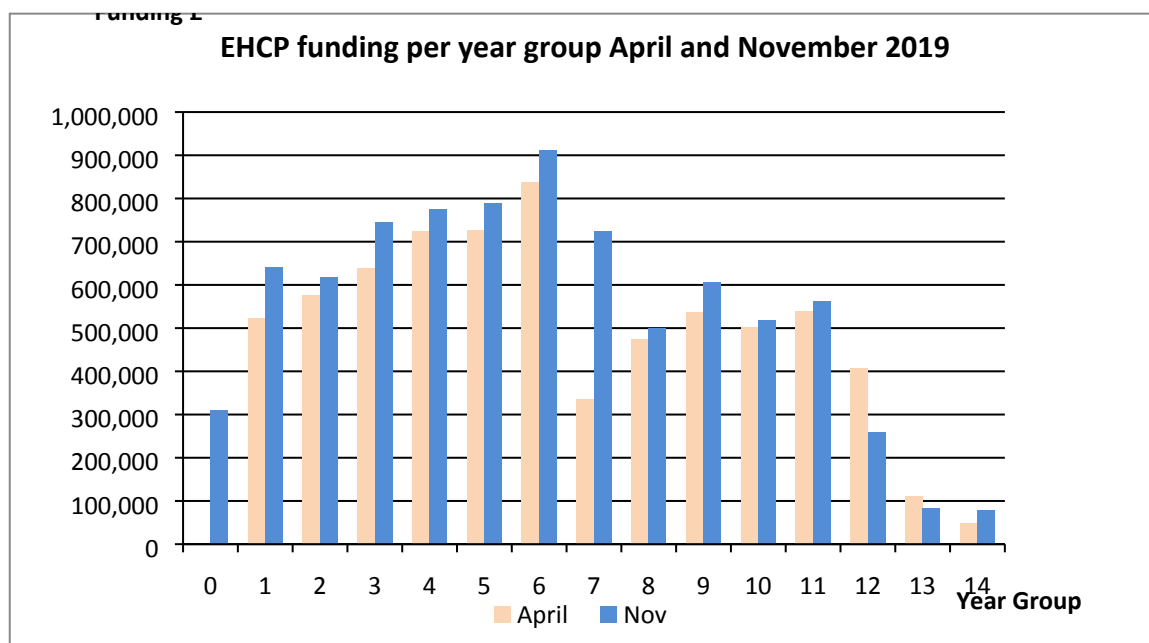
4.2. **Schools Block** forecast overspend of £340k (A reduction of (£200k) on August's figures). The main points to note are as follows:

- £239k Growth Fund overspend (a reduction of £27k on August) overspend relates to payments to St Michaels over and above estimated project costs. A projection for next year's Growth Fund is included in budget proposals report and growth fund report later on the agenda.
- £101k Business Rates (maintained schools) overspend (a reduction of £1761k on August). The current position includes a reduction in costs after securing charitable relief for some schools. The loss of transitional protection following the rateable revaluations in 2017-18 has increased the cost for this year. Next year's costs for all schools have been estimated and any shortfall in DfE funding will be top sliced from the 2020-21 funding formula, and is included in the schools budget proposals report.

4.3. **High Needs Block** adjusted forecast overspent of £2.92m (An increase of £2.35m on August's position). One of the main reasons for the increase in costs has been the success in clearing the assessment backlog for approximately 500 EHCPs. This was highlighted as a risk in the SEN update report to Schools Forum in December 2019. The key variances are as follows:

- £1.2m Education Health Care Plans (EHCP) Top up in Mainstream schools. The increase reflects additional pupils and increased unit costs. Pupil numbers are

based on data, confirmed by schools 1 November, including September's intake. Pupils in receipt of funding have increased by a net 397 since April 2019 (April 1344 pupils and November 1741 pupils). Some pupils with an EHCP will not have a top-up as their needs are to be met from notional SEN funding within the School's Budget Share. The average full year costs for a pupil in April was estimated to be £5,198, but now is £5,528, an increase of £330. The graph below shows year group data, with all year groups except years 12 and 13 showing an increase in funding for this financial year. It shows the highest funded year group is year 6, and the greatest increase in costs is in year 7.



Note: pupil year group data shown in April has been adjusted to reflect individual year group as at September to provide a like for like comparison.

- £561k Independent schools overspend – an increase of £536k on the August position. This includes £109k backdated payments, and reflects an increase in both FTEs and an increase in unit costs. Currently there are 256.8 FTEs at an average unit cost of £57,558. The budget of £14.2m was set to support 258.5 FTEs at a unit cost of £55,000. Numbers of known placements are therefore broadly in line with the budget. However unit costs are higher than budgeted for. The average unit cost masks a significant range in costs of individual placement, varying from less than £10k per year to in excess of £250k per year. There is risk the forecast will increase if additional children are placed between now and the end of the financial year.
- £500k post 16 colleges expected increases based on latest information. Student numbers in post-16 colleges requires further analysis so that this forecast can be finalised, however numbers are projected to be higher than in the previous year.
- £480k Additional and Exceptional support – for pupils in special schools, secondary PRU, and pupils receiving education at home, an increase of £34k on August.
- £76k Special School top up - no change on August's position. This represents payments to support 6 additional pupils placed in BCC special schools.

- £74k exclusions and reintegration costs an increase of £24k on the August position.

The on-going effect of these costs is considered in the High Needs budget proposals report further down in the agenda.

4.4. **Early Years** adjusted forecasted overspend of £420k. August's position was a balanced budget, although it was noted that pupil data in December would provide a clearer picture of activity. Any increase in pupil numbers captured in the January 2020 census will lead to additional funding from the DfE, but this will be paid after the year end. This timing issue has caused this block to be overspent in 2019-20. The main points to note are as follows:

- £280k overspend on 3-4year olds (based on the latest pupil data)
- £134k overspend on 2 year olds (based on latest pupil data)

4.5. **Central Schools Service Block** underspend of (£250k) of which (£262k) relates to unallocated budgets from 'historical spend contribution to combined budgets'. Part of this budget was to fund the BLT Early Years' service, but since this service has come back into the Council's control, and following the restructure of the Early Years' service, the saving of (£262k) has remained unallocated to offset overspends elsewhere in the DSG..

5. Mitigating Actions (High Needs Block)

5.1. A number of actions to reduce high needs expenditure were reported to the October meeting of Schools Forum. Those actions include initiatives within both mainstream and specialist provision and are expected to show impact in future years. The outcome of the work by Impower on demand trajectories and impact of earlier intervention will inform an action plan for the local authority to reduce costs within the high needs block over time. The report from this work is expected to be finalised during the current month.

5.2. Actions which are expected to have a direct impact on costs in 2020-21 include:

- a) Revised SEN Panel procedures – these are already impacting on the decision making processes
- b) Review of processes for EHC plans to ensure resource allocation is appropriate and is reviewed. A new system is in place for agreeing EHC needs assessments which ensure robust decision making, in November 2019 66% of EHC needs assessments were agreed compared to the same time during the previous year of approx. 90%.
- c) Speech and Language link – this is expected to reduce the numbers of requests for EHC plans, focused on children aged 5-7yrs as an early intervention measure.
- d) Focus on Ordinarily Available Provision – to be launched in January 2020 through initial training sessions, greater highlighting of the provision that is expected to be

put in place for those children at SEND Support utilising already delegated funds to schools.

- e) Side by side work with schools to focus on inclusion

5.3. Whilst the impact of these actions is difficult to fully quantify it is expected that there will be a reduction in both the numbers and costs of EHC plans in the next year with an increased focus on the support that needs to be in place to support pupils.

6. DSG Reserves

6.1. The last DSG Reserves position reported to Schools Forum in October 2019 was a surplus of (£1.95m). Actions agreed (to date) by Schools Forum, the impact of the forecasted overspend and actions to be taken in 2020-21 to recover this position are shown in the table below:

| | Reserves as at 1st April 2019 | Actions Agreed Schools Forum June 2019 | Actions Agreed Schools Forum October 2019 | Balance of reserves as at October 2019 |
|----------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------|-------------------------------------------|----------------------------------------|
| DSG Reserves | | | | |
| Mandeville school - deficit write off | 500,000 | 0 | | 500,000 |
| Early Years - changes in grant funding | 700,000 | 0 | | 700,000 |
| Dedelegation | 717,511 | (£300,000) | | 417,511 |
| High Needs funding for 2019-20 | 1,021,694 | (£1,021,694) | | 0 |
| In -year additional funding and agreed actions | | | | |
| Early Years -additional funding for 2018-19 received after year end based on Jan 2019 Census | | | 509,642 | |
| High Needs Import/Export adjustments | | | (£153,333) | |
| Increase in HN blocks use of reserves to balance budgets | | | (£26,660) | |
| Add 'Free Reserves' to balance | | | | 329,648 |
| Reserves after agreed actions | 2,939,205 | (£1,321,694) | 329,648 | 1,947,159 |
| Reserves as at the end of October 2019 | | | | 1,947,159 |
| Less Forecasted year-end overspend position | | | | (£3,430,000) |
| Forecasted DSG deficit position 31.03.20 | | | | (£1,482,841) |
| Deficit Recovery plan 2020-21 | | | | |
| Forecasted DSG deficit position 31.03.20 | | | | (£1,482,841) |
| Use of unallocated Revenue contribution to Capital | | | | 844,205 |
| Early Years DSG adjustment for January Census | | | | 420,000 |
| Forecasted DSG deficit position 01.04.20 | | | | (£218,636) |

6.2. The deficit recovery plan 2020-21 detailed above, proposes to use the £844k unallocated balance of revenue contribution to capital in 2020-21 within Central Schools Service Block and the expected £420k additional DSG funding for Early Years pupils from the January 2020 census (to offset the reported overspend on current budgets in 2019-20).

Schools Forum is asked to agree to the use of these funds, which will leave an estimated deficit reserve early in the 2020-21 of £0.2m. Detailed recovery plans (including levels for ear-marked reserves) are to be brought back to Schools Forum in March 2020.

- 6.3. As reported to Schools Forum in December 2019, the DfE are introducing new rules and procedures around deficit DSG reserves, subject to consultation. The outcome of the consultation was not available at the time of writing this report. Since 2019-20 the DfE has set the principle that the DSG is ring-fenced and any deficit is to be carried on the reserve and not met from a Local Authority's General Fund. Should the deficit be more than 1% of the DSG allocation, the Local Authority is to set out recovery plans to bring DSG back into balance. The 1% will be calculated on the latest published DSG allocations gross of recouplement. For Buckinghamshire the 1% is a deficit of £4.4m.
- 6.4. Despite the principle that Local Authorities are able to carry forward a deficit in DSG reserve, it is essential that a recovery plan is developed so that the Council does not continue to have a deficit position against the DSG budget.

7. Recommendations

7.1. That Schools Forum:

- (a) Note the forecast outturn (year-end) position of £3.43m, as set out in the report**
- (b) Agree the use of funds as set out in 6.2 above as part of the 2020-21 DSG reserve recovery plan**
- (c) Agree that budget proposals for 2020-21 must include provision to address the projected deficit in the DSG reserve.**
- (d) Agree that a longer term recovery plan for the DSG reserve (including levels for ear-marked reserves) is brought back to the March Schools Forum meeting.**