

Report to:	SCHOOLS' FORUM
Date:	22 June 2021
Reporting Officer:	Caroline Barlow – Assistant Director of Finance Tim Bowman – Director of Education (Tameside and Stockport)
Subject:	DEDICATED SCHOOLS GRANT OUTTURN 2020-21 AND BUDGET UPDATE 2021-22
Report Summary:	A report on the Dedicated Schools Grants outturn position for 2020-21 and an update of the budget position for the financial year 2021-22.
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)	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure. The outturn position for 2020-21 resulted in a deficit on the overall DSG of £1.686m. The current projection for 2021-22 is expected to be a deficit on the DSG of £2.027m. A deficit recovery plan has been developed and work continues to resolve the deficit position.
Legal Implications: (Authorised by the Borough Solicitor)	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. The Council is also responsible for allocating the ISB to individual schools in accordance with their local schools funding formula. 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: <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 Regulations 2020 for 2020-21 and the School and Early Years Finance (England) Regulations 2020 for 2021-22; and for no other purpose • at the end of the 2020 to 2021 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.

Given the deficit position a collaborative approach is required with the DfE so as to address the position but also to minimise any impact of educational provisions.

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 deficit brought forward from 2019-20 and the increase in the size of the deficit at the end of 2020-21 is subject to a deficit recovery plan with the DfE. There is a risk that this may impact on the effective support and education of our most vulnerable children.

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 advise Schools' Forum of the outturn position for the overall Dedicated Schools Grant (DSG) for 2020-21, to provide an update on the DSG budget for 2021-22 and the DSG reserve position. The report sets out:

- The final outturn position for the DSG for 2020-21 (Section 2)
- A budget update for the DSG for 2021-22 (Section 3)
- The DSG reserve position at 31 March 2021 and the estimated DSG reserve position at 31 March 2022 (Section 4)

2. DEDICATED SCHOOLS GRANT OUTTURN POSITION FOR 2020-21

2.1 The outturn position against the 2020-21 DSG settlement is shown in Table 1.

Table 1 – DSG Outturn 2020-21

DSG Funding Blocks	DSG Settlement 2020-21 at March 2021 £000	Block Transfer 2020-21 £000	Revised DSG 2020-21 £000	Distribution / Spend 2020-21 £000	Surplus / (Deficit) £000
Schools Block	169,918	(850)	169,068	168,772	296
Central School Services Block	953	0	953	947	6
High Needs Block	24,425	850	25,274	27,096	(1,822)
Early Years (EY) Block (confirmed funding)	17,261	0	17,261	16,559	703
Variation to EY Block 2019-20 Adjustment	(18)	0	(18)		(18)
EY Block (est. funding adjustment)	(293)	0	(293)	0	(293)
Total	212,246	0	212,246	213,375	(1,129)

Note: the table above includes roundings

2.2 The surplus of £0.296m on schools block relates to:

- Business Rates – a surplus of £0.051m relating to academy conversions in year (saving £0.072m) and changes to rateable charges (additional 0.021m).
- Growth Funding – surplus of £0.244m relating to unallocated growth funding.

2.3 There is a small surplus on the central school services block of £0.006m due to the cost of licences being slightly less than estimated and Schools Forum costs being lower than budget as a result of remote meetings during the pandemic.

2.4 The deficit on the high needs block is £1.822m and further information is provided in a separate agenda item.

2.5 The surplus on the early years block is currently £0.703m. Final allocations for the early years settlement will be provided by the DfE in November 2021. This final allocation is based on the early years census data from January 2021. As per Table 1, there has been a final adjustment to the 2019-20 allocation, which is the clawback of £0.018m, and it is estimated

there will be a further clawback of £0.293m relating to 2020-21 financial year which will reduce the early year's surplus to £0.392m.

2.6 A detailed breakdown of the early years block for 2020-21 is included in Table 2.

TABLE 2 – Early Years Outturn (Provisional) 2020-21

Early Years Funding Block	EY's DSG Settlement 2020-21 March 2021 £000	Actual Distribution / Spend 2020-21 £000	Outturn Surplus / (Deficit) £000	Estimated Funding Adjustment for 2020-21 £000	Estimated Final Outturn Surplus / (Deficit) £000
3 and 4 Year Olds Universal Entitlement	9,028	8,465	563	(111)	452
3 and 4 Year Olds Extended Entitlement	4,276	3,800	476	(100)	377
Autumn 2020 Term Adjustment 3 & 4 Year Olds		546	(546)		(546)
2 Year Olds	2,789	2,538	251	(82)	169
Autumn 2020 Term Adjustment 2 Year Olds		169	(169)		(169)
EY Pupil Premium	136	163	(27)		(27)
Disability Access Fund	69	36	33		33
Centrally Retention (3 & 4 Year Olds) based on 5% Retention	710	563	147		147
Centrally Retention (2 Year Olds)	69	69	0		0
Variation to EY's Block 2019-20 Adjustment	(18)	0	(18)		(18)
SEN Inclusion Fund - 3 & 4 Year Olds	185	211	(26)		(26)
Total	17,243	16,559	685	(293)	392

Note: the table above includes roundings

2.7 The figures are based on actual payments for the Summer 2020, Autumn 2020 and Spring 2021 terms, along with the adjustment to increase the hours of participation to Autumn 2019 levels where required (as reported at Forum in September 2020).

2.8 In spring 2021 the majority of providers remained open through the lockdown period, with a number of providers having temporary closures as a result of outbreaks requiring temporary closure for self-isolation. The 2nd period of lockdown has seen lower levels of participation than anticipated, which means there is an estimated reduction on funding of £0.293m expected for 2020-21.

2.9 The centrally retained element of early years funding was not fully spent as work did not progress fully as expected due to of the pandemic. As previously agreed by Schools Forum, any surplus will support the overall DSG deficit.

3. DSG BUDGET UPDATE FOR 2021-22

- 3.1 The current DSG settlement for 2021-22 and projected distribution/spend is included in Table 3.

TABLE 3 – DSG Forecast for 2021-22

DSG Funding Blocks	DSG Settlement 2021-22 at March 2021 £000	Block Transfer 2021-22 £000	Revised DSG 2021-22 £000	Forecast Distribution / Spend 2021-22 £000	Forecast Surplus / (Deficit) £000
Schools Block	183,081	(878)	182,203	182,022	181
Central School Services Block	1,114	0	1,114	1,114	0
High Needs Block	28,277	878	29,154	30,102	(948)
Early Years Block	17,494	0	17,494	17,068	426
Total	229,965	0	229,965	230,636	(341)

Note: the table above includes roundings

- 3.2 As agreed with Schools Forum, the 0.5% transfer from the Schools Block to the High Needs Block of £0.878m has been completed as shown in Table 3
- 3.3 The forecast surplus of £0.181m on the schools block relates to actual rates charges being lower than estimated (£0.049m) and unallocated growth (£0.132m). As agreed with Schools Forum in January 2021, the unallocated growth should support the deficit on the DSG. The growth allocation is based on pupil numbers at the October 2021 census point and the figures will be updated once this has been finalised, decisions arising from the growth and contingency papers which are separate agenda items may impact on the surplus. Any surplus on the schools block is proposed to contribute to the DSG reserve deficit.
- 3.4 The central schools service block is expected to be spent in full.
- 3.5 The projected in-year deficit on the high needs block is expected to be £2.155m, which reduces to £0.948m with the £0.878m transfer from the schools block and savings of £0.329m identified in the DSG Deficit Recovery Plan. Included in this figure is £1.352m of estimated in-year growth. Further information can be found on this in a separate agenda item.
- 3.6 The early years block is currently estimated to be in surplus. However, due to the impact of the pandemic, the DfE are changing the funding mechanism for early years in 2021-22. Funding will be based on data collections in Summer 2021, Autumn 2021 and Spring 2022 terms. This is different to prior years when the funding has been based on the Spring census data only. A detailed breakdown of the estimate is included at Table 4.

TABLE 4 – Early Years Forecast 2021-22

Early Years Funding Block	Early Years DSG Settlement 2021-22 at March 2021 £000	Forecast Distribution / Spend 2021-22 £000	Forecast Outturn Surplus / (Deficit) £000
3 and 4 Year Olds Universal Entitlement	9,117	8,802	315
3 and 4 Year Olds Extended Entitlement	4,335	4,032	302
2 Year Olds	2,820	2,982	(161)
EY's Pupil Premium	136	166	(30)
Disability Access Fund	73	73	0
Centrally Retention (3 & 4 Year Olds) based on 5% Retention	711	711	0
Centrally Retention (2 Year Olds)	69	69	0
SEN Inclusion Fund - 3 & 4 Year Olds	216	216	0
SEN Inclusion Fund - 2 Year Olds	16	16	0
Total	17,494	17,068	426

Note: the table above includes rounding's

- 3.7 The forecast distribution is based on the anticipated participation for 2020-21. It is extremely difficult to project participation, especially in light of the pandemic; therefore, the figures are likely to fluctuate as we progress through the year.
- 3.8 The change in funding mechanism will have an impact on the 2021-22 early years funding for the council and will need to be monitored closely throughout the year to assess the impact. There is a risk that participation will increase after the data collection point and funding allocated will not be sufficient to cover the actual cost, updates will be reported to Schools Forum throughout the year.
- 3.9 An Early Years Funding group has been established and will be meeting throughout the year. Priority areas for review are deprivation and SEND Inclusion fund. Papers will be brought to Schools' Forum to agree any changes to the current funding mechanism.
- 4. DSG RESERVE AS AT 31 MARCH 2021 AND ESTIMATED POSITION AT 31 MARCH 2022**
- 4.1 Table 5 provides details on the closing position of the DSG reserve for 2020-21 and the estimated position of the DSG at 31 March 2022.

TABLE 5 – DSG Reserve

	2020/21 Surplus / (Deficit) £000	2021/22 Forecast Surplus / (Deficit) £000
DSG Reserve Brought Forward	(557)	(1,686)
Schools Block Changes		
In year surplus on business rates	51	49
In year surplus on growth fund	244	132
Schools Block Subtotal	296	181
In year deficit on Central Schools Services Block	6	0
In year deficit on High Needs Block	(1,822)	(948)
In year surplus on Early Years	703	426
Variation to Early Years Block 2019-20 Adjustment	(18)	0
Estimated Early Years 2020-21 Adjustment (TBC November 2021)	(293)	0
DSG Reserve after Commitments	(1,686)	(2,027)

Note: the table above includes rounding's

- 4.2 In 2020-21, there has been an increase in the deficit in the reserve mainly as a result of the in year high needs deficit. Contributions to the reserve have reduced the burden but there is still a significant issue to resolve.
- 4.3 If the 2021-22 projections materialise there would be a deficit of £2.027m on the DSG. A deficit recovery plan has been developed and submitted to the DfE. Discussions have been held with the DfE and are ongoing. Further information on the high needs deficit recovery can be found in a separate agenda item. The position will be closely monitored throughout the year and updates will be reported to Schools' Forum.

5. RECOMMENDATIONS

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