



Schools Forum
06 November 2019

**Report from the Strategic Director
of Children and Young People**

DSG Budget Monitoring Report

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| Wards Affected: | All |
| Key or Non-Key Decision: | 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 1 - DSG Block Budgets Appendix 2 - DSG Budget Monitor |
| Background Papers: | Prior financial reports to Schools Forum. |
| Contact Officer(s): (Name, Title, Contact Details) | Andrew Ward, Head of Finance - CYP, 0208 937 6462 Dena Aly, Senior Finance Analyst - CYP, 0208 937 2179 |

1. Purpose of the Report

1.1. This report provides Schools Forum with an update on the forecast financial position for 2019/20. 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 block in appendix 1 of this report.

2. Recommendation

2.1. Schools Forum is asked to note this report.

3. Summary

3.1. The increased demand for High Needs provision means DSG expenditure will exceed income by a forecast £3.5 million in 2019/20. This will eliminate the remaining reserves of £2.5 million and put the DSG into a deficit position of at least £1 million by the end of the financial year.

3.2. The financial monitoring of the 'DSG Schools Budget' is presented in Appendix 2. The 'Actual to P5' column represents the spend to date as of the 31st August 2019, and the forecasts provided are those prepared during September 2019. This is therefore an early forecast position and the monitoring will be refined later in the Autumn term.

4. DSG Income

- 4.1. There are some variances on block income compared to the budget set, though the largest, the mainstream Schools Block income is forecast to budget at £231 million.
- 4.2. The most significant variance is on the Early Years Block, where the provisional 2019/20 allocation has been reduced by £0.8 million following confirmation of the January 2019 Early Years census. The lower income reflects lower numbers in Early Years provision. This variance should therefore be offset by reduced spending on Early Years provision as this will also reflect the lower numbers of children.
- 4.3. The High Needs Block varies slightly due to a late change to the import and export adjustment, which accounts for place funding for Brent pupils in other local authority areas. Allowing for the recoupment adjustment the forecast income for the block will exceed the budget set by £63k.
- 4.4. In total the forecast is that income will be £0.76 million less than budgeted for.

5. Schools Block Expenditure

- 5.1. Although the mainstream funding formula has not been changed there is a variance of £0.5 million against the net position of the funds allocated to schools (£228 million).
- 5.2. The recoupment figure of £114m is reduced by a growth factor of 0.4m. This is due to the timing difference between Academy and Local Authority financial years. Funding for 2019/20 is based on October 2018 census data, which means a time lag of 7 months till the Council's financial year begins, but a lag of 12 months for Academies. Recoupment covers 12 months of growth funding (allocated in the funding formula as planned pupil number variations) for Academies but it would not be fair or equitable for a Local Authorities DSG Schools Budget to fund growth for the 5-month difference between the financial years. This adjustment therefore creates a budget variance which offsets some of the spend from the growth fund.
- 5.3. There is also potential for some variance when changes are made to the National Non-Domestic Rates allocations. The original allocations were prudently estimated for the funding formula in February 2019. This was to ensure that overall there was enough funding to cover any increases in the cost of NNDR, following any revaluations that take place in 2019/20. Although revaluations can take place right up to the year end, schools' funding has been updated following confirmation of NNDR charges, leading to a forecast underspend on the mainstream schools funding budget lines of £0.1 million. The principle remains that all schools are funded at cost for their NNDR charges.
- 5.4. The growth fund budget of £1.4M is intended to cover the cost of the CAFAI arrangements for new arrivals to Brent schools, plus the impact of rising rolls in schools as pupil numbers grow. It should be noted that planned expansions for Secondary schools are dealt with in the first year by a pupil number variation in the mainstream funding formula and not double funded as rising rolls. Previous commitments for Primary schools that expanded are also being honoured via pupil

number variations. Nevertheless, the increase in secondary phase pupils, funded at approximately £5k each, means a forecast £1.4 million will be spent on funding rising rolls. The cost of the CAFAI provision will be just under £0.8 million in this financial year. The overspend on the growth budget will therefore be £0.8 million.

6. High Needs Block Expenditure

- 6.1. Place funding of £7 million will be recouped from the block and allocated to Academy Special provisions, but this is in line with the total place funding budgeted for and will not cause a variance against the total £8.8 million place funding budget.
- 6.2. As of September 2019 there were a total of 2,291 EHCPs for Brent pupils in all settings. The financial forecasts are that top ups across all schools and settings which are educating these pupils will total £42.5 million. This equates to an average top up cost of £18.5k. Top ups vary from £10,000 in mainstream settings to £80,000 in specialist independent residential settings. The overspend on top ups is £1.5m, but there is a risk this will grow as more EHCPs requested by schools require funding as the year progresses.
- 6.3. These headline forecasts compare to an average of 2,100 EHCPs for the 2018/19 financial year at a cost of £20k totalling £42 million. This suggests the average cost of a top up has reduced slightly, which is consistent with the steps to increase in-borough provision. It also demonstrates that the principal driver of increased costs is the total number of pupils with EHCPs. Despite there being little change in the 2-19 years' population in Brent in the last 2 years, the number of EHCPs has continued to grow. There have been notable increases in Post 16 provision, where young people with SEND can remain in education provision until they are 25 years of age, and in the reception year group despite a reduced total reception cohort across the borough in 2019/20.
- 6.4. The increased demand has had knock on effects on other areas of the High Needs Block such as the speech and language therapy budgets and the Education Psychology service budget which are both forecasting overspends. In total these SEN High Needs budgets are forecast to overspend by £0.5m.
- 6.5. This brings the total forecast overspend for the High Needs Block to £2m more than the budget set. It should be noted that at £60.6m the forecast expenditure for High Needs actually exceeds the High Needs Block income by over £4m, and that the budget is supported in 2019/20 by £1.1m (or 0.5%) of Schools Block income and by £1.5m of DSG reserves.

7. Central Block

- 7.1. The Central Block of the DSG (£2.4m) funds central services for schools. This also includes a set contribution towards pension strain costs for former school employees of £600k, and is a long term annual commitment.
- 7.2. There are forecast underspends of £0.2m on the cost of the admissions service, which follows team restructures and system changes relating to improvements in the digital delivery of admissions support.

8. Early Years Block

8.1. The Early Years Block is the most self-contained of the 4 blocks, and totals £23 million. 95% of this block 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. However, the amounts actually paid to providers are expected to exceed the income slightly as a result of supporting providers by maintaining 2-year-old provision at £6 per hour, a higher rate of funding than that received by the DfE.

8.2. The numbers of 3 and 4 year olds accessing provision are seasonal, peaking in the summer, but if on average the numbers are consistent with the January 2019 census, then there will be a variance against the funding budget which is in line with the variance on the Early Years block income line. For this reason, an underspend against budget of £0.8 million is forecast.

9. Financial Implications

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

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. Not applicable.

13. Human Resources/Property Implications (if appropriate)

13.1. Not applicable.

Report sign off:

Gail Tolley

Strategic Director of Children and Young People