

## Report to the Schools Forum 24 May 2018

### Financial Pressures on Telford & Wrekin (T&W)

#### 1 Introduction

1.1 Following a discussion about high needs and the general funding environment for schools and the Council at the March 2018 Forum, the Council agreed to provide a paper describing financial pressures impacting upon the Council.

1.2 The following sections provide a brief overview of the current situation.

#### 2 Overall Financial Environment for T&W Council

2.1 In the Council's Service and Financial Planning report of February 2018 the following points were made:

- By the end of the current financial year, the Council will already have delivered budget savings of £110,000,000. These savings are ongoing, meaning that they have to be made every year and that each year the Council now has almost £1,500 less to spend on delivering services for every household in the Borough.
- There is no sign that the most protracted and severe period of austerity ever imposed by any U.K. Government is going to end in the foreseeable future. Government cuts to council grants have not been distributed evenly across the country, with areas of greater social need facing much greater cuts than wealthier parts of the country. By the end of 2020/21, based on current projections, the ongoing savings that this Council will have had to deliver are expected to be around £140m in direct response to the national austerity programme and demographic and inflationary pressures which are no longer funded by the Government.
- The 4 year settlement for 2016/17 onwards provided the following projections [from Government] for Revenue Support Grant (RSG):-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
RSG	24.899	18.457	14.147	9.812
% Reduction from Previous Year	-20.81%	-25.88%	-23.35%	-30.65%

2.2 There are two main areas of particular pressure for Telford & Wrekin and most other local authorities – adult social care and children's safeguarding. In each area, most of the pressure arises from factors outside the Council's control, e.g. demographics and societal change. Pressures on children's safeguarding in part arises from similar factors that lead to pressure on high needs education and a number of young people in residential accommodation who are jointly funded by education Dedicated Schools Grant (DSG) and safeguarding budgets.

### 3 Council Education Funding

- 3.1 The abolition of the Education Services Grant (ESG), which followed several years of reductions, coupled with reduced top-slices and de-delegations, has meant that non-traded income for the LAs school responsibilities has radically declined in recent years. It is now around one-third the level of 2013/14, as follows:

	£'000					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
ESG	2,856	2,805	2,256	2,032	592	0
Central top-slice from all schools including academies for services formerly funded by ESG (from Central school services block in 2018/19)	0	0	0	0	510	845
Central top-slice for BSF (CERA)	342	342	342	100	0	0
Central top-slice for asset management (CERA)	252	252	252	252	0	0
Central top-slice for admissions	392	392	392	392	357	0
Central top-slice for safeguarding	25	25	25	25	25	0
Central top-slice for schools forum	17	17	17	17	17	0
De-delegation from maintained schools only for services formerly funded by ESG	0	0	0	0	350	480
De-delegation for behaviour support	67	52	53	0	0	0
De-delegation for Multi-Cultural Development Team	73	0	89	0	0	0
De-delegation for Free School Meal eligibility checks	23	17	20	16	24	26
<b>Total funding for LA services from ESG and school budgets</b>	<b>4,047</b>	<b>3,902</b>	<b>3,446</b>	<b>2,834</b>	<b>1,875</b>	<b>1,351</b>

### 4 Education Services not funded by DSG

- 4.1 In addition to the areas described in section 2 above, there are other significant areas of education expenditure outside of DSG, i.e. funded from general council resources. These include home to school transport and the education psychology and SEN administration elements of high needs provision (specialist services). The total budget for these areas in 2018/19 is just under £3.5m.

- 4.2 As with all other council budgets, these services have savings targets to meet (i.e. reductions in expenditure). For each area these have proven very difficult to achieve, as they support increasing numbers of high needs pupils (around two-thirds of transport expenditure is for home to school transport for high needs pupils). In 2017/18 each overspent against their budget, transport by around £400,000 and specialist services by around £150,000. The budget for transport has been reduced by a further £300,000 in 2018/19.
- 4.3 A further cost borne by the Council is for historical premature retirement costs. For many years, dating back to pre-unitary status, the Council would meet the costs for premature retirement costs for schools, where the Council had agreed that the school needed to reduce its staff. Many other authorities had met these costs by top-slicing DSG and now continue to have the costs met by DSG as the DfE treats them as 'historical commitments' when calculating the allocation of central school services DSG. Premature retirement costs currently cost £1.3m per annum. As the LA ceased to fund new premature retirement costs some years ago, no new costs are being incurred, but the legacy will form a pressure for LA budgets for many years to come.

## **5 High Needs**

- 5.1 High needs has been discussed with the Forum at previous meetings and so this paper will not repeat the details already covered. In summary, whilst DfE funding has increased, it has not kept pace with the increasing costs, driven by increasing numbers of high needs pupils and increasing complexity of pupils. This has resulted in the £544,000 overspend against DSG in 2017/18, the request to move £550,000 from the schools block to high needs in 2018/19 and the ongoing cost improvement plan for high needs in order to reduce the upward pressure on costs.

## **6 Summary**

- 6.1 Council budgets are under pressure from a number of different angles, as described above. One underlying trend is the increasing predominance of statutory, high cost services, in the Council's expenditure. At a total of £67m, adult social care and children's safeguarding budgets form 54% of the Council's entire 2018/19 net budget. There are parallels to this trend in education. Mainstream school budgets are planned to be set nationally, based on a national funding formula. However, for the foreseeable future, specialist institutions' funding and the general responsibility for high needs will continue to be rest with local authorities.
- 6.2 The impact of demographic pressures on statutory, high cost services are thus having to be absorbed by the Council, whilst resources allocated by Government are not keeping pace.

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