

	Schools Forum 20 June 2023
	Report from the Strategic Director of Children and Young People
Dedicated Schools Grant Financial Outturn 2022/23	

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)	open
No. of Appendices:	Two Appendix A: DSG Outturn 2022/23 Appendix B: Maintained School Balances 2022/23
Background Papers:	None
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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 2022/23 and provides detail on the in-year 2022/23 surplus of £1.3m.

2. Recommendation(s)

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

3. Summary

- 3.1. The DSG outturn is the most favourable since the deficit started in 2019/20 with an in-year surplus of £1.3m in 2022/23. This surplus is a movement from the forecast deficit of £2.1m reported to forum in February 2023 and is mainly due to a reduction (£3.1m) in the assumed pressure against the High Needs Block

(HNB). This in-year surplus is mainly driven by a £1m underspend against the Early Years Block due to the Department of Education's (DfE) in-year adjustment and a £0.3m surplus against the High Needs Block (HNB), a positive outturn for the HNB.

- 3.2. The cumulative DSG deficit carried forward from 2021/22 was £15.1m. This has reduced to £13.8m at the end of 2022/23. However, there remains a risk that the EY Block surplus could be clawed back by the DfE in 2023/24 following the final allocations based on the results of the January 2023 census which will be confirmed in July 2023.

4. 2022/23 DSG Outturn

- 4.1. The schools funding formula for 2022/23 was set in December 2021 and the final DSG budget was confirmed in January 2022. The total DSG expenditure budget was £349.8m plus a £4.1m sixth form grant.
- 4.2. The £349.8m 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 2022/23, the DfE recouped income of £140.1m from the Schools Block (£131.9m) and the High Needs block (£8.2m). The DfE also recouped £1.8m for National Non-Domestic Rates (NNDR) to be passed on to billing authorities on behalf of schools, leaving £207.9m. In addition, £4.1m of sixth form funding was received and passed on to maintained schools that have sixth form provision.
- 4.3. 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	114.8	115.0	0.2
High Needs Block	67.8	67.5	(0.3)
Early Years Block	23.2	22.2	(1.0)
Central Block	2.1	1.9	(0.2)
Total DSG	207.9	206.6	(1.3)
2021/22 Deficit:			4.6
2020/21 Deficit:			5.6
2019/20 Deficit:			4.9
Cumulative Deficit:			13.8

5. Schools Block

- 5.1. The Schools Block allocation was £249.7m however, £131.9m was recouped by the DfE and allocated directly to academies, £1.8m was recouped for NNDR, and £1.2m was transferred to the High Needs Block, Therefore the budget after recoupment and transfers is £114.8m.
- 5.2. The Schools Block overspent by £0.2m due to pressures against the growth funds which covers the cost of the Choice and Fair Access Panel (CAFAI) arrangements for new arrivals to Brent schools, as well as the impact of rising rolls in schools as pupil numbers grow. The growth in pupil numbers has mainly been within the secondary school phase. This pressure is mitigated by a £0.2m underspend against the Central Block, resulting mainly from reduced reliance on temporary staff throughout the year.

6. High Needs Block

- 6.1. The High Needs (HN) Block budget was £67.8m and the allocation includes a contribution of £1.2m (or 0.5%) of Schools Block income. This excludes £8.2m, 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 budget underspent by £0.3m. However, the cumulative HNB deficit remains high. The increasing number of children with Education, Health, and Care plans (EHCPs) continues to impact on the HN block. In 2022/23 there was a 12% increase in the number of EHCPs comparing March 2022 (2,959) to March 2023 (3,309). However, the increased funding allocation in 2022/23 of 13% and work undertaken as part of the HN Block Deficit Recovery Management Plan, has resulted in the positive in-year position.
- 6.3. Table 2 below shows the variances against the HN Block budget for 2022/23.

Table 2

DSG High Needs Block	2022/23 Budget (£m)	2022/23 Outturn (£m)	2022/23 Variance (£m)
Place funding in Brent Maintained schools & ARPS	2.3	2.3	0.0
Top-up funding in Brent Maintained schools & ARPS	9.8	9.7	(0.1)
Top-up funding in Brent non maintained Special schools & Academies	25.5	27.4	1.9
Independent Day & Residential settings	8.9	9.7	0.8
Out of Borough Top-ups	7.4	7.5	0.1
Post 16 Top-ups	4.3	3.9	(0.4)

Targeted Funding	0.1	0.1	0.0
Recoupment Income	(1.2)	(3.6)	(2.4)
Education Otherwise / Awaiting Placement	0.7	1.6	0.9
Early Years Inclusion Fund	1.1	1.0	(0.1)
Support for Inclusion	1.0	0.9	(0.1)
SEN Services	7.3	6.6	(0.6)
SEN Support	0.5	0.1	(0.4)
SEN Transport	0.1	0.2	0.1
Total Expenditure: High Needs Block	67.8	67.5	(0.3)

- 6.4. The HNB forecast reported at Schools Forum in February 2023 assumed an overspend position of £2.8m which was a prudent position based on trends as final pupil numbers were still outstanding. However, the outturn position reflects an improved position of a £0.3m surplus. The movement is mainly from the following:
- 6.4.1. £1.5m reduction in the expected top-up funding for in-borough and out of borough schools following final confirmation of pupil details which takes place at the end of the year.
 - 6.4.2. £1.2m increase against the recoupment income expected from other local authorities that have placed children in Brent schools, following finalized confirmation of pupil information from schools and actual charges processed.
 - 6.4.3. £0.4m reduction against the Post-16 SEND expenditure which previously assumed a breakeven position. The budget was set based on the expenditure trend from prior years and actual expenditure is usually confirmed in the last quarter of the financial year due to the volatile nature of pupil attendance at these settings.
 - 6.4.4. £0.4m increase in the projection against expenditure on children awaiting placements in special settings.
 - 6.4.5. £0.4m underspend against the SEN Support budget mainly from the budget allocated for the Graduated Approach programme. Training packages have been arranged to commence in the early part of the new financial year.
- 6.5. In 2022/23 Brent commenced its participation in the DfE programme called Delivering Better Value (DBV) in SEND for local authorities which provides dedicated support and funding to help local authorities with deficit budgets reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers, mitigating

solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1 million grant to deliver the actions in the Management Plan. The findings confirmed that in Brent, the increased expenditure leading to the deficit was fuelled by increases in the number of children with EHCPs. It was also confirmed that Brent had already taken steps via the existing Management Plan to identify mitigating solutions. Brent was successful with the bid and will receive the £1 million funding over two financial years i.e., 2023/24 and 2024/25.

- 6.6. The DBV programme will not address the historic deficit, but the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits. Some of the existing actions to reduce costs include improving the sufficiency of local places with a £44m capital investment to deliver 427 SEND places that will increase the amount of special provision within the borough, particularly for secondary phase pupils; investment in a Post-16 Skills Resource Centre for 16–25-year-old SEND students; rolling out the Graduated Approach to SEND across 88 schools and 200 settings, aimed at the early identification of children's needs and delivery of appropriate support in order to manage demand. As part of the DBV programme, the grant funding will enable targeted support to be provided which will focus on managing demand for EHCPs among the population who are under 7 years of age and through efficiencies reduce costs.
- 6.7. A combination of these longer-term recovery actions and anticipated funding increases will go towards reducing the cumulative deficit.

7. Early Years

- 7.1. The Early Years Block budget was £23.2m for 2022/23. This block underspent by £1m mainly due to the DfE's in-year adjustment to the EY Block funding in July 2022, following the completion of the January 2022 census. The EY Block is a self-contained block based on headcount and therefore there is a risk that the DfE may claw back the funding following a final in-year adjustment expected in July 2023.

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 reduced reliance on temporary staff throughout the year.

9. DSG Balances

- 9.1. At the end of the financial year 2022/23, the DSG deficit reduced to £13.8m. This is based on the DSG reserves opening balance at the start of the year of £15.1m and the in-year DSG surplus of £1.3m (Appendix A).

10 School Balances

Table 3: School Balances 2020/21 to 2022/23

Type of Establishment	No. of Schools	2020/21 School Balances	2021/22 School Balances	2022/23 School Balances	Increase / (Decrease) in balances
		£m	£m	£m	£m
Nursery	4	0.9	0.9	0.6	(0.3)
Primary	47	14.9	13.7	12.1	(1.6)
PRU	2	0.7	1.1	0.9	(0.2)
Secondary	2	0.9	0.4	0.3	(0.1)
Special	1	0.5	0.8	1.1	0.3
Totals	56	17.9	16.9	15.0	(1.9)

- 10.1. The table above summarises school balances over the past 3 years. Overall school balances have reduced by £1.9m from £16.9m in 2021/22 to £15.0m in 2022/23 (Appendix B). Of the 56 maintained schools, 19 increased their overall reserves balance (increase of £1.4m) and 37 decreased their balance over the 2022/23 financial year (decrease of £3.3m).
- 10.2. Of the 47 maintained primary schools, 16 (34%) compared to 21 (45%) in 2021/22 increased their reserve balance by an average of £64k, and 31 (66%) compared to 26 (55%) in 2021/22 decreased their reserve balances by an average of £85k. One additional school went into deficit in 2022/23, resulting in seven primary schools being in deficit at the end of 2022/23. Of the 47 maintained primary schools, 20 have closed with balances of 8% or more and 27 have closed with balances of less than 8%.
- 10.3. Of the 2 maintained secondary schools, 1 has seen a 50% increase in reserves and the other has seen a reduction of 31%. The only maintained special school saw an increase in reserves of 39%. One of the 2 PRUs increased their reserves by 8% whilst the other saw a 62% reduction compared to balances in 2021/22. One of the four Nursery schools which closed with a small surplus last year closed with a deficit in 2022/23. The other 3 Nursery schools have seen increases and maintained surplus balances.
- 10.4. In summary, whilst there is a mixed picture in how individual schools are managing their financial position, the figures suggest that in 2022/23 schools in

Brent have mostly continued to experience financial difficulty with many facing pressures to manage or improve their financial positions. The decrease in balances is partly due to the impact of falling rolls, where some Primary schools have had a reduction in funding.

- 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 7 schools in deficit, the majority are expected to set a deficit budget for 2023/24. Six 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 performance against their recovery plans.

11. Pending School Forum Actions

- 11.1. In response to **Action Point 84** from the **January 2023** Schools Forum regarding tracking the savings schools benefitted from as a result of drawing down from the redundancy pot, three schools made requests for support. Two of these requests were not approved because of the level of surplus balances these schools held. One school was given financial support from the redundancy budget in 2022/23 and the school realised savings of £133k as a result of the restructure.
- 11.2. In response to **Action Point 85** from the January 2023 school forum, for the 2022/23 financial year, the Early Years Specialist Nursery Panel budget was used to support children with Special Educational Needs and Disability (SEND) or Children in Need (CIN), based on eligibility criteria to assist with their successful inclusion in their setting. 70 settings received funding, made up of 23 School Nurseries and 47 Private, Voluntary and Independent providers. The funding provided support to 146 children in these settings.

12. Financial Implications

- 12.1. The overall DSG budget is reporting a £13.8m deficit as at 31/03/2023 due to 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 2022/23.
- 12.2. As a result of the deficit, in 2022/23 Brent was invited by the DfE to participate in the Delivering Better Value (DBV) in SEND programme. The programme provides dedicated support and funding to help local authorities reform their high needs systems. Brent successfully bid for £1m funding over two financial years i.e., 2023/24 and 2024/25. The DBV programme will not address the historic deficit, but the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits. A

combination of these longer-term recovery actions and anticipated funding increases will reduce the deficit.

- 12.3 The financial year 2022/23 was the final year of the statutory override set out in the School and Early Years Finance Regulations 2021 which requires local authorities to either carry forward any cumulative DSG deficit to set against the DSG in the next funding period or carry forward some or all the deficit to the funding period after that. The government has now extended the arrangement for another three financial years from 2023/24 to 2025/26.

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.

Related documents for reference:

Prior Schools Forum papers 2022/23

Report sign off:

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Corporate Director Children and Young People