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| Meeting: | **Schools Forum** |
| Date: | 16 November 2021 |
| Subject: | **Item 4: 2021-22 DSG Budget Monitoring**  |
| Responsible Officer: | Jo Frost, Finance Business Partner – Children’s Services |

**Section 1 – summary**

1. This report is the 2021-22 budget monitoring report for the Dedicated Schools Grant (DSG)
	* Schools Block
	* Early Years Block
	* High Needs Block
	* Centrally retained and de-delegated budgets
2. Schools Forum is required to:
	* Note the position on the overall DSG
	* Note the position on the Early Years Block
	* Note the position on the High Needs Block
	* Agree the position on the contingency

**Section 2 – report**

1. The total notified DSG budget after recoupment for academies and high needs places as at Q2 is £139.210m. A summary of funding blocks and forecast expenditure is shown at Table 1.
2. There is a projected overspend on the High Needs Block of £1.164m and an underspend on the growth fund of £777k.

**Table 1 – DSG budget and forecast 2021-22**

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| --- | --- | --- | --- |
| **Block** | **2021-22 Budget £’000** | **2021-22 Forecast £’000** | **Variance £’000** |
| Central | £1,388 | £1,388 | £0 |
| Early Years | £19,442 | £19,442 | £0 |
| High Needs | £37,024 | £38,189 | £1,165 |
| Schools – Growth Fund | £1,253 | £476 | -£777 |
| Schools – ISB  | £80,103 | £80,103 | £0 |
| **Total** | **£139,210** | **£139,597** | **£387** |

**Early Years Block**

1. In 2021-22 the Early Years Block is £19.442m. This has not been updated and is still based on the January 2020 census.
2. Ordinarily the funding would be updated to reflect the January 2021 census. However, due to Covid-19 a number of settings were unable to open and/or there were fewer children attending. This meant that the January 2021 census numbers would not necessarily reflect an ‘ordinary’ term.
3. The actual census numbers are shown in the table below. Whilst the 2yo participation stayed relatively consistent, participation for 3&4yo was significantly reduced

|  |  |  |
| --- | --- | --- |
| **Census** | **2 yo** | **3/4 yo** |
| Jan-20 | 492 | 4268 |
| Jan-21 | 470 | 2931 |
| May-21 | 482 | 3501 |

**2020-21 Spring Term Funding**

1. Each year funding for the previous year’s Spring Term is adjusted to reflect the latest census. So ordinarily we would receive a clawback or additional allocation in the following year to reflect this.
2. In 2021-22 we would therefore expect to receive this adjustment after the funding is recalculated using the January 2021 census.
3. In July 2021 the DfE carried out an exercise that allowed LAs to submit data from the May 2021 Early Years census. Using this data LAs will be funded for the Spring Term 2021 on the average of January and May 2021 censuses or up to 85% January 2020 census, whichever is higher.
4. This applies to 2 year olds and both 3 and 4 year old universal and additional 15 hours funding.
5. Based on the above methodology the following adjustments are expected (this is based on 3 months funding Jan-Mar 2021)

|  |  |  |  |
| --- | --- | --- | --- |
| **Scheme** | **Revised Funding** | **Original Funding** | **Clawback** |
| 2 yo | £412,406 | £426,130 | -£13,724 |
| 3/4 yo  | £2,621,362 | £4,404,956 | -£1,783,594 |
| **Total** | **£3,033,768** | **£4,831,086** | **-£1,797,318** |

1. The overall clawback is expected to be £1.797m. In addition to this, the funding adjustment to Summer Term 2021 is expected to be as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Scheme** | **Revised Funding** | **Actual Paid Out** | **Surplus/ Shortfall** |
| 2 yo | £696,008 | £546,882 | £149,126 |
| 3/4 yo  | £4,292,388 | £4,481,235 | -£188,847 |
| **Total** | **£4,988,396** | **£5,028,117** | **-£39,721** |

1. This takes the total Early Years funding adjustments to around £1.84m. This will need to be funded by the contingency which is covered later in this report.

**2021-22 Early Years Funding**

1. The final early years funding allocation for 2021-22 will be based on the following:
	* Summer Term 2021 – five-twelfths of the May 2021 count PTE numbers, plus
	* Autumn Tern 2021 – four-twelfths of the October 2021 count PTE, plus
	* Spring Term 2022 – three-twelfths of the January 2022 census PTE numbers
2. As at quarter 2 it was anticipated that the clawback for 2020-21 and the revised budget for 2021-22 would have been adjusted by the DfE however this is now expected later this month.

**High Needs Block**

1. The High Needs Block budget is £37.024m after recoupment of place funding for academies/free schools and post 16 institutions. It is currently forecasting to overspend by £1.164m.
2. The cumulative deficit at the end of March 2021 is £3.730m taking the projected deficit to £4.895m by the end of March 2022.
3. In 2018-19 the Government introduced a High Needs National Funding Formula which has generated funding which is £2.9m lower than the actual budget allocated to High Needs in 2017-18. This is partially due to the fact that the 50% of the overall allocation is based on previous years’ HNB allocations, rather than the actual spending on HNB.
4. The LA has set a deficit budget based on projected spend and numbers of children and will need to fund this from future years’ DSG allocations. From 2019 DSG deficits were ringfenced so that LAs are no longer required or permitted to fund any deficits in relation to High Needs from general fund balances.
5. However it has since come to light that this ringfence is temporary for three years and as such from 2023-24 LAs must demonstrate that they have enough reserves to cover deficit balances.
6. Any changes to SEND funding or provision for young people would be subject to consultation with relevant stakeholders.
7. The LA brought the updated DSG Deficit Management Plan (DMP) to Schools Forum in May 2021.
8. However the plan demonstrates that the measures we have in place to develop new provision in the scheme of the deficit make a relatively small impact.
9. Further measures to increase resourced provision or adapt established resourced provision for secondary age pupils are limited and will not eliminate the deficit.
10. Plans to progress any increase in provision will continue however the evidence supports the emphasis has to be on partnership working between the LA and mainstream schools and how we collectively support our mainstream schools to be more inclusive and our special schools to meet the needs of children with the greatest complexity of need.
11. In the long term the whole system shift is much more a cultural shift.
12. There is no single solution or quick win to reduce the DSG deficit. Over the long term we need to consistently develop and remodel the early intervention offer to mainstream settings, clearly map what is available to support inclusion of pupils with SEND and in partnership with schools develop, operate, and embed a clear and consistent graduated response.
13. Working within the funds allocated by central government collaboration, prevention, and inclusion as a cross cutting priority across the LA, schools, Health, and other partners in order to develop a long-term sustainable view of Harrow’s provision.
14. The 2021-22 High Needs Block is set out at the table below which includes the budget, forecast spend, variance and includes the number of pupils in both 2020-21 and estimated 2021-22.

**High Needs Block Forecast 2021-22 Quarter 2**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  **Provision Type** | **2021-22 Budget £’000** | **2021-22 Q2 Forecast £’000** | **2021-22 Variance £’000** | **No. Pupils** |  | **2021-22 Q1 Forecast £’000** | **No. Pupils** |
| Independent & NMSS Day & Residential Provision | £7,729 | £7,701 | -£27 | 158.57 |  | £7,729 | 167.25 |
| Harrow Special Schools | £11,957 | £11,940 | -£17 | 493.00 |  | £11,957 | 493.00 |
| Other LA Special Schools | £2,352 | £2,124 | -£229 | 116.83 |  | £2,084 | 119.17 |
| Harrow ARMs Units | £1,783 | £1,778 | -£5 | 149.17 |  | £1,783 | 149.17 |
| EHCPs in Harrow Schools | £5,360 | £5,360 | £0 | 617.13 |  | £5,360 | 617.13 |
| EHCPs in Out Borough Mainstream Schools | £1,068 | £1,035 | -£34 | 131.04 |  | £835 | 125.92 |
| SEND Support Fund (new 2020-21) | £726 | £726 | £0 |  |  | £726 |  |
| Independent Specialist Provision Post 16 | £935 | £1,261 | £326 | 30.42 |  | £1,090 | 36.58 |
| FE Colleges | £2,115 | £2,360 | £245 | 299.19 |  | £2,290 | 254.48 |
| Early Years SEN Provision | £288 | £243 | -£45 | 41.13 |  | £225 | 42.46 |
| EOTAS & Alternative Provision | £338 | £379 | £42 |  |  | £367 |  |
| Pupil Referral Unit | £1,437 | £1,437 | £0 | 74.00 |  | £1,437 | 74.00 |
| PFI Special Schools | £449 | £449 | £0 |  |  | £449 |  |
| Sensory Teams | £1,151 | £1,151 | £0 |  |  | £1,151 |  |
| SEN Transport | £187 | £187 | £0 |  |  | £187 |  |
| Therapy | £927 | £927 | £0 |  |  | £927 |  |
| BUDGETED DEFICIT | -£1,778 | -£868 | £910 |  |  | £0 |  |
| **GRAND TOTAL** | **£37,024** | **£38,189** | **£1,165** | **2,042.27** |  | **£38,597** | **2,079.16** |

1. The forecast as at quarter 2 is a predicted overspend of £1.164m. There are still a number of provisional forecasts as not all of the changes for September are known or confirmed and this in particular applies to the post 16/19 budgets. There is also approx £800k of capacity built into the forecast for additional placements or placement changes.
2. This is an improved position from quarter 1 as more placements are confirmed for the new academic year.

**Growth Fund**

1. From 2019-20 growth funding has been allocated to LAs using a new formulaic method based on lagged growth data.
2. Growth funding can only be used to:
	* Support growth in pre-16 pupil numbers to meet basic need
	* Support additional classes needed to meet the infant class size regulation
	* Meet the costs of new schools
3. Growth funding may not be used to support:
	* Schools in financial difficulty
	* General growth due to popularity; which is managed through lagged funding

**Growth Fund 2021-22**

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| --- | --- | --- | --- |
| **Category** | **Budget £’000** | **Forecast £’000** | **Variance £’000** |
| Licences | £562 | £315 | -£247 |
| Primary Expansion | £530 | £0 | -£530 |
| Secondary Expansion | £161 | £161 | £0 |
| **Total 2021-22** | **£1,253** | **£476** | **-£777** |

1. Funding for licences has been allocated based on the amount notified by the DfE
2. Primary expansions is based on a number of legacy schools still requiring bulge class funding however a contingency was set aside for bulge classes in older year groups but this is no longer needed and is an underspend released back to the contingency.
3. Secondary expansions is based on the school roll projections (published July 2020) which suggest there will be a shortage of places of around 74 in September 2021. In addition, this has been scaled up to reflect the proportion of places that had to be initially over offered in September 2020, taking the potential shortfall to 108 and rounding up to 4FE. This has been calculated using KS3 basic entitlement.
4. However secondary schools have managed the growth without opening additional classes and therefore this is an underspend released back to the contingency.

**Contingency**

1. The following table shows the projected contingency position for 2021-22.

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| **Description** | **Balance** | **Forecast** | **Variance** |
| High Needs Block Projects  | £274 | £274 | £0 |
| Raising Achievement BBCH Project Y1 (agreed & released) | £80 | £80 | £0 |
| Raising Achievement BBCH Project Y2 (agreed in principle) | £150 | £150 | £0 |
| Establishment of ‘Covid Support Fund’ | £552 | £193 | -£359 |
| Committed to Schools Funding Formula 2021-22 | £632 | £632 | £0 |
| Earmarked to 2020-21 Early Years Adjustments | £1,785 | £1,785 | £0 |
| Growth Fund underspend 2021-22 | £777 | £0 | -£777 |
| **Total Commitments 2021-22** | **£4,250** | **£3,114** | **-£1,136** |

1. Whilst the majority of projects remain committed there is a projected underspend on the Covid Support Fund of £359k. This is after payment of funding to schools whose NOR increased by more than 2% between the October 2020 and May 2021 censuses.
2. In addition, there is the underspend on the growth fund of £777k released back to the contingency taking the total uncommitted funding to £1.136m.
3. Schools Forum is requested to:
	* Review the requirement for further commitments against the Covid Support Fund
	* Consider applying the remaining underspend to the 2022-23 Schools Funding Formula.

**Section 3 – contact details**

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