

<b>Report to:</b>	<b>SCHOOLS' FORUM</b>
<b>Date:</b>	22 June 2021
<b>Reporting Officer:</b>	Caroline Barlow, Assistant Director of Finance. Tim Bowman, Director of Education, Tameside and Stockport.
<b>Subject:</b>	<b>DSG CONTINGENCY FUND</b>
<b>Report Summary:</b>	This report provides an update in relation to the DSG contingency fund. The report requests Schools Forum to agree changes to the allocation criteria and the approval process.
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>• Schools Forum Members approve the school-led representation for contingency allocation decisions to be via recommendations from the Schools Funding Group.</li> <li>• Schools Forum approve the proposed fund limits.</li> <li>• Schools Forum make recommendations regarding the merging of the Primary and Secondary Sectors.</li> </ul>
<b>Corporate Plan:</b>	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.
<b>Policy Implications:</b>	In line with the financial and policy framework
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p>The Dedicated Schools Grant (DSG) is a ring-fenced grant solely for the purposes of schools and pupil-related expenditure.</p> <p>The contingency fund has been established to mitigate the financial risk of deficit schools converting to academies and to support schools in deficit in significant financial difficulties.</p>
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	The legal implications in relation to the DSG are set out in the main body of the report.
<b>Risk Management:</b>	The correct accounting treatment of the DSG 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 DSG is in deficit at the end of 2020-21 is £1.686m and 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.
<b>Access to Information:</b>	This report does not contain information which warrants its consideration in the absence of the press or members of the public.
<b>Background Information:</b>	<p>The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Children's and Safeguarding Services</p> <p>Telephone: 0161 342 3216 e-mail: christine.mullins@tameside.gov.uk</p>

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of this paper is to provide a reminder of the intent and purpose of establishing a schools contingency fund in Tameside, and to consider if it is appropriate to make any further amendments to the allocation basis and criteria.
- 1.2 In 2019-20 mainstream secondary maintained schools voted to de-delegate budget for Contingency and have continued to do so since. Mainstream primary maintained schools voted to establish a contingency fund in 2021-22.
- 1.3 The contingency budget has been established to support those schools facing a deficit budget position or to support the DSG against any future pressures where schools are closing or are forced to convert to an academy leaving a deficit balance, as this would need to be funded from DSG.
- 1.4 A school with a deficit balance transfers the balance to the Academy Trust where the transfer to Academy is a convertor route, i.e. the School chooses via an Academy order to convert to an Academy. The balance remains a DSG issue where the schools are a forced conversion as part of a Sponsored Academy conversion route required by the Secretary of State.
- 1.5 Schools Funding Group was asked to consider criteria for an allocation process to be established which are outlined in section 3. These were agreed by Schools Forum on 17 December 2019.

## **2. DEFICIT SCHOOLS**

- 2.1 Where a school is in deficit or facing deficit in the next financial year they will be subject to a review in line with the School Deficit Recovery process as outlined within the Tameside Scheme Financing, the Local Authority (LA) will work very closely with the school and its Governors to support them to manage the deficit and ensure action is taken to address it.
- 2.2 It is also anticipated that consideration could be given to provide funding for schools struggling to manage deficits. This would be where financial issues are beyond the control or influence of the Headteacher and where significant action has been taken to bring the plan back into balance and where further cuts are likely to impact on the attainment of the pupils in the school.
- 2.3 It was acknowledged that whilst schools are facing financial pressures, it's prudent to establish a contingency budget to protect future pressures against the DSG which will affect all schools. The aim was to create a contingency fund of approximately £159k.

## **3. ALLOCATIONS FROM THE FUND**

- 3.1 The allocation process was established as follows:
  - Allocations from the fund should not be made until the fund reaches the suggested level
  - Allocations should be sector-specific unless all sectors agree to contribute to the fund
  - Decision on approvals from the fund will be agreed by Director of Education and the Assistant Director Finance
  - There should be school sector representation as part of the approval process but the representation should not include the requesting school
  - When a school is facing financial difficulty a request should be submitted by the school outlining their case for consideration
  - Allocations will only be made where sufficient funds are available.

- 3.2 Support will be provided for schools in deficit and therefore in financial difficulty through the normal deficit recovery process, in line with the LA approach to managing licenced deficits.
- 3.3 Alongside this, the LA will support any schools closing with deficit balances to minimise the impact and potential pressure on the DSG.
- 3.4 The contingency contributions to date are as follows:

<b>Contingency Contributions</b>	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
Balance at 31.3.2021		65,205.42	<b>65,205.42</b>
2021-22 De-delegations	67,432.00	33,383.00	<b>100,815.00</b>
<b>Total Contributions</b>	<b>67,432.00</b>	<b>98,588.42</b>	<b>166,020.42</b>
Target Balance	159,000.00	159,000.00	<b>318,000.00</b>
<b>Shortfall</b>	<b>(91,568.00)</b>	<b>(60,411.58)</b>	<b>(151,979.58)</b>

- 3.5 Both sectors are two financial years away from the contributions reaching the targeted amount. It is recommended that a minimum balance should be maintained.

#### 4. FUTURE CONSIDERATIONS

- 4.1 A paper was presented to the Schools Funding Group (SFG) to consider the following areas;
- Are there any further criteria that should be considered as part of the allocation basis?
  - If the sectors reach the targeted balance should the funds be merged?
  - In terms of the school sector representative who would make the decisions on allocations who do we think is the appropriate representative, Head Teacher? Business Manager? Governor or a mix?
  - Should there be criteria for the schools representative/s in terms of their own school financial health?
  - De-delegation does not apply to special schools, however special representatives can choose to make contributions to establish a contingency fund that will work in the same way, is this something to be considered?
- 4.2 SFG discussed these matters and make the following proposals for Schools Forum to consider.
- 4.3 The group discussed the nature of the fund and agreed that the criteria outlined in the original paper to Schools Forum were still relevant and appropriate so did not feel further areas should be considered. As funding is limited for schools they felt it was not appropriate to create expectations that a fund was readily available to invite bids from schools, but it should be there to support schools who were in significant and extenuating circumstances.
- 4.4 Fund levels – The initial balance recommended was £159,000 which represented 10% of deficit balances at the time. There has been significant work by the schools in deficit, with support from the Finance team, which means 10% of balances in 2020/21 stands at £42,400, however the amount currently held would not cover the largest deficit if that school were to become a Sponsored Academy. There was a recommendation from the group that there should be a collar and cap approach taken to the fund.
- 4.5 It is proposed that to apply a minimum level of 10% of deficit balances, with a maximum of the total outstanding deficit balances in the prior full financial year. To address the deficit risk to the DSG, the levels for 2022/23 would be:

Minimum	£42,400
Maximum.	£424,200

Schools Forum is requested to consider the values proposed and whether or not a further buffer should be set aside for in-year allocations for specific issues with schools facing extenuating financial risks.

- 4.6 The group discussed school representation in the decision making on requests from the contingency fund. It was felt that appropriate support to the decision making by the Directors, should be via recommendations from SFG as opposed to any one individual. This would enable colleagues to maintain relationships with schools requesting support from contingency.
- 4.7 SFG discussed the contributions in each sector, and whilst it is recognised that the values in each sector would be different due to pupil numbers and number of contributing schools. All parties discussed the fact that primary schools were later to contribute to the fund than secondary schools and that merging of the pot could be considered when the contributions were more evenly matched and if the separate sectors agreed. No specific recommendation was made by the group in relation to this, Schools Forum opinion is sought.
- 4.8 In relation to the special schools creating a contingency fund it was agreed that the special sector would be written to and asked if they would like to establish a separate fund.

## **5. RECOMMENDATIONS**

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