

Schools Forum 25th June, 2024

Report of the Director of Children's Services

Dedicated Schools Grant Outturn and School Reserves 2023/24

Purpose of Report

1. To provide Schools Forum with financial data in respect of the Schools Budget funded by the Dedicated Schools Grant (DSG) for the 2023/24 financial year ended 31 March 2024.

Schools Forum Role and Responsibilities

2. The Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.

Recommendation

3. To note the 2023/24 DSG Outturn and DSG Accumulated Reserve which are detailed at Appendix A and Appendix B of this report.
4. Schools Forum to note the 2023/24 financial outturn in respect of the reserves for Dudley maintained schools.

Background

5. The Dedicated Schools Grant (DSG) is a DfE ring fenced grant which funds the Schools Budget. The Schools Budget is a combination of centrally retained budgets from the Central School Services Block, Early Years Block and High Needs Block of the DSG together with the ISB (Individual Schools Budget).
6. The DSG can only be applied to meet expenditure properly included in the Schools Budget, as defined by the School and Early Years

Finance (England) Regulations 2023.

7. At outturn stage, the Local Authority is required to append an additional note to the Statement of Accounts confirming the deployment of the DSG in support of the Schools Budget, as required by the Accounts and Audit (Amendment) (England) Regulations 2015. The Chief Finance Officer is also required to confirm final deployment of the DSG in support of the Schools Budget in connection with the Section 251 Outturn form.
8. The annual audit in respect of 2023/24 will commence in July 2024.

DSG Outturn for 2023/24

9. For the 2023/24 financial year the DSG was £319.439m. Of this allocation £145.978m was payable by the Education and Skills Funding Agency directly to Dudley's 53 Primary and Secondary Academy Schools giving Dudley a net DSG of £173.461m. Business rates for both maintained and academy schools are included within this at a total of £2.412m, as the local authority adopted the new approach to accounting for business rates within the DSG.
10. From December 2019 Cherry Tree Home & Hospital provision converted to academy status. Place funding for 76 places is recouped directly from High Needs Block, with Hospital Expenditure commissioned directly by the Local Authority and paid monthly.
11. Dudley's net DSG of £173.461m was allocated:
 - a. Centrally retained budget areas £53.165m, assuming an in year deficit of £4.646m would be carried forward via the DSG Adjustment Account.
 - b. De delegated budget of £0.235m
 - c. Maintained School's delegated budgets and funding for the early years provision, in both the maintained and independent sector of £117.650m.
 - d. Business Rates of £2.412m
12. For the purposes of declaring the DSG outturn, the amount of Individual Schools Budget (ISB) actually distributed to schools is regarded, for DSG purposes, as spent by the authority once it is deployed to schools' budget shares. School reserve balances are reported later within this report.
13. For 2023/24 the DSG cumulative deficit of £28.715m will be held in the DSG Adjustment Account: this includes the deficit brought forward from 2022/23 of £22.080m. The deficit will need to be resolved in future years as part of the High Needs strategic recovery plan. Full

details of reserve transactions are reported in Appendix B of this report.

14. The School Specific Contingency reserve remains ring fenced as at 31 March 2024, the reserve closed with a surplus balance of £0.980m. Table 1 below summarises the reserve position at year end.

Table 1 – Central DSG Reserve Summary

	Central DSG Reserve	School Specific Contingency Reserve	Total Reserve
	£ m	£m	£m
Cumulative roll forward DSG reserve Available at 1/4/2023	(23.317)	1.237	(22.080)
Less net expenditure in 2023/24 <i>(details Appendix B)</i>	(6.378)	(0.257)	(6.635)
Accumulated carry forward balance to 2023/24	(29.695)	0.980	(28.715)

Dedicated Schools Grant Conditions of Grant and the DfE

15. To compile the DfE annual school reserves and Dedicated Schools Grant assurance testing data the DfE request information from Local Authorities in relation to the deployment of the Dedicated Schools Grant (DSG) for the Outturn to be signed off by the Director of Finance and Legal Services usually during July in respect of the preceding financial year.
16. Under Schedule 2 of the School and Early Years Finance (England) Regulations 2022, local authorities are required to carry forward overspends to their school's budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.

17. The impact of these statutory provisions will be that a Local Authority with a DSG deficit from the previous year must either:
- carry the whole of the deficit forward to be dealt with in the school's budget for the new financial year,
 - carry part of it forward into the new financial year and the rest of it into the following financial year,
 - carry all of it into the following financial year,
 - apply to the Secretary of State for authorisation to disregard the requirements in Schedule 2 relating to deficits if it wishes to fund any part of the deficit from a source other than the DSG.

Further conditions relating to DSG overspends and deficits

18. Any Local Authority that has an overall deficit on its DSG account at the end of the 2022 to 2023 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the Local Authority must:
- Provide information as and when requested by the Department about its plans for managing its DSG account in the 2023/24 financial year, and subsequently,
 - Provide information as and when requested by the Department about pressures and potential savings on its high needs budget,
 - Meet with officials of the Department as and when they request to discuss the Local Authority's plans and financial situation,
 - Keep the Schools Forum regularly updated about the Local Authority's DSG account and plans for handling it, including high needs pressures and potential savings.
19. The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

Individual Schools Budgets – DSG Expenditure

20. Table 2 summarises the schools' opening reserves of £7.593m at 1 April 2023 and the movement to the closing position of £6.188m at 31 March 2024.

Table 2 – School Reserve Balances from Delegated Budgets

Reserve Type	2023/24 Opening Balance	Adj. for Academies	Net addition to / (Use of) Reserves	2023/24 Closing Balance
	£m	£m	£m	£m
Specific Contingency	5.456	(0.473)	(0.951)	4.032
Boarding Capital Projects	1.575	0.000	0.309	1.884
LA Capital Projects	0.953	0.000	(0.055)	0.898
Approved Capital Loans	(0.131)	0.000	(0.021)	(0.152)
Reserves to Balance Budget/ Deficit Budgets	(0.259)	0.000	(0.215)	(0.474)
	7.593	(0.473)	(0.933)	6.188

21. Table 3 provides further detail of the movement in school reserves.

Table 3 – Movement in School Reserves

	£ m
Opening balances at 1/4/2023	7.593
Reserves utilised by maintained schools during 2023/24	(1.861)
Adjustment for Academies	(0.473)
Additions to Reserves during 2023/24	0.274
In year surplus balances for schools at 31 March 2024 (added to reserves)	2.199
In year deficits for schools	(1.523)
New Loans	(0.056)
Loan repayments	0.035
Closing balance at 31/03/2024	6.188

22. The reserves in Table 4 relate to activities such as before and after school clubs, extended school arrangements, cluster arrangements, adult education and leisure activities.

Table 4 – School Trading Accounts Reserve Balances

Reserve Type	2023/24 Opening Balance	Adj. for Academies	Net Increase in Reserves	2023/24 Closing Balance
	£m	£m	£m	£m
School Trading Accounts	1.931	(0.117)	0.119	1.933

23. The Scheme for Financing Schools provides detail of the Local Authority Balance Control Mechanism (BCM) which gives the Director of Children’s Services authority to remove balances in excess of 8% of School Budget Share (primary and special schools) and 5% of School Budget Share (secondary schools). For those schools that set aside reserves to balance the following year’s budget, but subsequently don’t require some or all the amount set aside, the Director of Children’s Services may claw back the excess amount.
24. At 31 March 2024 ten schools held balances greater than those permitted within the Balance Control Mechanism. The value of these reserves is £0.523m. It has been determined by the Director of Children’s Services and the Service Director for Early Help, Schools, SEND & Family Solutions that these surplus reserves will not be removed from the schools and retained centrally.
25. Twenty Three schools set aside reserves to balance their 2023/24 budget. The value of these reserves is £2.102m. It has been determined by the Director of Children’s Services and the Service Director for Early Help, Schools, SEND & Family Solutions that any surplus reserves will not be removed from the schools and retained centrally.
26. At 31 March 2024 eleven schools ended the year with financial deficits. All schools had previously notified the Local Authority of their financial position. The relevant schools have been contacted in order to provide details of the respective financial plans to recover deficits which will be deducted from the 2024/25 school budget in the first instance. The Local Authority is working with these schools to balance its budget in 2024/25.
27. During 2023/24 no schools operated with a Licensed Deficit.

HTCF - Budget Working Group Discussed

28. Yes – 18 June 2024.

Finance

29. From 1 April 2006, the Schools Budget has been funded by a direct grant: Dedicated School Grant (DSG).

Law

30. The Schools Forum is a statutory decision making and consultative body constituted in line with the School Standards and Framework Act 1998, and its associated regulations, including the Schools Forum (England) Regulations 2012, to enable members of the local school community to work in partnership with Dudley Metropolitan Borough Council when making decisions about school funding and finances.

31. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2023.

Risk Management

32. There are no material risks to the Council's Risk Management Framework resulting from the contents of this report

Equality Impact

33. This report has no direct implications for the Council's commitment to equality and diversity.

Human Resources/Organisational Development

34. This report has no direct implications for human resources, organisational development or service transformation.

Commercial/Procurement

35. There is no impact on the potential to commercially trade and no impact on our customer base.

Council Plan

36. The 2022/2025 Council Plan is clear in its ambitions for educational outcomes including raising skills, educational and work potential, increasing good or better schools and closing the gap for disadvantaged pupils.
37. This report relates to the use of the Dedicated Schools Grant funding to support the educational outcomes of children and young people in the borough.
38. As a result of the Council's focus on an Improvement and Sustainability Programme, the current Council Plan has been paused to allow a new one-year plan which will reflect the focus on improvement and financial sustainability.



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Background Papers

Appendix A – Dedicated Schools Grant Outturn Statement 2023/24 – as at 31 March 2024.

Appendix B – Dedicated Schools Grant Accumulated Reserve – as at 31 March 2024.

Dedicated Schools Grant Outturn 2023/24**Appendix A**

Directorate of Children's Services DSG Budgets	2023/24 DSG Latest Budget £m	2023/24 DSG Forecast Outturn £m	2023/24 Variance () = under spend £m	Comments
Individual Schools Budget (ISB)	120.857	120.857	0*	*Schools can roll-forward any under spend (Nursery, Primary, Secondary & Special) Dudley 6 th form school - OSH
Post 16 pupils - 6 th Form Funding	1.064	1.064	0	
De- Delegated Budgets	0.235	0.235	0	
Centrally Retained Budgets	54.604	56.593	1.989	Significant pressures as a result of increased demand of Education Health and Care Plans.
Education Funding Agency (ESFA) 6 th form grant	(1.064)	(1.064)	0	Oldswinford Hospital School
Use of DSG Reserve	(4.646)	22.080	26.726	Original budget assumed deficit position of £4.646m on high needs block for 2023/24 and B/Fwd deficit of £26.676m from 2022/23.
Total DSG payable to Dudley 2023/24	171.050	199.765	28.715	

Academy Schools Funding paid to School via ESFA	145.978	145.978	0	Allocated to Academy Schools directly via the Education & Skills Funding Agency 47 schools at 31 March 2023
Business Rates Allocation	2.412	2.412	0	Centralised business rates for maintained schools and academies – note new system from 2022/23
Total DSG 2023/24	319.439	348.155	28.715	

Centrally Retained Dedicated Schools Grant Reserve Expenditure

Reserve Category	Opening Balance as at 01/04/23 £m	Additions to Reserves in Year £m	Use in Year £m	Net Use of Reserves £m	Closing Balance as at 31/03/24 £m
<u>Central DSG Reserve</u>					
High Needs Block	(26.676)		(6.812)	(6.812)	(33.488)
Early Years Block	2.989	0.689		0.689	3.678
Central School Services Block	0.370		(0.254)	(0.254)	0.115
Total Central DSG Reserve	(23.317)	0.689	(7.066)	(5.869)	(29.695)
School Specific Contingency					
Rates Adjustments		0.266		0.266	
Professional Development Programme Grant – ring fenced			(0.088)	(0.088)	
Transfer from reserves – Growth Fund			(0.435)	(0.435)	
Total School Specific Contingency Reserve	1.237	0.266	(0.523)	(0.257)	0.980
Total DSG Reserve	(22.080)	0.266	(1.165)	(0.899)	(28.715)