

## Schools Forum

12<sup>th</sup> January 2023

### 2022/23 Dedicated Schools Grant Financial Monitoring Report

This report relates to both maintained and academy schools and all members of the schools' forum and is for information and comment.

#### Recommendation

Schools Forum is recommended to:

- Note the DSG forecast financial outturn position for 2022/23, as at end of December 2022. Note that that the December forecast deadline had not passed at the point of lifting the forecasts, but no material changes are expected.
- Note the forecasted position of the DSG reserve at financial outturn position for 2022/23.

#### 1. Introduction

- 1.1. This report provides an update on the 2022/23 forecast outturn position of the Dedicated Schools Grant (DSG).
- 1.2. The total 2022/23 DSG allocation for Warwickshire, reported to schools' forum in March 2022, was £500.570m (shown in the original allocation column in Table 1 below).
- 1.3. Since then, the DSG allocation has been updated to reflect the Academy/High Needs recoupment and an increase in the high needs funding for imports/exports and growing special free schools as well as increased Early Years funding. Table 1 and Appendix A shows the latest allocations to reflect these changes.

**Table 1**

2022/23 Revised DSG Allocations	Original Allocation	Change	Latest Allocation	Reason for Change
	£m	£m	£m	
Schools Block	397.752			Academy Recoupment
Less: National Non-Domestic Rates[1]	(3.624)			
	394.128	(261.433)	136.319	
<i>Total High Needs</i>	82.482	3.549	86.031	<i>£3m additional HN funding and £0.6m import export adjustment</i>
<i>Less: recoupment</i>	(14.564)	(0.922)	(15.486)	<i>High Needs recoupment</i>
High Needs Block	67.918	2.627	70.545	
Early Years Block	34.396	1.346	35.742	EY funding adjustment based on Jan 22 census data
Central School Services Block	4.128		4.128	
<b>Total DSG Allocation</b>	<b>500.570</b>	<b>(253.836)</b>	<b>246.734</b>	-

## 2. 2022/23 Forecasts

2.1. Table 2 summarises the 2022/23 forecast position by DSG Block, as at the end of December 2022, and Appendix A provides a detailed breakdown:

Table 2: 2022/23 Forecasts	Latest Allocation	Drawdown from Reserves	Forecast @ dec 22	Variance
	£m	£m	£m	£m
Schools Block	136.319	1.070	137.408	0.019
High Needs Block	70.545		75.574	5.029
Early Years Block	35.742		35.248	-0.494
Central School Services Block	4.128		4.158	0.03
<b>Total DSG Allocation</b>	<b>246.734</b>	<b>1.070</b>	<b>252.388</b>	<b>4.584</b>

2.2. It should be noted that historically the DfE have required all local authorities to complete a recovery plan should the expenditure variance on the DSG exceed 1%. The forecast position of £4.583m equates to a 0.9% overspend, which is within the

DfE threshold.<sup>1</sup> Due to exceeding the 1% threshold in previous years, WCC does have a recovery plan – on which regular updates are provided to schools’ forum.

- 2.3. Although the total DSG position of the four blocks is used to calculate whether the DSG overspend is above the 1% threshold, in reality, we are not able to move funding between blocks without Schools Forum/Secretary of State approval (disapplication process); so, the key financial risk to be highlighted in Table 2 is the £5.029m overspend in the High Needs Block.

### 3. Reserve position

- 3.1. Table 3 below shows the opening position of the DSG reserve as at the 1<sup>st</sup> April 2022, the subsequent drawn down from reserves noted in table 2 and the forecasted effect of outturn that informs the forecasted closing balance of the reserve.

<b>Table 3: 2022/23 Reserves (Funded from)</b>	<b>Opening Balance 01/04/2022</b>	<b>In Year Drawdowns</b>	<b>Effect of outturn</b>	<b>Forecast Closing Balance as at 31/03/2023</b>
Schools Block DSG	1.461	(1.070)	(0.018)	0.373
High Needs Block DSG	(15.980)		(5.029)	(21.009)
Early Years Block DSG	2.932		0.494	3.426
Central Services Block DSG	0.489		(0.030)	0.459
<b>DSG Total Reserve</b>	<b>(11.098)</b>	<b>(1.070)</b>	<b>(4.583)</b>	<b>(16.751)</b>

### 4. Explanations for Variances

The sections below explain the main reasons for the variances across the blocks. A detailed breakdown of variances is shown in Appendix A.

#### Schools Block (£0.018m overspend)

- 4.1. There are minor net overspends £0.018m on the Schools Block.

#### High Needs Block (£5.029m overspend)

- 4.2. The main area of ongoing concern is the High Needs Block where the forecast overspend is £5.029m. This forecast net overspend consists of a number of significant budgets which are subject to interventions by the SEND & Inclusion Change programme (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower costs areas of service. For example, reducing the reliance of Independent Specialist Provision and increasing "SEND Top-ups" to mainstream and special schools. A decision taken at the inception of the SICP to set budgets for individual services as they might be after several years of the change programme (i.e. aspirational) does

lead to several large over/underspends because budget is set for the future while the forecasted costs are for the present. Therefore, a holistic view is best taken.

4.3. However, what should be noted is that excluding “future years SICP planned savings” of £2.245m would mean the HNB is forecasting a £2.784m over-spend in year, although this is net of the £1.908m contribution from the SB to HNB which is subject to annual agreement by the schools’ forum. Schools Forum voted against a contribution being made in 2023/24.

4.4. Areas of overspend include:

- Budgeted planned over allocations of budget for future years savings (SICP) of £2.245m offset by the contribution from the Schools Block £1.908m as well as achieving some savings/ cost reductions earlier (£0.197m).
- An overspend of £4.965m on Independent Schools Provision. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections have therefore, followed suite with an increased forecasted spend of £0.914m. September had 35 places growth. Oct 6. Nov is projected at 14 known cases. There are now 8 projected per month until the end of the year. For the whole of 2021-22 there were 277 places purchased at £54k, Q2 22/23 the forecasted numbers were 327 @£57k, for Q3 it is now forecasted at 337 @ £58k.
- Top ups of supplemental & Teacher's pension payments for special schools £1.672m (this also includes some minor commissioning contracts).

4.5. The forecast overspends are partly offset by the following underspends: -

- Top ups and Resourced provision £1.013m due to lower demand
- Post 16 Provision - £0.268m - due to lower take up, although it should be noted the numbers of places to be funded between P6 and P12 is very volatile at the start of the Academic year
- Alternative provision £0.707m with a large drop in demand but increased unit costs.
- Slight overall net underspend of £0.240m for some support services.

#### **Early Years Block (£0.494m underspend)**

4.6. The Early Years Block is now forecasting an underspend of £0.494m net position. There is a forecast underspend of £1.154m on 3&4 year old provision and £0.143m overspend on 2 years old provision. The revised funding was issued in August by ESFA which increased the for 3&4 years old allocation by £1.2m. A more accurate forecast will be available after the spring census after the new term starts, with further funding adjustments being potentially made by the ESFA in the next financial year, there is also an estimated £0.500m recoupment of payments to providers which experienced less demand / take up in the summer term.

- 4.7. Education Services are forecasting a small operational underspend of £0.125m from recent staff vacancies and some adjustment to operating models.
- 4.8. Also included in the Early Years forecast is planned one off expenditure of £1.143m, which consists of the release of a package of Covid recovery related grants available to all EY providers and mainstream nurseries. Take up of the first tranche was not as large as expected but the forecast is hopeful that the second tranche launch in January will meet expectations, but this is dependent on individual institutions applying.
- 4.9. Schools' forum is asked to note that the Early Years forecast variance will change to reflect the updated allocation following the release of the January 2023 census data. (We are anticipating the release of the January 2023 Census data and updated allocation in February 2023.)

**Central Schools Services Block- CSSB (£0. 030m overspend)**

- 4.10. The Central School Services Block is forecasting a £0.030m overspend but with some further in-year mitigation this overspend could reduce.

**Impact of DSG overspend**

- 4.11. The overall size of the DSG overspend has increased significantly and will impact on the overall recovery plan and the contributions from the Council's MTFs to cover the cumulative deficit. The key will be to continue momentum with the recovery plan and to achieve future years savings. The growth in the overspend may be mitigated by recent greater than expected (but with conditions) growth on the HNB DSG grant for 2023/24. The key is also to ensure that growth in HNB spend does not match the unexpected growth in the funding.

**Brian Smith**

**Finance Portfolio Lead for Education, Children & Families**

Email: [briansmith@warwickshire.gov.uk](mailto:briansmith@warwickshire.gov.uk)

Tel: 01926 742462

Schools Block	Latest Budget	Latest Forecast	Forecast Variance
	£m	£m	£m
Mainstream Individual School Budgets	133.480	133.480	0.000
Growth Fund (exceptional pupil numbers)	2.328	2.328	0.000
Schools Block Contingency	0.789	0.838	0.049
<b>De-delegated budgets</b>			
Svchool Performance	0.195	0.195	0.000
STS SEND Support (Previously "EIS")	0.030	0.030	0.000
Ethnic Minority & Traveller Achievement Service	0.242	0.225	-0.017
Free School Meals	0.019	0.019	0.000
Teaching Union Cover	0.066	0.061	-0.006
Non-Teaching Union Cover	0.016	0.016	0.000
Occupational Health	0.010	0.010	0.000
Central Establishment Charges	0.040	0.040	0.000
Education Functions - DBS	0.168	0.160	-0.008
<b>Total Schools Allocations</b>	<b>137.38</b>	<b>137.40</b>	<b>0.019</b>

High Needs Block	Latest Budget	Latest Forecast	Forecast Variance
	£m	£m	£m
SEN – Place Funding for Maintained Mainstream, Special and Resourced Provision	6.147	6.147	-0.000
SEN Top up – Mainstream Schools & Academies	12.343	12.459	0.115
SEN Top up – WCC Special Schools & Academies	20.065	19.067	-0.998
SEN Top up – Independent & OLA Special Schools	14.502	19.467	4.965
Tier 4 Hospital Education	0.180	0.450	0.270
Resourced Provision – SEN Support	1.765	1.635	-0.130
SEND Speech & Language	0.000	0.000	0.000
Post 16 Funding	8.581	8.313	-0.268
SEND Commissions	0.453	2.125	1.672
SEND Integrated Services (Low incidence SEND)	1.080	1.065	-0.015
SEND Integrated Services (Flexible Learning)	0.771	0.860	0.089
Area Behaviour Partnerships (Primary and Secondary Exclusions)	2.761	2.677	-0.084
Contribution to Early Intervention Behaviour Panels	0.064	0.064	0.000
Alternative Provision	0.922	0.299	-0.623
SEND Integrated Services (Specialist Teaching Service)	1.055	0.951	-0.104
Integrated Disability Service SEN Inclusion Grant (EY)	0.385	0.385	0.000
High Needs Contingency/ (Shortfall)	-1.957	-1.818	0.139
Central Establishment Charges	1.428	1.428	0.000
<b>High Needs Allocations</b>	<b>70.544</b>	<b>75.573</b>	<b>5.029</b>

Early Years Block	Latest Budget	Latest Forecast	Forecast Variance
	£m	£m	£m
Nursery schools (Universal Hours)	1.664	1.664	0.000
Nursery Funding 3&4 year olds (Universal funding - Independent Providers & Nursery Classes)	19.887	18.638	-1.249
Nursery Funding 3&4 year Olds (Additional 15 hours)	8.555	9.032	0.477
Maintained Nursery Supplement	0.703	0.703	0.000
DSG Pupil Premium	0.220	0.481	0.261
Funded 2 year olds	3.032	3.174	0.143
Disability Access Fund	0.165	0.165	0.000
IDS TL Early Years	0.866	0.760	-0.106
Early Years - Sufficiency & Business Support	0.249	0.249	-0.001
Early Years Quality & Development	0.089	0.071	-0.018
EYB Central Establishment Charges	0.314	0.314	0.00
<b>Early Years Allocations</b>	<b>35.745</b>	<b>35.251</b>	<b>-0.494</b>



Central Schools Services Block	Latest Budget	Latest Forecast	Forecast Variance
	£m	£m	£m
Children's Mental health	0.150	0	-0.150
Admissions	0.673	0.673	0.000
Heads Termly / SACRE	0.018	0.000	-0.018
DSG SF Allocation - Historic Pension Contribution	0.737	0.737	0.000
DSG SF Allocation - North Leamington School Prudential Borrowing	0.266	0.266	0.000
DSG SF Allocation - Copyright Licences	0.559	0.466	-0.093
Employers Liability Insurance	0.045	0.045	0.000
Teachers Pensions Employer Contribution Grant (TPECG)	0.484	0.424	-0.060
Schools Central Services (DSG) Budget Balance	-0.320	0.031	0.351
<b>Education functions for all schools:</b>			
Planning for the education service as a whole (Sch 2, 15b)	0.378	0.378	0.000
Formulation and review of local authority schools funding formula (Sch 2, 15d)	0.047	0.047	0.000
School attendance (Sch 2, 16)	0.377	0.377	0.000
Responsibilities regarding the employment of children (Sch 2, 18)	0.069	0.069	0.000
Admissions (Sch 2, 9)	0.086	0.086	0.000
Cost of support services for Education Functions	0.560	0.560	0.000
<b>Central Schools Services Allocations</b>	<b>4.129</b>	<b>4.159</b>	<b>0.030</b>

*\* Note that there may be rounding differences between the figures presented in this Appendix compared to the Tables in the body of the report.*