

SCHOOLS BUDGET MONITOR 2017-18 QUARTER 4

Report of the Director of Children's Services

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1 Purpose

- 1.1 To inform Schools Forum of the final outturn position for the Schools Budget for the 2017-18 financial year at 31 March 2018.

2. Summary

This paper gives details of the main under and over spends arising within the Schools Budget during 2017-18.

3 Recommendations

- 3.1 The Forum is asked:

- i) to note and comment on the final outturn position,
- ii) to agree that the unspent balance on the de-delegated primary contingency budgets in 2017-18, net of the overspend on school improvement/education functions, may be used to increase the resource available for the primary schools contingency budget in 2018-19
- iii) to agree that the consequential overspending of the de-delegated contingency budget in 2018-19 of £339k is met from the 2019-20 Schools Budget (using the resource provided by the DSG carry forward).

4 Background

- 4.1 Government funding for schools by way of the Dedicated Schools Grant (DSG) means that the variance in the Schools Budget is "ring fenced" and cannot be used elsewhere. Details of the variances in the revenue outturn against the Schools Budget are outlined in Section 5 below.

- 4.2 The Schools Budget for 2017-18 was as follows:

Description	Amount £m
Schools Delegated Budget including sixth form grant	559.803
Schools Non-Delegated Budgets	15.366
Schools Central Budgets	45.805
Net Schools Budget including use of carry forward	620.974
Academies Recoupment	309.595
Gross Schools Budget including Academies Recoupment	930.569

5 Schools Budget Variances

- 5.1 The underspend within the schools budget for 2017-18 is £10.605m. The table below provides a more detailed breakdown of the underspend:

Description	Latest Approved Budget £m	Over / (Under) Spend £m
Schools Delegated	559.803	(19.198)
Schools Non-Delegated	15.366	(1.962)
Schools Central Budgets	45.805	(3.078)
Schools Grants & Other Funding including use of carry forward	(620.974)	13.633
Total	0	(10.605)

5.2 Schools Delegated – Underspend of £19.198m

- 5.2.1 The elements of the overall underspend are as follows:

5.2.2 Budget shares of newly converted academies: underspend of £13.747m.

This allocation is no longer required as the academies have been funded directly by the DfE. There is an offsetting loss of grant reported under Schools Grants & Other Funding (see 5.5.1).

5.2.3 Early Years

The following early years' budgets underspent. (Variances shown are after taking account of budget adjustments resulting from the July 2017 early years DSG announcement.)

1) Budget Shares for 3 and 4 year olds: £1.959m underspend

The underspend results from lower pupil numbers, which reflects the demographic trend. It is anticipated that there will be a retrospective clawback of DSG for 3 and 4 year olds due to the falling pupil numbers. However, this clawback is expected to be only around £600k. The reasons that the DSG has not reduced by as much as the expenditure are as follows:

- 3 and 4 year old numbers were higher than estimated in the Spring Term 2017 (on which the DSG calculation is partly based) and lower in the Summer Term which does not affect the DSG count.
- New data systems introduced by Family Services Commissioning more accurately split funding across terms for children who are taking up less than 15 hours per week and stretching their entitlement over more than 38 weeks.

2) Early Years full time places: £71k underspend

3) Early years Disability Access fund: £140k underspend

The underspends result from pupil numbers being lower than projected.

4) 2 year olds: £315k underspend

There is an underspend on 2 year old nursery entitlement due to a lower take up than anticipated, potentially caused by 30 hours free childcare. There is expected to be a retrospective clawback of 2017-18 DSG for 2 year olds of around £300k, to reflect the reduction in pupil numbers.

5) Additional hours for 3 and 4 year olds: £1.065m underspend

Given the uncertainty around take-up of this new provision, the budget was set at the indicative DSG level for 2017-18 provided by the DfE. There are several reasons for the underspend:

- a) Lower take-up in the Autumn Term 2017, which was the first term of the scheme's operation. (This does not affect the DSG received which is based on the Spring Term census count.)
- b) Increase in the DSG count for January 2018 due to an adjustment in respect of children stretching their entitlement over more than 38 weeks.
- c) Due to uncertainty about the take-up of additional hours when the budget was set, no contribution from additional hours DSG was assumed towards central budgets. In the event, additional hours take-up by the Spring Term 2018 has been high and this element of DSG therefore constitutes a saving.

6) Early Years Pupil Premium £28k overspend

5.2.4 Special Schools

There are several elements to the overall underspend on special schools:

- a) Top Ups: £704k underspend
The expenditure on top ups for Hertfordshire pupils in special schools was slightly lower than budgeted.
- b) Residential provision: £66k underspend
Overall there were fewer FTE placements in residential provision than originally budgeted.
- c) Contingency for special schools in financial difficulty: £20k underspend
- d) Private Finance Initiative Factor: £2k overspend
- e) Capital Expenditure for increasing capacity in special schools: £1.220m underspend
Schemes at Woodfield, Meadow Wood and Haywood Grove schools have slipped into 2018-19 as a result of the contractor not being able to meet the originally specified time frames due to other commitments. Also some work at Breakspeare will be completed in 2018-19.

5.2.5 Education Support Centres and Roman Fields: underspend of £231k.

The contingency for major premises issues and ESCs in financial difficulty was not required in 2017-18.

5.2.6 Sixth Form Funding: overspend of £311k

There was an increase in sixth form funding for maintained schools, which was offset by additional sixth form grant (see 5.5.2).

5.3 **Schools Non Delegated** – Underspend of £1.962m

5.3.1 The main underspends under this heading are as follows:

5.3.2 In year funding adjustments for rates, £970k underspend.

This saving largely results from the receipt of back-dated rates refunds (sometimes dating back to 2010). The refunds result both from the conversion of schools to foundation status and from reviews of rateable values by the Local Billing Authorities.

5.3.3 Growth Fund, £481k underspend.

£389k of the Growth Fund expenditure is offset by additional DSG, which is reported in section 5.5.2 below. This relates to the requirement to make allocations to academies for the summer term (as academies are funded on an academic year basis). Adjusting for this, there was an underspend on the Growth Fund, of £870k, due to:

- a lower number of bulge classes than originally anticipated,
- a delay in opening new free schools,
- an underspend on infant class size funding as some of these schools are expanded

5.3.4 Special Units and Bases: £1.350m underspend

This underspend is made up of several elements:

Behaviour: underspend £1.057m

The budgets for additional behaviour provision were not allocated in 2017-18. This amounted to £700k for secondary and £357k for primary. (The additional behaviour funding has been allocated in 2018-19.)

PNI designated schools: underspend £71k

The separate funding for PNI designated schools was discontinued from September 2017.

Other underspends £222k

Other underspends on special units and bases totalled £222k.

5.3.5 The underspends outlined above are offset by the following overspends

5.3.6 Contingency, £148k overspend

It was agreed at Schools Forum in September, that part of the deficit for Cheshunt School would be met from the school's contingency budget resulting in an overspend. This is partly offset by underspends on the elements of the contingency relating to the primary sector.

5.3.7 Disapplication, £739k overspend

The Authority was granted approval by the DfE to apply £3.1m of DSG in disapplication funding, regarding five schools in challenging circumstances, which are converting to Academy Status and are in a period of exceptional growth requiring financial stability in relation to lagged pupil funding.

Of these five schools, one school converted during 2017-18 but the remaining four have slipped in the conversion program. Thus the 2017-18 expenditure relates to one school. (This expenditure is shown as an overspend because the disapplication was agreed during the year and was not therefore included in the original 2017-18 budget.)

The authority has been given approval by the DfE to carry forward the disapplication request to 2018-19 for those schools who have not received their Academy Orders during 2017-18.

5.3.8 Finally there are a number of other smaller variances under the schools non delegated heading which net to an underspend of £48k.

5.4 **Schools Central Budgets** – Underspend of £3.078m

The overall £3.078m underspend is made up of a number of variances, as follows:

5.4.1 Independent Placements:

This budget has overspent by £1.329m due to a higher number of placements than was budgeted. This includes placements of children with EHCPs whose needs could be met from in-county provision were it not for the social placement requirements and for whom the DSG makes a contribution in respect of education costs.

5.4.2 SEN Strategy Development Fund:

The SEN Strategy Development Fund underspent by £3.445m. This fund was established to support new initiatives, including key priorities within the SEND strategy. As an uncommitted resource, the fund also provides useful flexibility in managing budget risks. Much of the resource set aside in the fund in 2017-18 has been allocated to specific high needs budgets in 2018-19. The time-lag results from the need to develop proposals for the most effective use of the funding.

5.4.3 Early Years SEN Development Fund:

The early years SEND Development fund was not be spent in 2017-18, causing an underspend of £600k.

5.4.4 Early Years Emerging Needs Fund

There was an underspend of £119k in the Early Years emerging needs funding due to the Early Years SEN team not receiving the expected volume of applications.

5.4.5 SEN Bushey Meads: The number of funded placements has been higher than anticipated, leading to an overspend of £87k.

- 5.4.6 Speech and Language Therapy: This budget is underspent by £87k. Whilst the anticipated contract value was as expected, uncommitted funding was held pending a review of the Speech and Language joint contract (with the CCGs) and delivery model.
- 5.4.7 Exceptional Needs Funding: The Exceptional Needs (EN) Funding budget has underspent by £446k. The spending on this budget depends on the number of cases meeting the criteria and agreed at panel, as well as the number of Multiple Cases allocations to schools with higher numbers of EN pupils.
- 5.4.8 Out of County top ups : This budget overspent by £447k. Due to a number of Hertfordshire special schools being at capacity we have had to place more pupils in special provision outside the county's borders. In May 2016 we had 52 pupils placed in special provision (either LA-maintained, academies or free schools) outside of Hertfordshire. By May 2017 this had risen to 76.
- 5.4.9 Additional Welfare and Tuition: The cost of support provided to individual children with SEN is £130k higher than budgeted, mostly due to additional tuition the teams have to provide for children excluded or out of school due to pressures on places.
- 5.4.10 Colleges High Needs Funding: There was a £75k underspend, due to fewer placements with Independent Specialist Providers (ISPs) than planned, along with a slightly lower average cost per placement with ISPs.
- 5.4.11 Education Support for Medical Absence (ESMA): There is an underspend on ESMA of £112k.
- 5.4.12 Outreach: The underspend of £82k is due to schools not meeting the level of services they agreed to deliver for Outreach; therefore they did not receive the full funding agreed and budgeted for at the start of the year.
- 5.4.13 Boarding Pathfinder: There is an underspend on the Boarding School Pathfinder of £48k, due to free places having been offered by a boarding school.
- 5.4.15 Education at private hospitals:
There is a £277k overspend due to funding the education of pupils placed by Health in private hospitals.
- 5.4.16 The remaining balance of £334k underspend has arisen as a result of a number of smaller variances on DSG budgets.

5.5 **Schools Grants & Other Funding** – Overspend of £13.633m

- 5.5.1 The main element of this variance is the loss (overspend) of DSG and sixth form grant of £13.559m as a result of schools that converted to academy status in 2017-18. £13.747m of this allocation is no longer required as the academies are funded directly by the DfE. There is a corresponding underspend reported under Schools Delegated (see 5.2.2). This amount is off-set slightly by a net saving, mainly on rates, as a result of these conversions (£188k).

5.5.2 £389k extra DSG has been paid by the DfE to cover Growth Fund allocations for academies for the April to August 2017 period (see 5.3.3). In addition £311k extra sixth form funding has been received to offset the increase in allocations reported under Schools Delegated (5.2.6).

5.5.3 Due to the delay in the announcement by the DfE of the retrospective early years DSG adjustment for 2016-17, this was accounted for in 2017-18 and comprised a reduction of £780k of grant. (The early years DSG adjustment in respect of 2017-18 has also been delayed and will be accounted for in 2018-19).

5.5.4 Finally there were two other minor variances which largely offset:

i) a £42k underspend due to a reduction in the charge to DSG in respect of a placements at out of county, alternative provision free schools.

ii) a £37k overspend due to minor reductions in the early years DSG made later in 2017-18. (These changes were reported to the February forum meeting).

6 De - delegated budgets

6.1 Regulations require that an overspend on de-delegated budgets for maintained schools can only be charged to the Schools Budget if the Schools Forum agrees. At its September meeting the Forum agreed that an overspend on the secondary de-delegated contingency budget of £576k in 2017-18 (in respect of part of the closing deficit of Cheshunt school) could be charged to the Schools Budget in 2018-19.

The final outturn on de-delegated budgets is as follows:

De-delegated budgets 2017-18		(£000)	
	Budget	Outturn	Over/ (under) spend
Hertfordshire Grid for Learning	104	114	10
Contingency			
- Schools facing financial difficulty and reorganising schools			
- Primary	178	72	(106)
- Secondary –Cheshunt	29	605	576
- Secondary –other		2	2
-Primary Schools causing concern	325	0	(325)
Trade Union Facilities Time	124	72	(52)
Determining Free School Meals Eligibility	47	47	0
School Improvement	932	1015	83
Education Functions	104	113	9
Total	1843	2040	197

6.2 Overall there is an overspend on the de-delegated budgets due to the £605k contribution to the Cheshunt deficit. However, there is an underspend on the primary elements of the contingency. The de-delegated budgets in respect of

school improvement, education functions and HGfL provide contributions towards the cost of the Authority's contract with HfL. As indicated in the funding plan for the HfL contract for 2017-18, the contingency for primary schools causing concern provided an additional resource for the HfL contract in the event that the school improvement and education functions budgets were insufficient. However, the overspend on the school improvement and education functions budgets was only £92k. It is therefore proposed to carry forward to 2018-19 the underspends on both elements of the primary contingency, net of the overspend on school improvement/education functions, and to use this resource in 2018-19. The logic for this is as follows:

- a.) Contingency resources provided through de-delegation have been reduced in 2018-19. The separate contingency for primary schools causing concern has been discontinued and the general contingency for schools facing financial difficulty has been reduced to £78k.
- b.) A number of contingent items at various schools have been identified and it is necessary to address them.
- c.) Carrying forward the underspends on the primary contingencies will ensure that they are used for the primary sector.

6.3 The regulations are unclear on the situation where an underspend on one de-delegated budget is carried forward whilst overall de-delegated budgets are overspent. However, it might be interpreted that carrying forward the underspend on the primary contingency amounts to overspending de-delegated budgets in 2018-19. The Forum is therefore asked to agree funding an overspend on de-delegated budgets in 2018-19 of £339k from the 2019-20 Schools Budget (using the DSG carry forward).

7 DSG Carry forward

7.1 A particular point to note is that some of the underspend in 2017-18 relates to slippage, i.e. the commitment to the expenditure (or to repay DSG) remains but the actual expenditure has slipped into 2018-19.

The elements of the underspend relating to slippage are listed below (assuming that it is agreed to carry forward the underspend on the primary contingency):

Expenditure slipped to 2018-19	£m
Special Schools capital	1.220
Disapplication	2.361
Retrospective early years DSG clawback for 2017-18	0.900
Total	4.481
Carry forward of contingency fund for primary schools	0.339
Total including primary contingency carry forward	4.820

- 7.2 The impact of the outturn position on the amount of DSG carry forward is shown in the table below:

DSG Carry forward		£m
DSG carry forward (c/f) at 31/03/2017		21.289
c/f used to support the 2017-18 Schools Budget		(8.560)
Underspend during 2017-18		10.605
DSG c/f at 31/03/2018		23.334
Less: slippage outlined above		(4.820)
DSG c/f after allowing for slippage		18.514

- 7.3 £5.8m of the DSG carry forward at 31/03/2018 is being used to support the Schools Budget in 2018-19.
- 7.4 The first quarterly monitor for 2018-19 will be reported to the September Forum meeting.

8. Conclusion

- 8.1 Most of the underspends are in early years and high needs. In contrast, after including the slippage, the schools block is approximately £1.5m overspent. (£8.6m of DSG carry forward was used to support the schools block in 2017-18 so overall the schools block spend (including slippage) is approximately £10m above the schools block DSG and sixth form grant received in 2017-18.)