

	<p align="center">Schools Forum 3 November 2022</p>
	<p align="center">Report from the Corporate Director of Children and Young People</p>
<p align="center">DSG Budget Monitoring Report 2022/23</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:	One – Appendix A – DSG P5 Budget Monitor 2022-23
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 2022/23. The position is reported against the budget set in consultation with Schools Forum and submitted to the Department for Education (DfE) 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. The cumulative deficit increased to £15.1m at the end of the financial year 2021/22. The increased demand for High Needs provision is forecast to lead to the overall DSG expenditure exceeding income by £2.2m in 2022/23, resulting in a forecast cumulative deficit of £17.3m by the end of this financial year. This

is mainly due to the increasing number of children and young people with Education Health and Care Plans (EHCPs).

- 3.2. The detailed financial monitor of the 'DSG Schools Budget' is presented in Appendix 1. The 'Actual to P5' column represents spend to date as of the 31st August 2022, and the forecasts provided are those prepared during September 2022.

4. Dedicated Schools Grant (DSG)

Table 1 - Funding Blocks	Overall DSG	Forecast	Overspend/
	Funding 2022/23	Expenditure	(Underspend)
	£m	£m	£m
Schools Block	114.8	114.8	0
High Needs Block	68.0	70.2	2.2
Early Years Block	23.2	23.2	0
Central Block	2.1	2.1	0
Total DSG	208.1	210.3	2.2

- 4.1. The DSG forecast is reflecting a deficit of £2.2m, against grant funds of £208.1m for 2022/23, mainly due to pressures from the High Needs (HN) Block.
- 4.2. The overall DSG allocation has increased by £1.5m, from the position approved by Schools Forum, due to an in-year adjustment by the Department for Education (DfE) in July 2022, to include a £0.2m increase against the HN Block based on an adjustment for Brent children in other local authorities. The Early Years Block allocation also increased by £1.3m following the completion of the January 2022 census.

5. Schools Block

- 5.1. Of the total £249.7m Schools Block budget allocated by the DfE to Brent, £131.9m has been recouped and allocated directly to academies. £1.2m has been transferred to the HNB and £1.8m has been deducted for National Non Domestic Business Rates to be paid by the DfE directly to billing authorities, leaving £114.8m directly allocated to Brent maintained schools and to fund centrally retained items including the growth fund.
- 5.2. The Schools Block is currently forecast to breakeven.

6. High Needs Block

- 6.1. The HN budget, excluding the proportion allocated to academies, is £68.0m. This allocation includes a £1.2m transfer from the Schools Block.

- 6.2. Place funding of £8.2m (£7.7m in January 2022) for Academies has been recouped from the Block and allocated to Academy Special providers.
- 6.3. Although the HN Block allocation increased by £8m in 2022/23, the number of children with EHCPs has continued to rise. As a result of this growing demand, there is continued pressure on the HN Block. Growth in EHCPs is a national and London trend with the number of children assessed as meeting the threshold for support continuing to increase. However, the HN funding has not increased in line with the growth in demand creating financial pressures. Between January 2022 and September 2022, there was a 3.3% increase in children and young people with an EHCP, with the number increasing from 2938 to 3035 over this period and this represents an 8% increase when compared to September 2021.
- 6.4. The £2.2m deficit against the HN Block is mainly due to an increase in the forecast of costs at in-borough mainstream schools, academies and special schools and independent day special schools, as well as out-of-borough special schools. The forecast also includes an increase in expenditure relating to £0.3m to be recouped from the HN Block and allocated to other local authorities for out of borough placements, following an adjustment by the DfE in July 2022.

Table 2 - DSG High Needs Block	2021/22	2022/23	2022/23	2022/23
	Outturn	Budget	Forecast	Variance
	(£m)	(£m)	(£m)	(£m)
Place funding in Brent Special Schools and ARPS	2.0	2.3	2.3	0.0
Top ups to mainstream settings in Brent	9.1	11.1	11.3	0.2
Top up funding in Brent Special Schools and ARPs	24.5	22.0	25.1	3.1
Residential and Independent settings	9.9	10.0	8.9	(1.1)
Out of Borough Top ups	7.7	7.6	8.5	0.8
Post 16 Top ups	3.8	4.3	4.3	0.0
Targeted Funding	0.1	0.3	0.3	0.0
Recoupment Income	(2.6)	(1.2)	(1.5)	(0.3)
Early Years Inclusion Fund	1.1	1.1	1.1	0.0
Education Otherwise/Awaiting Placement	0.8	0.7	1.2	0.5
Support for Inclusion	0.8	1.0	1.0	(0.0)
SEN Services	6.3	7.2	7.2	(0.1)
SEN Support	0.5	0.5	0.5	0.0
SEN Transport	1.1	1.1	0.1	(0.9)
Total Expenditure: High Needs Block	65.2	68.0	70.2	2.2

- 6.5. The forecast position is further detailed below:
- i. £3.1m forecast pressures against special schools (including Academies) and £0.2m forecast pressures against in-borough mainstream schools'

top up funding due to the increased number of pupils with special educational needs placed within the borough. This includes £0.57m for the 2021/22 allocation of the Teacher's Pay and Pensions grant (TPPG) to be passed onto the special schools, and PRUs which was previously provided as a separate grant. This pressure is offset by a forecast decrease in spend of £0.4m against the cost of children placed in independent residential special schools and £0.3m additional income to be recouped from other local authorities that have children placed in Brent schools.

- ii. £0.8m pressure against the out-of-borough mainstream and academies budget due to an increased number of pupils placed in these settings and the impact of an in-year adjustment by the DfE in July 2022 for the HN Block recoupment of funding to be allocated to other local authorities for out of borough placements.
 - iii. £0.5m pressure against the cost of children placed in alternative settings and awaiting placements.
 - iv. £0.3m pressure against the independent day special schools budget due to increased number of pupils placed in these settings.
 - v. These pressures are further offset by £1.9m underspends identified as part of the HNB Management Plan to review and realign costs that have to date been funded from the DSG but which could be funded from the General Fund. To alleviate pressure on the DSG, the following actions are being taken; £1m contribution towards the costs for children placed in independent Residential Care Children's Homes and other education related costs for Looked After Children to be funded from the Placements budgets via the General Fund and £0.9m contribution towards the overall transport costs for SEND children.
- 6.6. The HNB Management Plan is regularly reported to Schools Forum, which includes longer-term actions to mitigate the deficit. A task group chaired by the Corporate Director of Children and Young People coordinates and monitors actions in the Plan, which focuses on cost avoidance through managing demand, improving sufficiency of places and financial management. The updated Plan will be presented at the January Schools Forum.

7. Early Years Block

- 7.1 95% of this Block's income is passed onto providers, and the remaining 5%, forms the central expenditure budgets for Early Years services. The 95%

allocated out should be broadly in balance with the Block grant income received.

7.2 The EY Block allocation also increased by £1.3m following the completion of the January 2022 census. The census has shown an increase in take-up of the 3 and 4-year-old entitlement and a small increase in take-up 2 year-old entitlements. There has also been a clawback of £67k from the initial supplementary funding allocation for maintained nursery schools.

7.3 At this stage, the forecast is for the Early Years Block income to break even. However, this position is likely to change over the next two quarters, as children move on from early years' settings and new take-up hours are confirmed from September 2022.

8. Central Block

8.1 The Central Block of the DSG (£2.1m) funds central services for schools. This includes a set contribution towards pension strain costs for former school employees of £0.4m, which is a long-term annual commitment.

8.2 The Central Block is currently forecast to break even.

9. Financial Implications

9.1 There remains a risk that the number of children and young people with Education Health and Care Plans (EHCPs) will continue to grow but the HN Block funding will not increase in line with continued growth. Over the years, this has created financial pressures with a majority of authorities holding deficit balances. In addition, the impact of the cost of living crisis could see providers requesting high inflationary price increases.

9.2 The regulations that are in place to carry forward a deficit balance against the DSG are due to end in 2022/23 and this is a risk for the council if the expectation is that local authority balances should cover the deficit. The final decision is yet to be made and further guidance is awaited from negotiations between the Department for Levelling Up, Housing and Communities (DLUHC) and the DfE.

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 Cabinet Members are aware of the DSG forecast position for 2022/23 as the position was reported as part of the Quarter 2 Financial Report 2022/23 presented at the Cabinet meeting held in October 2022.

13. Human Resources/Property Implications (if appropriate)

13.1 Not applicable.

Report sign off:

Nigel Chapman

Corporate Director of Children and Young People