

TITLE	2022/23 Revenue Monitoring Report
FOR CONSIDERATION BY	Schools Forum on 6 July 2022
WARD	None Specific;
LEAD OFFICER	Director, Children's Services - Helen Watson

OUTCOME / BENEFITS TO THE COMMUNITY

This reports forms part of regular reporting to Schools Forum, informing areas of statutory decision making and improving visibility and consultation on wider Dedicated Schools Grant (DSG) financial matters.

RECOMMENDATION

Schools Forum is asked to note the contents of the report, update on the forecast position for the 2022/23 financial year along with associated risks.

SUMMARY OF REPORT

This report provides Schools Forum with an update on the 2022/23 Dedicated Schools Grant (DSG) forecast, as at 31st May 2022.

At the time of budget setting a deficit of £4.1m was anticipated on the DSG for 2022/23 largely as a result of ongoing financial challenges within the High Needs Block. That position was informed by the cost & activity profile known at the time, trend information on increasing pupil numbers, and assumptions on the part year impact of phased transfer changes for the new academic year in September 2022.

The current forecast for the 2022/23 financial year projects a £4.5m deficit, an increase of £400k on that reported at the time of budget setting.

The movement represents updated assumptions within the High Needs Block on changes for the new academic year in September, along with increases in activity, particularly for those in Early Years Foundation Stage and entering Key Stage 1.

The cumulative forecast for the DSG now projects a cumulative deficit of £14.5m to 31st March 2023.

Key risks to the forecast identified of circa £1.7m largely driven by a continued increase in the number of EHCPs.

2022/23 Revenue Monitoring Report

01. Purpose of the Report

This report provides Schools Forum with an update on the Dedicated Schools Grant (DSG) revenue budget forecast for the 2022/23 financial year, as at 31st May 2022.

02. Recommendation

Schools Forum is asked to note the contents of this report, updated on the forecast position for the 2022/23 financial year along with associated risks.

03. Background

The Dedicated Schools Grant (DSG) is a ring-fenced, specific grant provided to Local Authorities that must be spent in accordance with the School and Early Years Finance (England) Regulations. Within the DSG there are four funding blocks:

- Schools Block
- High Needs Block
- Early Years Block, and
- Central Schools Services Block

The Local Authority and Schools Forum are responsible for ensuring that the DSG is deployed correctly according to the Regulations. Regular monitoring of spend against the grant is required to enable decision making on deficits and surpluses and to inform service strategy and future year budget requirements.

The way in which local authorities account for DSG deficits has been altered by the Local Authorities (Capital Finance and Accounting) Regulations 2020, issued by the Department for Levelling Up, Housing and Communities (DLUHC). This requires DSG deficits to be held in a separate reserve in local authorities' accounts. However, the way in which local authorities should plan their management of DSG and report to DfE remains governed by the School and Early Years Finance Regulations 2022.

At the time of budget setting a deficit of £4.1m was anticipated on the DSG for 2022/23 largely as a result of ongoing financial challenges within the High Needs Block. That position was informed by the cost & activity profile known at the time, trend information on increasing pupil numbers, and assumptions on the part year impact of phased transfer changes for the new academic year in September 2022.

04. **DSG Forecast as at 31st May 2022**

As at 31st May, the DSG forecast for the 2022/23 financial year now reports an in-year deficit of £4.5m. Against the £4.1m indicated at the time of budget setting this represents an increased unbudgeted pressure of £400k.

The movement represents updated assumptions within the High Needs Block on changes for the new academic year in September, along with increases in activity, particularly for those in Early Years Foundation Stage and entering Key Stage 1.

05. **Key Variances & Risks**

The main reasons for the movement of £400k on the deficit anticipated at the time of budget setting is set out below, along with further information and key risks within each block of the DSG. Further information is available in Appendix A.

Schools Block

In-year pressure on the Schools Block of £146k relates to planned and anticipated use of Growth Fund underspend held in reserves from previous years.

Growth Fund

Forecast spend against the growth fund continues to be updated in light of ongoing place planning challenges. The current forecast is within that planned for at the time of budget setting, with contingency remaining in figures of £131k for secondary and £142k for primary. Further detail is provided in Appendix B.

De-delegated Services

No variance is forecast at this early stage of the financial year. £55k brought forward and held on behalf of maintained schools for contingency purposes remains in reserve, with no commitments to date.

High Needs Block

The in-year deficit on the HNB is now forecast at £4.3m, an increase of £481k on that anticipated at the time of budget setting. The increase reflects the continued increase in the number of EHCPs and the difficulty in securing appropriate specialist placements.

The HNB forecast takes account of current known EHCP top-ups and phased transfer information as it is currently available for September 2022. The key driver remains an increasing number of EHCPs, and specialist placements out of borough as Wokingham schools are at capacity.

Special Schools

Forecast increase of £334k, reflecting changes in bandings as a result of annual reviews and increased pupil numbers at Addington.

Following the decision not to increase special school bandings for the 2022/23 financial year, joint discussion is ongoing with Addington to provide assurance on financial planning. Initial forecasts show an in-year deficit for the school of around

£190k, however exploration of that with Addington has indicated that around £140k of that relates to perceived shortfalls in health provision.

The LA is committed to ensuring the financial sustainability of Addington, recognising it as a vital local provision within the SEND Strategy, and joint work will continue to inform early planning for the 2023/24 financial year and beyond.

Post 16 FE Colleges

Forecast increase of £223k, as a result of increasing numbers. There are a number of older individuals within this cohort where costed arrangements for the 2022/23 academic year are not yet known. These have been included in the forecast on the assumption that existing costs will continue to the end of the financial year, and therefore there is some scope for this forecast to reduce.

Further information on budget setting assumptions and key activity trends is provided in Appendix C.

Key risks to the HNB forecast:

1. Unplaced pupils for September – where already with an EHCP the forecast assumes current cost levels continue, however there are a number of very young children without an existing cost profile that are difficult to forecast.
2. Additional activity – current indications from assessment activity are for potentially an additional 30 EHCPs per month. Profiling those across the year at a range of average costs indicates a potential in-year risk not currently included in forecast of circa £1.7m.

	Assumed Average Cost £		7,500	20,000	50,000
	% of monthly activity		50%	45%	5%
	Number of additional EHCPs per month	Number of Months Impact in 2022/23	Cost in 2022/23 Financial Year £	Cost in 2022/23 Financial Year £	Cost in 2022/23 Financial Year £
July	30	9	84,375	202,500	56,250
August	30	8	75,000	180,000	50,000
September	30	7	65,625	157,500	43,750
October	30	6	56,250	135,000	37,500
November	30	5	46,875	112,500	31,250
December	30	4	37,500	90,000	25,000
January	30	3	28,125	67,500	18,750
February	30	2	18,750	45,000	12,500
March	30	1	9,375	22,500	6,250
	270		421,875	1,012,500	281,250
			TOTAL Potential Impact on 2022/23 Forecast		1,715,625

Early Years Block

No in-year variance to budget is forecast on the Early Years Block at this time.

Early Years – Provider Reserve Fund

Contingency of £163k was set aside as part of 2022/23 budget setting, to allow for changes in activity during the year and protect against over allocation on set rates. At this early stage of the year the forecast assumes that this will be fully spent or clawed back by the DfE and therefore no variance is reported.

Central Schools Services Block

No variance or significant risks identified at this time.

06. **Summary**

The attached appendices provide further detail across each of the four DSG blocks.

Appendix A – 2022/23 DSG Revenue Monitoring by Block

Appendix B – Growth Fund

Appendix C – Budget Assumptions & Key Activity Trends

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