

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	18 <sup>th</sup> June 2020
<b>Title</b>	Dedicated Schools Grant Outturn 2019-20 & SFVS Update
<b>Author:</b>	Sonya Harban & Michael Quinton
<b>Decision making / consultative / information:</b>	Decision making/Information
<b>Who can vote?</b>	All members with voting rights

### **What is the Forum being asked to decide?**

1. Schools Forum is asked to note the overspend on the DSG revenue budget for 2019-20 of £8.908m and agree that this is transferred to DSG reserves, increasing the deficit balance at 31 March 2020 to £13.011m. This balance will reduce in 2020-21 when the Early Years Block adjustment is received (estimated at £0.755m), and the previously agreed combined 0.5% Schools and High Needs Block contribution towards the 2018-19 overspend of £2.432m is transferred.
2. Schools Forum are asked to agree that Local Authority Officers bring a paper to the October 2020 meeting with recommendations on actions to reduce the DSG deficit in order to meet the DfE guidance as per paragraph 32.
3. Schools Forum are also asked to note the information with regards to SFVS (paragraph 36 onwards)

### **Reason for recommendation**

4. The recommendations are made to acknowledge the financial pressures facing the DSG reserve, and how this is compounded by a continuing low level of funding for Suffolk compared to both the national and our statistical neighbour average. The continuing deficit will only be reduced by a jointly agreed plan in the absence of significant additional funding from the DfE, and a clear understanding of if the capital investment agreed to increase the capacity to educate young people with SEND in Suffolk will provide sufficient provision to manage the increasing demand for SEND services within the current HNB budget.

### **Alternative options**

5. An alternative option would be to agree that expenditure on SEND services should be reduced in this financial year, which would significantly impact on funding received by schools, in order to create HNB budget capacity to offset some of the DSG reserve. This would have consequences for both learners and schools and would be difficult to achieve within the timescale.

- A further alternative option would be to request the clawback of all or some of the net overspend from the 2021-22 Schools Budget at this point in time. It is felt that this option should be considered by all stakeholders over the summer period alongside other actions that could be taken and discussed in detail in October, when it is hoped that there may be further information on the level of funding Suffolk will receive in future years.

### **Who will be affected by this decision?**

- The availability of reserves affects all schools and provider settings, and the associated activity that can be funded over and above that funded from the revenue budgets.

### **Main body of the Report**

- The DSG budget was overspent in 2018-19 by £8.908m. There was a further planned movement of £1.2m agreed at the beginning of the financial year to increase the HNB budget. At the end of the financial year, the overspend was transferred to DSG reserves, creating a DSG reserves deficit position at the end of the financial year of £13.011m.
- The expenditure in 2019-20 against the available DSG is summarised below:

Table 1:

	Agreed 2019-20 Budget	2019-20 Spend	2019-20 Variance
<b>Central School Services Block (CSSB)</b>			
Regulatory & Other Statutory Duties	£1,799,306	£1,645,453	£153,853
General Landlord Duties	£646,240	£646,240	£0
Admissions	£122,560	£122,560	£0
CAMHS	£170,100	£170,100	£0
Education & Learning	£1,780,039	£1,780,039	£0
Headteacher Association Support	£94,500	£94,500	£0
Early Help Services	£2,460,416	£2,460,416	£0
Virtual School	£374,722	£374,722	£0
Schools Support for SEND services	£698,875	£698,875	£0
<i>Hold against HNB/DFE savings requirement</i>	£207,122		£207,122
Sub-total	£8,353,880	£7,992,905	£360,975
Copyright Licences	£485,000	£507,094	-£22,094
<b>Total CSSB</b>	<b>£8,838,880</b>	<b>£8,499,999</b>	<b>£338,881</b>
Early Years	£36,014,583	£35,799,284	£215,299
HNB	£47,450,171	£56,838,139	-£9,387,968
Schools (including de-delegated)	£113,422,693	£113,422,693	£0
Recoupment/Rates		£149,069	-£149,069
Growth	£1,780,000	£1,705,469	£74,531
<b>Total DSG</b>	<b>£207,506,326</b>	<b>£216,414,652</b>	<b>-£8,908,326</b>

## **High Needs Block**

10. As had been forecast, there was a significant overspend against the DSG High Needs Block. Against a total budget of £48.650m (which includes £1.2m of planned DSG reserves, and after monies recouped for academies), there was an overspend of £9.388m, equivalent to 19%.

11. The allocation of budget and spend is shown in the table below:

Table 2:

	<b>2019-2020 DSG High Needs Block</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Independent Placements	£11,332,499	£13,343,139	-£2,010,640
Top-Up payments	£18,673,864	£25,850,278	-£7,176,414
FE Top-Up payments	£2,223,781	£3,283,124	-£1,059,343
High Needs Additional Places	£2,940,000	£2,683,443	£256,557
School Placements (Maintained)	£2,935,500	£2,935,500	£0
Alternative Provision	£2,392,780	£2,389,215	£3,565
Family Services	£1,564,044	£1,471,130	£92,914
Sensory Services	£1,057,814	£1,055,318	£2,496
CISS	£788,260	£769,944	£18,316
Targetted Support	£774,300	£538,655	£235,645
Bespoke Packages	£600,000	£426,145	£173,855
SEN Recouptment	£525,000	£722,473	-£197,473
Other	£407,588	£391,907	£15,681
Contingency	£290,316	£392,549	-£102,233
Dyslexia Outreach	£285,554	£277,180	£8,374
Outreach	£280,000	£280,000	£0
Speech & Language	£263,833	£285,559	-£21,726
Specialist LSA scheme	£200,000	£176,021	£23,979
Contracts	£150,000	£43,642	£106,358
PEX Income	-£234,960	£172,032	-£406,992
<b>Total</b>	<b>£47,450,172</b>	<b>£57,487,253</b>	<b>-£10,037,081</b>
<b>Agreed Planned Reserves</b>	<b>£1,200,000</b>	<b>£550,887</b>	<b>£649,113</b>
<b>Grand Total</b>	<b>£48,650,172</b>	<b>£58,038,140</b>	<b>-£9,387,968</b>

12. The High Needs Block (SEND) overspend was due to continued growth in numbers of children with additional needs. This led to an increase in the number of children and young people requiring additional funding in mainstream schools, specialist placements in the local specialist offer, and in the numbers of children placed in independent special schools due to the lack of local places.

13. The majority of the DSG overspend is attributed to top-up payments in schools, which increased by £4.0m (16%) on the equivalent 2018-19 expenditure. In September, the Inclusion Service introduced the final phase of the new funding bands across all SEND provision, to include post-16 learners and all children in specialist settings. To recap, the annual moderation process

takes place in September, when all educational settings are asked to submit information regarding new children within their setting who require High Needs support, both mainstream and special schools. This includes new learners and learners who require a change in support. All requests for a change in support or a new banding were moderated by a panel of experts, and as a result several were declined or moderated downwards. However following moderation there was still a significant increase in the number of children requiring high needs funded support - from 2,105 in 2018-19 to 2,626 in 2019-20, an increase of almost 25%. These included 716 new funding band requests, 150 increases and 53 decreases in direct funding of places in mainstream schools. Whilst there was an expectation that there would be a rise in the number of children eligible for funding, this was at a much higher level than expected. In addition, there was £0.550m of top-up costs that related to 2018-19 as the re-moderated top-ups were higher than had been accounted for, which was funded from the planned reserve movement.

14. The continued growth of the numbers of children and young people both at school and post-16 has resulted in further increases in the costs of specialist provision. This is exacerbated by the team having to use an increased number of independent placements in the current year whilst waiting for the new specialist places from the capital programme to come on stream in September 2020. Spend was £1.6m (16%) higher than in 2018-19.
15. The service agreed to write off debts relating to permanent exclusion income, which resulted in an overspend of £0.406m in year against the original income budget of £0.235m. This was after a change in the funding recoupment policy from schools who permanently exclude was agreed. There was a further one-off overspend of £0.198m in relation to payments recouped by Norfolk CC for costs relating to previous years that had not been accounted for by the service.
16. The level of HNB funding received in Suffolk is known to be low. This is due to the way the budgets are allocated nationally, including a significant element being based on historical spend. There are a number of different comparators that can be used to show budget levels for different authorities. A good example though of how poorly Suffolk was funded in 2019-20 is that if we had received the same level of HNB funding per pupil in schools (incl. specialist provision) as Norfolk did, the budget for Suffolk would have been £7.861m higher. The projected increase in budget using the average of the statistical neighbour group for Suffolk would be £7.071m.
17. The High Needs Block budget for 2020-21 (before recoupment) has been increased to £75.468m from £64.398m. The Finance team will work with the Inclusion service to analyse what level of risk there is that this increased funding will not be enough to manage the anticipated increased demand and costs, which includes the full transitional protection costs for the Specialist Support Centres.

### **Early Years Block**

18. During the 2019-20 financial year, the Early Years block was adjusted to take into account the actual level of take-up of placements in 2018-19 from the census count in January 2019.

19. The level of recoupment was £0.389m less than had been budgeted for. However, some of this was required to offset higher Early Years Pupil Premium distributed in 2019-20 that does not appear to have been picked up on the census data, and so this has been offset.
20. A provision has been made for the recoupment anticipated in July 2020 relating to the 2019-20 take-up of placements. Any deviation from this provision will need to be dealt with via the DSG reserves. The level of recoupment expected resulted in an underspend against the Early Years Block in 2019-20 of £0.215m (0.6%).

### **Centrally Retained Block**

21. Table 1 summarises the main expenditure headings that receive funding from the centrally retained block, as agreed annually by Schools Forum. These are all long-standing agreements which allow a range of pooled services to continue so that schools do not have to source these at an individual level.
22. As with the previous year, monies relating to the statutory and regulatory duties was left uncommitted, and alongside the surplus budget that was previously allocated against redundancy costs, this led to an overall underspend of £0.339m (3.8%), which has offset overspends in other areas.
23. The Schools Forum meeting held on 18th November 2019 discussed the implications of the 20% reduction in the 2020-21 CSSB DSG budget of £1.3m, which Local Authorities were notified about on the 11th October 2019. Following discussions with Local Authority Officers, and a Schools Forum Working Group on all services currently funded by the CSSB historical commitments element, the following budget reductions for the 2020-21 financial year were proposed and unanimously agreed by Schools Forum via an on-line vote that closed on 1<sup>st</sup> May 2020.

Table 3:

	Agreed 2019-20 Budget	Budget Agreed 2020- 21 Budget	Change 2020- 21 Comments
<b>Central School Services Block (CSSB)</b>			
Regulatory & Other Statutory Duties	£1,799,306	£1,803,854	£4,548
General Landlord Duties	£646,240	£219,722	-£426,518
Admissions	£122,560	£0	-£122,560 Remove uncommitted non-pay budget and swap funding source with base budget
CAMHS	£170,100	£0	-£170,100 Swap funding source with High Needs Block to better represent the true cost of SEND
Education & Learning	£1,780,039	£1,522,039	-£258,000 Fund SLIN through base budget for Raising the Bar, and reduce contribution to the Music Service
Headteacher Association Support	£94,500	£32,130	-£62,370
Early Help Services	£2,460,416	£2,460,416	£0
Virtual School	£374,722	£344,722	-£30,000 From increase in Central LAC PPG
Schools Support for SEND services	£698,875	£652,275	-£46,600 Swap funding source with High Needs Block to better represent the true cost of SEND
Uncommitted	£207,122	£0	-£207,122 Uncommitted
Sub-total	£8,353,880	£7,035,158	-£1,318,722
Copyright Licences	£485,000	£535,000	£50,000
<b>Total CSSB</b>	<b>£8,838,880</b>	<b>£7,570,158</b>	<b>-£1,268,722</b>

24. It should be assumed that over a five year period, there will be no CSSB budgets to fund the elements of service currently funded through this resource, and so in effect the working group need to plan for the order in which funds are stopped or reduced which would have the least impact on children and young people, or alternative funding secured.

### **De-delegated Funding**

25. Each year Schools Forum is also asked to agree (by phase for maintained primary and secondary schools) the de-delegation of funding back to the Local Authority for the following services:

- Intervention Fund/Contingencies
- County Inclusive Support Service
- Trade Unions
- Support to under-performing ethnic groups and bilingual learners

26. This funding is reduced during the financial year as maintained schools convert to academies, who are unable to de-delegate this funding as an option. This in-year budget reduction must be managed within the total funding available to the directorate.

### **Growth Funding**

27. The budget to fund expenditure to support growing and new schools is top-sliced from the Schools block budget. There was a small underspend in year, although it should be acknowledged that this may not be sustainable over the coming years as new schools are established and additional places need to be created for pupil growth. A review of the commitments against this budget heading will be provided as part of the 2021-22 budget setting process.

### **Recoupment/Rates**

28. There was a small overspend of £0.149m against school codes relating to national non-domestic rates for schools and the initial budget set based on estimates not meeting the actual costs as invoiced by the district and borough councils.

### **DSG Reserves**

29. The DSG reserves position and movements for 2019-20, and the 2020-21 opening balance are shown in Table 4 below.

	Opening Position	In-year transfers agreed	Operating Variance	Closing Position	Future Commitments
Pre-funding Reform DSG	-£220,229		£75	-£220,154	
<b>Post-funding Reform DSG:</b>					
2 Year Old Capital Monies	-£368,652			-£368,652	£368,652
Net Operating Underspend 14-15 (Hold for Academy Debts)	-£153,504			-£153,504	£153,504 Hold for Academy Debts-agreed with Schools Forum
Pre 2018-19 Adjustments	£187,376			£187,376	
2018-19 Adjustments	£2,702,219			£2,702,219	-£2,432,000 Schools Forum Agreed Recoupment in 2020-21
2019-20 Planned - SEND	£0	£1,200,000		£1,200,000	
2019-20 Planned - Early Years to be rec'd Jul 2020		£755,380		£755,380	-£755,380 Early Years DSG to be received July 2020
2019-20 Overspend HNB			£9,387,968	£9,387,968	
2019-20 Overspend Schools Block			£74,538	£74,538	
2019-20 Underspend CSSB			-£338,881	-£338,881	
2019-20 Underspend Early Years Block			-£215,299	-£215,299	
<b>Total DSG Reserves</b>	<b>£2,147,211</b>	<b>£1,955,380</b>	<b>£8,908,401</b>	<b>£13,010,992</b>	<b>-£2,665,224</b>
			Forecast Available 2020-21 Onwards		£10,345,768

30. The DSG reserve position at the end of this financial year is a deficit balance of £13.011m (of which £0.755m is Early Years DSG funding to be credited back in July 2020 based on the COLLECT data available). This represents 2.35% of the overall DSG block of funding.

31. Schools Forum agreed a transfer of 0.5% from the DSG Schools and HNB in 2020-21 to cover some of the 2018-19 overspend. Alongside the estimated additional Early Years DSG due relating to 2019-20, and taking into account earmarked commitments this will reduce the deficit balance to £10.346m (1.87% of total 2020-21 DSG allocation of £552.855m).

32. Previous guidance explained that the deficit threshold before a recovery plan would be required by the DfE was 1%, which for Suffolk was £5.4m. The guidance for 2020-21 has been updated and is as follows:

## 5.2 FURTHER CONDITIONS RELATING TO DSG OVERSPENDS AND DEFICITS

- Any local authority that has an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:
  - Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
  - Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
  - Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.

- *Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.*
- *The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.*

33. On this basis, the Finance Team will work with the Inclusion Service to understand the potential for on-going overspends against the substantial increase in budget for the HNB in 2020-21. Furthermore, discussions will be held with the Schools Forum and the Local Authority to agree how to reduce this overspend so that the conditions above are met.

### **Schools Balances**

34. All variances on schools delegated budgets are held by schools themselves, who carry forward their deficit or surplus balances. LA maintained school reserves in total increased in 2019-20 by £0.892m, however this is somewhat inflated by sponsored academy conversions converting with the corresponding write offs and provision recorded against base budget, which were previously offsetting the level of balances held. School balances held now total £12.554m. There were 10 academy conversions during 2019-20 (32 in 2018-19) where balances are paid to sponsors and MATs, with only 5 currently planned for 2020-21.

35. Reducing school reserve balances and further academy conversions through the sponsored route poses an increased risk on SCC finances. Any deficit on conversion of a sponsored academy is not an allowable charge to SCCs Dedicated Schools Grant (DSG), therefore these deficits needs to be funded through base budget.

### **Schools Financial Value Standard (SFVS) Update**

36. The 2019 SFVS consists of a new template and set of questions for Schools to complete. The standard consists of a checklist and a dashboard, the checklist asks 29 questions of governing bodies over 6 areas of resource management. The dashboard shows how a school's data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes.

37. In order to improve the way that the data is used, the LA would like further assurance that any remedial actions as set out in the returns, are completed by the deadlines agreed as set out by the LA. In addition, schools must now provide a progress update against the actions recorded in previous year's Self-Assessments. This would demonstrate to the LA that the work has been completed or is in the process of being completed and would add to the assurance framework the Section 151 officer wants to see in place. As part of this, the responses from schools are shared with Education & Learning.

- 38.Following the request for progress update on any outstanding actions the LA received a disappointing 35 returns from a possible 119.
- 39.For the 2019 SFVS return all schools have completed the new process and the information is currently being worked through, although there is no DfE Assurance statement this year due to Covid-19. The data is still important to analyse and feeds into the overall risk and assurance framework. Schools will be notified of the results and any further actions in due course.