

DEDICATED SCHOOLS GRANT and HIGH NEEDS

Joint Report of the County Treasurer and Chief Officer for Children's Services

1. RECOMMENDATIONS

- 1.1. That Cabinet approve the transfer of £2.22 millions funding from Individual Schools Budgets to the High Needs budget. This being a reduction in the Age Weighted Pupil Unit (AWPU) of £33. (See section 4 of the report)**
- 1.2. That Cabinet note the expected need to take a proposal to the Devon Education Forum to carry forward an overspend in High Needs into the 2017/18 financial year.**

2. BACKGROUND

- 2.1. High Needs expenditure is part of the ring fenced Dedicated Schools Grant (DSG). The rules relating to decision making by the Council and the Devon Education Forum (DEF) in connection with DSG can be complex.
- 2.2. In recent years expenditure on High Needs has been growing rapidly in Devon by £8millions, from £53 millions in 2014 to a forecast £61 millions in 2017/18. A number of other low funded authorities are also experiencing significant pressures on High Needs budgets.
- 2.3. Funding has been added to High Needs as well as continuing actions to restrain and control expenditure. The most recent significant increase was in 2015/16 when Fairer Schools Funding arrangements increased Devon's allocations by £16 millions. Of this £1 million went to increase High Needs and £1 million to Early Years, with approximately £14 millions being allocated to Individual Schools budgets.
- 2.4. In recent months a significant forecast overspending on High Needs has emerged. At the time of writing, the most recent information indicates the forecast outturn position to be £4.3 millions overspent.
- 2.5. Earlier in October a consultation with Devon schools was held in which they were asked if they agreed in principle to transfer funding of up to £4.5 millions from the Schools Block in 2017/18 allocations, to meet the expected level of expenditure in High Needs. Of the 66 schools which responded to this question 50 schools (76%), opposed the transfer. When the transfer was discussed at DEF on 19th October, opposition to the transfer was unanimous.

3. ONGOING WORK

- 3.1. Officers have worked closely with schools representatives via the Schools Finance Group (a sub group of DEF) to seek solutions to the dilemmas posed by increasing High Needs spending. This has been so for many years, and early this financial year, when a significant overspend seemed likely, officers and head teacher representatives met several times to plan what reductions in spending could be made. The efforts to contain and reduce spending continue. At the same time, we need to predict what additional funding may be expected this year and next year.

- 3.2. High Needs spending is difficult to control as it depends on individual decisions about the support needs of children in mainstream schools, as well as placement costs for children in special schools, whether LA maintained, or independent. Where children must be placed in independent schools, the cost depends on the needs of the child and negotiation as to the rate we pay. There is also a system of independent appeal, which means that the Council may end up having to pay more than it thought necessary to meet those needs. Any forecast must therefore be treated with caution.
- 3.3. Officers and head teachers have continued to work together through the autumn, focussed on the need to lobby Devon MPs in order to persuade Government to allocate more funding for Devon education overall. Clearly, if Devon were not underfunded per pupil relative to the national average, the decisions we are faced with would be far easier, and as stated earlier, pressure on High Needs is a national issue, partly due to Government decisions.
- 3.3.1. A one page draft letter template has been supplied to assist schools in lobbying MPs. Devon Schools Associations have forwarded a version of this to all schools, encouraging participation in the lobbying effort
- 3.3.2. We have also initiated discussions with Somerset and Cornwall, who were in agreement to jointly lobby South West MPs. We have supplied copies of our briefing notes and template letters.
- 3.3.3. This recent work builds on work over many years to press for fairer funding for Devon schools.

4. TRANSFER OF FUNDING FROM THE INDIVIDUAL SCHOOLS BLOCK TO THE HIGH NEEDS BLOCK

- 4.1. At the time of writing, using the latest information available, it is expected that High Needs will be overspent at outturn for 2016/17 by around £4.3 millions.
- 4.2. On the 20th December 2016 the Education Funding Agency (EFA) announced the Schools Funding allocations for 2017/18. This shows that overall Devon have been funded slightly better than anticipated. This essentially means that the following additional funding of £3.6 millions can be targeted to the High Needs Block.
- 4.2.1. The High Needs block has increase by £1.514 millions (£514,000 more than anticipated).
- 4.2.2. Funding over and above the assumed requirements for the central provision and other miscellaneous areas of £296,000.
- 4.2.3. The National Funding Formula (NFF) for Early Years is seeking to achieve the same basis of funding for all local authorities and therefore made general assumptions around funding. Devon was already advanced towards the NFF. This has resulted in additional funding within the Early Years block of £767,000 which is not required by the service.
- 4.2.4. Additional funding of £1 million has been received within the Schools Block. This funding, when allocated based on our local formula, is over and above growth and inflation. Therefore, it is proposed to allocate this funding to the High Needs Block.
- 4.3. When further plans to contain spending are taken into account our forecasts indicate that a permanent injection of £2.22 millions is needed in the 2017/18 budget to bring the expected deficit down to zero by outturn 2018/19 – i.e. to pay back the expected carried forward overspend over the next 2 years.
- 4.4. This is lower than the limit figure of “up to £4.5 million” proposed to DEF. Although careful note will certainly be taken of schools views on the matter the allocations of budget are ultimately a matter for the Council to decide.
- 4.5. In earlier papers to DEF and to schools, the figure of £4.5 millions transfer was translated to a reduction of £55 in the Age Weighted Pupil Unit (AWPU). The transfer of £2.22 millions translates to £33 reduction in AWPU.

- 4.6. It should be noted that in its national funding formula consultation (due for implementation in 2018/19), Government propose that there would in future be no transfers between blocks (such as Schools and High Needs). However, a small degree of local flexibility would remain.
- 4.6.1. If it does proceed then it will mean that the transfer discussed above will be the last.
 - 4.6.2. It is very hard to know what the risks of future High Needs funding will be, as this will depend upon how funding is allocated by government firstly at National level between High Needs, Early Years, Central Provision and Individual Schools Budgets and then how it is distributed to local authorities.
 - 4.6.3. It is unclear, due to the delay, how baselining of expenditure will work in fixing the blocks of spending, if the proposal proceeds

5. CARRY FORWARD OF OVERSPEND FROM 2016/17 OUTTURN

- 5.1. The above figures assume the overspend projected at the end of this year, 2016/17, will be carried forward into next year, 2017/18.
- 5.2. The carry forward of a deficit in the Central Expenditure element of DSG can be proposed by the Local Authority but is decided by the Schools Forum (DEF). If it is not approved it can be adjudicated by the Secretary of State.
- 5.2.1. If approval were declined by both, the balance would have to be taken in the Council's revenue outturn position. If this were to happen it is very likely that the Council would have little option but to offset all underspends in the Central Provision to reduce the overall net deficit carried forward.
 - 5.2.2. This would leave problems in next year's Growth Fund that would have to be resolved in next year and future years as well.
 - 5.2.3. In previous years, a decision by DEF has not been needed as the Central Expenditure element has been in overall surplus.
- 5.3. Carry forward decisions would not normally be dealt with until much later, but in this instance, a proposal will be taken to DEF at its meeting on 15th March, by early March the outturn position will be far more certain than at present

6. CONCLUSIONS

- 6.1. Although section 4.2 outlines the additional funding elements received as part of the DSG Settlement, the funding is not sufficient to cover the level of service now being required within the High Needs Block.
- 6.2. At the time of writing this report, due to the late receipt of the DSG Settlement, the detailed work is still ongoing. Therefore, Cabinet will be updated with any material changes to the level of funding transfer required. Any change during the year to the forecasts or assumptions contained within this report will be considered during 2017/18 with reference to Schools.
- 6.3. The County Council will continue to actively engage with the Devon Education Forum to ensure funding is appropriately distributed and targeted to achieve the best educational outcome for all children across all ages and levels of need.

COUNTY TREASURER

CHIEF OFFICER for CHILDREN'S SERVICES

Electoral Divisions: All

Cabinet Member: Councillor John Clatworthy and Councillor James McInnes

Local Government Act 1972: List of Background Papers

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Background Paper **Date** **File Reference**

Impact Assessment