

Report to:	SCHOOLS' FORUM
Date:	16 July 2020
Reporting Officer:	Tom Wilkinson – Assistant Director, Finance Tim Bowman – Assistant Director, Education
Subject:	DEDICATED SCHOOLS GRANT OUTTURN 2019-20 AND BUDGET UPDATE 2020-21
Report Summary:	A report on the Dedicated Schools Grants outturn position for 2019-20 and an update of the budget position for the financial year 2020-21.
Recommendations:	Members of the Schools' Forum are requested to note and support the contents of the report.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supporting aspiration and hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial policy and framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>The outturn position for 2019-20 resulted in a deficit on the overall DSG of £0.557m. The current projection for 2020-21 is expected to be a deficit on the DSG of £5.3m.</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>This grant is paid in support of the local authority's schools budget with the Council being responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums.</p> <p>The Council is also responsible for allocating the ISB to individual schools in accordance with their local schools funding formula.</p> <p>The grant is provided to the Council by the Secretary of State for Education under section 16 of the Education Act 2002 which states the following must be adhered to failing which the grant can be recovered:</p> <ul style="list-style-type: none"> • the grant is a ring-fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) (No 2) Regulations 2018 for 2019-20 and the School and Early Years Finance (England) Regulations 2020 for 2020-21; and for no other purpose • at the end of the 2019 to 2020 financial year the Chief Finance Officer (CFO) of the local authority is required to append an additional note to the statement of accounts confirming the deployment of the grant in support of the schools budget as required by the Accounts and Audit (England) Regulations 2015; • the Chief Finance Officer is also required to confirm the final

deployment of the DSG in support of the schools budget.

Risk Management: The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. The Council is responsible for the effective administration and management of the DSG. The current deficit and expected increase in the size of the deficit by the end of 2020-21 will require the Council to implement a deficit recovery plan with the risk that this may impact on the effective support and education of our most vulnerable children. There are new and emerging risks as result of the Covid 19 pandemic. The implications of this in relation to schools are currently unknown. As announcements are released from Government, work will be undertaken to understand the risks and reported when possible.

Access to Information: **This report does not contain information which warrants its consideration in the absence of the press or members of the public.**

Background Information: The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Governance, Resources and Pensions by:



Telephone: 0161 342 3216



e-mail: christine.mullins@tameside.gov.uk

1. INTRODUCTION

1.1 This report is presented to advise Schools' Forum of the outturn position for the overall Dedicated Schools Grant (DSG) for 2019-20, to provide an update on the DSG budget for 2020-21 and the DSG reserve position. The report sets out:

- The final outturn position for the DSG for 2019-20 (Section 2)
- A budget update for the DSG for 2020-21 (Section 3)
- The DSG reserve position at 31 March 2020 and the estimated DSG reserve position at 31 March 2021 (Section 4)

2. DEDICATED SCHOOLS GRANT FINAL OUTTURN FOR 2019-20

2.1 The outturn position against the 2019-20 DSG settlement is shown in Table 1.

TABLE 1 – DSG Outturn 2019-20

DSG Funding Blocks	DSG Settlement 2019-20 at March 2020 £000	Distribution / Spend 2019-20 £000	Variation Surplus / (Deficit) £000
Schools Block	162,369	162,254	114
Central School Services Block	925	925	0
High Needs Block (Pre/Post 16)	20,782	25,350	(4,568)
Early Years Block (confirmed funding)	16,479	16,228	251
Early Years Block (estimated funding adjustment)	296	0	296
Total	200,851	204,758	(3,907)

Note: the table above includes roundings

2.2 The surplus on the schools block mainly relates to a surplus on growth funding of £0.101m and a small surplus relating to business rates adjustments. £0.082m growth funding relates to 2 form growth that was expected but that did not materialise in 2019-20.

2.3 The deficit on the high needs block is £4.568m and further information can be found as a separate agenda item.

2.4 The surplus on the early years block is currently £0.251m. Final allocations for the early year's settlement will be provided by the DfE in July. The final allocation is based on the early year's census data from January 2020. As per Table 1, it is estimated that there will be an additional allocation of £0.296m which would increase the early year's surplus.

2.5 A detailed breakdown of the early years block for 2019-20 is included in Table 2.

2.6 The surplus on 3 and 4 year olds is reflective of the actual uptake of universal entitlement and increase in uptake of the extended entitlement. The deficits on the 2 year old offer, early year's pupil premium and SEN inclusion fund are more than offset by the surplus on 3 and 4 year olds. An update on the final early year's settlement will be reported to the Schools' Forum in September 2020.

2.7 As agreed at Schools' Forum in February 2019, the centrally retained element of early years has been increased. Additional resource is being implemented to support early years

priorities. However, due to the resource being implemented part way through the year there is an in-year surplus which supports the wider pressure of the High Needs Deficit.

TABLE 2 – Early Years Outturn (Provisional) 2019-20

Early Years Funding Block	Early Years DSG Settlement 2019-20 at March 2020 £000	Actual Distribution / Spend 2019-20 £000	Outturn Surplus / (Deficit) at March 2020 £000	Estimated Funding Adjustment for 2019-20 £000	Estimated Final Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal Entitlement	9,106	8,618	488	(11)	477
Early Years for 3 and 4 Year Olds Extended Entitlement	3,818	3,859	(42)	213	171
Early Years for 2 Year Olds	2,608	2,924	(317)	95	(222)
Early Years Pupil Premium	149	158	(9)	0	(9)
Early Years Disability Access Fund	54	31	23	0	23
Early Years Centrally Retained Expenditure (3 & 4 Year Olds) based on 4% Retention	545	339	206	0	206
Early Years Centrally Retained Expenditure (2 Year Olds)	50	50	0	0	0
SEN Inclusion Fund	150	248	(98)	0	(98)
Total	16,479	16,228	251	296	547

Note: the table above includes roundings

2.8 The overall DSG in-year deficit of £3.907m has been partly funded from DSG reserve and further details of the reserve movements are included in Section 4.

3. DSG BUDGET UPDATE FOR 2020-21

3.1 The current DSG settlement for 2020-21 and projected distribution/spend is included in Table 3.

TABLE 3 – DSG Forecast for 2020-21

DSG Funding Blocks	DSG Settlement 2020-21 £000	Block Transfer 2020-21 £000	Revised DSG 2020-21 £000	Projected Distribution / Spend 2020-21 £000	Forecast Surplus / (Deficit) £000
Schools Block	169,918	(850)	169,068	169,018	50
Central School Services Block	953	0	953	953	0
High Needs Block (Pre/Post 16)	24,401	850	25,250	30,055	(4,804)
Early Years Block	16,776	0	16,776	16,776	0
Total	212,048	0	212,048	216,802	(4,754)

- 3.2 As agreed with Schools Forum, the 0.5% transfer from the Schools Block to the High Needs Block of £0.850m has been completed as shown in Table 3.
- 3.3 The forecast surplus of £0.050m on the schools block relates to rates rebates in relation to schools that recently converted to Academy status and actual rates charges being lower than estimated. There may be an increase in this surplus in relation to the allocation of growth funding. The growth allocation is based on pupil numbers at the October 2020 census point and the figures will be updated once this has been finalised. Any surplus is proposed to contribute to the DSG reserve deficit.
- 3.4 The Central School Services Block is expected to be spent in full.
- 3.5 The projected in-year deficit on the high needs block is expected to be £5.654m, which reduces to £4.804m with the £0.850m transfer from the schools block. Also, included in this figure is £2.971m of in-year growth. The financial pressures in the High Needs Block are therefore serious. Further information can be found on this in a separate agenda item.
- 3.6 The Early Years Block is currently expected to outturn on budget. However, there may be significant financial pressures in this sector relating to sustainability for providers due to Covid-19 closures. The DfE have enabled local authorities to use the funding in this area more flexibly, however with a caveat that the Local Authority must continue to fund early year's settings for free entitlement as normal. The flexibility allows the LA to utilise its centrally held funding to support the sector if they underspend their part of the allocation. There is not sufficient information currently available to predict the impact of this at this stage.
- 3.7 There will be an update to the Early Years DSG settlement in July 2020 to reflect pupil numbers in the January 2020 census. A more detailed update of early years will be provided in September 2020.
- 3.8 The forecast overall DSG in-year deficit of £4.754m will be closely monitored throughout the year and updates presented to Schools' Forum.

4. DSG RESERVE AS AT 31 MARCH 2020 AND ESTIMATED POSITION AT 31 MARCH 2021

- 4.1 Table 4 provides details on the closing position of the DSG reserve for 2019-20 and the estimated position of the DSG at 31 March 2021.

TABLE 4 – DSG Reserve

	2019-20 Surplus / (Deficit) £000	2020-21 Forecast Surplus / (Deficit) £000
DSG Reserve Brought Forward	3,228	(557)
Schools Block	114	50
High Needs Block	(4,568)	(4,804)
Early Years Block	251	0
Estimated Early Years 2019-20 Adjustment (TBC June 2020)	296	
Early Years Block 2018-19 Adjustment	122	
DSG Reserve after Commitments	(557)	(5,311)

- 4.2 In 2019-20 there has been a reduction in the reserve, in the main this due to funding the deficit on the High Needs Block. There have been contributions to the reserve in year too, the most significant of these relating to surplus funds in the Early Years Block.
- 4.3 If the 2020-21 projections materialise, there would be a deficit of £5.311m on the DSG. This would mean it is likely a deficit recovery plan would have to be submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years and will require discussions and agreement of the Schools' Forum. The position will be closely monitored throughout the year and updates will be reported to Schools' Forum.

5. DEFICIT RECOVERY

- 5.1 There are a number of workstreams underway to look at ways to recover the deficit. These include a systematic review of the Element 3 funding bands, review of the use of Resource Bases and increasing capacity at the Post 16 sector. DfE may request a deficit recovery plan outlining the details of the actions being taken to address the deficit.

6. RECOMMENDATION

- 6.1 As set out at the front of the report.