

**DSG FINANCIAL MONITORING REPORT PERIOD 5 2022/23**

**Purpose of the Report**

1. The purpose of this report is to provide the Early Years & Schools Forum (the Forum) with a summary of the Dedicated Schools Grants (DSG) financial position for the current financial year.

**Information and Advice**

2. The DSG is a ring-fenced grant that is paid to Local Authorities specifically to be used in support of the schools budget. For 2022/23 NCC's total DSG is £741.148 m. £655.498m of the grant has been allocated to the Individual Schools Budget (ISB) which is delegated to schools, academies and Private, Voluntary and Independent (PVIs). The remaining £85.650m (Non-ISB) is held centrally by NCC and used to support children and young people in schools and other forms of education.

**Forecast Outturn 2022/23**

3. At period 5 the DSG is forecasting an underspend of £2.094m. A summary of the variances by funding block is included in the report.

<b>Previous Variance £m</b>	<b>Funding Block</b>	<b>Budget £m</b>	<b>Forecast Expenditure £m</b>	<b>Forecast Variance £m</b>
-	Schools	581.171	581.171	-
0.095	High Needs	102.904	101.372	(1.532)
-	Early Years	51.387	50.825	(0.562)
-	Central Services	5.686	5.686	-
<b>0.095</b>	<b>Total</b>	<b>741.148</b>	<b>739.054</b>	<b>(2.094)</b>

**Explanation of Significant Under and Overspends**

4. High Needs Block

The high needs block is reporting a £1.532m underspend, the major contributing variances are as follows:

- £1.5m underspend on the independent specialist provision. There was an additional £6.3m put into this budget to cover previous overspends, increases in cost and demand. With the start of the new academic year and a backlog of EHC assessments we will continue to monitor this budget closely.
- £0.178m underspend in the Inclusion Service mainly due to vacant posts and less travel costs.
- £0.114m underspend in the partnership team due to some vacancies and delays in appointments to new posts.
- £0.483m overspend on places in other local authorities (OLA) for special schools, The income and expenditure to/from other LAs tend to go on for several years before final settlement.

Period 2 Forecast variance £000	Change £000	Service	Budget Allocation 2022/23 £000	Forecast Expenditure 2022/23 £000	Variance 2022/23 £000
483		- Special School Budgets (Including Academy place funding paid directly by ESFA)	30,407	30,890	483
-		- Special School Equipment & Therapies	850	850	-
-		- Place Funding for AP, CCP and FE providers	1,150	1,150	-
-		- Mainstream Enhanced Provision + Special School Hubs	766	766	-
(114)	(64)	Inclusion Services	3,871	3,693	(178)
-		- Devolved Partnership Funding	5,507	5,507	-
(106)	(8)	Partnership Team	916	802	(114)
(6)		- SEN Home to School Transport	1,764	1,758	(6)
(58)		- Post 16 High Needs (outside of special schools and academies)	7,100	7,042	(58)
-	(1,500)	Independent Specialist Provision (EHC Plan)	26,288	24,788	(1,500)
-		- Independent Specialist Provision (Non EHC Plan)	1,433	1,433	-
-		- Targetted High Level Needs (HLN)	6,384	6,384	-
-		- Additional family needs (AFN)	9,494	9,494	-
-		- Family Network Funding (FNF)	1,367	1,367	-
(73)		2 Health Related Education Team	1,059	988	(71)
(29)	(15)	Physical Disability Specialist Service	377	333	(44)
(2)		- SEND Divisional Costs	976	974	(2)
-		Contribution to Non ISB Reserve	2,945	2,945	-
-	(42)	Import/ Export Adjustment	250	208	(42)
<b>95</b>	<b>(1,627)</b>	<b>Total</b>	<b>102,904</b>	<b>101,372</b>	<b>(1,532)</b>

5. There are risks associated with the forecast in relation to children who have an Education, Health and Care plan (EHCP) where a place at a special schools or alternative provider is required in September 2022. Given the high costs of special schools places and the even higher average cost at an alternative provider, the forecast is highly sensitive to changes in numbers of children and overall demand in the sector potentially increasing prices further.

## 6. Early Years

The Early Years Block is reporting a £0.562m underspend. The main reason for the underspend is due to the difference between how Nottinghamshire receives Early Years funding and how places are funded by Nottinghamshire through payments made to providers.

For 2023/24 the funding Nottinghamshire will receive is based on the number of children recorded on the January 2022 and January 2023 censuses. The annual part time equivalent (PTE) will be weighted 5/12<sup>th</sup> January 2022 census and 7/12<sup>th</sup> January 2023 census.

Payments made to providers are based on the number of children recorded on the termly school census or headcount return, this means that the number of places funded by the Early Years Block can fluctuate dramatically from term to term.

**Appendix B** illustrates the termly projection of the number of children that will receive funded hours based on trend data from the past five years. The forecast shows how termly fluctuations in the number of funded children cause the forecast underspend to occur. There are risks associated with the forecast with regards to future censuses and headcount returns as any movement away from the predicted number of children funded through the Early Years Block could significantly impact the amount of funding Nottinghamshire receives, the amount Nottinghamshire pays to providers or both.

**A proposal to increase the hourly rate paid to providers by £0.05 per hour for 3 & 4 year old provision will be presented at Agenda item 3d. If this is agreed it will increase the forecast expenditure in the Early Years by approximately £0.5 million, thereby reducing the underspend.**

**Use of the Schools (Non-ISB) Reserve**

7. The accumulated Schools (Non-ISB) Reserve was £7.379m at the beginning of 2022/23.
8. It was reported to the forum that £0.362m of de-delegated underspends was to be carried forward from 2021/22 to support services in 2022/23 (see below). It was also agreed to distribute some of the underspend for 3 & 4 year olds for 2021/22 to the Early years sector.
9. As part of the 2022/23 budget cycle and the additional funding in the high needs block we allocated some of this funding to replenish the reserve to account for some of the previous overspends and to increase the robustness of the reserve for future cost and demographic pressures. The recent rate increases to high needs funding are not expected to continue in the long term.
10. Based on the net effect of the in-year variances detailed in this report, there is currently a forecast surplus of £5.361m on the general element of the reserve at 31 March 2023. The earmarked growth funding of £5.669m meaning that the overall DSG position is a net surplus reserve of £11.030m.

<b>Non ISB Reserve</b>	<b>Earmarked for Growth £m</b>	<b>General £m</b>	<b>Total £m</b>
<b>Balance bought forward 01.04.2022</b>	<b>5.669</b>	<b>1.710</b>	<b>7.379</b>
2021/22 carry forwards		(0.362)	(0.362)
Indicative Early Years uplift for 2021/22		(1.026)	(1.026)
Contribution to the Non ISB Reserve from High Needs		2.945	2.945
Forecast High Needs Block Underspend 2022/23		1.532	1.532
Forecast Early Years Block Underspend 2022/23		0.562	0.562
<b>Balance carried forward 31.03.2022 surplus/(deficit)</b>	<b>5.669</b>	<b>5.361</b>	<b>11.030</b>

<b>List of Carry Forwards</b>	<b>£m</b>
Dedelegated Trade Union Facilities	0.217
Dedelegated English as Additional Language	0.145
Indicative Early Years uplift for 2021/22	1.026
<b>Total</b>	<b>1.388</b>

## **RECOMMENDATION**

1. That the Early Years & Schools Forum notes the content of the report.

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