

REPORT TO:	SCHOOLS' FORUM
Date:	29 September 2020
Reporting Officer:	Tim Bowman – Assistant Director Education Tom Wilkinson – Assistant Director Finance
Subject:	DSG BUDGET UPDATE FOR 2020-21 AND EARLY YEARS OUTTURN POSITION FOR 2019-20
Report Summary:	A report on the Dedicated Schools Grant budget position for the financial year 2020-21 and update on the Early Years final outturn position for the financial year 2019-20.
Recommendations:	Members of the Schools' Forum are requested to note 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 support 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 current projection for 2020-21 is expected to be a deficit on the DSG reserve of £3.638m at the end of the financial year.</p> <p>The report details the in year movements and forecasts on the 4 main blocks of the DSG, with the High Needs Block continuing to be under pressure with a forecast in year shortfall of funding of £3.543m, offset by underspends of £0.446m on the Early Years block, £0.031m on the Schools Block and £0.003m on the Central Block.</p> <p>A deficit recovery plan will need to be produced as to how the deficit is expected to be recovered and spending managed over the next 3 years. This will require discussions and agreement with Schools' Forum. The main body of the report provides the detail of performance against the budget and the overall financial position.</p>
Legal Implications: (Authorised by the Borough Solicitor)	There is a statutory duty to use resources efficiently and effectively against priorities and to achieve a balanced annual budget. In noting the report Forum Members should ensure they understand the outturn and budget positions and that robust challenge is factored into the reporting mechanism especially given the current known deficits.
Risk Management:	<p>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.</p> <p>The Council is responsible for the effective administration and management of the DSG. The deficit brought forward from 2019-20 and the expected increase in the size of the deficit by the end</p>

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, Children’s and Safeguarding Services



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1. INTRODUCTION

- 1.1 This report is presented to provide an update on the Dedicated Schools Grant (DSG) budget for 2020-21 and advise Schools' Forum of the final outturn position for the Early Years element of DSG for 2019-20. The report sets out:
- A budget update for the DSG for 2020-21 (Section 2)
 - A detailed update for High Needs for 2020-21 (Section 3)
 - A detailed update for Early Years (including the final settlement of 2019-20 DSG) (Section 4)
 - The DSG reserve position at 31 March 2020 and the estimated DSG reserve position at 31 March 2021 (Section 5)

2. DSG BUDGET UPDATE FOR 2020-21

- 2.1 The updated DSG settlement for 2020-21 was received in July 2020. The updated settlement and the projected distribution / spend is included in Table 1.

TABLE 1 – DSG Forecast for 2020-21

DSG Funding Blocks	DSG Settlement 2020-21 at July 2020 £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	169,037	31
Central School Services Block	953	0	953	951	3
High Needs Block (Pre/Post 16)	24,425	850	25,274	28,817	(3,543)
Early Years Block	17,261	0	17,261	16,815	446
Total	212,557	0	212,557	215,620	(3,063)

- 2.2 The settlement figures have been updated to reflect the July update for Early Years and import/export adjustment for High Needs. 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 1.
- 2.3 There is a forecast surplus of £0.050m on the schools block relating to rates rebates in relation to schools that recently converted to Academy status and actual rates charges being lower than estimated. This partly offset by rates revaluations (relating to 6 schools) resulting in an increase in the costs of £0.019m. 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.
- 2.4 There is forecast to be a small surplus on the central school services block of £0.003m due to the cost of licences being slightly less than estimated.
- 2.5 The projected deficit on the high needs block is £3.543m and further information on this can be found in Section 3.
- 2.6 The projected surplus on the early years block is £0.466m and further details are provided in Section 4 of this report.

3. HIGH NEEDS UPDATE FOR 2020-21

- 3.1 As discussed at the last Forum, the High Needs budget position is under constant review in order that the growth projection can be reassessed and updated as soon as monthly timeline information on the number of new EHCP's is received. Table 2 below shows the budget position updated as at the end of the summer term.

TABLE 2 - High Needs Budget Position at August 2020

High Needs Budget Position	2020-21 Original Budget (April 20) £000	2020-21 Revised Budget Summer Term £000	2020-21 Varaince £000	% Change
Mainstream	2,662	2,990	(328)	-12%
Special	11,099	11,271	(172)	-2%
TRPS	2,560	2,554	6	0%
Resourced Units	155	170	(15)	-10%
Independent Schools	3,139	3,123	16	1%
NMSS	374	402	(28)	-7%
OOB (Pre 16)	1,064	1,028	36	3%
Post 16	2,855	2,976	(121)	-4%
Hospital Education	82	82	0	0%
SEN Support Services	1,822	1,880	(58)	-3%
Income OOB	(358)	(325)	(33)	9%
Total Spend	25,454	26,151	(697)	
Original Funding	24,401	24,425	24	
Academy Recoupment	(1,630)	(1,630)	0	
Total Funding	22,771	22,795	24	
Overspend before Overspend b fwd & Growth	(2,683)	(3,356)	(673)	
Projected in Year Growth:				
Summer Term Real Time	1,238	326	912	
Autumn Term Real Time	990	532	458	
Spring Term Real Time	743	179	564	
Total Growth	2,971	1,037	1,934	
High Needs Block - Projected Overspend at Year End (Before Overspend b fwd & Block	(5,654)	(4,393)		
0.5% transfer Schools Block	850	850		
High Needs Block In Year 2020-21	(4,804)	(3,543)		

- 3.2 Following the real time movement exercise for the summer term the budget position has been updated to take account of the actual allocations for the summer term and the growth projection for the remaining financial year adjusted in line with this spend. The in-year projected overspend is £3.543m.
- 3.3 The growth is very much an estimate at this time and work is continuing to try and accurately predict the cost of future growth. This is a difficult task as the growth has taken place over a relatively short period of time and so there is no real trend data to predict future growth.
- 3.4 The current figures do show although the number of plans being issued continues to be at a steady predicted rate but the cost of the growth seems to be lower than estimated. This

could be related to the where the growth is currently weighted (mainstream and special) but also that plans are still in the statutory process and therefore the full costs haven't yet been allocated. It is also unclear at this stage what the full year impact of COVID school closure will be on numbers of request to assess. The information below shows the numbers of requests to assess and those completed. The number completed would be the indicator of costs. This shows us that there are less coming into the system for assessment, which may mean Tameside is now coming to the end of its historic catch-up in numbers.

	Cumulative Number of plans			
	Requests		Completed	
	2019	2020	2019	2020
Jan	48	64	40	15
Feb	86	91	67	40
Mar	139	111	47	55
Apr	181	139	48	59
May	234	175	64	63
Jun	265	204	65	54
Jul	331	250	75	49
Aug	339	259	55	50

3.5 Looking at the last financial year it does appear that a significant part of the growth occurred in the autumn term so it is envisaged by the end of this term we will be able to get a clearer picture of this year's cost of growth.

4. EARLY YEARS UPDATE (INCLUDING THE FINAL SETTLEMENT FOR 2019-20)

4.1 In addition to the 2020-21 update, there was also an updated settlement for 2019-20, specifically in relation to early years. The early years figures take account of the January 2020 census which has resulted in the below changes.

4.2 For 2019-20 the overall settlement for early years has increased by £0.278m. As reported in June 2020, it was estimated that there would be an additional £0.296m in the final settlement. The main reason for the variation was the actual settlement for universal entitlement of 3 and 4 year olds being lower than estimated (£0.013m). This is detailed in Table 3.

TABLE 3 – Early Years Outturn 2019-20 Final Position

Early Years Funding Block	Actual Distribution / Spend 2019-20 £000	Estimated Surplus / (Deficit) at March 2020 £000	Final Settlement for 2019-20 £000	Final Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal Entitlement	8,618	477	9,083	465
Early Years for 3 and 4 Year Olds Extended Entitlement	3,859	171	4,032	173
Early Years for 2 Year Olds	2,924	(222)	2,703	(222)
Early Years Pupil Premium	158	(9)	141	(17)
Early Years Disability Access Fund	31	23	54	23
Early Years Centrally Retained Expenditure (3 & 4 Year Olds) based	339	206	545	206

on 4% Retention				
Early Years Centrally Retained Expenditure (2 Year Olds)	50	0	50	0
SEN Inclusion Fund	248	(98)	150	(98)
Total	16,228	547	16,757	529

- 4.3 The estimated surplus of £0.547m was transferred to the reserve at the end of the 2019-20 financial year. This was required to support the wider deficit on the DSG. The £0.018m reduction in surplus should be covered by the projected surplus for 2020-21.
- 4.4 For 2020-21 the overall settlement for early years has increased to £17.261m (in increase of £0.485m). A detailed update of the early years block for 2020-21 is included in Table 4.

TABLE 4 – Early Years 2020-21 Updated Settlement and Projections

Early Years Funding Block	Early Years DSG Settlement 2020-21 at July 2020 £000	Projected Distribution / Spend 2020-21 £000	Estimated Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal Entitlement	9,028	8,939	89
Early Years for 3 and 4 Year Olds Extended Entitlement	4,276	3,936	340
Early Years for 2 Year Olds	2,789	2,790	(1)
Early Years Pupil Premium	136	158	(22)
Early Years Disability Access Fund	69	29	40
Early Years Centrally Retained Expenditure (3 & 4 Year Olds) based on 5% Retention	710	710	0
Early Years Centrally Retained Expenditure (2 Year Olds)	69	69	0
SEN Inclusion Fund - 3 & 4 Year Olds	180	180	0
SEN Inclusion Fund - 2 Year Olds	5	5	0
Total	17,261	16,815	446

- 4.5 Table 4 reflects the updated 2020-21 early years settlement, compared with the projected distribution / spend against the grant. Due to the current Covid19 situation, it has been more difficult to complete the projections for spend, due to the impact on providers and it is currently unknown what the financial impact of wider opening of provision from September will have. At present we are anticipating a £0.446m surplus at the end of the financial year but this could dramatically change due to current circumstances and the rapidly changing environment we find ourselves in.
- 4.6 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 of funding 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.
- 4.7 Wider reopening of settings from September will give us a better understanding of sufficiency and sustainability of providers. Some of the Private and Voluntary Sector Early Years settings have taken advantage of the furlough scheme and grants allowable. 21 of

our settings applied to the Tameside Discretionary Grants scheme and were awarded £210k funding to support sustainability.

- 4.8 The projections have been formulated based on the following:
- actual payments to providers for the Summer 2020 Term;
 - the estimated participation for the Autumn 2020 Term, uplifted to Autumn 2019 participation for open providers with continuing provision, if Autumn 2020 is lower. This is in line with Government guidance and will be based on the overall early years provision within settings;
 - the estimated participation for the Spring 2021 Term. This has been the most difficult to forecast as it's not as straight forward to follow prior year trends.
- 4.9 The final settlement for early years funding will not be announced until July 2021 and as a result of the Covid19 situation the DfE have advised they will be changing the measurement of the adjustment. The projections will continue to be updated throughout the financial year to take account the actual uptake and reported to Schools Forum.
- 4.10 It is currently projected that the centrally retained element of early years funding will be fully spent. Local Authority officers are in discussion on the utilisation of this funding and an update will be provided at the next Schools' Forum.

5. DSG ESTIMATED RESERVE POSITION AT 31 MARCH 2021

- 5.1 Table 5 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 5 – DSG Reserve

	2019/20 Surplus / (Deficit) £000	2020/21 Forecast Surplus / (Deficit) £000
DSG Reserve Brought Forward as at 1 April	3,228	(557)
Schools Block Changes		
In year surplus on business rates	13	31
In year surplus on growth fund	101	0
Schools Block Subtotal	114	31
In year surplus on Central Schools Services Block		3
In year deficit on High Needs Block	(4,568)	(3,543)
In year surplus on Early Years	251	446
Estimated Early Years 2019-20 Adjustment (TBC June 2020)	296	
Early Years Block 2018-19 Adjustment	122	
Variation to Early Years Block 2019-20 Adjustment		(18)
DSG Reserve after Commitments	(557)	(3,638)

- 5.2 If the 2020-21 projections materialise, there would be a deficit of £3.638m on the DSG. A deficit recovery plan will be required 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. Should the DfE contact us we will need to work with them, providing information on how we intend to recover the deficit. The position will be closely monitored throughout the year and updates will be reported to Schools' Forum.

6. RECOMMENDATIONS

6.1 As set out at the front of the report.