**DERBYSHIRE COUNTY COUNCIL**

Agenda item 5

Rep 756

**SCHOOLS FORUM**

**22nd November 2018**

**Report of the Strategic Director for Children’s Services**

**DSG – Overall Financial Assessment**

1. **Purpose of the Report**

To provide a financial context regarding the DSG for 2018-19 and 2019-20 to help inform future decisions.

**2. Information and Analysis**

**2.1 2018-19 projected spend**

A further monitoring of the 2018-19 DSG spend has been undertaken which shows a significant increase in the forecast overspend for this year. The headline figure is an overspend of £2.198m, as shown in the table below.



It should be noted that this overspend is against a budget which already relied on a £1.210m drawdown from reserves. In other words, the latest forecast indicates that spending will exceed the annual grant by around £3.408m.

At 31 March 2018 the accumulated DSG reserves were £8.202m. However, £1.579m of this sum has subsequently been clawed back by the DfE as it relates to the overpayment of Early Years Block grant. A further deduction of £0.432m has been made in respect of the High Needs Import/Export adjustment. The start of year DSG reserves after these items total £6.191m.

Deducting the forecast overspend (£2.198m) and reliance on reserves (£1.210m) figures means that the projected unallocated DSG reserve going into 2019-20 will be around £2.783m. Based on current spending patterns this balance would be exhausted during 2019-20 and would increase the likelihood of schools’ budgets having to be reduced in 2020-21 to cover the shortfall.

In order to try and avoid this scenario it is recommended that every opportunity is taken to reduce allocations in 2019-20 so as to reinstate the DSG reserves to a safer level. There should be some opportunities to deliver this as each of the main spending areas for 2019-20 will be considered by the Forum at both this meeting and the one in January 2019. This report highlights some of the opportunities.

**2.2 2019-20 Schools Block**

The LA’s consultation set out its proposals for 2019-20. There will be more Schools Block funding for Derbyshire next year as the government continues the roll out of the National Funding Formula, with both the Primary and Secondary Units of Funding increasing. The consultation indicated that the increase in funding from the PUF/SUFs would be fully utilised as shown in the table below.

|  |  |  |
| --- | --- | --- |
|  | Primary | Secondary |
|  | £m | £m |
| Release of existing capped gains at 3% (Primary only) | 2.193 | 0.000 |
| Net increase in LPA (Primary only) | 1.959 | 0.000 |
| Increase Minimum Funding Level to £3,500/£4,800 per pupil | 1.132 | 1.333 |
| Apply 1% floor | 0.156 | 0.349 |
|  |  |  |
| Cost of proposals | 5.440 | 1.682 |
| Increase in funding based on increases in PUF/SUFs | 5.818 | 1.756 |
| Balance – to fund new schools/premises related inflation | 0.378 | 0.074 |

It is expected that the calculated balance (£0.452m) will be needed to meet the cost of higher school rates bills and PFI costs.

However, the number of pupils in Derbyshire schools in October 2018 is expected to be higher (89 (primary) and 1,065 (secondary)) than for October 2017. Each of these children will generate additional funding over and above the marginal increases in formula allocations. The table overleaf attempts to show the potential scale of the impact.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Prim |  | Sec | Sec |
| Income: | KS1/2 |  | KS3 | KS4 |
| DSG Unit of Funding (PUF/SUF) | £3,971.40 |  | £5,002.23 | £5,002.23 |
|  |  |  |  |  |
| Funding – per pupil: |  |  |  |  |
| AWPU | £2,746.99 |  | £3,862.65 | £4,385.51 |
| Deprivation - Current FSM | £56.88 |  | £54.54 | £54.54 |
| Deprivation - Ever 6 FSM | £123.99 |  | £192.25 | £192.25 |
| Deprivation - IDACI | £112.78 |  | £152.81 | £152.81 |
| Low Prior Attainment | £191.68 |  | £311.33 | £311.33 |
| EAL | £9.86 |  | £5.27 | £5.27 |
|  |  |  |  |  |
| Total funding per pupil | £3,242.18 |  | £4,578.85 | £5,101.71 |
|  |  |  |  |  |
| Marginal contribution per pupil | +£729.22 |  | +£423.38 | -£99.48 |
| Additional pupils | 89 |  | 635 | 430 |
| Marginal contribution | +£64,900 |  | +£268,846 | -£42,777 |

If all of the additional pupils’ AEN and deprivation profiles reflected the sector average there would be a surplus of ~£0.291m. However, until the actual data underpinning the 2019-20 budgets is published by the DfE in December, the level of any surplus funding cannot be guaranteed. In the event that there is residual funding available once the consultation proposals have been implemented, it is likely that the Authority will choose to leave such funding unallocated.

**2.3 2019-20 Early Years Block**

A paper on this issue is on tonight’s agenda. The key proposal is that the Early Years allocations will be kept within the cash limit for 2019-20 i.e. the current £0.491m reliance on reserves will be removed.

**2.4 2019-20 High Needs Block**

The High Needs Block is the main area of concern, accounting for £1.842m of the forecast £2.198m overspend. The High Needs Budget was itself supported by £1.1m from reserves which indicates an over-commitment of the grant of £2.942m. Further pressures for 2019-20 include the impact of the 2018 teachers’ pay award and the proposed increase in teachers’ superannuation contributions from September 2019 and the demographic increase in secondary aged pupils. At the time of writing no specific additional funding has been indicated to help meet the impact of the pay and pension increases for staff employed in services funded by the High Needs Block.

The Authority has commissioned ISOS Partnership to undertake a strategic review of the High Needs provision in Derbyshire and an update on progress has been presented to this meeting. The intention is that the review concludes by the start of the summer term 2019. In the interim the Authority will need to reduce its HNB spend for next year and potential measures could include:

* Reduced subsidy for services/increased income from trading;
* Require schools to contribute financially to support tailor made programmes;
* Reductions in intervention and vulnerable children’s funds;
* Reduction in support for individual schools;
* Reduction in Early Help contributions;
* Reductions in service costs through vacancy control.

The above measures could potentially save up to £1m per annum. Further reductions could only be achieved from major shifts in policy in terms of Derbyshire’s SEN Local Offer and/or from major structural changes in how services are organised, delivered or commissioned. The scope for making significant savings in 2019-20 is therefore limited.

**2.5 2019-20 Central School Services Block (CSSB)**

The Central School Services Block (CSSB) pays for a range of ongoing responsibilities, including functions previously funded by the ESG Retained Duties grant, admissions service, costs of the schools forum and sundry licences for schools and academies. The LA also receives as an “historic commitment” funding towards its early help offer. As reported to the September Forum meeting the DfE published indicative allocations for 2019-20 as shown in the table below:

|  |  |  |
| --- | --- | --- |
|  | 2018-19 | 2019-20 |
| Per pupil rate – ongoing functions (£) | £28.61 | £29.23 |
| DSG pupil numbers | 97,133.5 | 97,133.5 |
| Funding for ongoing responsibilities (£) | 2,778,989 | 2,839,212 |
|  |  |  |
| Historic commitments (£) | 1,737,000 | 1,737,000 |
|  |  |  |
| Total Central School Services Block (£) | 4,515,989 | 4,576,212 |

The 2019-20 CSSB shows a modest increase of £0.060m (+1.3%), the actual 2019-20 allocation will be updated to reflect October 2018 pupil numbers so the final increase may be around £0.100m.

The DfE have signalled that LAs’ historic commitment allocations will start to be reduced from 2020-21 onwards which presents a significant future financial risk to the Council.

In the event not all of the 2018-19 CSSB grant was allocated, there was an under-commitment of £0.046m. It is expected that the 2019-20 CSSB will again be under committed by a similar sum. Decisions on CSSB spend in 2019-20 are a matter for the Schools Forum. It had originally been intended to bring a report to this meeting of the Forum. However, it is now intended that a report will come to the January meeting instead once the 2019-20 settlement is confirmed.

**2.6 Summary**

Based on the figures in this report, the DSG general reserves position at the end of 2019-20 could be as follows:

|  |  |
| --- | --- |
|  | £m |
| 2019-20 forecast overspend (based on 2018-19) | 2.198 |
| 2018-19 reliance on reserves | 1.210 |
| Sub total: 2019-20 shortfall excluding impact of new pressures | 3.408 |
| Less: |  |
| Schools Block – unallocated funds | (0.291) |
| Remove early years reliance on reserves | (0.491) |
| High Needs Block measures | (1.000) |
| Central School Services Block – unallocated funds | (0.046) |
| Subtotal: measures to reduce overspend | (1.828) |
| Potential net 2019-20 overspend | 1.580 |
|  |  |
| Estimated DSG reserves 31 March 2019 | 2.783 |
| Estimated DSG reserves 31 March 2020 | 1.203 |

The estimated reserves at 31 March 2020 would be insufficient to provide a buffer for any major increases in costs and any deficit would have to be recovered from future years’ DSG allocations.

The 2020-21 financial year will be the first year of the next Comprehensive Spending Review (CSR). If the CSR does not provide additional DSG-related funding then, in order to avoid the DSG going into deficit, either further savings will be required, particularly in the High Needs Block, and/or resources would have to be transferred from the School Block.

In terms of the broader national context, 15 LAs were given approval to transfer resources between their Schools and High Needs Blocks in 2018-19.

Forum is not asked to make any decisions regarding this report.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, social value, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**4. Background Papers**

Papers held in Children’s Services Finance.

**5. Officer’s Recommendations**

Schools Forum is asked to note the report and the implications raised.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**