

Schools Forum

23 March 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 P10.
- 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.

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	
<u>Total DSG Allocation</u>	<u>500.570</u>	<u>(253.836)</u>	<u>246.734</u>	-

2. 2022/23 Forecasts

2.1. Table 2 summarises the 2022/23 forecast position by DSG Block, as at the end of January 2023 (P10), and Appendix A provides a detailed breakdown:

Table 2: 2022/23 Forecasts	Latest Allocation	Drawdown from Reserves	Forecast @ Jan 23	Variance
	£m	£m	£m	£m
Schools Block	136.319	1.070	137.359	(0.030)
High Needs Block	70.545		74.664	4.119
Early Years Block	35.742		35.210	(0.532)
Central School Services Block	4.128		4.158	0.030
Total DSG Allocation	246.734	1.070	251.391	3.587

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 £3.387m equates to a 0.72% overspend, which is within the

DfE threshold.¹ 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 £4.119m overspend in the High Needs Block.

3. DSG Reserve position

- 3.1. Table 3 below shows the opening position of the overall DSG reserve as at the 1st 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 on 31 March 2023.

Table 3: 2022/23 Reserves	Opening Balance 01/04/2022	In Year Drawdowns	Effect of outturn	Forecast Closing Balance as at 31/03/2023
DSG Total Reserve	(11.098)	(1.070)	(3.587)	(15.755)

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 £0.030m underspend)

- 4.1. There are minor net underspends £0.030m on the Schools Block.

High Needs Block (£4.119m overspend)

- 4.2. The main area of ongoing concern is the High Needs Block where the forecast overspend is £4.119m. 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 £1.874m 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 £4.175m on Independent Schools Provision with 65 more places being anticipated than budgeted. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections. There are now 10 projected 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. The latest projection is based on 278 FYE Day placements @ £58.9k; 8 FYE 38wk residential placements @ £75.4k and 15 FYE 52-week residential placements @ £81k each. These figures are susceptible to change.
- Top ups of supplemental & Teacher's pension payments for special schools £1.674m (this also includes some minor commissioning contracts).

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

- Top ups and Resourced provision £0.795m due to lower demand
- Post 16 Provision - £0.148m - due to lower take up, although it should be noted the numbers of places to be funded very volatile at the start of the Academic year
- Alternative provision £0.934m with a slower return to school than anticipated but increased unit costs
- Slight overall net underspend of £0.135m for some support services

Early Years Block (£0.532m underspend)

4.6. The Early Years Block is now forecasting an underspend of £0.550m net position. There is a forecast underspend of £1.189m on 3&4 year old provision and £0.104m overspend on 2 years old provision.

4.7. Education Services are forecasting a small operational underspend of £0.106m from recent staff vacancies and some adjustment to operating models. However, the higher than anticipated pay award has reduced the underspend in the service.

- 4.8. Also included in the Early Years forecast is planned one off expenditure of £0.693m, which consists of the release of a package of Covid recovery related grants available to all EY providers and mainstream nurseries. A decrease in the EYB expenditure following the disappointing take up by the PVI sector for the Post covid recovery grants. A third and final “tranche” / application window will be available next term (next financial year).
- 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 which will be funded from CSSB reserves.

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.

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

Schools Block	Latest Budget	Latest Forecast	Forecast Variance
	£m	£m	£m
Mainstream Individual School Budgets	132.412	132.412	0.000
Growth Fund (exceptional pupil numbers)	2.328	2.297	-0.031
Schools Block Contingency	1.859	1.908	0.049
De-delegated budgets			
School Performance	0.195	0.195	0.000
STS SEND Support (Previously "EIS")	0.031	0.011	-0.020
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	0.063	-0.003
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
Total Schools Allocations	137.380	137.400	-0.030

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	12.369	0.025
SEN Top up – WCC Special Schools & Academies	20.065	19.375	-0.690
SEN Top up – Independent & OLA Special Schools	14.502	18.676	4.175
Tier 4 Hospital Education	0.180	0.400	0.220
Resourced Provision – SEN Support	1.765	1.635	-0.130
SEND Speech & Language	0.000	0.000	0.000
Post 16 Funding	8.581	8.432	-0.148
SEND Commissions	0.453	2.127	1.674
SEND Integrated Services (Low incidence SEND)	1.080	1.078	-0.002
SEND Integrated Services (Flexible Learning)	0.771	0.704	-0.0673
Area Behaviour Partnerships (Primary and Secondary Exclusions)	2.761	2.416	-0.345
Contribution to Early Intervention Behaviour Panels	0.064	0.062	-0.0022
Alternative Provision	0.922	0.299	-0.623
SEND Integrated Services (Specialist Teaching Service)	1.055	0.949	-0.106
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
High Needs Allocations	70.544	74.664	4.119

Early Years Block	Latest Budget	Latest Forecast @ 30th Nov 22	Forecast Variance
	£m	£m	£m
Nursery schools (Universal Hours)	1.664000	1.664	0.000
Nursery Funding 3&4 year olds (Universal funding - Independent Providers & Nursery Classes)	19.884350	18.532	-1.352
Nursery Funding 3&4 year Olds (Additional 15 hours)	8.555321	9.138	0.583
Maintained Nursery Supplement	0.703470	0.703	0.000
DSG Pupil Premium	0.219549	0.481	0.261
Funded 2 year olds	3.031628	3.135	0.104
Disability Access Fund	0.165000	0.165	0.000
IDS TL Early Years	0.866142	0.760	-0.106
Early Years - Sufficiency & Business Support	0.249456	0.249	-0.001
Early Years Quality & Development	0.089142	0.069	-0.020
EYB Central Establishment Charges	0.314285	0.314	0.00
Early Years Allocations	35.742	35.211	-0.532

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
Education functions for all schools:			
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
Central Schools Services Allocations	4.129	4.159	0.030