

	<p align="center">Schools Forum 11 November 2021</p>
	<p align="center">Report from the Strategic Director of Children and Young People</p>
<p>DSG Budget Monitoring Report 2021/22</p>	
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 DSG Financial Monitor Appendix 2 Deficit Management Plan
Background Papers:	Prior financial reports to Schools Forum.
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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 2021/22. 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 blocks in Appendix 1 of this report.

2. Recommendation

- 2.1. Schools Forum is asked to note the contents of this report.

3. Summary

- 3.1. In 2021/22, the DSG High Needs Block allocation increased by £5m compared to 2020/21. Despite this increase in funding, the increased demand for High Needs provision will lead to the overall DSG expenditure exceeding income by

a forecast £4.4m, resulting in a cumulative deficit of £14.9m by the end of the financial year.

- 3.2. A balanced budget was set for the High Needs Block (HNB), with an identified risk of overspend if the number of children and young people with Education Health and Care Plans (EHCPs) continued to grow at the same rate as in recent years, rather than the growth levelling off. As envisaged, the number of EHCPs has continued to rise, albeit at a slower rate than anticipated; with a 0.6% increase from January 2021 to September 2021. As a result, the DSG HNB expenditure is expected to exceed income by a forecast £4.6m in 2021/22.
- 3.3. The detailed financial monitoring of the 'DSG Schools Budget' is presented in Appendix 1. The 'Actual to P5' column represents spend to date as of the 31st August 2021, and the forecasts provided are those prepared during September 2021. This is therefore an early forecast position and the monitoring will be updated later in the Autumn term.

4. DSG Income

Table 1 – DSG Income Forecast

Funding Blocks	DSG Budget Jan 21	DSG Budget Aug 21	Forecast Income	Variance
	£m	£m	£m	£m
Schools	(118.7)	(118.7)	(118.7)	0
HNB	(58.8)	(59.4)	(58.8)	0.6
Early Years	(23.4)	(23.4)	(23.4)	0
Central	(2.3)	(2.3)	(2.3)	0
Total DSG Income	(203.2)	(203.8)	(203.2)	0.6

- 4.1. The mainstream Schools Block income is projected to be in line with the budget set at £118.7m. This excludes £129m income which was recouped from the total DSG grant by the DfE for academies.
- 4.2. There is a variance against the HNB budget which was set in conjunction with the Schools Forum. This follows an import/export adjustment by the Department for Education (DfE) in July 2021. This takes into account place funding owed to other Local Authorities for pupils with High Needs and vice-versa. The net effect of this adjustment has seen an increase in the HN Block funding of £0.558m. However an additional import/export adjustment is expected to be made by the DfE for £0.576m later in the financial year. This will bring the overall HNB forecast income to £58.8m, in line with the original budget set in January 2021 excluding academy recoupment by the DfE of £7.6m.

- 4.3. At this stage, the forecast for the Early Years Block income is set to break even. This Block is likely to see an adjustment in funding, following the recent autumn 2021 Early Years census.
- 4.4. In total, the forecast shows that income will be £0.6m less than the current budget as at August 2021.

5. DSG Expenditure

Table 2 – DSG Expenditure Forecast

Funding Blocks	DSG Allocation 2021/22	Academies Recoupment	Revised Allocation excl. Academies 2021/22	Adjusted for 0.5% HNB transfer from Schools & additional HN income in Jul 21	Forecast	Over/ (Under) spend
	£m	£m	£m	£m	£m	£m
Schools	247.7	(129.0)	118.7	117.5	117.5	0.0
High Needs	66.4	(7.6)	58.8	60.6	64.6	4.0
Early Years	23.4	0	23.4	23.4	23.4	0.0
Central	2.3	0	2.3	2.3	2.1	(0.2)
Total	339.8	(136.6)	203.2	203.8	207.6	3.8

6. Schools Block Expenditure

- 6.1. Of the total £247.7m Schools Block budget allocated by the DfE to Brent, £129m has been recouped and allocated directly to academies, £1.2m has been transferred to the HNB, £114.2m has been allocated directly to Brent maintained schools, leaving a remaining expenditure budget of £3.3m to fund centrally retained items including the growth fund.
- 6.2. The Schools Block is currently forecast to break even.

7. High Needs Block Expenditure

- 7.1. Place funding of £7.6m for Academies has been recouped from the Block and allocated to Academy Special providers.
- 7.2. The growing number of EHCPs has been the principal driver of increased HNB expenditure. As of August 2021, there were 2,779 EHCPs compared to 2,556 in August 2020, representing an 8.7% increase in EHCPs over the 12-month period.

- 7.3. The total forecast expenditure on top-up funding for 2021/22 is £53.2m compared to £49.7m actual spend in 2020/21, a 7% increase; with a forecast overspend of £2.8m for pupils placed in Brent mainstream schools and £1.4m forecast overspend against independent special schools.
- 7.4. The SEN Support conditional grant with a £0.5m envelope is being piloted in the academic year 2021/22, to increase early intervention activity through a schools based graduated approach which intends to reduce escalation of need to Education Health and Care Plan (EHCP) level. A more robust forecast will be presented to the Forum as more information on applications from schools for the SEN support grant becomes available.
- 7.5. In total, the High Needs SEN support services budgets are forecast to underspend by £0.6m mainly due to relatively low numbers of pupils in Alternative Provision, this is an early forecast and if numbers increase, the position will be revised.
- 7.6. This brings the total forecast overspend for the High Needs Block expenditure to £4m more than the budget set but the overall pressure against the HNB is £4.6m including the shortfall against the income as a result of the import/export adjustment.
- 7.7. **HNB Deficit Management Plan**
- 7.8. To recover the deficit, the Schools Forum in June was presented with a DSG Management plan on actions being taking to manage demand, improve sufficiency of places and financial management. The mitigating items have resulted in a £2.162m cost avoidance which includes the 0.5% block transfer. Appendix 2 details the plan but updates are as follows:
- 7.8.1. At the end of August 2021, 88 EHCPs have been ceased resulting in an in year cost avoidance of £0.47m with the full year effect being £0.56m.
- 7.8.2. A review is underway of all additional packages in place for pupils. This includes 29 pupils attending out of borough provision with an average additional support plan of between £10k-20k per annum. A review is underway for those attending Independent Non-Maintained Special Schools (INMSS). The cost avoidance will be quantified once the review is completed.
- 7.8.3. The establishment of more SEND provision in the borough as part of the School Place Planning Strategy November 2021 Refresh including

developing new Additionally Resourced Provisions (ARPs) from September 2021.

7.8.4. The Education Psychology team is a statutory function of the local authority funded by the General Fund however the pressure due to increasing demand for EHCPs has been a pressure borne by the DSG. In 2021/22 growth funds have been allocated to increase the establishment and enable the service to meet its statutory duties as well as provide the additional early intervention required to manage down demand. This will reduce the pressure on the DSG by £0.2m.

7.8.5. A 5% charge applied on the top-up element for all placing authorities from September 2021, in recognition of the additional services put into place by Brent would generate £39k income.

7.8.6. £500k has been approved by the Forum for SEN Support and the pilot would be run from September 2021.

7.8.7. Continued central government lobbying by Brent Council. The Deputy Leader of the Council is actively part of the lobbying process.

8. Early Years Block

8.1. The Early Years Block is the most self-contained of the 4 blocks, and totals £23.4m. 95% of this Block's 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.

8.2. This position is likely to change over the next two quarters, although not significantly, following an update from the DfE on the autumn head count of pupils. This will determine the actual cost to child care providers for the first two quarters and will inform a better projection for quarters 3 and 4.

9. Central Block

9.1. The Central Block of the DSG (£2.3m) funds central services for schools. This includes a set contribution towards pension strain costs for former school employees of £0.6m, and is a long-term annual commitment.

9.2. There is a forecast underspend of £0.2m on the Central Block, mainly arising from in year vacancies in the Admissions and the School Effectiveness Services.

10. Financial Implications

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

11. Legal Implications

11.1. There are no legal implications for this report.

12. Equality Implications

12.1. Not applicable.

13. Consultation with Ward Members and Stakeholders

13.1. Not applicable.

14. Human Resources/Property Implications (if appropriate)

14.1. Not applicable.

Report sign off:

Gail Tolley
Strategic Director of Children and Young People