

	Schools Forum 16 June 2022
	Report from the Strategic Director of Children and Young People
Dedicated Schools Grant Financial Outturn 2021/22	

Wards Affected:	All
Key or Non-Key Decision: (only applicable for Cabinet, Cabinet Sub Committee and officer decisions)	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	Three – Appendix A: DSG Outturn 2021/22 Appendix B: HNB Management Plan 2021/22 Appendix C: Maintained School Balances 2021/22
Background Papers:	Prior Schools Forum papers 2021/22
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1. Purpose of the Report

- 1.1. This report sets out the final Dedicated Schools Grant (DSG) outturn against the budget set for 2021/22 and provides detail on the in-year 2021/22 deficit of £4.6m. It also provides an update on the government response to the consultation on reforms to the National Funding Formula.

2. Recommendation(s)

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

3. Summary

- 3.1. The DSG budget had an in-year deficit of £4.6m in 2021/22, which is a reduction in comparison to the previous forecast position of a £5.4m in-year deficit reported to the March 2022 Schools Forum. This positive movement is mainly due to a reduction (£0.5m) in the pressure assumed against the Early Years

Block to reflect the impact of a 2020/21 funding adjustment as a result of a reduction in the number of pupils and an increase in the underspend against the Schools Block. The overall deficit position was primarily due to pressures in the High Needs Block, because of demand led pressures on top-up funding to independent and in-borough mainstream settings.

- 3.2. The current cumulative deficit against the DSG since 2019/20 is £15.1m. The School and Early Years Finance (England) Regulations 2021 make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG and carried forward to be recovered from future years' funding and/or recovery plans agreed with the Department for Education (DfE).

4. 2021/22 DSG Outturn

- 4.1. The schools funding formula for 2021/22 was set in December 2020 and the final DSG budget was confirmed in January 2021. The total DSG expenditure budget was £342.8m, made up of £339.0m DSG grant and £3.8m sixth form grant.

- 4.2. The £342.8m represents the total cost of funding education for early years and school age pupils in the borough before recoupment of funds by the Department for Education (DfE) to fund the borough's Academies and free schools. In 2021/22, the DfE recouped income of £136.6m from the Schools Block and the High Needs block leaving £202.5m In addition, £3.8m of sixth form funding was received and passed on to maintained schools that have sixth form provision. Table 1 shows DSG budget lines after DfE recoupment. Further budget details are in Appendix A.

Table 1

Funding Blocks	DSG Funding (includes transfers between blocks)	Final Outturn	Over/ (Under)spend
	£m	£m	£m
Schools Block	117.5	117.0	(0.5)
Sixth form funding	3.8	3.8	0
High Needs Block	60.0	65.3	5.3
Early Years Block	22.7	22.7	0
Central Block	2.3	2.1	(0.2)
Total DSG	206.3	210.9	4.6
		2020/21 Deficit:	5.6
		2019/20 Deficit:	4.9
		Cumulative Deficit:	15.1

5. Schools Block

- 5.1. Of the £247.7m Schools Block budget, £129.0m was recouped by the DfE and allocated directly to academies. £118.7m was allocated to Brent maintained schools, of which £1.2m was transferred to the High Needs Block and £3.3m was retained to support central services including rising rolls payments.
- 5.2. The Schools Block has underspent by £0.5m mainly due to growth fund for academies not recouped. This is as a result of the timing difference between academies and local authority financial years, where funding for Academies is adjusted to take into account the additional 5 months of growth funding required by Academies, but not for maintained schools.

6. High Needs Block

- 6.1. The High Needs (HN) Block budget was £60m and the allocation includes a contribution of £1.2m (or 0.5%) of Schools Block income. This excludes £7.6m, which was recouped by the DfE to allocate directly to academies.
- 6.2. The block supports high needs pupils in specialist provisions and mainstream settings. It also covers specialist support services and costs in relation to Post-16 provision. The HN expenditure exceeded the allocated block income from the DfE by £5.3m, with the main cost driver being the significant growth in the number of children with Education, Health & Care plans (EHCPs).
- 6.3. Although the HN Block allocation increased by £6m in 2021/22, the number of children with EHCPs has continued to rise, therefore adding continued pressure against the HN Block from growing demand. However, the trend in Table 2 shows a 6% increase in Brent, compared to 15% in January 2021, which indicates that the rate of growth is slowing as a result of management plan actions to manage demand, following a revised EHCP assessment planning and review process introduced in April 2021. The national trend has remained steady at 10% since January 2020.

Table 2

	January 2018	January 2019	January 2020	January 2021	January 2022
Financial Year					
Number of EHCP	2,076	2,173	2,426	2,784	2,938
Brent Year on Year % Increase	6%	5%	12%	15%	6%
National Year on Year % Increase	11%	11%	10%	10%	10%

- 6.4. Table 3 below shows the variances against the HN Block budget for 2021/22.

Table 3

DSG High Needs Block	2021/22 Budget (£m)	2021/22 Outturn (£m)	2021/22 Variance (£m)
Place funding in Brent Special schools & ARPS	1.9	2.0	0.1
Top-up funding in Brent Special schools & ARPs	20.2	24.5	4.3
Top-ups to mainstream settings in Brent	8.9	9.1	0.2
Residential and independent settings	8.7	9.9	1.2
Out of Borough Top-ups	6.6	7.7	1.2
Post 16 Top-ups	3.9	3.8	(0.1)
Targeted Funding	0.1	0.1	0.0
Recoupment Income	(1.2)	(2.6)	(1.5)
Education Otherwise / Awaiting Placement	0.5	0.8	0.3
Early Years Inclusion Fund	1.1	1.1	0.0
Support for Inclusion	1.0	0.8	(0.2)
SEN Services	6.6	6.3	(0.2)
SEN Support	0.5	0.5	0.0
SEN Transport	1.1	1.1	0.0
Total Expenditure: High Needs Block	59.9	65.1	5.3

- 6.5. The £5.3m deficit is £0.9m lower than the £6.2m HN deficit reported in 2020/21. This is mainly as a result of the reduction in the pressure against the Post 16 top-up funding which saw a £1.4m overspend in 2020/21, compared to an underspend of £0.1m in 2021/22.
- 6.6. There has been a significant increase in the top-up funding allocated to Special schools and Additionally Resourced provisions (ARPs) within Brent. This is as a result of more children being placed in settings within the borough as opposed to other boroughs where costs are significantly higher. Schools Forum also agreed increases of 7.5% to 8% for Brent's Special Schools to bring them closer to the rates of neighbouring boroughs, which has also contributed to the increased expenditure against this line.
- 6.7. Expenditure against top-up funding in Independent Special Schools and schools in other boroughs has also increased by £2.4m compared to 2020/21 due to the increase in the number of children placed in these settings.
- 6.8. The £1.5m variance against the recoupment income line offsets part of the pressure against the top-up funding in Brent Special schools and ARPs expenditure, as other local authorities are billed for their children who are placed in Brent settings.

- 6.9. The DfE requires Local Authorities to have a management plan agreed by the Schools Forum in place to recover the deficit over a number of years. Progress against the plan is included in Appendix B. Options reviewed by the task group set up by the Strategic Director of CYP to recover the deficit include;
- i. The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improvements in the quality of EHCP assessments; person centred planning and SMART annual reviews. The aim is that young people are provided with earlier support, thereby reducing the need for an EHCP to trigger additional support. The budget allocated to this budget line was fully spent in 2021/22. The impact of efficiency actions will be evidenced from 2022/23 onwards.
 - ii. Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh, including developing new Additionally Resourced Provisions (7 in Primary and 2 in Secondary) in the academic year 2022/2023. This will reduce the need for young people to be placed in schools in other boroughs. Cabinet agreed in January 2022 a £44m capital investment programme to provide additional school places for the growing number of children in the borough with SEND. The programme will deliver 427 SEND places in Brent.
 - iii. Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs;
 - iv. Continued central government lobbying.

7. Early Years

- 7.1. The Early Years Block budget was £23.3m for 2021/22 but reduced to £22.7m following a £0.693m clawback from the 2021/22 allocation. In year, the DfE also clawed back £0.520m of funding, which related to 2020/21. This block resulted in a small deficit of £41k, as the impact of the clawbacks were mitigated by underspends against the 3 and 4 year old nursery education funding allocation.
- 7.2. The Early Years Block funding allocation is usually calculated based on the prior year's January census data and the DfE make retrospective census adjustments annually. However, for the 2021/22 financial year, the DfE made changes to the basis in which the funding was allocated to include fractions of the Spring and Autumn headcount data which has contributed to the favourable outturn.

8. Central Block

- 8.1. The Central Block allocation of the DSG, which totals £2.3m, funds central services for schools. The final outturn showed an overall underspend of £0.2m mainly arising from in year vacancies in the School Effectiveness Service.

9. DSG Balances

- 9.1. At the end of the financial year 2021/22, the DSG deficit has increased to £15.1m. This is based on the DSG reserves opening balance at the start of the year of £10.5m and the in-year DSG deficit of £4.6m (Appendix A).

10 School Balances

Table 4: School Balances 2019/20 to 2021/22

Type of Establishment	No. of Schools	2019/20 School Balances C/Fwd.	2020/21 School Balances C/Fwd. including adjustments	2021/22 School Balances C/Fwd.	Increase / (Decrease) in balances
		£m	£m	£m	£m
Nursery	4	0.7	0.9	0.9	0.0
Primary	47	11.3	14.9	13.7	(1.2)
PRU	2	0.6	0.7	1.1	0.4
Secondary	2	0.6	0.9	0.4	(0.5)
Special	1	0.4	0.5	0.8	0.2
Totals	56	13.6	17.9	16.9	(1.0)

- 10.1. The table above summarises school balances over the past 3 years. Overall school balances have reduced by £1.0m from £17.9m in 2020/21 to £16.9m in 2021/22 (Appendix C). Of the 56 maintained schools, 27 increased their overall reserves balance (increase of £1.9m) and 29 decreased their balance over the financial year (decrease of £2.9m) in 2021/22.
- 10.2. Of the 47 maintained primary schools, 26 (55%) compared to 12 (25%) in 2020/21 decreased their reserve balance by an average of £91k, and 21 (45%) compared to 37 (75%) in 2020/21 increased their reserve balances by an average of £58k. Two schools came out of their deficit position and two additional schools went into deficit in 2021/22, resulting in six primary schools being in deficit at the end of 2021/22. Of the 47 maintained primary schools, 22 have closed with balances of 8% or more, and 25 have closed with balances of less than 8%.

- 10.3. Of the 2 maintained secondary schools, 1 has maintained the same level of reserves and the other has seen a reduction of 51% in reserves. The only maintained special school and the 2 PRUs increased their reserves balances in 2021/22. The four Nursery schools have surplus balances. Two of the Nursery school balances decreased and two have increased with one Nursery school coming out of deficit from 2020/21 to 2021/22.
- 10.4. In summary, whilst there is a mixed picture in how individual schools are managing their financial position, the figures suggest that in 2021/22 schools in Brent have mostly been through a difficult year with many facing pressures to manage their financial position. The decrease in balances is partly due to the impact of falling rolls where some Primary schools have had a reduction in funding to meet a level of expenditure required to provide the best education for children in Brent.
- 10.5. It is expected that the funding and expenditure pressures within Brent schools will persist with the requirement for schools to take action to balance their budgets. Of the 6 schools in deficit, the majority are expected to set a deficit budget for 2022/23. Four of the schools have a licensed deficit agreement to recover the deficit over a 3-year period. The schools in deficit will be monitored closely throughout the year to review performances against their recovery plans.

11. Updates - Results of the DfE's Fair Funding Consultation

- 11.1. Between 8 July 2021 and 30 September 2021, the DfE carried out a consultation on completing reforms to the National Funding Formula (NFF). Details of this were presented to Schools Forum in November 2021. Results of the consultation have now been published by the DfE and can be accessed via the link below:
[Fair school funding for all: completing our reforms to the National Funding Formula - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/fair-school-funding-for-all-completing-our-reforms-to-the-national-funding-formula)
- 11.2 The main proposals that are likely to have an impact on Brent schools are set out below:
- 11.2.1 In 2023/24, the Government will require that all LA formulae factors move 10% closer to NFF factors compared with their distance from the NFF in 2022/23. In November 2021, following recommendations from the LA, Schools Forum agreed to take gradual steps to move the 2022/23 Local Funding Formula (LFF) factors by 10% closer to the NFF and capped the Average Weighted Pupil Unit (AWPU).

- 11.2.2 In 2023/24, the Government will require LAs to use each of the NFF factors, and only NFF factors, and to omit the Looked After Children (LAC) factor in their local formulae. Brent schools voted against the removal of the LAC factor from the LFF for the 2022/23 budgets and as a result £0.1m of the Schools Block funding was allocated to LAC in the 2022/23 budgets for schools. The School and Early Years Finance Regulations will also be updated such that LAs are legally required to use all and only NFF factors in their local formulae.
- 11.2.3 The Government will require LAs to adopt the NFF methodology of English as an Additional Language (EAL) 3, meaning that all pupils with EAL that have entered the school system during the last 3 years will attract this funding. Removing flexibility for the EAL factor will increase funding towards pupils with EAL. Brent currently uses EAL 1 where pupils are only funded in their first year. The impact of this would be an estimated additional £10m to be allocated for EAL, which will be deducted from other funding factors. Schools with a large number of pupils with EAL will see increases in their funding compared to schools with lower EAL pupil numbers.
- 11.2.4 The government acknowledges the mixed response to the possibility of moving towards a consistent funding year for both academies and maintained schools. There was a lack of a clear majority in favour of the potential move. They have taken into account the range of advantages and drawbacks provided by stakeholders and recognise the significant drawback of the additional workload for schools and LAs, particularly small maintained primary schools, and are concerned this additional burden outweighs the potential advantages listed by some stakeholders of moving towards a consistent funding year for all schools. Therefore, the government will not prioritise this policy development as they proceed to introduce the direct NFF.
- 11.2.5 The government plans to review the services funded through the ongoing responsibilities element of CSSB. This review will align with the Schools White Paper, which provides an overview of the LA role in the school system. The ongoing services that are delivered for all schools will continue to be provided by LAs and funded through central government funding. For central functions, which are delivered on behalf of schools, under a direct NFF LAs will continue to have flexibilities to de-delegate maintained schools' funding.
- 11.2.6 The government plans to go back to the sector in Spring 2022 for further views on detailed proposals regarding the direct NFF's implementation.

12. Financial Implications

- 12.1. The overall DSG budget is reporting a £15.1m deficit as at 31/03/2022 because of pressures against the HNB. This is a national challenge faced by most Councils including most London Boroughs, many of whom had forecasted to be in deficit positions at the end 2021/22. The DfE regulations (the School and Early Years Finance (England) Regulations 2021) make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG and carried forward to be funded from future years funding and/or recovery plans agreed with the DfE.
- 12.2 The Management Plan in Appendix B does not recover the deficit in the next few years and this is mainly due to a revision of the funding growth assumptions from the DfE which has been reflected in the Plan i.e. growth of 5% for 2023/24 and 3% onwards. The Plan shows that if no action were taken, the deficit would be in the region of circa £39m by 2025/26. However, the plans in place would reduce the deficit to circa £21m.
- 12.3 The statutory override put in place to enable local authorities to hold deficit balances is in place only until the end of the financial year 2022/23 and further guidance is anticipated from the DfE regarding the management of historic deficit going forward. Brent has been invited by the DfE to be part of the newly introduced programme called Delivering Better Value (DBV) in SEND to provide dedicated support and funding to help local authorities reform their high needs systems. The DBV programme has made a provision of £85m over 3 years from 2022/23 to support a wider group of LAs with smaller DSG deficits. Brent will be part of the first tranche of 20 LAs the DfE will be working with from June 2022.

13. Legal Implications

- 13.1. There are no legal implications for this report.

14. Equality Implications

- 14.1. Not applicable.

15. Consultation with Ward Members and Stakeholders

- 15.1. Not applicable.

16. Human Resources/Property Implications (if appropriate)

- 16.1. Not applicable.

Report sign off:

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