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Executive Summary

This report is the budget monitor of the Dedicated Schools Grant (DSG) as at July 2017. It shows the in-year pressure on the high needs block especially given the limited level of the DSG reserve and asks the Schools Forum to agree proposals to address the issues including savings areas for future years in the high needs block.

Given the reported in year position on high needs there will be a need to transfer funding from the schools block to the high needs block in 2018-19 as is permitted by the regulations.

Schools Forum Actions

- a) To note the current position in year on DSG as at Month 5 and the expected outturn position on the DSG reserve at year end.
- b) To give views on in-year adjustments to Early Years Single Funding Formula (EYSFF) hourly rates payable in order to recover the participation shortfall for 2016-17 in the early years block.
- c) Give views their on the updated position with regard to issues carried forward from the July 2017 meeting of the Schools Forum, notably Summerhouse, Maternity Scheme, Schools in Financial Difficulty Scheme and the High Needs Block pressures.
- d) The Schools Forum is asked for its views as to the key areas it wishes the respective working groups to focus on in developing the Local Authority's strategy for addressing the above and for reporting back to the December meeting of Schools Forum and the Local Authority's strategy for the broader consultation with schools.

1. Background

- 1.1 The Schools Forum was made aware at its July 2017 meeting of the financial position of the Dedicated Schools Grant (DSG) and the low level of any remaining reserves. It was also informed of the probable significant pressures on the high needs block and that they would be updated on the position at every meeting of the Schools Forum.
- 1.2 There were specific identified budget risks going forward in the DSG which were brought to the attention of the Schools Forum and this report updates the position in each with the options for potential mitigation

and/or savings. These proposals could then be developed and shaped further by a relevant working group of Schools Forum.

2. DSG 2017-18 and DSG Reserve Budget Monitor

2.1 As with all budget forecasts, they need to be treated with caution particularly with regard to demand driven areas such as SEN and Behaviour Services. In addition, areas that are lagged funded on a participation basis such as early years can be difficult to forecast given the in-year and post year adjustments that need to take place.

2.2 The overall updated DSG grant allocations as at July 2017 are shown in the table below

	DSG 2017-18 £m	DSG 2017-18 £m	Movement £m
Schools Block	128.22	128.22	0
High Needs Block	43.36	43.36	0
Early Years Block	27.99	27.40	(0.59)
Total	199.57	198.98	(0.59)

2.3 There has been a reduction in the level of early years funding due to lower levels of participation. Budgets are being adjusted appropriately in 2017-18 to ensure there is no impact upon the overall financial position in year for the DSG. However, due to participation issues from 2016-17 there is a pressure showing on the early years block of £368k which will need to be managed within the early years block by making appropriate adjustments to the EYSFF rates paid in 2017-18.

2.4 The Schools Forum is asked to give its views on this proposal. This needs to continue to be considered given that participation at this level appears to be reducing year on year with a consequent budget pressure being caused.

2.5 The overall position on budget monitoring is summarised within the table below:

	DSG 2017-18 £m	Over/(Underspend) £m
Schools Block	128.22	0
High Needs Block	43.36	3.5 over
Early Years Block	27.40	0
Total	198.98	3.5

Notes: The position on early years assumes in-year action to manage pressures flowing from participation and or/ use of unused day nursery reserve commitment.

2.6 Appendix 1 of this report illustrates some of the activity pressures driving the high needs block pressures. Further comment is given on the high needs block later in the report.

2.7 The position on the DSG reserve as at 31 March 2017 was a £0.5m contingency together with a commitment for £0.7m to support the council run day nurseries. The position at the year end is now forecast to be a nil balance given that any remaining reserve at year end will need to be applied to meet the overall DSG pressure and to minimise any deficit being carried into the new financial year/ to be funded out of 2018-19 DSG.

3. Issues identified at the July Meeting for follow up:

- 3.1 Schools in Financial Difficulty Scheme: the proposals regarding are a separate report on the agenda.
- 3.2 Licenses and subscriptions: this currently a de-delegation item (set as £24k) and is understated by £100k when compared to the actual costs. It appears that the rate has been set in error at a lower level than actual costs for a number of years. Therefore in 2018-19 there will need to be a significant increase in the de-delegation rate to meet the unfunded liability for 17-18 as well as 18-19.
- 3.3 Summerhouse: there is a separate report elsewhere on the agenda and if there is an overspend in 17-18 then the de-delegation rate can increase in 18-19 to cover this. However the increased cost both one-off and ongoing may be an issue in terms of sustainability of the service going forward which the Schools Forum will need assurances over.
- 3.4 Maternity Insurance Scheme: a high risk budget area for de-delegations which had a budget of £669k and spent £804k in 2016-17 and is forecast to spend of £882k in 2017-18. This has been consistently overspending for a number of years which is not financially sustainable and consideration now needs to be given to measures to ensure that this breaks even in 2017-18. Options to do this are:
- limiting the scope (restricting to certain groups and restricting to maintained schools only, given special schools have been making claims but do not contribute to the scheme)
 - capping the payments to 75% of the current level from September 2017
 - Requesting additional top up in 2018-19 to meet the unfunded liabilities in 2017-18 and 2018-19 if the scheme continues.
- 3.5 Consideration also needs to be given to moving the scheme to a fully traded service from 2018-19 in line with practice at other LAs. The example below is a successful traded service scheme at another local authority in the South East of England. This scheme is not open to academy schools as insurance is a matter to be dealt with by academies separately.

Age Band	Teachers		Age Band	Non-Teachers	
	Premium £	Payout £		Premium £	Payout £
Below 23	262	4,000	Below 23	193	2,000
23-24	273	4,000	23-24	203	2,000
25-30	300	4,000	25-30	230	2,000
31-35	294	4,000	31-35	225	2,000
36-40	273	4,000	36-40	203	2,000
41-49	230	4,000	41-49	160	2,000
Over 50	0	Nil	Over 50	0	Nil

NB - Premiums and payouts are pro-rata to FTE

- 3.6 The final option would be to cease the de-delegation and not offer a buyback and schools would make their own arrangements to purchase private sector cover. The funding from the de-delegation would be returned to schools to allow them to fund this.
- 3.7 The Schools Forum is asked for its views on these options and what areas it wishes the agreed working party to look at with a mind to reporting back to Schools Forum in December with a recommendation to the Schools Forum for the preferred option to operate in 2018-19.

4. High Needs Block

- 4.1 As noted previously, the high needs block is now under severe pressure. At Appendix 1 of this report there are a number of graphs representing pressure areas over time, including EHCP activity and placement costs for independent and boarding schools.
- 4.2 The Schools Forum will be aware that the a number of authority bodies are lobbying Government and asking that authorities be funded to reflect actual pressures on the high needs block which is in line with the representations made by this Authority and shared with the Schools Forum in March 2017 as part of the High Needs NFF consultation response. In addition we are still awaiting the consultation on the funding of SEND 16-25 which was a transfer of responsibilities several years ago without a consequent increase in funding and which is one of the main causes of the structural ongoing pressure on the high needs block.
- 4.3 As noted at the last meeting of the Schools Forum, the importance of starting to bring forward measures to address the high needs block pressures was stressed. Since then several proposals are starting to take shape. These will be worked up to take forward with the working group, including:
- Accelerate earlier the full transition to the 4 band mainstream top up system
 - Undertake a further review looking at best practice elsewhere and use of panels for exceptional need
 - Review and target a reduction in central retentions on the high needs block in 2018-19 and 2018-20
 - Asking Clinical Commissioning Groups (CCGs) to fund certain therapy costs, rather than the DSG and also asking them to fund nursing posts. These have been funded for a number of years from the high needs block.

- Review top up funding to Special Schools in 2018-19 linked to a review of special school bandings and top up levels to ensure correct fit is being achieved in line with other benchmarks
- Requiring special schools to have a buyback with mainstream schools for outreach service
- Review Special School provision that is operating significantly below capacity
- Ceasing additional one off support to SILS of the additional £100k in 2018-19. This may require some reduction in the current offer, additional increases in charges to school and also development work on the protocol with academies and free schools for funding clawback for excluded pupils
- Participating in regional commissioning arrangements for out of borough independent placements to achieve a cost reduction/ avoidance
- Further development of the SEN capital strategy, linked to cost benchmarking
- Transfer from the schools block to the high needs block by 30/11/17 to ensure at least parity of funding with 2017-18 and a modest increase. This is considered further on the agenda as part of the 2018-19 DSG report
- Recommendation to the Schools Forum on the operation of the balance control mechanism on schools with significant uncommitted excess balances. Any clawback could be used as a contribution for high needs cost pressures
- Savings on alternative provision
- Further benchmarking & working with a consultant to develop further proposals for savings on the high needs block.

4.4 The Schools Forum is asked for its views as to the key areas it wishes the working group to focus on in developing this strategy, for reporting back to the December meeting of Schools Forum and for broader consultation with schools. It is noted that additional costs will need to be factored in for additional places coming on stream at Special Schools in 2018-19.

Appendix 1

High Needs Block Activity and Cost Drivers







