

FINANCE UPDATE - REPORT OF THE COUNTY TREASURER AND CHIEF OFFICER FOR CHILDREN'S SERVICES

RECOMMENDATIONS

It is recommended that DEF:

- a) Notes the DSG Draft Outturn position (subject to Statement of Accounts sign off) as set out in Section 1
- b) Allocation of the carry forwards from 2017/18 as set out in Section 2
- c) Notes the year-end Mutual Fund position as set out in Section 3

DSG and Schools Funding Outturn 2018/19

1. DSG 2018/19 outturn

The year-end position for Dedicated Schools Grant (DSG) is breakeven, however this is after taking account of school surplus balances of £20.6millions and agreed deficit carry forward of £1.6millions for the High Needs Block.

Table 1: Dedicated Schools Grant and Schools Funding DRAFT 2017/8 Outturn
Brackets in the budget and spend columns represent income; brackets in the net variance column represent an under spend.

	Final Approved Net Budget £'000	Net Spend £'000	Variations (under) / over £'000	Grants c/fwds in 2017/18 £'000	Final Outturn Variance £'000	Note ref
DSG	(293,827)	(293,814)	13	(13)	0	1.1
Pupil Premium	(14,419)	(14,419)	0	0	0	
Early Years – Disadvantaged 2 year olds	(4,975)	(4,961)	14	(14)	0	
Other Schools Grants	(8,834)	(8,834)	0	0	0	
Post 16 Funding (mainstream)	(3,988)	(3,988)	0	0	0	
Total Schools Grant Funding	(326,043)	(326,016)	27	(27)	0	
Schools delegated budget, including maintained nursery units	237,123	221,196	(15,927)	15,927	0	1.1
De-delegated budgets	6,399	4,003	(2,396)	2,396	0	1.2
Central Provision within School's block	4,619	4,963	344	(344)	0	1.3
High Needs block, including maintained special schools	64,100	63,834	(266)	266	0	1.4
Early Years block	34,357	33,295	(1,062)	1,062	0	1.5
Overall net DSG and School funding	20,555	1,275	(19,280)	19,280	0	

1.1 Schools

The 2017/18 DSG Schools Block budget is based upon pupil numbers as at the October 2016 census, and is adjusted in year for existing and convertor academies as well as deductions for high needs places that are directly funded by the Education and Skills Funding Agency (ESFA) (to academies and non-maintained special schools).

Based on final pupil numbers and high needs place adjustments, the total initial DSG allocation including 2-year-old funding for Devon 2017/18 is £487.9millions. The final budget of £298.8millions is after in year adjustments for existing and convertor Academies and Early Years census. Pupil Premium Grant is £14.4millions; School Sixth Form Post 16 funding £4.0millions and other Schools Grant £8.8millions.

The variance of £27,000 relates to the difference between the Early Years spring 17 forecast when compared to the actual received in July 2017.

The schools carry forward balances of £18.1millions (£15.9millions maintained mainstream schools and £2.2millions special schools included as part of the High Needs Block) compares with £18.1millions on a like for like basis (that is to say after adjusting for in year convertors up to the 1st December 2017).

Table 2: Schools carry forward balances

		2017/18 £'000		2016/17 £'000
B/fwd balance		18,389		23,162
Schools converted to academies	7	(310)	23	(854)
Schools closed	0	0	2	6
Schools merged	3	0	0	0
Schools with decreasing balances	97 52.2%	(4,147)	76 39%	(6,197)
Schools with increasing balances	88 47.3%	4,069	119 61%	2,272
Schools opened	1	141	0	0
Carry forward		18,142		18,389

1.2 De-delegated budgets

De-delegated budgets have an under spend of £2.4millions due to savings against a range of services; £147,000 copyright licences; £1.4millions Schools contingency, which has benefited by £658,000 of in year rates rebates for maintained schools alongside slippage of some commitments for redundancy; £67,000 Targeted services; £206,000 Exceptional events funding not required, £419,000 Surplus on the Maternity fund; £139,000 Trade Union. Budgets are subject to change during the years as schools convert to academies, expenditure commitments made for redundancies often are lower than expected once claimed for and costs regularly slip into the follow financial year.

1.3 Central Provision within Schools

Central Provision within Schools have an overspend of £334,000.

Phase Associations have underspent by £6,000 once we allow for the £43,000 over spend by DASH which has been ring fenced for carry forward into 2018/19.

Surplus Properties overspent by £21,000 due to management costs for Wardhayes site not budgeted and other minor overspends total £4,000.

The Growth Fund has overspent by £282,000 due to surplus funds in 2016/17 used to offset the High Needs Block overspend at outturn. The over spend would have been greater but commitments for Sherford Vale and St James Okehampton Primary have slipped into 2018/19.

During 2017/18 36 schools received a total of £1.78millions from the growth fund. This was in relation to falling roll £70,000; one off classrooms £200,000; growth general £396,000; new schools £334,000 and growing schools £782,000.

Table 3: High Needs Budget Position for 2017/18

	Final Approved Budget £'000	Net Spend £'000	Variations (under) / over £'000	Grants c/fwds in 2017/18 £'000	Final Outturn Variance £'000
Alternative Provision inc Hospital school	2,625	2,727	102	(102)	0
LDP Inclusion & Safeguarding	3,287	3,137	(150)	150	0
Nursery Plus	1,164	1,095	(69)	69	0
SEN Mainstream	11,000	11,191	191	(191)	0
SEN Services	924	924	0	0	0
Independent Special Schools & Recoupment	15,493	17,296	1,803	(1,803)	0
Maintained Special Schools	27,676	25,456	(2,220)	2,220	0
Support Centres and PSP's	1,931	2,008	77	(77)	0
TOTAL	64,100	63,834	(266)	266	0

1.4 High Needs

Overall the High Needs budget under spend of £266,000 is before adjusting for carry forwards relating to Maintained Special schools and Hospital school surplus balances of £2.3millions and the High Needs overspend of £2.1millions.

The total over spend of £2.1millions has been partially offset against £416,000 of the underspend on the Early Years Block, resulting in an overspend carry forward of £1.6millions. This is a reduction from the £2.5millions anticipated in November 2017 DEF request.

1.4.1 Alternative Provision

The number on role continues to increase, budget was based on an average of 113 placements in AP but actuals averaged out at 165 with the top up at £12,650 per pupil. The budget would have been further overspent had we not been able to withhold the Commissioned outcomes funding from the provider which totalled a £378,000 due to them missing key targets in the SLA.

1.4.2 LDP Inclusion & Safeguarding

Pupil premium was used for specific projects within the Children in Care element of the Babcock contract. The incidental costs budget did not see any demand which saved £35,000 and the Employment and Skills budget saved £11,000.

1.4.3 Nursery Plus

This year the funding arrangements changed and units were funded on actual spend for each support centre, budget savings of £69,000 were achieved.

1.4.4 Special Educational Needs (SEN) Mainstream

The overspend of £207,000 represents 1.9% of the budget, £186,000 of which relates to SEN therapy's. This budget has seen significant in year management action implemented to bring it back to this level. Non-statutory plans are being phased out and banding for statutory Education Health Care Plans (EHCP) introduced to cap expenditure.

1.4.5 Independent Special Schools (ISP)

There has been an increase of 31 placements over the budgeted level of 320 as well as rising placement costs.

This has resulted in a variance of £2.6millions for ISPs;

- £1.3millions volume variance mainly in direct funded pre-16 placements
- £1.2millions price variance mainly in post 18 placements and Children in care placed by the Joint Agency Panel)
- offset by £716,000 additional budget made available once it was confirmed the 2016/7 deficit would not come forward.

1.4.6 Maintained Special Schools (MSS)

MSS individual surplus schools' balances total £2.2millions. A budgeted £740,000 review of the core offer has been implemented in January and back dated to April 2017 to deliver additional funding to schools to meet their growing costs.

The top up budget was for 1,051 day places compared to actual average placements of 1,068 which equates to £182,000 overspend, and £199,000 additional place funding (92 budgeted compared to 112 paid), £90,000 for prior year costs and £50,000 over budget for complex top up.

Overspends offset by additional funding from the Strategic review for capacity building of £116,000, £80,000 from Social Care budgets towards residential costs.

1.4.7 Support Centres and Primary Support Partnerships (PSP)

Budget was set prior to finalisation of school discussions which created a shortfall of £43,000 plus Language centre not budgeted of £32,000.

1.5 Early Years

The initial DSG allocation for Early Years is based on January 2016 census notified to us at the end of 2016. An adjustment to the DSG settlement is made in July 2017 to take account of actual hours in the January 2017 Census for the full year. A further adjustment in July 2018 is made using the January 2018 CENSUS to cover any change in FTE's and calculated for the September 2017 to March 2018 period.

£725,000 under spend on External Private, Voluntary and Independent (PVI) settings is due to difference in income (as per census) for 3 & 4 year olds in compared with actual take up, during a period of falling numbers plus a lagged take up of the additional hours, for which Devon had been funded, which was introduced in September. External PVI payments for 2-year-old has an overspend of £208,000.

Overall the Early Years under spend is £1.1millions before adjustments for ring fenced surplus funds of Pupil premium for PVI settings £188,000, growth fund £184,000 committed in 2018/19 and ring-fenced deficit for Tresillian nursery of £53,000. The under spend has been used to offset overspends in Central Provision and the High Needs block.

1.6 Summary

The DSG has overspent for the second year in a row due to the growing demand within the High Needs block. More complex needs, rising costs, stronger regulatory checks and the declining market are driving up costs.

1.7 Recommendation

That DEF notes the DSG Draft Outturn position (subject to Statement of Accounts sign off) as set out in Section 1

All to Note

2. Allocation of carry forward from 2017/18

2.1 The current outturn is subject to the Council's Statement of Accounts being signed off by Full Council. The Schools and Early Years Finance Regulations do not allow for in-year distributions to schools. Any redistribution of funding must go through the school funding formula in the following funding period (in this case 2019/20 financial year), whereby the LA may request through the Secretary of State that this additional funding is excluded from the MFG calculation. The LA must consult with the Schools Forum regarding any such proposal and has responsibility for the final decision.

The carry forward that Schools Forum agreed in principle have been amended to actuals for early allocation in 2018/19. It is requested that the carry forward requests of £19.3millions in Table 5 are noted or approved.

Table 5: Carry Forward from 2017/18

Budget Line	Amount £'000	Notes	Recommendation
Mainstream School balances	15,927	Automatically carried forward in Individual School budgets	2.2 All to note
Total School balances	15,927		
Maternity	419	Balance to fund ongoing cover in 2018/19	2.3 All to note
Schools and DSG Contingency	1,852	Roll forward 2017/18 underspend into 2018/19	2.3 All to note
Phase Associations	82	DAPH (£82k) reinstated. C/fwd taken as part of 2016/17 funding of HNB DASH (£43k) taken as part of 2016/17 funding of HNB offset by £43k overspend in 2017/18.	2.3 All to note
Total de-delegated budgets & Central Provisions	2,353		
Special School Balances	2,219	Automatically carried forward in Individual School budgets	2.4 All to note
Hospital Education	83	Specialised training for hospital staff and additional support in North Devon	2.5 All to note
Mainstream SEN	16	Post 16 SEN – ESFA Funding that relates to summer term	2.6 All to note
High Needs	(1,637)	Deficit Balance – agreed to be carried forward by DEF	2.7 All to note
Total High Needs	681		
Early Years Pupil Premium	188	2017/18 Ring fenced grant – DfE have confirmed can be spent in 2018/19	2.8 All to vote
Early Years Growth Fund	184	Slippage on Trinity start-up costs, funds are committed for 2018/19	2.9 All to vote
Tresillian Nursery	(53)	Nursery deficit balance to be met from 2018/19 budget	2.10 All to vote
Total Early Years	319		
Total Carry forward requested	19,280		

3. Mutual Fund Update

3.1 The Schools Mutual Fund is a scheme that provides cover for absence for subscribing schools for teaching and support staff. The Fund is administered by a Board comprising the members of Schools Finance Group whose schools are members of the fund, to include representatives from DAPH, DASH and SHAD, together with an officer from Devon Finance Services. The Board meets at least twice a year (usually to coincide with a normal Schools Finance Group meeting) to review the financial status of the Fund, to set premiums and establish the Fund's protocols for the following financial year.

The Fund will continue to operate only if the numbers are considered sufficient to justify the continued operation of the fund.

3.2 The Mutual Fund Board at their meeting of 3 January 2018 agreed the following: -

- i) That premiums have been reduced from 2017/18
- ii) That any school(s) or academy within Devon's authority or linked to a school in Devon's authority is allowed to join the scheme. New schools wishing to join the scheme will incur a one off joining fee of 7% on top of the cost of their premium. There will be no joining fee for those schools that are currently members of the fund.
- iii) That claims are paid at 50% of the total amount at the time of submission
- iv) That the balance of claims is not released until the end of the financial year when the full costs are known. If the value of claims exceeds the value of the premiums collected, the claims will be abated pro-rata to ensure financial balance is achieved. If the value of the claims is significantly less than the premium collected, the Board will consider if a rebate shall be made.

3.3 At the end of the 2017/18 financial year, the value of premiums collected exceeded the value of the claims paid out by £435,000.

3.4 Recommendation

That DEF note the Mutual Fund update

All to Note

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