

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

Recommendations

It is recommended that DEF:

- a) Note the Dedicated Schools Grant (DSG) 2019/20 announcement on 17 December 2018 as set out in section 1.  
**All to note**
- b) Note the Schools Block, High Needs Block and Early Years Block for 2019/20 as set out in section 2 to 6.  
**All to note**
- c) Note month 8 DSG monitoring position as set out in section 7.  
**All to note**

**Dedicated Schools Grant 2019/20: Budget Planning**

**1. Introduction**

On the 17 December 2018 the Education and Skills Funding Agency (ESFA) announced the Schools Funding allocations for 2019/20.

Note that the final allocations will be adjusted through the year for recoupment academies and the updated early year's census. Individual maintained school budget allocations will be confirmed by 28 February 2019 following ratification by the ESFA; Academies will receive their notifications directly from the ESFA.

**Table 1: Notional Block Allocation at 17 December 2018**

	Per pupil funding rate	No of pupils	2019/20 Allocation £m	2018/19 Adjusted Baseline £m
<b>DSG Schools Block</b>				
Schools Primary budgets, including Academies	£3,906.84	55,898	218.384	215.513
Schools Secondary budgets, including Academies	£4,916.57	35,339	173.747	170.143
Growth, Premises and Mobility			8.892	8.462
<b>Notional Block Total</b>			<b>401.023</b>	<b>394.118</b>
<b>Central Schools Service Block</b>				
Ongoing Responsibilities	£26.87	91,237	2.452	2.377
Historic Commitments			1.186	1.186
			<b>3.638</b>	<b>3.563</b>

	<b>2019/20 Allocation £m</b>	<b>2018/19 Adjusted Baseline £m</b>
<b>High Needs Block</b>		
Baseline allocation	67.873	66.849
Additional High Needs Funding (December 2018 Announcement)	1.543	1.543
Deduction for direct funding of high needs places by EFA	(5.319)	(5.970)
	<b>64.097</b>	<b>62.422</b>

<b>Early Years Block</b>	<b>Per pupil hourly funding rate</b>	<b>Pupil Part time equivalent</b>	<b>2019/20 Allocation £m</b>	<b>2018/19 Final Allocation £m</b>
3 & 4 year olds	£4.30	10,044.27	24.619	24.619
3 & 4 year olds additional 15hrs	£4.30	3,384.96	8.296	8.296
2 year olds	£5.20	1,658.23	4.915	4.915
Maintained Nursery School Supplementary Funding			0.109	0.110
Disability Access Fund			0.154	0.121
Early Years Pupil Premium			0.277	0.277
			<b>38.370</b>	<b>38.338</b>

<b>Total DSG settlement</b>	<b>507.128</b>	<b>498.441</b>
-----------------------------	----------------	----------------

## 2. Schools Block

The Schools Block allocation for 2019/20 is £401.02millions, which is an additional funding of £6.91millions from 2018/19. This is due to the additional funding received through the National Funding Formula (NFF) of £430,000 for Growth, Premises and Mobility (Growth saw an additional £1.22millions using the new DfE methodology of funding offset by a reduction in the Premises and Mobility factors of £786,000). The remaining £6.48millions is due to the rise in pupils across the sectors of 852 pupils. (volume increase £3.81millions and price increase £2.66millions)

With the revision of the local formula factors per the new underlying data the schools block has moved as far as it possibly can towards implementing the national funding formula factor.

As part of the consultation it was agreed that no school would see a reduction to the level of funding they received for 2018/19 unless there is change in underlying pupil factors; a reduction in non-pupil related factors or a drop-in pupil numbers.

Minimum Funding Guarantee (MFG) for 2019/20 is to be set at 0% compared to the plus 0.5% of 2018/19. 214 Schools will receive MFG this year compared to 122 in 2018/19, although note that 63 of these receive MFG of less than £3,863 (or in other words, less than one pupil's worth of KS3 Basic Entitlement (AWPU)).

## 3. Central School Services Block

The Central Schools Service Block is a new block from 2018/19 which recognises the Ongoing Responsibilities of Education Services Grant (ESG), Admissions, Copyrights and Schools Forum along with Historic Commitments for Phase Associations and Termination of Employment Costs.

#### 4. High Needs Block

The High Needs Block continues to be under considerable budgetary pressure and before the additional funding announcement, the total additional budget requirement for 2019/20 was identified as £7.70millions. This was the net pressure after management action and savings identified of £1.25millions.

With the settlement announcement including the additional allocation (as above) the budget shortfall reduces to £5.34millions.

The budget required and the proposals to fund or manage them are summarised in Table 2 below:

**Table 2: High Needs Budget 2019/20**

High Needs budget 2019/20	Budget Required £'000	Budget Change £'000	In year Management Action £'000	Notes ref
Alternative Provision / Hospital Ed.	2,986	421		4.1
Children in Care and Exclusions	1,451	(76)		4.2
Closing the Gap	1,500	0		
Inclusion	334	(15)		4.3
Maintained Special Schools	29,119	1,920		4.4
Nursery Plus	1,164	0		
Independent Special Schools	20,385	5,111	5,335	4.5
Recoupment	624	220		4.6
Safeguarding Every Learner	144	0		
Mainstream SEN	10,988	39		4.7
SEN Services	924	0		
Support Centre Funding	1,305	(19)		4.8
	<b>70,924</b>	<b>7,601</b>	<b>5,335</b>	

#### Detailed explanation of pressures and planned actions

**4.1. Alternative Provision (AP)** includes Hospital Education. Budget was insufficient for 2018/19 so the change reflects previous years' growth and is required to meet cost of main AP provider contract, based on a planned level of 160 per month £261,000, plus £150,000 for other AP providers to meet statutory requirements for emergency school placements. Small grant increases due to known pupil numbers for Pupil Premium £4,000, Universal Infant Free School Meals (UIFSM) £1,000 and Teacher's Pay Grant £5,000, all matched in the Schools Block.

The management action to reduce the number of placements within AP for 2019/20 is anticipated through working with the Devon Inclusion Partnership and WAVE MAT. This should help manage the pupil numbers within the contract and avoid additional cost of increasing exclusions.

**4.2. Children in Care and Exclusions** is funding for Pupil Premium for Looked After Children (LAC), DSG contribution towards staffing in Employment & Skills team plus CIC personal educational allowance, supplementary funding and incidental costs. The 2019/20 budget reflects a rise in the pupil premium rate for LAC from £1,900 to £2,300 per pupil.

**4.3. Inclusion** saving is the removal of Employment and Skills budget (£15,000)

**4.4. Maintained special schools.** Part of the SEN strategy is to invest in our maintained special schools to increase our own capacity to meet growing demand for placements in this type of provision. The 2019/20 budget for placements has been increased by £1.63millions, which covers planned growth of 112 placements (Full Year Equivalent) including the new school, Charlton Lodge which opens September 2019. Other adjustments are an increase in Pooling budget (£19,000) and £175,000 in settlement set aside for ESFA recoupment for Charlton Lodge.

Other grant increases due to known pupil numbers for Pupil Premium and UIFSM £28,000, Teacher's pay grant £108,000, PE & Sport grant £1,000 all matched in the Schools Block.

**4.5. Independent special schools.** The budget had a shortfall in 2018/19 of £1.12millions before allowing for growth and increasing numbers of complex cases and lack of capacity in-house is leading to escalating demand on high cost Independent Special School placements.

Management Action required in year to meet pressures of £5.34millions will be challenging given that savings from the current management action plans around commissioning block contracts and reviewing post 16 placements in their 3+ year of education are already earmarked to cover the planned carry forward of the 2018/19 deficit.

**4.6. Recoupment.** Exports are higher than imports for Devon and budget has needed to be increased by £340,000 to meet the current level of funding required.

**4.7. Mainstream SEN.** Demand for placements in FE colleges has increased by £976,000 after adjustments in year for revised places and import/exports. SEN therapy commitments require a budget increase of £66,000 and Post 16 increase of £18,000. Part of the additional settlement has been allocated to offset this cost, with the balance funded from savings through management action achieved by aligning EHCP funding with need descriptors (£844,000), removal of contingency budget (£33,000) and exports are higher than imports for Devon reducing the budget by (£183,000).

**4.8. Support Centre Funding** reduction in planned places (£19,000).

## 5. Early Years Block

Funding in 2019/20 sees the second year for the additional 15-hour entitlement (the 30 hour childcare policy).

The formula allocates funding to local authorities for the existing 15-hour entitlement for all 3 and 4 year olds and the additional 15 hours for 3 and 4 year old children of eligible working parents. The funding rates for both entitlements are the same.

From April 2017 Devon have been funded at £4.30 per hour for 3 and 4 year olds (national average of £4.79) and £5.20 for 2 year olds (national average of £5.39). There is no change expected until 2020.

## 6. Other Schools Grants

Other Schools Grants are summarised in Table 3 below

**Table 3: Other School Grants**

Grant	£m
Pupil Premium	24.222
UIFSM Grant	8.404
PE & Sports Premium	5.602

Teachers Pay Grant	3.807
	<b>42.035</b>

### Pupil Premium

The funding rates for Pupil Premium remain the same as for 2018/19 apart from the LAC as stated in 4.2. The illustrative budget is as per 2018/19. Allocations for 2019/20 are expected to be announced by the ESFA in June 2019.

### Universal Infant Free School Meals (UIFSM) Grant

The grant for universal infant free school meals (UIFSM) is at a meal rate of £2.30 for the 2018/19 academic year. We will be notified of further details by the ESFA in the new year. The illustrative budget is based on the latest available data for the 2018/19 academic year.

### PE & Sports Premium

The illustrative budget is based on the latest available data for the 2018/19 academic year. We will be notified of further details by the ESFA in the new year.

### Teachers Pay Grant

The illustrative budget is based on the latest available data for the period September 2018 to March 2019, forecast for a full financial year. We will be notified of further details by the ESFA in the new year.

## 7. Month 8 DSG budget monitoring position

In November the DFE confirmed the revised DSG settlement allocation of £281.24millions including Early Years (before recoupment for academies). This is ring-fenced grant and any surplus/deficit will be shown as an assumed carry forward.

The 2017/18 carry forwards total £19.28millions have been approved by cabinet and are included within the above.

**Table 4: Summary of Month 8 forecast position and major variations:**

Dedicated schools Grant					
	Net Budget	Net spend	Forecast at	Variance	Movement from
	£'000	£'000	Mth 8	£'000	Previous Mth
			£'000		£'000
Schools delegated budget	211,360	134,990	211,360	0	0
DSG and School funding	(307,483)	(194,320)	(307,851)	(368)	0
<b>Total DSG</b>	<b>(96,123)</b>	<b>(59,330)</b>	<b>(96,491)</b>	<b>(368)</b>	<b>0</b>
					<b>7.1</b>
De-delegated budgets	6,324	2,981	6,252	(72)	(2)
Central Provision (Schools)	5,172	3,406	5,173	1	8
High Needs Funding	65,250	43,455	68,904	3,654	(330)
Early Years & Childcare Services	38,657	24,584	38,587	(70)	0
<b>Total DSG central budgets</b>	<b>115,403</b>	<b>74,426</b>	<b>118,916</b>	<b>3,513</b>	<b>(324)</b>
<b>Overall Net DSG budget</b>	<b>19,280</b>	<b>15,096</b>	<b>22,425</b>	<b>3,145</b>	<b>(324)</b>

### 1.1 Schools - Underspend £368,000

The underspend of £368,000 is due to the Early Years Spring 2018 lagged settlement which included additional income for 3 and 4 year olds £279,000; Disadvantaged 2 year olds £73,000; Early Years Pupil Premium £5,000 and Supplementary Early Years £11,000. Costs linked to this funding were seen in 2017/18.

## 1.2 De-delegated budgets – Underspend £72,000 after carry forwards

De-delegated budgets are showing an underspend of £72,000 which relates to the surplus balances within Trade Unions and Copyrights.

In addition, there are ring fenced surplus budgets currently being forecast within Schools' Contingency of £919,000 and the Maternity scheme of £524,000. These are ring fenced for the maintained schools and will be carried forward into 2019/20 to meet future costs/commitments on these budget lines.

## 1.3 Central Provision within Schools – Breakeven after carry forwards

Central Provision is near breakeven as the balances within School Growth and Phase budgets, whether deficit or surplus will be carried forward to 2019/20.

## 1.4 High Needs – Overspend £3.7millions after carry forwards

On the 17 December the Secretary of State announced an additional £250millions of funding for high needs, across the two financial years 2018/19 and 2019/20. This has been allocated on the basis of ONS projections for 2 to 18 year old population in 2019 and sees Devon receive £1.54millions in each year.

The additional High Needs funding is offset by 25 additional Independent Special School placements during November totalling £841,000, plus £310,000 of growth in ISP placements now included and Medical and PEX students with unregistered School places £135,000.

The overspend within the High Needs Block, following the adjustment for the carry forward request, is currently forecast at £3.7millions, a saving of £330,000 from month 7. Excluding the carry forward adjustment the overspend is £6.2millions.

**Table 5: Summary of High Needs budgets and forecast position as at Month 8**

High Needs				
	Budget	Mth 8 Forecast	Variance	Movement Previous Mth
	£'000	£'000	£'000	£'000
Alternative Provision	2,277	2,616	339	135
Children in Care and Exclusions	1,486	1,451	(35)	(35)
Closing the Gap	1,500	1,500	0	0
Inclusion	349	349	0	0
Nursery Plus	1,164	1,164	0	0
Safeguarding Every Learner	144	144	0	0
SEN Mainstream	10,821	10,843	22	(80)
SEN Services	924	924	0	0
Maintained Special Schools	29,451	29,817	366	32
Hospital Education Services	375	375	0	0
Recoupment	284	684	400	0

Other Special School Fees	15,111	17,703	2,592	(391)
Support Centre Funding	1,364	1,334	(30)	9
<b>TOTAL</b>	<b>65,250</b>	<b>68,904</b>	<b>3,654</b>	<b>(330)</b>

### 1.5 Early Years – Underspend £70,000

The underspend is in relation to Trajectory funding, pupil led factors in Deprivation and FSM which has been partially offset by Tresillian balance and SEND funding.

### 1.6 Management Action

The service is continuing to review the demands in the 0-25 Team to reduce the overspend of the High Needs Block. For 2018/19 the savings to date have totalled £3millions however, there remains growing pressures across the section.

Management Actions totalling £2.4millions have already been identified for 2019/20. This is expected to come from a review students currently in their 3rd – 5th years of post-16 education and reviewing block contracts. This is already being shown as a deficit carry forward within the year end projections.

### 1.7 Disapplication Request

As part of the schools consultation schools were asked to transfer 0.5% of the Schools Budget to High Needs. Schools Forum voted unanimously against the transfer and the authority has put a disapplication request to the Secretary of State to reverse the decision and allow the authority to transfer the funding £1.9millions (October 2017 Census).

In December 2018 the DfE provided the DSG Settlement for 2019/20 and uses the October 2018 census data and revised underlying factors. This has meant that after allocating funds to Schools from the block and after actioning the agreed decisions from the consultation there is only £1million that could be transferred.

Devon has therefore revised its disapplication request accordingly to 0.25% so that no school loses funding from that received in 2018/19, unless there is a reduction in non-pupil related factors or a decline in pupil numbers.

The additional funding from the Secretary of State of £1.54millions in 2018/19 and 2019/20 although helpful to the High Needs block does not resolve the overall issue of underfunding within the block. This additional money means that there is still a funding pressure in 2018/19 of £3.65millions and potential pressure for 2019/20 of £5.34millions. Hence why there remains a request to reverse the disapplication to transfer the funds.

### 1.8 Carry Forward Decisions

Carry forward proposals will be taken to DEF meeting for approval on 14<sup>th</sup> March as by early March the outturn position will be far more certain than at present. Management Actions already identified through a review of block contracts in ISPs and review students in their 3<sup>rd</sup>-5<sup>th</sup> year of post-16 education for 2019/20 will be included.

### 1.9 Recommendation:

Schools Forum is asked to note the update as set out in section 7 above

**All to note**

**MARY DAVIS**  
County Treasurer  
Services

**JO OLSSON**  
Chief Officer for Children's

Please ask for: Adrian Fox  
[Adrian.fox@devon.gov.uk](mailto:Adrian.fox@devon.gov.uk)