

	Schools Forum 19 June 2024
	Report from the Corporate Director of Children and Young People
Dedicated Schools Grant Financial Outturn 2023/24	

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:	Appendix A: DSG Outturn 2023/24 Appendix B: Maintained School Balances 2023/24
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Folake Olufeko Head of Finance Tel: 0208 937 2491 Email: folake.olufeko@brent.gov.uk

1. Executive Summary

- 1.1. This report sets out the final Dedicated Schools Grant (DSG) outturn against the budget set for 2023/24 and provides detail on the in-year 2023/24 surplus of £0.6m.

2. Recommendation

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

3. Detail

3.1. Contribution to Borough Plan Priorities and Strategic Context

- 3.1.1 This report is linked to the Council's Borough Plan which aims to support children and young people to get the best start in life, by working in partnership with schools and other partners to ensure access to education is fair and equal.

3.2 Background

3.2.1 Similar, to the last financial year, the DSG has seen a favourable outturn with an in-year surplus of £0.6m in 2023/24 against a £370.6m budget. This surplus is a movement from the forecast deficit of £0.8m reported to forum in February 2024 and is mainly due to a £1m underspend against the Early Years (EY) Block, £0.7m underspend against the Schools Block and £0.3m underspend against the Combined Schools Services Block (CSSB), offset by an overspend of £1.4m against the High Needs (HN) Block.

3.2.2 The cumulative DSG deficit carried forward from 2022/23 was £13.8m. This has reduced to £13.2m at the end of 2023/24. However, there remains a risk that the EY Block surplus could be clawed back by the DfE in 2024/25 following the final allocations based on the results of the January 2024 census that will be confirmed in July 2024.

4. 2023/24 DSG Outturn

4.1. The Schools' funding formula for 2023/24 was set in December 2022 and the final DSG budget was confirmed in January 2023. The total DSG expenditure budget was £370.6m plus a £4m sixth form grant.

4.2. The £370.6m 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 2023/24, the DfE recouped total income of £147.9m from the Schools Block (£139.1m) and the High Needs block (£8.8m). The DfE also recouped £1.9m for National Non-Domestic Rates (NNDR) to be passed on to billing authorities on behalf of schools, leaving £220.9m. In addition, £4m 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 2023/24 Funding (includes transfers between blocks)	2023/24 Final Outturn	Over/ (Under)spend
	£m	£m	£m
Schools Block	119.5	118.8	(0.7)
High Needs Block	74.8	76.2	1.4
Early Years Block	24.4	23.4	(1.0)

Central Block	2.1	1.8	(0.3)
Total DSG	207.9	206.6	(0.6)
DSG brought forward deficit			13.8
DSG cumulative deficit c/f			13.2

5. Schools Block

5.1. The Schools Block allocation was £261.7m however, £139.1m was recouped by the DfE and allocated directly to academies, £1.9m was recouped for NNDR, and £1.3m was transferred to the High Needs Block, Therefore the budget after recoupment and transfers was £119.5m.

5.2. The Schools Block underspent by £0.7m from growth funds top sliced from school's funding allocations to cover 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, mainly in secondary schools, for in-year growth in pupil numbers. The actual growth in pupil numbers during the year was less than initial projections the budgets were based on.

6. High Needs Block

6.1. The High Needs (HN) Block budget was £74.8m and the allocation includes a contribution of £1.3m (or 0.5%) of Schools Block income. This excludes £8.8m, which was recouped by the DfE to allocate directly to academies. The HN budget overspent by £1.4m.

6.2. Table 2 below shows the variances against the HN Block budget for 2023/24.

DSG High Needs Block	2023/24 Budget (£m)	2023/24 Outturn (£m)	2023/24 Variance (£m)
Place funding in Brent maintained schools & ARPS	2.3	2.4	0.1
Top-up funding in Brent maintained schools & ARPS	9.5	9.3	(0.2)
Top-up funding in Brent non maintained Special schools & academies	30.9	32.2	1.4
Independent Day & Residential settings	10.4	11.8	1.4
Out of Borough Top-ups	9.1	7.6	(1.5)
Post 16 Top-ups	4.3	6.1	1.8
Recoupment Income	(2.4)	(3.2)	(0.8)
Education Otherwise / Awaiting Placement	1.0	2.1	1.1

Early Years Inclusion Fund	1.1	1.1	0.0
Support for Inclusion	1.0	0.9	(0.1)
SEN Services	7.0	5.6	(1.4)
SEN Support	0.5	0.2	(0.3)
SEN Transport	0.1	0.1	(0.0)
Total Expenditure: High Needs Block	74.8	76.2	1.4

6.3. There was an increase in the number of children with an agreed Education, Health, and Care Plan (EHCP) which was 3,576 as at March 2024 compared to 3,309 as at March 2023 an increase of 8.1%. This has placed additional pressures on the HN Block budget.

6.4. 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 significant variances are as detailed below:

6.4.1. £1.8m overspend against the top-up funding for Post-16 provision. This was mainly due to costs (£0.9m) relating to the previous financial year being incurred in 2023/24 as these were not accounted for in the relevant financial year. The 2023/24 Post-16 budget was underestimated as this was based on expenditure trends from prior years. Final Post 16 charges are usually confirmed in the last quarter of the financial year due to the volatile nature of pupil attendance at these settings. Mitigating actions have now been put in place to ensure more accurate reporting of this budget.

6.4.2. £1.4m increase in the budgeted top-up funding for in-borough non maintained special schools and academies, offset by £1.5m underspend against the out of borough schools' top-up budget, following final confirmation of pupil details which takes place at the end of the year.

6.4.3. £1.4m pressure against the independent day and residential top-up funding due to increased number of pupils places in these settings.

6.4.4. £1.1m additional cost towards the education of children with EHCPs awaiting school placements due to increased numbers.

6.4.5. These pressures were offset by:

- £0.8m underspend against the recoupment income expected from other local authorities that have placed children in Brent schools, following finalised confirmation of pupil information from schools and actual charges processed.

- £1.4m underspend against the SEN Services budgets, following the DfE's mandate to all local authorities to transfer all expenditure relating to SEN services and Education Psychology being charged to the DSG to the local authority's general fund budget, as such expenditure are not legitimate DSG costs according to statutory regulations and,
 - £0.3m underspend against the SEN Support budget mainly from the budget allocated for the Graduated Approach programme. Training packages have been arranged to continue in the new financial year.
- 6.5. Brent is a part of the DfE programme called Delivering Better Value (DBV) in SEND to provide dedicated support and funding to help local authorities reform their high needs systems. The Council received a £1m grant funding allocated over two financial years i.e., 2023/24 and 2024/25 to deliver the actions in the Management Plan as well as cost benefits identified as part of the programme. The four workstreams developed with the DBV funding are:
- 6.5.1 Intervention First workstream is to enable improved outcomes by meeting needs and improving outcomes earlier, avoiding the need for some children to have EHCPs.
- 6.5.2 SEND Assurance workstream focuses on the audit of EHCPs and accompanying records of plans for children aged under 7 that include support for 26 hours and above and post-16 plans that include support of 19.5 hours and above to assess if this level of support is needed.
- 6.5.3 Workforce and inclusive environments workstreams have been focusing on ensuring schools have the relevant training and workforce experience to support the wide range of needs of children and young people at SEN Support stage.
- 6.5.4 Commissioning workstream involves reviewing the High Needs Block contribution to the Early Years Inclusion fund (EYIF) to ensure that the funding is used in an effective manner to contribute to cost avoidance against the HNB.
- 6.6. Progress against these workstreams is monitored on a quarterly basis by the DfE via quarterly submissions and follow up review meetings. The DBV programme will not address the historic deficit, however the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits. The financial impact of the DBV benefits will be monitored in 2024/25 when they are expected to materialise.

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 £24.4m for 2023/24. This block underspent by £1m mainly due to the DfE's in-year adjustment to the EY Block funding in July 2023, following the completion of the January 2023 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 2024. This surplus will be held in reserves to offset any potential clawbacks.

8. Central Block

8.1. The Central Block allocation of the DSG, which totals £2.1m, funds central services for schools. The final outturn showed an overall underspend of £0.3m mainly arising from reduced reliance on external consultants throughout the year.

9. DSG Balances

9.1. At the end of the financial year 2023/24, the DSG deficit reduced to £13.2m. This is based on the DSG reserves opening balance at the start of the year of £13.8m and the in-year DSG surplus of £0.6m (Appendix A).

10 School Balances

Table 3: School Balances 2021/22 to 2023/24

Type of Establishment	No. of Schools	2021/22 School Balances	2022/23 School Balances	2023/24 School Balances	Increase / (Decrease) in balances
		£m	£m	£m	£m
Nursery	4	0.9	0.6	0.6	0.0
Primary	47	13.7	12.1	10.7	(1.4)
PRU	2	1.1	0.9	0.8	(0.1)
Secondary	2	0.4	0.3	0.4	0.1
Special	1	0.8	1.1	1.3	0.2
Totals	56	16.9	15.0	13.1	(1.9)

10.1. The table above summarises school balances over the past 3 years. Overall school balances have reduced by £1.9m from £15.0m in 2022/23 to £13.1m in 2023/24 (Appendix B). Of the 56 maintained schools, 23 increased their overall

reserves balance (increase of £2.0m) and 33 decreased their balance over the 2023/24 financial year (decrease of £3.9m).

- 10.2. Of the 47 maintained primary schools, 18 (38%) compared to 16 (34%) in 2022/23 increased their reserve balance by an average of £81k, and 26 (55%) compared to 31 (66%) in 2022/23 decreased their reserve balances by an average of £99k. Four schools cleared their deficits, and four additional schools went into deficit in 2023/24, resulting in seven primary schools being in deficit at the end of 2023/24. Of the 47 maintained primary schools, 18 have closed with balances of 8% or more and 29 have closed with balances of less than 8%.
- 10.3. Of the 2 maintained secondary schools, one has seen no significant change in reserves and the other has seen a 233% decrease in reserves, moving from a surplus reserve position in 2022/23 to a deficit in 2023/24.
- 10.4. The only maintained special school saw an increase in reserves of 67% with a £1.3m reserve balance. One of the 2 PRUs decreased their reserves by 3% and the other saw a 59% reduction compared to balances in 2022/23.
- 10.5. Two of the four Nursery schools had increased reserves and the other two reported decreased reserves with one remaining in deficit since 2022/23.
- 10.6. In summary, whilst there is a mixed picture in how individual schools are managing their financial position, the figures suggest that in 2023/24 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, as well as the impact of rising inflation which has led to increased costs of services and increased energy bills for schools.
- 10.7. 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. Licensed deficit agreements to recover the deficit over a 3-year period will be arranged with the 4 additional schools in deficit. The schools in deficit will be monitored closely throughout the year to review performance against their recovery plans and 4 schools will be supported by the DfE as part of the School Resource Management programme to identify ways to make better use of their resources to drive savings.

11. Stakeholder and ward member consultation and engagement

- 11.1 This paper enables consultation with members of Brent's Schools Forum. The recommendations include a requirement for members to note the final position of the 2023/24 DSG budgets.

12. Financial Implications

- 12.1. The overall DSG budget is reporting a £13.2m deficit as at 31/03/2024 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 2023/24.
- 12.2 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 of 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 directly arising from this report.

14. Equality, Diversity and Inclusion (EDI) considerations

- 14.1. Not applicable.

15. Climate Change and Environmental considerations

- 15.1. There are no climate change and environmental implications arising from this report.

16. Human Resources/Property Implications (if appropriate)

- 16.1. Not applicable.

Report sign off:

Nigel Chapman

Corporate Director of Children and Young People