

Hillingdon Schools Forum
DSG Budget Monitoring – Month 6 2022-23

| | |
|---------------------------------------|--------------------------------------|
| Date of meeting: | 10th November 2022 |
| Time of meeting: | 1.00 pm |
| Venue: | Teams |
| Officer presenting the report: | Coral Miller |

SCHOOLS BUDGET

Dedicated Schools Grant (£6,055k overspend)

- The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £5,862k at month 6, and compared to the revised budgeted deficit of £5,286k. This overspend is due to ongoing pressures in the cost of High Needs placements, where due to a lack of capacity in borough, the number of independent placements has increased since the budget was set. When the £23,328k deficit brought forward from 2021/22 is taken into account, along with the second payment of Safety Valve funding and local authority contribution, the cumulative deficit carry forward to 2023/24 is £21,440k.

Table: DSG Income and Expenditure 2022/23

| Original Budget | Budget Changes | Funding Block | Month 6 | | |
|-----------------|----------------|--|----------------|------------------|--------------------------|
| | | | Revised Budget | Forecast Outturn | Variance (As at Month 3) |
| £'000 | £'000 | | £'000 | £'000 | £'000 |
| (323,969) | 0 | Dedicated Schools Grant Income | (323,969) | (323,969) | 0 |
| 250,638 | 0 | Schools Block | 250,638 | 250,638 | 0 |
| 23,118 | (167) | Early Years Block | 22,951 | 22,951 | 0 |
| 2,540 | 463 | Central Schools Services Block | 3,003 | 3,096 | 93 |
| 52,560 | 303 | High Needs Block | 52,663 | 53,146 | 483 |
| 4,887 | 599 | Total Funding Blocks | 5,286 | 5,862 | 576 |
| | | Balance Brought Forward 1 April 2022 | 23,328 | 23,328 | |
| | | Safety Valve Funding | (3,750) | (3,750) | |
| | | LA Contribution | (4,000) | (4,000) | |
| | | Balance Carried Forward 31 March 2023 | 20,864 | 21,440 | |

Dedicated Schools Grant Income (no variance)

- The Early Years block has been adjusted further to reflect actual numbers accessing the free entitlement in the Spring term. There will be further adjustment to the High Needs block allocation following confirmation of the import/export adjustment for 2022/23 which updates funding to reflect the local authority in which pupils with SEND are resident.

Schools Block (no variance)

- The Schools Block includes all funding paid directly to mainstream schools as part of their delegated budget share, including the funding recouped by the ESFA and paid to mainstream academies.

4. There is also a growth contingency fund which is funded from the Schools Block. Schools that are expanding, in agreement with the local authority, to meet basic need pupil population growth, receive additional funding to provide financial recompense throughout the relevant financial year to cover the cost of this agreed and planned growth.
5. Schools Forum took the decision to backdate growth contingency for one school in 2021/22 resulting in an overspend in that year. The overspend was ring-fenced in the Schools Block with the expectation that it would be off set by an underspend in 2022/23.
6. The growth contingency policy was amended prior to 2020/21 in order address the growth in secondary pupils. Schools will be funded for any Year 7 pupils which are above the Published Admission Number (PAN). £461k was set aside for this purpose, with the actual funding requirement not known until actual numbers on roll are confirmed.

Early Years Block (no variance)

7. Two-year-old funding has been adjusted in July to reflect the number of children accessing the entitlement based on the January 2021 census. The 3 and 4-year-old funding for both the universal and the additional free entitlement has also been adjusted in July following the January 2021 census. This has resulted in an increase of £2,796 in the overall Early Years block funding allocation as the number of children accessing the additional free entitlement has increased significantly over the past year.

Central School Services Block (£93k overspend)

8. The published DSG budget allocations confirmed a 20% decrease in the Central School Services Block provided for historic commitments. This resulted in a £170k reduction in funding, though this was partly off set by £84k of additional funding for pupil growth. This reduction in funding resulted in a budget shortfall for the services funded by the Central School Services block adding to the pressure which has led to an overall deficit DSG being agreed for 2022/23. The main budgetary pressure is in the Looked After Children Education Team.

High Needs Block (£483k overspend)

9. The local authority has made good progress on all conditions associated with the Safety Valve since the agreement was signed. Whilst there have been some small setbacks in delivery against some of the conditions, there has been positive, accelerated progress on others.
10. The overspend against the High Needs Block is attributable to the slippage in placements, pre-statutory support and wider pressures from inflation. Whilst there is an adverse movement in costs for 2022/23, the local authority remains on target to achieve a surplus DSG at the end of 2025/26 as agreed and reported to the EFSA. The position will continue to be closely monitored in order that mitigating action can be planned and taken where needed.

General Fund (Education)

11. There is currently a £4k overspend projected against the General Fund Education budgets, which is mainly due to covering vacancies on an interim basis. An updated projection will be provided in the period 6 report.

Maintained School Balances & Budgets

12. Maintained schools ended the 2021/22 financial year with a cumulative closing surplus balance of £14.9m (£14.5m revenue and £0.4m capital). This was a £1.6m increase from the previous year total (adjusted for the two academy converters). Despite the relatively healthy total balance, there is a widespread across individual school balances, with 22 (44%) schools having an in-year deficit in 2021/22 and several schools ending the year with low balances that may result in financial challenges in 2022/23, particularly in those schools that have seen reductions in pupil numbers.
13. A review of the balances at the end of the 2021/22 financial year identified three schools which ended the year in deficit. These three schools all had applied for a licensed deficit at the start of the year having carried forward cumulative deficits from 2020/21. However, two of these schools were able to reduce the cumulative deficit with an in-year surplus achieved in 2021/22.
14. The comparison between the budgeted balance at the start of the year and the final outturn position for each school indicates that the majority ended the year with a revenue balance greater than budgeted at the start of the year. There could be a few reasons for these movements, with the assumption that schools budget prudently at the start of the financial year. However, the variations do appear to be a common trend each year and there are some schools where the difference between the budgeted and outturn position significantly varies year on year. The local authority will therefore be looking closely at the 2022 budgets submitted by schools that have experienced large variations between budget and outturn in previous years and will in some instances challenge these submissions.
15. The table overleaf summarises school revenue balances as a percentage of total revenue income plus balances brought forward from 2020/21. Analysis of the data in the table indicates that overall, the number of schools with balances over the recommended 8% (or 5% for secondary schools) is currently 31 schools (62% compared to 59% in 2020/21).

| Sector | Number of Schools in Deficit | Number with Balances < 2% | Number with Balances > 2% and < 8% | Number with Balances > 8% and < 20% | Number with Balances > 20% |
|--------------|------------------------------|---------------------------|------------------------------------|-------------------------------------|----------------------------|
| Nursery | 0 | 0 | 0 | 1 | 0 |
| Primary | 2 | 2 | 14 | 23 | 4 |
| Secondary | 1 | 0 | 1 | 0 | 0 |
| Special | 0 | 0 | 0 | 1 | 1 |
| Total | 3 | 2 | 15 | 25 | 5 |

16. A full review of 2022/23 budgets for maintained schools is currently underway and schools will be RAG-rated based on the budgeted position. Schools that are either in deficit or have managed to set a balanced budget but with very low balances, meaning that any significant unplanned change in expenditure could result in the school being in a deficit position are rated red. These schools will be more closely monitored by LA officers to ensure that

everything possible is being done to address the situation. For those schools setting a deficit budget, termly meetings will be arranged with the schools and will include relevant officers from the Education team. Where considered necessary, officers will also attend Governing Body finance committee meetings to give assurance that schools are working towards recovering the deficit position.

School Academy Conversions

17. The Academies Act 2010 allows schools to convert to academy status and by doing so will receive funding directly from the Education & Skills Funding Agency (ESFA). Schools can convert at any point in the year, once they have converted, several adjustments are required to realign the DSG income budget and the amount delegated to maintained schools. The local authority is not currently aware of any maintained schools which will convert to academy status in 2022/23.