

Report subject	<b>Dedicated Schools Grant (DSG) Outturn 2019-20</b>
Meeting date	7 July 2020
Executive summary	<p>The report considers the end of year position for the DSG budget 2019-20 at a net deficit of £1 million.</p> <p>There is an overspend of £1.9 million from pressures within the High Needs Block, but this is partially offset by funding adjustments relating to prior years (£0.6m), and savings in other blocks (£0.3 million).</p> <p>The resulting accumulated deficit at 31 March 2020 is £4.6 million with this required to be carried forward and recovered from future DSG allocations.</p>
<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p>Schools forum note the contents of the report.</p>
Reason for recommendations	To update schools forum on the DSG financial position
Portfolio Holder(s):	<p>Councillor David Brown – Finance</p> <p>Councillor Sandra Moore – Children’s Services</p>
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Wards	Council-wide
Classification	For Information

## Summary DSG Outturn 2019-20

1. The DSG outturn in-year deficit for 2019/20 is £1 million (£0.9 million less than the £1.9 million projected at quarter three). This is in addition to the cumulative net £3.6 million deficit brought forward from the legacy councils to give an overall accumulated deficit at 31 March 2020 of £4.6 million.
2. The growing deficit is a result of unfunded pressures in high needs, with the in-year deficit for this block of expenditure at £1.9 million (quarter three projection £2.7

million). The deficit is due to a growing caseload of pupils with special educational needs and those requiring alternative provision due to permanent exclusion as well as fee increases from independent special schools.

3. The high needs budget annual deficit was partially mitigated by prior year adjustments of £0.6 million and small underspend on the other three spending blocks of the DSG of £0.3 million.
4. A funding gap of £6 million has been identified for 2020/21, after the agreed £1 million transfer of 0.5 percent from the schools' block, with strategies being developed to recover this position in future years. This includes creating more local provision in both special and mainstream schools.
5. The current deficit recovery plan was shared with the DfE in April, with progress meetings at six monthly intervals planned. The DfE committed to share strategies being adopted by other councils but no new actions were identified for us from the first meeting.
6. The recovery plan will be updated to reflect the final outturn position for 2019-20, current progress in budget management and the timescales for opening new provision. The 2020-21 high needs position is being reviewed monthly by the council's senior management, leader of the council and cabinet member for resources.
7. The table below summarises the DSG outturn for 2019-20

£000's	Expenditure			Outturn DSG Funding	Council funding	Surplus/ (Deficit)
	Budget	Variance	Outturn			
<b>Blocks</b>						
Early Years*	21,663	(1,406)	20,257	20,289		(32)
Schools	195,123	(41)	195,082	195,127		(41)
Central Services	2,062	(176)	1,886	2,062		(176)
High Needs *	43,680	2,250	45,930	41,581	2,400	1,949
<b>Total</b>	<b>262,528</b>	<b>627</b>	<b>263,155</b>	<b>259,055</b>	<b>2,400</b>	<b>1,700</b>
DSG prior year adjustment for legacy councils 2018/19						(662)
<b>Net deficit for the year</b>						<b>1,039</b>
Brought forward deficit from legacy councils						3,605
<b>Carry forward deficit</b>						<b>4,644</b>

### DSG Income 2019-20

1. The final DSG at outturn is £259 million, with the council's contribution of £2.4 million applied in full as budgeted.
2. The early years funding projection has been updated since the January report based on the estimated early years January 2020 census. The funding is projected to be lower than budget by £1.4 million with expenditure also lower on a similar scale, to give only a small surplus of £32,000 overall for this block for the year as shown in the table above.
3. Early years funding remains estimated and will be finalised with the outcome of the January 2020 census later in the year (usually the end of July) with any difference from the estimate being accounted for in 2020/21. All funding for other blocks was finalised earlier in the year.

## **DSG Expenditure 2019-20**

4. An overspend of £2.2 million against the original budget for the year on the high needs block is offset by £0.3 million of additional DSG allocated in July 2019 to give a deficit for the block of £1.9m. The prior year adjustment and savings in other blocks reduce the overall deficit to £1 million. The appendix provides the detail of the budget variances

### **Schools Block Spend**

5. The mainstream schools funding formula was paid to maintained schools and recouped by the ESFA for academies according to the formula set in January 2019. There are small savings from business rates and unallocated growth fund totalling £41,000.

### **Central School Services Block Spend**

6. The funding is provided for LA duties supporting the DSG system and services for all schools – mainstream and special in both maintained and academy sectors.
7. The saving in school admissions is due to £130k not being allocated within the in-year fair access budget due to a change in approach.
8. As reported from September the charge for copyright licences from the DfE for all schools is less than budgeted as the DfE estimate included VAT which the LA can recover, giving a saving of £45k.

### **High Needs Block**

9. The block is overspent due to the rise in number and cost of Education, Health and Care Plans (EHCPs). The number of plans funded was within 2% of the budgeted level for the year but the average cost across all plans was significantly higher with an actual average cost of £13,007 for top-up funding compared with the budgeted £11,578 (11% higher).
10. By provider type, average costs between budget and actual were very close but the proportion of pupils placed at lower cost provision (mainstream schools and colleges) was lower than budget, continuing trends of the legacy councils.
11. Pupils that had been budgeted to be paced in mainstream provision were instead placed in bespoke provision or independent and non-maintained special schools (INMSS) at significantly higher cost, due to lack of capacity in local special schools. This is movement further away from the national average over the course of 2019-20 and the impact can be seen in the significant overspend on these lines in the report appendix.
12. There is some offset from underspends on almost all other lines high needs budgets, including the sensory impaired service provided by Dorset Council, outreach services from local special schools and support for inclusion.
13. The underspend of £1.5 million for place funding (at £10,000 or £6,000 per place, depending on provision type) should be considered alongside the overspend of £1.6 million for top-up funding for state-funded schools (maintained and academies). Place funding recoupment by the DfE for academies relies on a council return in the autumn of the preceding year, and for NMSS the import/export adjustment to account for cross border flows uses the national January 2019 data. Pupils placed over numbers after these dates are typically funded through top up funding. The budget had allowed for this growth overall, but the expected destination of pupils had not yet been established at budget setting, especially in the light of the plans to create new provision locally.

### **Financial Implications**

14. The DSG deficit brought forward into BCP of £3.6 million has grown by £1 million with the accumulated deficit at 31 March 2020 now £4.6 million. This deficit must be carried forward and be recovered from savings in future DSG allocations.
15. A sustainable financial position has not yet been achieved for 2020-21 with the deficit budgeted to grow by a further £6 million from the high needs overspend by 31 March 2021.
16. A deficit recovery plan has been prepared and discussed with the DfE with meetings to be held at 6 monthly intervals to monitor the progress of the plan.

### **Legal Implications**

17. It is a requirement of the Council to monitor budgets during the financial year and for schools forum to be informed of the DSG outturn.

### **Background papers**

Previous schools' forum papers are available at the link below:

[http://ced-pri-cms-02.ced.local/ieListMeetings.aspx?Committeeld=149&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListMeetings.aspx?Committeeld=149&$LO$=1)

### **Appendix**

Presentation of detailed DSG outturn budget variances for 2019-20.

## Appendix – DSG Outturn 2019-20

£000's	Budget					Outturn	
	Early Years	Schools	Central Services	High Needs	Total	Total	Variance
DSG 2 - year olds NFF	(2,772)				(2,772)	(2,434)	338
DSG 3 - year olds NFF	(18,920)				(18,920)	(17,895)	1,025
DSG NFF Other Blocks (final)		(193,712)	(2,062)	(38,885)	(234,659)	(234,659)	0
DSG Import/Export (final in July 19)					0	(301)	(301)
DSG Premises (final)		(1,797)			(1,797)	(1,797)	0
DSG Growth Fund NFF (final)		(1,806)			(1,806)	(1,806)	0
DSG Pupil Premium	(100)				(100)	(89)	11
DSG Disability Access Fund	(74)				(74)	(74)	0
DSG Transfer to High Needs	203	2,192		(2,395)	0	0	0
DSG Prior Year (final July 19)					0	(662)	(662)
Council Contribution				(2,400)	(2,400)	(2,400)	0
<b>Total Funding</b>	<b>(21,663)</b>	<b>(195,123)</b>	<b>(2,062)</b>	<b>(43,680)</b>	<b>(262,528)</b>	<b>(262,117)</b>	<b>411</b>
Providers – 2 - year olds	2,624				2,624	2,427	(197)
Providers - 3 and 4 - year olds	18,172				18,172	16,961	(1,211)
Providers SEN top up grants	512				512	512	0
Early Years Pupil Premium	100				100	103	3
Disability Access Fund	74				74	45	(29)
Early Years LA duties	181				181	209	28
Mainstream Schools Formula		194,344			194,344	194,324	(20)
Growth Fund - budget		779			779	758	(21)
School Admissions			750		750	619	(131)
Licences Purchased by DfE			265		265	220	(45)
Servicing Schools Forum			31		31	32	1
Ex ESG Services (all schools)			726		726	726	0
Premature retirements			16		16	16	0
ASD Base / other			275		275	274	(1)
Place Funding				11,621	11,621	10,156	(1,465)
Top up Funding - State Sector				11,984	11,984	13,550	1,566
Top up Funding - Independent/NMSS				10,105	10,105	12,284	2,179
Top up Funding - Post Schools				3,633	3,633	3,569	(64)
Top up Funding - Pre schools				212	212	29	(183)
Top up Funding - Excluded / AP				2,327	2,327	1,994	(333)
Outreach				573	573	392	(181)
Hospital Education Top up				128	128	134	6
Bespoke SEN /Therapies				1,388	1,388	2,512	1,124
Support for Inclusion				241	241	13	(228)
Early Years Central SEN support				712	712	660	(52)
Sensory Impaired Service				757	757	637	(120)
<b>Total Expenditure</b>	<b>21,663</b>	<b>195,123</b>	<b>2,063</b>	<b>43,680</b>	<b>262,528</b>	<b>263,156</b>	<b>628</b>
<b>In- year (Surplus) / Deficit</b>	<b>(662)*</b>	<b>(32)</b>	<b>(41)</b>	<b>(176)</b>	<b>1,949</b>	<b>0</b>	<b>1,039</b>
DSG Deficit brought forward						3,605	
<b>DSF Deficit carried forward</b>						<b>4,644</b>	

\* Relating to prior year