



Report to: Schools Forum

Date: 12th May 2022

Subject: Dedicated Schools Grant (DSG) -
Outturn Position 2021/22

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Summary: To inform Schools Forum of the year end position of the Schools Budget and DSG for 2021-22. To update Forum on the level of school's balances as at 31/03/2021.

To provide information to support the consultation with Forum members on the use of centrally retained DSG underspends.

Recommendation(s): For Schools Forum to note the contents of the report.

To consider and agree options to for the use of centrally retained DSG underspends.

Implications:

*What are the **financial** implications?* Recorded within the report.

*What are the **staffing** implications?* n/a

Risks: n/a

1. Introduction

- 1.1 The purpose of the report is to inform Schools Forum of the financial outturn position for 2021/22 for the Dedicated School Grant.
- 1.2 The report also provides further information to support forum members in considering the use of centrally retained DSG underspends.

2. 2021-22 Outturn Position

2.1 Appendix 1 attached to this report highlights the following:

- School balances have increased by **£0.586m**. A proportion of this related to a school which academised in year. Excluding this school, maintained school balances increased by £0.413m.
- There was an underspend of **-£0.394m** on the Early Years block.
- High Needs Block – We continue to report an in-year overspend in respect of the High Needs block. The total overspend compared with the budget was £1.856m, however this included a £1.756m re-charge to offset the historic deficit. Discounting the deficit re-charge this represents an in-year overspend of **£0.100m**. This is less than previously projected due to a reduction in the level of central support re-charge required, a data interrogation exercise identifying some overpayments in EHCP top up funding which was recouped and an increase in income due to number of permanent exclusions. Whilst the position is better than projected earlier in the year it is still a concern that we continue to have an in-year overspend despite significant increases in funding as well as contributions from DSG reserves and the Schools Block.

Further information is included in Appendix 3 of this report.

- The overall underspend in relation to centrally retained funding (including growth fund), totals **-£1.623m**. In summary, the underspends were as follows:
 - Growth Funding - £0.757m
 - Contingency - £0.117m
 - Retained balances following academy conversion - £0.720m
 - Miscellaneous central underspends - £0.028m (e.g. Schools Forum, NNDR adjustment, TU de-delegation out-turn)

A further report is included on the agenda for this meeting to consider the use of the underspend on central DSG.

3. School Balances

3.1 Provided below is a summary of maintained school balances as at 31/03/2022. Appendix 2 lists the balances held individually by schools.

Table 1 – Summary of School Balances

Balances	Nursery & Primary (£)	Secondary (£)	Special (£)	Total (£)
As at 31/3/21	12,595,277	5,729,721	1,926,413	20,251,411
As at 31/3/22	11,870,950	6,472,762	2,320,378	20,664,090
Annual Increase / Decrease (+/-)	-724,327	743,041	393,965	412,679
Annual % Increase / Decrease (+/-)	-5.75%	12.97%	20.45%	2.04%
Number of Schools	82	10	6	98
Average Balance 31/3/22	144,768	647,276	386,730	210,858
Average Annual Increase/Decrease	-8,833	74,304	65,661	4,211
Median Balance 31/3/22	133,568	524,473	222,531	159,294
Median Annual Increase/Decrease	-1,359	84,624	34,710	1,926

3.2 The table shows an overall increase in maintained school balances of £0.413m, which now total £20.664m as at 31/03/2022. There has been an overall decrease in balances in the primary sector of £0.724m. This is likely to be indicative of falling rolls and the financial impact for some schools, albeit generally balances remain at a healthy level. There has been an increase in both the Secondary and Special school sectors of £0.743m and £0.394m respectively. 49 schools had an in-year overspend, with 49 schools reporting in-year surpluses. Of these 49 schools, 7 schools had an in-year surplus in excess of £100,000 (2 primary schools, 4 secondary schools and 1 special school).

3.3 As a measure of what is a reasonable level of balances, DfE has historically used 5% of budget as a threshold for Secondaries and 8% for other sectors. The numbers of schools exceeding these thresholds are shown in Table 2 below.

Table 2 – Number of Schools exceeding DfE Threshold

Sector	Number of Schools	% of Schools in sector
Nursery & Primary	53	65%
Secondary	8	80%
Special	5	83%
Totals	66	67%

- 3.4 At year end we had 3 schools reporting an overall cumulative deficit position, which is an increase of 1 from the previous financial year. The deficits at the three schools total £0.125m.
- 3.5 For completeness also included within Appendix 4 for information is a summary of the reserves held by Academies within the borough as reported within their year end accounts dated 31st August 2020 and 31st August 2021. Please note the figures quoted include both restricted and unrestricted funds. The accounts to the period ending 31st August 2021 have not yet been published on companies house for a small number of trusts and this is reflected in the appendix.

4. Centrally Retained DSG underspends

- 4.1 As reported in section 2.1 of this report there was an overall underspend of £1.6m on central DSG (including c.£0.7m in retained school balances). Below provides a summary of key financial pressures to support in the consideration of the use of the 21/22 central underspend.

High Needs – This area continues to be the biggest financial pressure. In 21/22 we had an overspend of c£0.100m despite significant growth in funding and contributions from the school's block and DSG reserves. Whilst we again are receiving a healthy increase in funding in 22/23, the ESFA have advised that the growth in funding will reduce to 5% in 23/24 and then 3% in 24/25, from the current level of 11% to 12% which we have seen in recent years. Whilst there are a number of actions ongoing to try to address the financial pressures and information on which has been shared with schools forum sub-group, we feel that it would be prudent to retain a significant proportion of the reserves to support High Needs going forward and to reduce the reliance on contributions from the schools block.

Contingency – There was an underspend of £0.117m on contingency which is ring fenced for maintained schools as this is funded from de-delegation.

In 22/23 a school with a current deficit position is due to academise under an order from the Secretary of State. In line with DfE requirements the deficit remains with the LA in such circumstances. We would like to seek Forum approval to use a proportion of this underspend to offset this deficit under the contingency criteria.

It is proposed that the remaining underspend is used to support the contingency budget over the course of this year and next as we have seen a rise in requests for support from schools in financial difficulties. For 22/23 around £0.250m of the £0.300m budget has already been committed, with further requests for support still likely to be received.

Falling Rolls – There are areas of the brough where we are seeing falling rolls in the primary sector which in turn is having an impact on the financial position of some schools. Whilst a wider strategic view is being taken from a place

planning perspective, this continues to presents a significant risk to schools and the DSG position as a whole.

Maintained Nursery Schools (MNS) – These schools continue to see financial pressures arising due to a number of reasons, one of which being the funding arrangements. In May 2021 Schools Forum agreed to support these schools using £0.100m from 20/21 DSG underspends. In 21/22 the two nursery schools had an in-year surplus totalling £0.030m, and without this extra funding these schools would have seen cumulative in year losses of £0.070m.

Growth – We are experiencing growth in the secondary sector for which we have a growth fund to support with funding due to the lagged basis of the schools budget/GAG. The funding through the growth factor has reduced by c£0.300m in 22/23, however based on current requests for funding this is still sufficient to cover additional places this financial year. From 20/21 underspends forum agreed to ring fence £0.500m to support future growth which has not yet been used. Given the reduction in growth funding and the continuing increases in pupils reaching secondary school age it would be prudent to continue to retain reserves to support future growth in the sector if necessary.

- 4.2 The above sets out the key risk areas where the LA feels that the reserves should be targeted, however, we would welcome the views of forum on how they would like the underspends to be utilised.

5. Recommendations

- 5.1 Forum to note the outturn position and level of balances held.
- 5.2 Forum to advise if any further information is required.
- 5.3 Forum to note the information on the centrally retained underspends and to provide/agree proposals for the use of these funds.