



Schools Forum
15 January 2020

**Report from the Strategic Director
of Children and Young People**

DSG Budget Monitoring Report

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	N/A
No. of Appendices:	Two Appendix 1: Breakdown of DSG Schools Budget 2019/20 by Funding Block Appendix 2: Budget Monitoring for 2019-20 Dedicated Schools Grant and Sixth Form Funding
Background Papers:	None
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1. Purpose of the Report

- 1.1. This report provides Schools Forum with an update on the forecast financial position for 2019/20. The position is reported against the budget set in consultation with Schools Forum and submitted to the Department for Education on the Section 251 budget return. For information, the budget is analysed by funding block in appendix 1 of this report.

2. Recommendation

- 2.1. Schools Forum is asked to note this report.

3. Summary

- 3.1. The demand for High Needs provision has continued to grow meaning that DSG expenditure will exceed income by a forecast £6.7 million in 2019/20. This will

eliminate the remaining reserves of £2.5 million and put the DSG into a deficit position of £4.2 million by the end of the financial year.

- 3.2. The financial monitoring of the 'DSG Schools Budget' is presented in Appendix 2. The 'Actual to P8' column represents the spend to date as at the end of November 2019, and the forecasts provided are those prepared during December 2019.

4. High Needs Block Expenditure

- 4.1. There are currently 2,351 EHCPs supported by the High Needs Block, this is an increase of 128 compared with those included in the last budget monitoring position reported to the forum in November 2019. The forecast expenditure has increased by £3m from £61m to £64m.
- 4.2. It has previously been reported that the principal driver of increased costs is the total number of pupils with EHCPs. Despite there being little change in the 2-19 years' population in Brent in the last 2 years, the number of EHCPs has continued to grow in this time and has increased further in the past autumn term. There have been notable increases in Post 16 EHCPs, where young people with SEND can remain in education provision until they are 25 years of age, and in the reception year group despite a reduced total reception cohort across the borough in 2019/20.
- 4.3. This has led to increased overspends on Out of Borough Special provision of £0.5m, as few in-borough placements are able to be made with provisions mostly full. There are 182 full time equivalent places forecast at a total cost of £4m, averaging £22.3k per place, which is not significantly different to the average cost of in-borough top ups. Officers are working on proposals to increase the amount of special provision within the borough, notably for secondary pupils and 16-25 year old SEND students.
- 4.4. The post 16 forecast has increased by £1.2m as the accrued position for the year now accounts for 100 more EHCPs than before. In total post-16 provision is forecast to cost £4.2m in 2019/20, which averages £12.5k for the 335 post 16 students funded. This includes approximately £0.5m of '£6k place funding' charged as an additional cost to the High Needs block by further education colleges. However the Education Skills Funding Agency has recently clarified that colleges should no longer make this charge. The forecast does not assume this will be recovered, but officers are reviewing whether this is possible. Work is continuing with Special schools on developing lower cost but good quality post-16 High Needs provision. However, this will take time to develop and the proto-type is expected to start in the next financial year.
- 4.5. The actual spend to date on both the Out of Borough special provision and Post 16 budget line is very low compared to the year end forecasts. However, these forecasts have been prepared based on individual pupil and student data, and accrued to the end of the financial year.
- 4.6. There are also increased overspends on Out of Borough mainstream top ups, and on residential and independent educational settings, principally due to increased numbers of pupils, but also because of increases in the prices charged by external providers.

- 4.7. The increased demand has had knock on effects on other areas of the High Needs Block such as the speech and language therapy budgets and the Education Psychology service budget which are both forecasting overspends. In total, these SEN High Needs budgets are forecast to overspend by £0.9m.
- 4.8. This brings the total forecast overspend for the High Needs Block to £5m more than the budget set. It should be noted that at £63.9m the forecast expenditure for High Needs actually exceeds the High Needs Block income by £7.8m.
- 4.9. It should also be noted that the budget is supported in 2019/20 by £1.1m (or 0.5%) of Schools Block income and by £1.5m of DSG reserves. The 2020/21 High Needs Block allocation for Brent included an additional £5m of funding, but current expenditure will need to be reduced to achieve a balanced in-year budget, ahead of a medium term plan to recover the DSG deficit.

5. DSG Income

- 5.1. There are some variances on block income compared to the budget set, though the largest, the mainstream Schools Block income is forecast to budget at £231 million.
- 5.2. The most significant variance is on the Early Years Block, where the provisional 2019/20 allocation has been reduced by £0.8 million following confirmation of the January 2019 Early Years census. The lower income reflects lower numbers in Early Years provision in early 2019. This variance will be partially offset by reduced spending on Early Years provision, as this will also reflect the lower numbers of children.
- 5.3. The High Needs Block varies slightly due to a late change to the import and export adjustment, which accounts for place funding for Brent pupils in other local authority areas. Allowing for the recoupment adjustment the forecast income for the block will exceed the budget set by £63k.
- 5.4. Sixth form funding is £177k more than budgeted for, with most of this being passed onto maintained sixth forms.
- 5.5. In total, the forecast is that income will be £0.58 million less than budgeted for.

6. Schools Block Expenditure

- 6.1. Although the mainstream funding formula has not been changed, there is a variance of £0.5 million against the net position of the funds allocated to schools (£228 million).
- 6.2. The recoupment figure of £114m is reduced by a growth factor of 0.4m. This is due to the timing difference between Academy and Local Authority financial years. Funding for 2019/20 is based on October 2018 census data, which means a time lag of 7 months until the Council's financial year begins, but a lag of 12 months for Academies. Recoupment covers 12 months of growth funding (allocated in the funding formula as planned pupil number variations) for Academies but it would not be fair or equitable for a Local Authorities DSG Schools Budget to fund growth for the 5-month difference between the financial years. This adjustment therefore creates a budget variance which offsets some of the spend from the growth fund.

- 6.3. There is also potential for some variance when changes are made to the National Non-Domestic Rates allocations. The original allocations were prudently estimated for the funding formula in February 2019. This was to ensure that overall there was enough funding to cover any increases in the cost of NNDR, following any revaluations that take place in 2019/20. Although revaluations can take place right up to the year end, schools' funding has been updated following confirmation of NNDR charges, leading to a forecast underspend on the mainstream schools funding budget lines of £0.1 million. The principle remains that all schools are funded at cost for their NNDR charges.
- 6.4. The growth fund budget of £1.4M is intended to cover the cost of the CAFAI arrangements for new arrivals to Brent schools, plus the impact of rising rolls in schools as pupil numbers grow. It should be noted that planned expansions for secondary schools are dealt with in the first year by a pupil number variation in the mainstream funding formula and not double funded as rising rolls. Previous commitments for primary schools that expanded are also being honoured via pupil number variations. Nevertheless, the increase in secondary phase pupils, funded at approximately £5k each, means a forecast £1.4 million will be spent on funding rising rolls. The cost of the CAFAI provision will be just under £0.77 million in this financial year. The overspend on the growth budget will therefore be £0.77 million.

7. Central Block

- 7.1. The Central Block of the DSG (£2.4m) funds central services for schools. This also includes a set contribution towards pension strain costs for former school employees of £600k, and is a long term annual commitment.
- 7.2. There are forecast underspends on combined budgets which the council is seeking to reduce in line with the announced funding reductions (£0.1m), and on the cost of the admissions service (£0.2m), which follows team restructures and system changes relating to improvements in the digital delivery of admissions support.

8. Early Years Block

- 8.1. The Early Years Block is the most self-contained of the 4 blocks, and totals £23 million. 95% of this block income is passed onto providers, and little variance is expected on the remaining 5% which forms the central expenditure budgets. The 95% allocated out should be broadly in balance with the block grant income received. However, the amounts actually paid to providers are expected to exceed the income slightly as a result of supporting providers by maintaining 2-year-old provision at £6 per hour, a higher rate of funding than that received by the DfE.
- 8.2. The numbers of 3 and 4 year olds accessing provision are seasonal, peaking in the summer, final allocations will not be known until the Spring census takes place in February 2020, but the pattern of spend in the autumn term indicates only a small underspend as take up of provision increases.

9. Financial Implications

9.1. The financial implications have been detailed in the body of this paper.

10. Legal Implications

10.1. There are no legal implications for this report.

11. Equality Implications

11.1. Not applicable.

12. Consultation with Ward Members and Stakeholders

12.1. Not applicable.

13. Human Resources/Property Implications (if appropriate)

13.1. Not applicable.

Related Documents:

Prior financial reports to Schools Forum.

Report sign off:

Gail Tolley

Strategic Director of Children and Young People