

Schools Forum - 12th October 2017

Financial Report

The following report contains a detailed breakdown of the financial position of the local area for 2017/2018. The report covers the following items

- Contextual Information and revision of DSG Financial Regulations
- Outturn position 17/18
- Contextual information regarding Early Years Block
- Contextual information regarding Higher Needs Block
- Reserve funds
- Position and Recommendations

The revised report format responds to a direct request from Forum members to be able to consider all key factors impacting on the local area allocation, prior to considering recommendations and agreeing actions.

Contextual Information

Funding for Education is split into four blocks by the Department for Education (DfE) comprising of;

1. Schools Block,
2. High Needs Block,
3. Early Years Block, and
4. Central School Services Block (allocation for the local authority's residual functions).

These blocks form the Dedicated Schools Grant (DSG).

At a local level, a Schools Forum comprising of representatives from all educational phases is required to be in place to take decisions on the potential virement of funds between these blocks and approve the detail of the local school funding formula as informed by national guidance.

The DfE confirmed that the 2017/18 Dedicated Schools Grant (DSG) for Torbay is £95.3m of which an estimated £58.5m is deducted to fund Academy Schools leaving £36.8m for maintained schools and education services.

A recent change introduced as part of the national funding formula has placed a limit on the amount of funding that the Schools Forum can vire from the Schools Block to the High Needs Block as 0.5%.

The national funding formula for schools and high needs policy document from the Department for Education states:

"We confirmed in our response to the first stage consultation that the schools block will be ring-fenced from 2018-19. This means that the vast majority of schools block funding allocated to local authorities must be passed directly to schools. But as outlined to parliament in July, local authorities will have limited flexibility to transfer funding to other areas, such as high needs, where this best matches local circumstances. Such transfers are limited to 0.5% of authorities' total schools block, and can only be made with the agreement of the schools forum".

"When seeking agreement to transfer any funding out of their schools block, local authorities will be expected to demonstrate to their schools forum that they have consulted

locally with all maintained schools and academies. Local authorities should set out clearly the reasons for the transfer and, if the transfer is to their high needs budget, how it sits with the local authority's long-term planning for provision for children and young people with SEN and disabilities. There will be a process for considering any reasonable requests for exceptions to these rules”.

Within the context of the significant demand pressures on Early Years and higher needs this is creating a potentially significant pressure upon the local authority with no obvious means of resolution.

Outturn Position 2017/2018

Dedicated Schools Grant (DSG) funded activities are currently forecast to **overspend by £1.1m.**

The following table details the areas of both over and under spend. Many of these budgets are demand led and will be monitored during 17/18 and revisions reported accordingly.

Budget Heading	Budget	Projected Spend	Over / (Under) Spend
Early Years 2, 3 & 4 yr olds	£6.m	£6.25m	£250k
Joint Funded Placements	£500k	£450k	(£50k)
Independent Special School Fees	£2.1m	£2.35m	£250k
Other packages for statemented pupils / recoupment from other authorities	£148k	£250k	£102k
School contingencies (Rates, planned pupil growth etc)	£307k	£278k	(£29k)
Statementing / EHCP in-year adjustments	£200k	£314k	£114k
Special Schools / High Needs in-year adjustments	£244k	£769k	£525k
School Intervention / Commissioning	£324k	£262k	(£62k)

The two areas of significant volatility are within the Early Years Block and Higher Needs Block. The demand led pressures in these areas are detailed below.

Early Years Overview

The local authority is required to ensure that eligible 2 year olds receive 15 hours per week and 3 and 4 year olds receive 30 hours per week of nursery provision. This is a national offer based on nationally determined eligibility criteria. Over the past two years the local authority has had to fund a greater number of children than the DfE have funded. In 17/18 the DfE initially funded 300 children for the 30 hours offer, recent eligibility checks have been conducted and resulted in 551 eligible children in Torbay taking on average 24.6hours per week. The final allocation of funding is reliant upon the January 2018 census, if the maximum number of pupils are included in the January return it is anticipated that the budget pressure for the new 30 hours scheme would be approx. **£250,000.**

In 2016/2017 the local area also experienced a growth in demand for universal 3 and 4 year old placements and 2 year old funded placements. The impact of demand against allocated funds cannot be reported until the January 2018 census, so any volatility remains unknown.

Higher Needs Overview

Alongside the Early Years pressure, Torbay also has a greater number of children requiring additional support up to and including a special school place than the funds

available in the higher needs block can meet. This demand pressure is in the great majority driven by schools requesting additional support and/or that children are assessed for an education health and care plan (EHCP). At present the projected budget pressure on the higher needs block is **£950,000**.

The demand and capacity factors driving the costs are detailed in the Annual Update of High Needs Costs and Joint Funded Places (Agenda item 6).

In addition to these placement factors there continues to be an increase in the request for additional funds above the £6,000 allocated to schools.

Statementing / Education, Health & Care Plan Funding for 16/17 & 17/18			
	16/17	17/18	Increase / (Decrease)
Number of pupils with a statement	362	373	11.00
Number of FTE's with a statement	334	353	19.00
	£	£	£
Funding below £6k allocated through school formula elements	1,914,223	2,047,279	133,056
Funding above £6k allocated as a top-up per eligible pupil	926,146	1,234,164	308,018
Statementing / EHCP Contingency	238,400	200,000	(38,400)
In-Year adjustments			
April	110,476	25,735	(84,741)
May	23,628	45,249	21,621
June	19,756	13,913	(5,843)
July	8,445	0	(8,445)
August	114,700	127,405	12,705
September	63,804	40,866	(22,938)
October	34,132	34,132	0
November	(4,951)	(4,951)	0
December	19,419	19,419	0
January	(11,636)	(11,636)	0
February	22,423	22,423	0
March	1,663	1,663	0
Total - In-Year adjustments	401,859	314,218	
Projected (underspend) / overspend	163,459	114,218	
Notes			
Based on April 17 to Sept 17 in-yr adjustments and the same allocation for the remainder of the financial year as 16/17, it is anticipated the statementing / EHCP contingency will overspend by		£114,218	

Reserve Funds

In 2016/17 the School Forum set up a working party to deal with the local area budget pressure of **£834,597**. This was managed through the use of reserves and inward investment from Children's Services for aligned priority projects. The outcome of this work was detailed in a letter sent to all schools in July 2017. (Copy attached) The reserve fund enabled forum to manage the situation without the need to impact on the central schools block.

The following table demonstrates how the reserve fund has been used and the uncommitted reserves that remain available to forum for consideration.

DSG reserve				
				Balance
				Over / (Under)
				£
Balance remaining as at end of financial year 15/16				(1,289,211)
Expenditure during 16/17				
Schools Safeguarding Social Worker (Year 3) - Mayfield School				50,000
Business Support for TESS - Mayfield School				15,000
Additional TESS funding - agreed at Schools Forum				40,000
Inspiring Equality in Education (Homophobia) - agreed at 10/3/16 Schools Forum				6,173
Improving outcomes - D Pritchard				12,206
CAMHS School Support Service				167,939
16/17 DSG overspend				834,603
Total 16/17 Expenditure				1,125,921
Balance remaining as at end of financial year 16/17				(163,290)
Vacancy saving for Head of Vulnerable Pupils (Apr - Aug 17)				(28,300)
Social care contribution towards TESS 17/18				(50,000)
Social care contribution towards TESS 18/19				(50,000)
Contribution from Troubled Families Grant - agreed by DCS				(200,000)
Total funding available in DSG reserve				(491,590)
Funding still to be allocated against the balance				
Transitional funding to enable Early Years funding rate to remain at £4 per hr for 17/18				153,900
CAMHS funding still to allocate in 17/18 (Apr - Aug 17 only)				73,000
TESS in 17/18 Financial Year				41,753
TESS in 18/19 (Apr - Aug only)				72,483
Autism until 31/12/17				66,890
Challenging Behaviour in 17/18 Financial Year				0
Challenging Behaviour in 18/19 Financial Year				54,663
Challenging Behaviour in 19/20 Financial Year (Summer Term only)				31,738
Total Funding still to be allocated against current remaining balance				494,427
Total Over / (Under) spend				2,837
Note:				
Unspent balance for Challenging Behaviour held by Watcombe Primary at 31/8/17				(65,943)
Unspent balance for TESS held by Mayfield School at end of 16/17 Financial Year				(122,415)

Position

The combined budget pressure from Early Years and Higher Needs is currently £1.1m and projected to rise further. Whilst this pressure is predominately demand led, there has been a collective recognition of the need to improve practice, with respect to managing pupils with additional needs. The only long term and sustainable solution to the higher needs pressures are to include the maximum number of children and young people within a mainstream offer.

The recent change to the national funding formula has capped the amount that can be vired from the Schools Block to the High Needs block and Early Years Block, with the agreement of the Schools Forum to 0.5% from 2018/19 onwards. This equates to approximately £364k for Torbay, from the provisional schools block allocation of £72.8m.

In response to sustained and significant reductions in government funding, Torbay Council has had to make around £69 million in savings over the last seven years, this equates to 63% of its current net budget. It is anticipated that the Council will need to make savings of around £18 million over the next three years. As such the Council is not in a position to respond to a significant pressure in the DSG, Higher Needs and Early Year's blocks.

The Local Authority recommends that the School Forum agree to vire the 0.5% permitted cap across blocks to support the budget pressure from its 2018/19 allocation. The recommendation and subsequent movement of funds would be aligned to the ambition and work that has been undertaken by the School Forum and Education Officers to impact on the culture change that is required within schools.

Even with Schools Forum agreement to vire this amount the local authority is faced with a currently known pressure of around £736k and this will rise during the financial year. By way of context, schools are likely to receive an additional £2.4m under the new national formula for 18/19, whilst the Higher Needs Block will increase by only £100k.

The Local Authority budget position does not enable the deficit to be managed at a local level, and for this reason it is recommended that the School Forum supports an application to the Secretary of State requesting that a disapplication of the regulation is applied. The % disapplication that would be needed to cover the £1m projected overspend would be 1.4%, a pressure of £1.5m would be 2% and £2m would be 2.75%.

The process of disapplication is subject to statutory consultation. This process would enable each school to make individual representation and consider the implications of such a decision on the allocated school budget. All consultation responses would be attached to the application. The application can be submitted with or without forum approval. The application for disapplication needs to be submitted by the 30th November 2017. (Attached Disapplication Request Proforma).

Recommendations

It is requested that Schools Forum;

1. Agree to the virement of funds to the cap of 0.5% (approximately £364k) from the schools block in 2018/19,
2. That the Schools Forum supports an application to the Secretary of State requesting that a disapplication of the regulation is applied for, at 1.4%.

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