

1.1 - 2019/20 Final Outturn and 2020/21 Budget

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1 Purpose

- 1.1 To inform the Schools Forum of the Dedicated Schools Grant (DSG) final outturn position for 2019/20 and the budget allocation for 2020/21.

2 Recommendations

- 2.1 That the Schools Forum notes the 2019/20 final funding allocation and outturn position, including balances carried forward on both the DSG and de-delegated budgets.
- 2.2 That the Schools Forum notes the budget for 2020/21, including the opening balances carried forward.

3 2019/20 Final Outturn Position

- 3.1 This report details the income and expenditure on the DSG for 2019/20. The DSG is a ring-fenced grant that must be used in support of the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2020. It cannot be used for any other purpose and is not available to support general council services.
- 3.2 The final DSG allocation has been estimated at £252.333m which has reduced by £0.063m since the previous report to the schools forum in January 2020. This change is as a result of the estimated early year’s adjustment; the final allocation will not be confirmed until July 2020. This is the full allocation for Milton Keynes and includes funding for academy schools and high needs places in academies, which are deducted at source and paid to schools directly by the Education and Skills Funding Agency (ESFA).
- 3.3 The 2019/20 budget was set with an estimated surplus carry forward balance of £2.956m at 31 March 2020. The outturn at the end of the year was a surplus balance of £2.096m; a worsened position of £0.859m. This surplus will be carried forward to

2020/21. The new block ring-fencing arrangements under National Funding Formula require the carried forward balances to be allocated to each of the four blocks as an opening balance.

3.4 The outturn position summarised in this report is the draft outturn position and is still subject to review by the Department for Education (DfE) as part of the DSG assurance processes. This will be undertaken in October 2020.

3.5 A summary of the draft outturn position is shown in the below table:

DSG Income and Expenditure	Budget	Outturn	Variance to Budget	Movement Since P9 Forecast
	£m	£m	£m	£m
Schools Block				
Expenditure	188.751	188.624	(0.127)	(0.063)
Income	(189.415)	(189.415)	(0.000)	(0.000)
Total Schools Block	(0.664)	(0.791)	(0.127)	(0.064)
Central School Services Block				
Expenditure	1.466	1.461	(0.004)	(0.004)
Income	(1.466)	(1.466)	0.000	0.000
Total Central Services Block	(0.000)	(0.005)	(0.004)	(0.004)
Early Years Block				
Expenditure	21.293	21.469	0.176	0.184
Income	(21.810)	(21.545)	0.265	(0.017)
Total Early Years Block	(0.517)	(0.076)	0.441	0.167
High Needs Block				
Expenditure	40.800	41.352	0.552	0.443
Income	(42.574)	(42.574)	(0.000)	(0.000)
Total High Needs Block	(1.774)	(1.222)	0.552	0.443
Total Expenditure	252.309	252.906	0.597	0.560
Total Income	(255.265)	(255.001)	0.264	(0.018)
In Year (Surplus) / Deficit	(2.956)	(2.094)	0.862	0.542

3.6 Since the last budget monitoring position was reported to the Schools Forum in January 2020 (which reflected the period 9 forecast position), the DSG surplus balance at 31 March 2020 has reduced by £0.542m; from a surplus carry forward of £2.636m to £2.096m. Whilst this value may appear significant, the overall surplus carried forward represents just 0.8% of the total DSG budget.

3.7 The explanations for the change from the forecast at period 9 (reported to the Schools Forum in January 2020) and the final outturn are as follows:

- Schools Block – There has been an increase in the underspend of £0.064m which relates to the in-year rates adjustments as a result of credits being received.
- Early Years Block – There has been an adverse movement of £0.167m which relates to a reduction in take up. The grant funding is based on the January 2020 census, therefore any reduction in numbers will result in a reduction in grant. The

take up for 2 year olds saw a reduction in hours of 1,991 and for 3 and 4 year olds an overall reduction in take up of 3,087 hours. The table below shows the number of hours in more detail:

	3 & 4 Year Old Universal	3 & 4 Year Old Extended	2 Year Olds
	hours	hours	hours
Jan-19	758,101	282,305	109,057
Jan-20	741,624	295,695	107,065
Movement	-16,477	13,390	-1,991

Early Years funding allocations are always finalised after the year end closedown – this is because the DfE adjust allocations retrospectively based on actual take up in January. An estimate of the early years block adjustment has been made of £0.062m although this will not be finalised until July 2020.

The underspend on the block will be carried forward to 2020/21 to provide a contingency for the risk of any differences to the block adjustment by DfE, increases in take up and the general volatility of the block. This equates to just 0.1% of the budget.

The early years block is volatile as the level of funding is based on the January census from both academic years falling within the financial year. The 2019/20 surplus carry forward of £0.076m represents 0.35% of the block allocation which is too low. This is the reason that only part of the £0.08 per hour increase in funding was passed through to providers for 2020/21, the level of contingency needs to be built to a reasonable level to manage the volatility. It has however been identified that there is an issue with some schools not recording their children on the January census which has resulted in a loss of income, we will be working with schools to ensure this is correct for January 2021.

- High Needs Block – There has been an adverse movement of £0.443m since the period 9 forecast, which resulted in a £0.552m overspend in the high needs block.
- The movement was mainly seen within mainstream top up funding for children with and without an EHCP, totalling £0.473m. SEN support payments increased from an average payment of £0.069m per month in months 1 to 8, and then increased to an average payment of £0.084m per month between months 9 to 12.
- The number of MKC children within special schools receiving top up funding had also increased by 21 pupils from 770 in September 2019, to 791 in March 2020 with total monthly payments increasing by £0.043m per month which led to a movement of £0.176m since the period 9 forecast.

- The independent school fees had a favourable movement of £0.378m from the period 9 forecast as the placements contingency was not required.

Significant Variations to Budget

A summary of the outturn variance is shown in the following table:

DSG Income and Expenditure	Budget	Outturn	Variance	Movement in Forecast Variance
	£m	£m	£m	£m
Schools Block				
Budget Shares	186.693	186.555	(0.138)	(0.114)
MFG	1.006	1.006	0.000	0.000
Growth Fund	1.052	1.064	0.011	0.051
Expenditure	188.751	188.624	(0.127)	(0.063)
Surplus C/Fwd	(0.578)	(0.578)	0.000	0.000
DSG Allocation	(188.837)	(188.837)	(0.000)	(0.000)
Income	(189.415)	(189.415)	(0.000)	(0.000)
Total Schools Block	(0.664)	(0.791)	(0.127)	(0.064)
Central School Services Block				
Admissions	0.557	0.554	(0.003)	(0.003)
Schools Forum	0.036	0.034	(0.002)	(0.002)
ESG Retained Duties	0.670	0.670	0.000	0.000
CLA and MPA Licence Fees	0.224	0.225	0.001	0.001
Miscellaneous	0.025	0.025	(0.000)	(0.000)
Contribution from High Needs Block	(0.047)	(0.047)	0.000	0.000
Expenditure	1.466	1.461	(0.004)	(0.004)
DSG Allocation	(1.466)	(1.466)	0.000	0.000
Income	(1.466)	(1.466)	0.000	0.000
Total Central Services Block	(0.000)	(0.005)	(0.004)	(0.004)
Early Years Block				
Providers 3 and 4 Year Olds	17.945	18.063	0.118	0.118
Providers 2 Year Olds	2.155	2.289	0.134	0.134
MNS Supplementary Funding	0.127	0.127	0.000	0.000
Pupil Premium	0.115	0.111	(0.004)	(0.004)
Disability Access Fund	0.063	0.063	0.000	0.000
Early Years Inclusion Fund	0.230	0.196	(0.034)	(0.068)
Central Expenditure	0.658	0.620	(0.038)	0.004
Expenditure	21.293	21.469	0.176	0.184
Surplus C/Fwd	(0.517)	(0.315)	0.202	(0.080)
DSG Allocation	(21.293)	(21.230)	0.063	0.063
Income	(21.810)	(21.545)	0.265	(0.017)
Total Early Years Block	(0.517)	(0.076)	0.441	0.167
High Needs Block				
Special School Place and Top Up Funding	20.515	20.842	0.327	0.176
Departments / Unit Place and Top Up Funding	1.915	1.918	0.003	0.152
Alternative Provision Place and Top Up Funding	3.138	3.127	(0.011)	(0.000)
Mainstream Top Up funding (EHCP and No EHCP)	4.050	5.052	1.002	0.473
College Place and Top Up Funding	2.450	2.403	(0.047)	(0.029)
Independent School Fees	5.550	4.572	(0.978)	(0.378)
Contingency	0.526	0.000	(0.526)	0.000
Central Expenditure and Tuition	2.657	3.439	0.782	0.049
Expenditure	40.800	41.352	0.551	0.443
Surplus C/Fwd	(1.774)	(1.774)	0.000	0.000
DSG Allocation	(40.800)	(40.800)	(0.000)	(0.000)
Income	(42.574)	(42.574)	(0.000)	(0.000)
Total High Needs Block	(1.774)	(1.222)	0.551	0.443
				0
Total Expenditure	252.309	252.906	0.596	0.560
Surplus C/Fwd	(2.869)	(2.667)	0.202	(0.080)
DSG Allocation	(252.396)	(252.334)	0.062	0.062
In-Year Deficit/(Surplus)	(2.956)	(2.094)	0.861	0.542

3.8 Significant Variations to the Budget

A full explanation of the significant outturn variations to budget is as follows:

Schools Block £0.127m underspend

- Schools Block:
The **£0.127m** in year underspend is as a result of the growth fund contingency for additional places at primary schools not being required and the four primary school academy conversions resulting in a business rates rebate.

Early Years £0.441m overspend

- Early Years Block Income:

When the 2019/20 DSG budget was set the Early Years block allocation was indicative as the final allocation is based on January 2019 census data. An estimated increase for the block adjustment was accounted for in 2018/19 of £0.938m based on estimates of take up, the final block adjustment was confirmed and was an increase of £0.666m therefore there was a variance of **£0.272m** which was funded from the contingency. However it has been identified that a duplicate payment of **£0.070m** was made in error during 2018/19, this has now been recouped and returned to the early years block.

The final 2019/20 funding allocation is yet to be confirmed (expected July 20), however an estimate has been made and an accrual processed. The estimates show that there is expected to be a grant reduction of **£0.063m**.

- Early Years Block Expenditure:

The in-year expenditure for 2 year olds and 3 and 4 year olds is higher than the 2019/20 budget by **£0.134m** and **£0.118m** (respectively), this has been covered by the contingency.

The pupil premium grant had an in year underspend of **£0.004m**, which must be carried forward and spent in line with the grant conditions.

The disability access fund was fully spent to budget in line with the grant conditions.

The early years inclusion fund had an in year underspend of **£0.034m** due to a reduction in demand.

The schools forum agreed to additional central funding from the early years block for 2019/20; however due to COVID 19 the two year old campaign 'Time for Twos' was not able to take place so this funding of **£0.038m** has been returned to the early years central expenditure block.

- There is an overall surplus carry forward in to 2020/21 of £0.076m, a reduction of £0.441m from the 2019/20 carry forward of £0.517m due to the in-year overspend. The surplus carry forward of £0.076m represents 0.3% of the 2020/21 DSG allocation. Given that the blocks are now ring-fenced it is essential that a reasonable level of contingency / surplus is held to manage volatility, as we have seen in 2019/20. Expenditure within the block is highly volatile and there remains uncertainty about future funding levels. The surplus carried forward from previous years is one off and therefore cannot be committed to ongoing costs.

High Needs Block £0.551m overspend

- Special School Places and Top Up Funding overspend of **£0.327m** was due to an overspend on top up funding of £0.242m to MK special schools, and an overspend of £0.084m in top up funding paid to other local authority special schools. The MK special school top up funding overspend represents a 2% overspend against the 2019/20 budget, the overspend was due to an increase in numbers seen from April 2019 to August 2019, with the budget being set anticipating growth from September 2019 only. A review of the average top funding payments per child across special schools was carried out, which showed that it was consistent with what was being paid in 2018/19. Other local authority special school top up funding was due to difficulties throughout the financial year in ascertaining the placement costs from the settings and other LA's. This resulted in a number of invoices being received late into the financial year, however this is being addressed for 2020/21 by reviewing all OLA placements, ensuring systems reflect the true position of costs and working with OLA's in order to invoice us on a more regular basis.
- The biggest overspend was seen within mainstream top up funding, for children with and without an EHCP, totalling **£1.002m**. This was largely down to an increase in demand throughout the financial year. Included within the £1.002m overspend, was a £0.187m overspend on non-statutory SEN support payments for children without an EHCP. In 2018/19, £0.576m was paid out to schools requiring additional support. However the cost of these payments rose to £0.832m in 2019/20 (a 44% increase), with the average annual payment made to schools receiving SEN support rising from £0.006m to £0.011m. Whilst this additional support is crucial for settings, we have introduced a tracker to allow us to accurately forecast the cost of SEN support by child and settings over the financial year. The biggest element of the £1.002m overspend was seen within the mainstream schools top up funding for children with an EHCP, which totalled £0.742m. This is due to both an increase in the number of children within mainstream settings with an EHCP. As of March 2019, 667 children had received top up funding towards their support at some point during the financial year, which had risen by 20%, to 798 children as of March 2020. The other reason for an increase in expenditure was that the average weekly hours of funding being made increased from 26.50 hours per child in 2018/19, to 27.96 hours in 2019/20.

- Independent Special School Fees underspend was **£0.978m**. Residential school placement numbers continued to be maintained at the 2018/19 level (16 compared to 26 in 2017/18). Where suitable for the child's needs and working closely with the families, packages were moved from residential placements to day placements, which are of a lower cost. One example in 2019/20 was a child moving from a £0.250m 38 week placement to a £0.093m day placement. The underspend here offsets with the overspend seen within the tuition packages budget, as children are being supported within MK through different options, and therefore the 2020/21 budget has been reduced by £0.200m to reflect this. Since the start of the 2020/21 financial year, there has been a new placement costing £0.149m which highlights the need for the budget to be set in order to deal with new packages.
- The central expenditure and tuition budgets overspent by **£0.782m**. This was due to an overspend of £0.777m on external tuition packages required to support children not yet in a setting. The outreach team's caseload grew from 32 children to 111 children by the end of the financial year, with several children receiving support through full time packages from the outreach team. As a result this meant that additional external supply teaching was required in order to manage the 247% increase seen in caseload numbers. Whilst the full time packages required to support some of the more complex children could prevent incurring an independent specialist school cost of up to £0.004m a week per child, it is recognised this level of expenditure is not sustainable. Therefore, a review of the types of packages on offer, such as different options including home provision through online sessions is being carried out to bring the costs of packages down.
- There is an overall surplus carry forward in to 2020/21 of £1.222m, a reduction of £0.552m from the 2019/20 carry forward of £1.774m due to the in-year overspend. The surplus carry forward of £1.222m represents 3.0% of the 2020/21 DSG allocation. Given that the blocks are now ring-fenced it is essential that a reasonable level of contingency / surplus is held to manage volatility, as we have seen in 2019/20. Expenditure within the high needs block is highly volatile and there remains uncertainty about future funding levels. The surplus carried forward from previous years is one off and therefore cannot be committed to ongoing costs.
- Whilst a £1.222m carry forward seems reasonable, this only represents the cost of 30 x band A special school places, 30 hours top up funding for 153 mainstream children with an EHCP, or 24 new independent specialist day places. This therefore highlights the importance of ensuring further processes are put in place to manage the pressures we have seen in a number of areas across the high needs block in 2019/20. With some steps already taken (discussed below) and ongoing reviews being carried out on other areas of volatility, we hope to manage the pressures we have seen last financial year.

3.9 De-Delegated Budget Update

The overall underspend against de-delegated budgets was £0.082m. This amount will be carried forward into 2020/21 and is ring-fenced against the specific de-delegated services. Any underspends that had not been anticipated at the time of setting the budgets (and therefore the de-delegated requirement from schools), will be either carried forward to reduce 2020/21 de-delegation requirements or returned to schools if de-delegation is not permitted under NFF or the services cease.

The £0.082m underspend is made up of £0.002m on social, emotional and mental health difficulties teaching team, £0.057m on facilities time and £0.023m on support for ethnic minority pupils.

4 2020/21 Budget Allocation

4.1 The below summary tables show the funding allocation and expenditure for each of the blocks. Table 1 shows the agreed budget at the January 2020 schools forum. Table 2 outlines how the final outturn carry forward has been allocated in line with the principles agreed at the schools forum. The variances between the agreed budget and the updated budget are shown in table 3.

Table 1 - Budget

DSG Budget Headlines	£m				
	Schools Block	CSSB	EY	HN	Total
2019/20 Surplus C/F	(0.727)	0.000	(0.243)	(1.666)	(2.636)
2020/21 DSG Allocation	(203.584)	(1.496)	(21.609)	(44.446)	(271.135)
2020/21 DSG Income	(204.311)	(1.496)	(21.852)	(46.112)	(273.771)
Budgeted Expenditure	204.284	1.496	21.609	44.021	271.409
Contingency	0.000	0.000	0.000	0.426	0.425
2020/21 Balance C/F	(0.027)	0.000	(0.243)	(1.665)	(1.937)

Table 2 – Forecast

DSG Budget Headlines	£m				
	Schools Block	CSSB	EY	HN	Total
2019/20 Surplus C/F	(0.792)	(0.006)	(0.076)	(1.222)	(2.096)
2020/21 DSG Allocation	(203.584)	(1.496)	(21.609)	(44.446)	(271.135)
2020/21 DSG Income	(204.376)	(1.502)	(21.685)	(45.668)	(273.231)
Budgeted Expenditure	204.284	1.496	21.609	44.021	271.410
Contingency	0.000	0.000	0.000	0.426	0.426
2020/21 Balance C/F	(0.092)	(0.006)	(0.076)	(1.221)	(1.395)

Table 3 - Variance

DSG Budget Headlines	£m				
	Schools Block	CSSB	EY	HN	Total
2019/20 Surplus C/F	(0.065)	(0.006)	0.167	0.444	0.540
2020/21 DSG Allocation	0.000	0.000	0.000	0.000	0.000
2020/21 DSG Income	(0.065)	(0.006)	0.167	0.444	0.540
Budgeted Expenditure	0.000	0.000	0.000	0.000	0.000
Contingency	0.000	0.000	0.000	0.000	0.000
2020/21 Balance C/F	(0.065)	(0.006)	0.167	0.444	0.540

4.2 Significant Variations to Budget

2019/20 Carry Forward Surplus

The carry forward surplus from 2019/20 was £0.540m less than had been anticipated at the time the budget was set (£0.065m increased carry forward on the schools block, £0.006m increased carry forward on the central school services block,

£0.167m reduction on the early years block and £0.444m reduction on the high needs block).

- 4.3 At a recent South East of England Finance Officers (SEFOG) event which was attended by several LA finances officers, along with colleagues from the DfE it was confirmed that COVID-19 is expected to have an impact on October and January census numbers. This is being considered by government as they are not expecting the early year's numbers to be back at full capacity by January 2021. There is expected to be some guidance released to LAs in July on early years funding to providers for the autumn term block.
- 4.4 A budget forecast for 2020/21 is not yet available; this will be completed and reported at the next Schools Forum meeting and is also included as part of the Council's quarterly updates to Cabinet.